

PD-ABM-~~866~~
867

99245

FINAL EVALUATION OF THE SALVADORAN FOUNDATION FOR ECONOMIC AND SOCIAL DEVELOPMENT (FUSADES)

Submitted to:

USAID El Salvador

July 15, 1995

Contract Number:

519-0287-C-00-5023-00

Submitted by:

Management and Business Associates, Inc.

4275 Aurora Street, Suite F

Coral Gables, FL 33146

Phone: 305-443-3888

Fax: 305-444-7953

MEMBERS OF THE MBA FUSADES EVALUATION TEAM

Ron E. Bobel, Economist

Mr. Bobel is a senior international trade specialist with over 25 years of professional experience as an economist, realized in long-term positions on a global scale, including such countries as Venezuela, Peru, Brazil, and Hong Kong. He took early retirement from USAID where, among other posts, he was Deputy Chief of the Office of Private Enterprise Development at the Asia Bureau. Mr. Bobel also designed, developed and managed economic development programs in trade promotion and investment projects in Asian countries for the U.S. Trade and Development Agency in Hong Kong. Mr. Bobel holds Masters Degrees from Harvard in government and, a Masters Degree in Economics from the University of Michigan.

Joseph J. Borgatti, FIDEX Industrial Portfolio

Mr. Borgatti has over 40 years of professional experience, including 19 years with Citibank primarily in Central America. He has spent five years as CEO of an investment company operating in 22 countries throughout in Latin America. For the past ten years, Mr. Borgatti has been an independent international finance consultant on a world-wide basis. Before becoming a consultant, Mr. Borgatti was CEO of the ADELA Investment Company. There he guided ADELA through financial reorganization and rehabilitation of its investment portfolio, which involved restructuring and sale of dozens of industrial enterprises. While an executive with Citibank, Mr. Borgatti opened branches for Citibank throughout Latin America and managed the bank's activities in such nations as Argentina, Uruguay, Paraguay, Guatemala, and El Salvador. He holds both an undergraduate degree and MBA from Harvard University.

Thomas W. Mooney, FIDEX Agroindustrial Portfolio

Mr. Mooney has dedicated 37 years to development banking in Latin America, where he has specialized in agricultural lending in Central America. He began as the loan officer for Central America on behalf of the International Bank for Reconstruction. As a loan officer for ROCAP and for the six USAID missions throughout the Central American region, Mr. Mooney was responsible for USAID's relationship with the Central American Bank. Mr. Mooney has been the Regional Representative to Central America for the ADELA Investment Company, where he developed, negotiated and supervised 25 equity investments. He also served on the Board of Directors of these Central American companies and worked exclusively with equity investments. Mr. Mooney later established The Latin American Agribusiness Development Corporation (LAAD) subsidiary in Central America. Mr. Mooney was President of LAAD Central America for 19 years. LAAD received four loans from USAID for a total of \$32.0 million. Mr. Mooney holds a BS in Economics from Washington University and has attended graduate programs at the University of Munich, The Sorbonne and The George Washington University. Mr. Mooney served with distinction in the U.S. Army Air Corps from 1942-1946 in China, Burma, and India Theater of Operations.

David A. Schrier, International Trade Specialist

Mr. Schrier is a principal of Management and Business Associates, Inc., where he heads the international division. He has been an economic development consultant since 1969 when he served as a Peace Corps volunteer in a rural Dominican village. He has a country-level practice with

experience in the private sector, agriculture, health, and education. He has worked extensively in Latin America, Central Europe, Africa, Central Asia, and Southeast Asia. Mr. Schrier holds an MBA in International Trade and a Doctorate in Organizational Development from The George Washington University.

Al Zucca, Private Sector Component, FUSADES and FORTAS

Mr. Zucca served as a career foreign service officer specializing in economic/commercial affairs. Among other positions he served as a senior counselor/minister counselor, the Department's highest level policy and program career in commercial affairs. In this position, Mr. Zucca's responsibilities focused on overall policy and management responsibilities for trade and investment promotion. He served as commercial counselor in Italy, where he managed 36 people in a U.S. export and investment technology promotion program. Mr. Zucca has worked in economic development with the U.S. Government throughout the world, including Europe, Africa, Latin America and Asia. Mr. Zucca is an independent consultant and holds BS from the Foreign Service Program at Georgetown University and Columbia University. Mr. Zucca has attended graduate programs in economics at both Columbia University and The George Washington University.

FINAL EVALUATION OF FUSADES: TABLE OF CONTENTS

Executive Summary	8
Primary Findings, Conclusions and Recommendations	13
Lessons Learned	21
1. FUSADES' Staff, Management and Divisional Performance	22
1.1 Capability of Full-Time Staff of FUSADES	22
1.1.1 FIDEX	22
1.1.2 FORTAS	22
1.1.3 PRIDEX	23
1.2 FUSADES' Organizational and Management Strategy	23
1.2.1 Organizational Design	23
1.2.2 Planning and Organizational Policy	26
1.2.3 Deployment of Human Resources	28
1.2.4 Leadership	30
1.2.5 The Project's Impact on Organizational Effectiveness	33
1.3 Gender Impact on Project Effectiveness	34
1.3.1 FUSADES	34
1.4 Non-USAID Funding (both historical and planned)	38
1.4.1 DEES, PRIDEX and FORTAS	38
1.5 FUSADES' Role on Sustainability Issues	40
2. Analysis of PRIDEX	44
2.1 PRIDEX's Background and Overview	44
2.2 Methodology	46
2.3 PRIDEX Operating Environment	46
2.3.1 Constraints	46
2.3.2 Positive Factors	47
2.4 PRIDEX Impact	48
2.5 Description and Evaluation of PRIDEX Activities	54
2.5.1 Investment Promotion	54
2.5.2 Export Promotion	56
2.6 Technical Assistance	58
2.7 Sustainability and Plans for PRIDEX's Future	61
2.7.1 PRIDEX's Vision for the Future	61
3. Analysis of DEES	64
3.1 The DEES Program	64
3.1.1 Appropriateness of Criteria for Determining Areas of Studies and Policy Output for GOES	64

3.1.2	Impact of Policy Studies on GOES	69
3.1.3	Impact in Influencing Private Sector on Benefits of Free Enterprise Model	75
3.1.4	Impact of Dissemination Efforts and and Relationship to Project Goals	78
3.2	DEES Management and Organizational Factors	82
3.2.1	DEES' Organization and Management Approach	82
3.2.2	Expertise for Policy Recommendations to GOES	86
3.2.3	DEES and its Organizational Environment	87
3.2.4	Cost Effectiveness of DEES' Activities	89
3.2.5	FUSADES' Future Vision of DEES Following PACD Compared to Current Deployment of Human Resources and Strategy	91
3.2.6	Revenues Needed to Sustain Future Scenarios for DEES	93
3.2.7	Relationships with Other Institutions	93
3.2.8	Organizational Considerations Viewing DEES as an Independent Unit and as a Division of FUSADES in the Future	95
4.	Public Sector Component	97
4.1	Background, Constraints and Impact	97
5.	FIDEX Agricultural Portfolio	100
5.1	Agribusiness in El Salvador and FIDEX's Influence on It	100
5.2	Agribusiness Operations of FIDEX: Composition and Field Visits	101
5.3	Field Visit Evaluations	103
5.3.1	Viveros Xochicali	103
5.3.2	Banana Tropic	104
5.3.3	Pescanova	105
5.3.4	Ornesa	106
5.3.5	Fruvex	107
5.3.6	Del Tropic	109
5.4	Overview of Agribusiness Portfolios	110
5.5	Administrative and Financial Details of Grants 303 and 327	111
5.6	The Structure of FIDEX	114
5.7	Impact of FIDEX's Agribusiness Portfolio	115
5.7.1	Impact on Employment	115
5.7.2	Impact on Export Income	116
5.8	DIVAGRO: A Brief Note	117
5.9	FIDEX Agribusiness Operations Overview	117
6.	FIDEX Industrial Portfolio	119
6.1	Description of Subprojects Created Since Implementation of Industrial Credit Fund	119
6.2	Determination of Impact of Loans Provided	123
6.3	Accessibility of FIDEX as Developmental Credit Source	126

6.4	Relationship of FIDEX Loan Policies and Portfolio to Project Objectives	130
6.5	Analysis of the Funds Management Agreement between FIDEX and BANFIDEX	134
7.	FORTAS	140
7.1	Project Background and Overview	140
7.2	FORTAS' Impact on Associations	141
	7.2.1 Self-sufficiency	141
	7.2.2 Change in Roles and Objectives	142
	7.2.3 Promotion of Export Initiatives/Activities	142
	7.2.4 Increase in Membership Among Organizations in the FORTAS Component	143
7.3	Impact on Free-Enterprise system Among Those Organization Receiving Services from FORTAS	144
7.4	Strengthening of Private Sector's Image by Associations Served by FORTAS	144
7.5	Future Actions for FUSADES with Associations	145

Annexes

Annex A:	Scope of Work
Annex B:	Methodology
Annex C:	PRIDEX Interview Questions
Annex D:	Impact Measurement and Job Form Cover Letter
Annex E:	Annex E: PRIDEX Results Reports: 1992-1994
Annex F:	PRIDEX Results Report: Multi-Year Listing
Annex G:	List of PRIDEX Studies and Reports
Annex H:	Portfolio of Industrial 287 Loans
Annex I:	Loans by Borrower, Already Paid
Annex J:	Field Trips, J. Borgatti
Annex K:	FUSADES Sample Publication
Annex L:	Funds Agreement
Annex N:	Costs of Managing FUSADES' Portfolio
Annex O:	List of Shareholders of Banfidex
Annex P:	Banfidex Balance Sheet
Annex Q:	Impact Data on 287 Loans
Annex R:	Framework of Export and Investment Programs

EXECUTIVE SUMMARY

Name of Mission: USAID/El Salvador

Title of Evaluation Report: Final Evaluation of FUSADES related to Project 519-0287; 519-0327; and, 519-0336.

Purpose of Evaluation: End-of-project evaluation to assess overall impact and analyze results and to extract conclusions and recommendations from the data. The purposes of the evaluation are to:

1. Review the overall impact of the FUSADES programs funded under the Industrial Stabilization and Recovery Project, in terms of the original objectives established in each of the programs it is implementing, as well as FUSADES' institutional, managerial, financial and technical strengths and weaknesses;
2. Examine the FIDEX Program of FUSADES focusing on the industrial portfolio under Project 519-0287;
3. Assess the impact of the public sector component of the 519-0287 Project, under the former Ministry of Foreign Trade (now Ministry of Economy) in stimulating the non traditional export sector;
4. Assess the impact of the agroindustrial portfolio of FUSADES funded by Projects 519-0327 (Agribusiness Development) and 519-0303 (Water Management), in order to assess its contribution to the development of non-traditional export activities in El Salvador; and
5. To assess the impact of the FORTAS/FUSADES program, funded under the Private Sector Initiatives Project, for improving the capacity of the private sector associations and their contribution to an improved public's perception of the private sector in El Salvador.

Project Background and Description: FUSADES and related organizational sub units to the projects identified above (under 0287) were largely begun during 1984 with an amended PACD of 1994 under two primary components: a private sector component implemented by FUSADES; and, a much smaller effort (which ended well in advance of PACD) implemented by The Ministry of Foreign Trade. The intentions of 0287 were based on helping El Salvador achieve broadly based, sustainable growth and to encourage a vigorous response by the private sector to an improved policy environment. The largest component of the evaluation is under this project whereby sub units within FUSADES include PRIDEX (a major effort to attract both foreign and domestic investment for increasing industrial product exports; The Department of Economic and Social Studies (DEES, which is the primary economic think tank in El Salvador); and, FORTAS (The Association Strengthening Activities Program).

A credit facility was built, FIDEX, for supporting the increased capacity to export both non traditional industrial and agricultural products. The industrial section of the FIDEX portfolio falls under Project 0287; and, the agribusiness section of the FIDEX portfolio falls under projects 0303 and 0327. Under project 0336 "Private Sector Initiatives," funds were utilized to some extent to fund FORTAS in order to strengthen associations related to the private sector and at one period of time DEES, the economic think tank.

These projects led to the emergence of large and powerful organizations that both individually and together were intended to have a major impact on El Salvador during a period of civil war and social upheaval.

Findings and Conclusions: USAID's strategy and assistance to FUSADES began ten years ago. Though at first things ran smoothly, more recently, it had become controversial in some circles. Despite the criticism, attention and visibility it has received during this period, USAID assistance to FUSADES increased from its initial grant of US\$9 million in 1984 to approximately US\$115 million as amended by the end of 1994.

When studied as independent units, the divisions of FUSADES resemble conventional USAID approaches seen in other Central American countries during the same period. What makes the FUSADES experience somewhat controversial is its unique mix of ostensibly economic development interventions which were, in fact, actually political interventions during a period of violent civil war. In addition to that, the massive scale of the assistance with respect to the size of El Salvador is without precedent in Latin America.

Overall, the findings of this evaluation show that FUSADES played an important and possibly crucial role in sustaining and strengthening democratic institutions during the civil war. There is evidence that El Salvador's emergence with a booming economy (5.1% GNP growth in 1994, with a forecast of 5.5% in 1995 with 10% inflation) and a laudable democratic process following its transition to peace and democracy was to a large extent due to FUSADES' impact. Under careful and objective research, the evaluation team believes this impact cannot be denied.

There are aspects of this recovery which suggest that the present rate of economic growth cannot continue, but the likelihood that it will continue at a more modest rate, consistent with the country's potential, is great. However, questions raised by USAID regarding FUSADES' impact and cost are justified and the objective analysis of these issues is supported by the need to determine accountability and lessons learned. The ability to determine the cost of FUSADES' impact is perhaps more difficult in this case, since the backdrop of this institution's ten-year history has been war and social upheaval. One should wonder, what would have been USAID's development strategy during this period had conditions been otherwise in El Salvador.

The political importance of assistance to El Salvador cannot be underestimated, even though the project documents stress conventional economic considerations—ignoring almost totally the

underlying driving force for its *raison de etre*. Mr. Cristiani, as El Salvador's newly elected president, has stated that his priority was peace, and that he would leave economic development to FUSADES. His economic platform was developed by FUSADES when he was among the opposition during the Duarte regime. When Cristiani was elected, FUSADES' top economists went over "en masse" to the new government. Thus, at a deeper level, in addition to FUSADES' undeniable economic impact, it had the effect of strengthening El Salvador's two-party system at a time when many questioned the peaceful transition of leadership. In just this one powerful example are indications of how difficult it is for an evaluation team to measure all the implications of FUSADES' accomplishments within the logical framework for monitoring a project's objectives.

Through a review of project documents, the evaluation team quickly realized that USAID's experience with FUSADES had never been clearly communicated. This being the case, the team decided the goal would be to communicate clearly the events and place them in perspective so that the reader would have sufficient information to build a balanced and informed opinion on this complex and important project.

Many critical observers have concluded over the years that FUSADES was USAID's Christmas tree, where disparate agendas were hung conveniently like ornaments—that this organizational framework created departments which proved unwieldy and were, at best, a bad fit. While much can be said to support this observation, another view would suggest that USAID, for urgent political reasons, had to quickly create a capacity for absorbing large amounts of foreign assistance with urgency in times of national crisis.

Many USAID officials during the early period remember that the primary problem discussed was the need to "move pipeline" (project funds). From 1980 until 1985, the news of the day was about the economic, social and political infrastructure of El Salvador being quickly destroyed and of the unrelenting costs of brutality. These same stories were repeated so frequently on the evening news, week after week, that some wondered how the country could have any survivors left at all.

During the period from 1979 until the peace in 1993, El Salvador was in crisis, one that the U.S. decided would not become "another Nicaragua." USAID had justification for centralizing the absorption of U.S. foreign aid, particularly since El Salvador did not have a tradition of NGOs and PVOs capable of administering assistance to constituents.

When USAID selected FUSADES as its development vehicle, it was a small think tank, founded only in 1983 and narrowly focused on economic policy research. Its evolution, rapid growth and program design was a joint effort, incorporating USAID's ideas. Perhaps peace and stability could have been attained more efficiently and at less cost, but few would doubt that USAID's goal has been achieved. The fact is that FUSADES, and to some degree all departments of that institution, made an essential and undeniable contribution to peace and support of the war-time economy in El Salvador.

The Industrial Stabilization and Recovery Project, as amended, was perceived by USAID as the cornerstone of U.S. Government efforts to support private sector development, to re-orient the economy, and to spur economic growth and social development in El Salvador. Projects conceived

and developed throughout Central America during the first half of the 1980s, including CINDE in Costa Rica and FIDE in Honduras, for example, were quite similar to FUSADES' approach. The major difference between El Salvador and the others was the immense scale of the resources USAID deployed. Because of the need to apply prompt, effective, and sizeable resources in a critical and volatile social situation, USAID assistance to FUSADES became a caricature.

The project as amended was intended to facilitate USAID's objective of broad-based sustainable economic growth by encouraging a strong private sector response to a favorable policy environment, as articulated in the 1990-1994 CDSS. Successful project implementation was to result in increased investment, expanded job opportunities, increased non-traditional exports, and greater foreign exchange earnings. Finally, as part of this strategy, the project was to illustrate the Mission's commitment to the goals of free trade and increased investment established by then President Bush's Enterprise for the Americas initiative.

Finally, issues surrounding FUSADES' huge visibility in the development community typically are dominated by critical comments. FUSADES in some ways has become a caricature frequently described by cliché. And, this is understandable due to the huge quantities of money spent over a short period of time in such a small country, during a time of war, social upheaval and the devastation of its economy. In conversations critical of the FUSADES experience, certainly there is "something for everyone." FUSADES is an anachronism, a collage of development efforts tied together by an institution that emerged "overnight"—just to administer USAID's economic development agenda. Most would admit the economic development agenda was really a political one meant to save El Salvador's democratic government system during a civil war, a war that could have gone either way.

Yet in 1995, the crisis of El Salvador is difficult for many to remember since its dramatic political and economic turnaround. During this 1995 final evaluation, FUSADES is an institution frozen in time, one that was built and nurtured during a period when political urgency forced USAID to focus on "moving pipeline" in a country where otherwise very little institutional absorptive capacity for development existed. It must have been difficult to find borrowers to take dollar denominated loans for emerging export oriented enterprises in newly developing industries during a civil war. Were these borrowers conventional USAID borrowers? For example, were borrowers in El Salvador the same profile as seen in similar lending programs in Costa Rica over this same time period? Not really. What happened is that the rules changed, overnight.

One might say that FUSADES transitioned from the "old USAID rules" to the "new USAID rules." Where the old rules were the conditions of a deteriorating economy during a period of social upheaval; the "peaking of confidence" in USAID development approach toward investment promotion and credit programs; and, where the threshold between old rules and new rules is the Peace negotiated by Cristiani. The new USAID rules include a much more critical evaluation of activities that occurred at the start of El Salvador's peace, the period of the newly emerging economic boom, a total and unchallenged return to democracy, and USAID's subsequent withdrawal of funding and stipulation of the need for program sustainability. In addition, USAID budgets and ambitions were severely tempered at the same time Peace was negotiated. These underlying reasons

have contributed to the abundance criticism received by FUSADES. On the other hand, there is much to find fault with in under careful examination of the way FUSADES implemented the programs reviewed in this final evaluation report.

Nonetheless, there were dramatic accomplishments achieved, in spite of less than ideal environment for nurturing the projects undertaken by FUSADES. For example PRIDEX created in excess of 29,000 jobs; generated approximately \$185 million in hard currency from exports; and, attracted and helped implement \$51 million in direct investment. The FIDEX project for making credit available to the industrial export sector shows higher payback than either similar USAID projects or private commercial banks in El Salvador. Furthermore, in order to attract high quality exporters (remember that El Salvador was competing against Costa Rica, Guatemala, etc.), factory start-ups required five to ten year financing—and this was only available through FIDEX, not commercial banks. It is true that the agribusiness side of FIDEX was largely marginal in terms of sustainable impact and loan payback. The evaluation points out that the flaw in the FIDEX agribusiness project was most likely based on El Salvador's lack of comparative advantage for the development of a Non-Traditional Agricultural Export industry in general. FORTAS had a very positive impact on the development of NGO/PVO and governmental infrastructure necessary to sustain private sector development. FORTAS did indeed play an important role in strengthening export associations, business associations; and rural community development organizations. The GOES public sector component of USAID's assistance produced the 1986 Export Expansion Act; the 1988 Foreign Investment Act; the 1990 Reactivation Export Act; and, transitioned the San Bartolo Free Zone into a thriving export oriented industrial zone. And, while FUSADES has been on the receiving end of criticism for many years, the management of FUSADES largely functioned as USAID originally intended. During this time FUSADES management endured USAID audits and evaluations with only mild correction.

Some might argue the historical evaluations of FUSADES were too soft, that is collaborative ones aimed at improving service delivery without being "critical enough." Yet that idea would fault USAID and not FUSADES; and, might be explained by the earlier discussion of "old rules/new rules." Overall, the final evaluation of FUSADES shows very powerful achievement that likely had a profound impact on El Salvador's successful transition into peace; the strengthening of democratic institutions; and, the building of a strong post war recovery.

PRIMARY FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Please note that since this is a final evaluation where USAID support ended prior to the evaluation team's arrival, recommendations largely take the form of global lessons learned. More extensive recommendations than those in this final evaluation would require full blown consultations with substantial level of effort and these would focus on sustainability.

FUSADES and the Management of the Assistance by USAID

Findings

The final evaluation explains the problems achieving the development of both non-traditional agricultural and industrial export industries with targeted credit programs for each during times of civil war and social upheaval. Furthermore, the enormous scale of the total FUSADES assistance is largely explained by political motives rather than strictly economic development reasoning. Additionally, El Salvador lacked a PVO/NGO infrastructure so there was no organizational/service delivery capacity. There was simply no existing organizational mechanism that could have been used that had the required absorptive capacity to manage the scale of the package of projects required. For these reasons, together with the urgency for immediate action, USAID chose to use FUSADES, a small economic think tank, to develop as the "contractor" for project that grew to require funds of approximately \$115 million of development activity.

Conclusions

FUSADES to a large extent successfully implemented the USAID projects described in the final evaluation. Along the way, conflict between USAID and FUSADES occurred in a predictable way, that is differences of opinion and "control" of activities regarding "approach" at the level of detail not specifically articulated by formal written agreement. This is the conventional situation facing USAID in most countries regarding the degree USAID can dictate and micro manage.

On the other hand, FUSADES did abide by its USAID agreements and implemented the evaluated projects appropriately and successfully. Along the way, USAID management became frustrated with their level of control, that FUSADES was not working as closely with USAID project managers as USAID wanted. Communication from the various FUSADES projects was not as timely or complete regarding decisions on approach as was desired or necessary.

It would seem that USAID needed deeper, more constant and timely information from the FUSADES' projects in order to have more control and a closer working relationship. Some USAID managers achieved this through informal understandings with their counterparts—others could not or would not. Notwithstanding the cultural and nationalistic reasons for control by FUSADES as a

host country institution, USAID should have been able to operate from a position providing more control.

Perhaps the most obvious separation between FUSADES and USAID was that USAID project managers did not have offices and report to FUSADES, they had offices in USAID. This single factor is a pivotal one with respect to the development of a close working relationship. Other USAID missions in the region chose to have their project managers' offices in the PVO/NGO institution working together with their counterparts.

Recommendations

It is very clear that much of the frustration felt by USAID could have been avoided by having the formal agreements acknowledge that USAID project managers would have their primary offices in their FUSADES project office. Many of the other issues with respect to control would have been avoided with this simple measure.

DEES and the Department of Legislation

Findings

The Center of Studies consists of two departments—the Department of Economic and Social Studies (*Departamento de Estudios Economicos and Sociales* (DEES)) and the Legislation Department. DEES periodically monitors the economic and social performance of the country, offering criticism and advice in policy and program areas. We view DEES as the heart of FUSADES in the sense of it having been the only operating entity in the early years of the organization. From its inception, it prepared macroeconomic policy reports and sectoral analyses with the intent of influencing government policy. The changes it advocated included favoring free-market forces and private-sector-driven growth with equity.

The Legislation Department supports DEES' studies by analyzing the legal framework and recommends legal changes needed to support economic and social reforms. It is a much smaller unit than DEES in terms of staff and budget. The Legislation Department is headed by a Director and has a staff of three lawyers. Its action plan focuses on fiscal reform, tax reform, and the free-enterprise law. It supported the value added tax, which lowered rates but resulted in more revenue collection due to less tax evasion.

DEES also supported a free enterprise law which the Ministry of Economy and the Legislature changed to a consumer protection law. Many of the reforms were eliminated in the process, due to the influence of big business, especially those connected with the Arena party. Further details on this question are addressed later in this evaluation.

During the Duarte era, DEES built studies and economic models utilized by the opposition party, but these were geared toward the entire country, not one political faction. They presented their studies to all the presidential candidates at the time, thus strengthening the two-party system. DEES

facilitated the development of President Cristiani's economic model and platform which was successful insofar as it caused El Salvador to develop the strongest possible economy given full scale civil war. In addition, many members of the DEES professional staff served in the Cristiani Administration where ideas developed at DEES were directly implemented as government policy. Since the war was fought on both the military and economic battlefields, the strength of the economy was an important component of President Cristiani's capability to negotiate peace. Subsequently, the economic model facilitated by DEES has sustained extraordinary growth rates in the postwar economy. During 1994, the GNP grew at 5.1% and in 1995 it is predicted to grow at 5.5%, with only 10% inflation.

At the time of this evaluation, DEES had no formal relationship with the Calderón Sol Administration. While many in the current government would welcome ideas from DEES and would consider proposals—none have been presented. High-level members of government report that they only read about DEES' activities or discuss them with DEES members informally over lunch or social visits.

Conclusions

Despite hostility during the Duarte regimes and initial aloofness to it in the current administration, DEES' thinking was adopted completely by the Cristiani government. That administration's acceptance and implementation of its measures stands as one of the greatest policy successes of FUSADES to date. Much can be said to support the statement that El Salvador is where it is today, having negotiated peace and transitioned into a stable democratic government with a strong posts-war economy, because the policy prescriptions recommended by DEES were carried out by the Cristiani government.

It is troublesome to discover that, where DEES once was the government's most powerful source of opinion and research, no formal relationship exists with the current government. It is no longer in the business it dominated—the think tank of government or opposition party. One questions whether DEES has lost its identity.

Recommendations

DEES should continue to pursue its commendable efforts to replicate the success it achieved with the Cristiani paradigm, and to expand its dialog with the current crop of thinkers in power. The current president of the Central Bank, for example, feels that there is an immediate need for FUSADES to help the government develop a strategy for El Salvador in response to the "new globalization" of the world economy. As emphasis on achieving economic parity across all levels in El Salvador becomes more intense, DEES should design creative analytical models that are appropriate to the specifics of the Salvadoran setting. DEES should approach the government with formal proposals to conduct studies and provide consulting advice. This would increase DEES' impact on government and ease its dependence on income from FUSADES.

PRIDEX

Findings

Even after adjusting for flaws and lack of due diligence in its determination of results, PRIDEX has been an extraordinary success in creating jobs, hard currency and investment. They have reported 47,557 jobs created, \$280,902,191 hard currency generated through exports, and \$73,311,872 of investments were made. It is likely that, in actuality, those figures are closer to 29,408 jobs, \$185,395,446 hard currency generated through exports, and \$51,025,835 in investments.

Other indirect results that are not tracked in PRIDEX's reporting system are the secondary impact of job creation and investment in firms acting as subcontractors to the primary PRIDEX clients. Here there is undeniably enormous leverage of the results tracked by PRIDEX. For example, this would include machinery maintenance, transportation, the mini industry developed for supplying food to people at work, actual subcontracting etc. These indirect and secondary effects are a highly leveraged multiplier in El Salvador that incubates emerging small enterprise largely affecting the poor.

Conclusions

The expectation for promoting exports and attracting foreign investment during civil war, particularly where the exports and investment are targeted for non traditional and high value added sectors, might seem foolhardy, nonetheless PRIDEX produced extraordinary results.

Given that in El Salvador each working person supports on the average five people, the results in view of the constraints are laudable. PRIDEX is the only "world-class" investment promotion and export attraction organization in El Salvador capable of successfully going head to head against institutions in Guatemala, Honduras, Costa Rica and other countries competing to attract foreign direct investment.

Recommendations

PRIDEX must not only consider the profit centers and focus on income flows recommended in its sustainability plan, but it must also develop a strategy for drastic cost reduction. PRIDEX's only hope for long term program and institutional survival lies in developing a long term strategic alliance with The Ministry of Economy for financial support. Somehow PRIDEX must communicate to the government that without such a strategic alliance, El Salvador will lose foreign direct investment to countries now competing aggressively in this arena. PRIDEX should continue to pursue direct foreign investment as its primary mission. Export promotion is correctly a secondary objective since El Salvador's historical excess production capacity now appears fully utilized and since trade associations and chambers of commerce have staffed up to meet those needs.

ACTIVITY 2: FIDEX

FIDEX: Industrial Portfolio

Findings

Projects financed under the FIDEX Investment Fund have demonstrated that non-traditional exports can be developed on an important scale to provide significant increases in employment, income, investment and foreign exchange earnings. The emerging industrial export industry has received a considerable impulse from the FIDEX term-loan facility. At this writing, the demand for such financing continues.

A core of expertise has been developed to structure and service this type of project lending. Unfortunately, it is in the process of being dispersed to other organizations. Only one of these, BANFIDEX, an offshoot of FUSADES, continues to be tied to FUSADES through a funds management agreement, which itself is now tenuous.

Conclusions

FIDEX was a very successful medium-term credit program that lent close to its planned goal; facilitated the emergence of El Salvador's export manufacturing industry; and realized a very high rate of payback. Because of conditions arising from civil war and attendant social upheaval, there was a need at the enterprise level for financing with longer-than-normal commercial terms. With the state-owned development banks in utter insolvency, FIDEX was the only credit facility offering loans for five and ten years. Moreover, its security requirements were based on project analysis of assets and cash flow projections, instead of personal and property guarantees traditionally required by Salvadoran lenders. Clients were thus able to access credit that matched their needs and ability to pay. This is particularly true for the *maquila* industry, where PRIDEX concentrated its efforts, because commercial banks had a policy of not loaning to *maquilas*.

Recommendations

The country's entrepreneurs now need to expand their recently created industrial export capacity, and to modernize other parts of the industrial base. In line with the current political administration's program to dollarize the economy and extend El Salvador's industrial export capacity from border to border, USAID and FUSADES should cooperate by continuing to provide financial resources for industrial export development. The current arrangements for management of the development loan funds by BANFIDEX should be maintained. BANFIDEX has retained and developed a cadre of capable development loan officers; it has established appropriate policies and procedures; and has the possibility to augment funds from additional sources.

ACTIVITY 5: PRIVATE SECTOR INITIATIVES—PROJECT 519-0336

FORTAS

Findings

The project during its initial phase centered on the objective of export development using business associations as the principal vehicle for raising awareness of non-traditional export potential among the business community. The project's focus was changed to strengthen the associations through technical assistance, training, and material support, and to promote through them the theme of free enterprise and a favorable image for the business sector. The problem was twofold: FORTAS lacked the infrastructure to execute goals in the project paper during the early years since it was in a start-up mode and the objectives too ambitious for its ability to "ramp up" and, similarly, the FORTAS association targets lacked the infrastructure to absorb training to show short-term results. In the case of the target associations, skills training was only one of many components required for increasing performance. As it turned out, FORTAS required several years to "get up to speed" and during this time, USAID became frustrated. Once FORTAS got up to speed, its training had a profound impact on the managerial infrastructure of export associations; business associations; and rural associations.

Conclusions

It is likely that USAID's objectives were too ambitious for FORTAS given the stiff internal organizational development requirements. It is not clear whether a more collaborative and helpful relationship with USAID early on would have caused a quicker result for what FORTAS required. Or, alternatively, if the early demands for results were decreased and more realistic, perhaps USAID's frustration would have been lessened.

The initial principal objective could not be met because the business associations were too weak. When the focus was modified and resources also used to strengthen the associations, the new objectives were well met.

Recommendations

In light of FUSADES' greater emphasis on attaining social development and equitable growth, USAID should take a hard look at FORTAS' current strategies and identify areas of mutual collaboration in the use of FORTAS' institutional development mechanisms, particularly its apparently innovative creation of rural foundations. Any future assistance to FORTAS should be justified in terms of FORTAS' new focus on rural areas. This concentration employs rural foundations to further the development work of local action groups, businesses, and municipal and civil authorities.

FIDEX: Agribusiness Portfolio

Findings

While the credit facility was well conceived and it seems FIDEX was ably managed throughout, its major flaw was the assumption that El Salvador has a comparative advantage in non traditional agriculture and therefore FIDEX credit clients would be successful. The reality is that while El Salvador might possibly develop some “niches” in non-traditional agriculture, the country is not at all well endowed when compared for example to Guatemala, Nicaragua or Costa Rica.

In addition, too much of the portfolio was concentrated in large packages to two borrowers and these turned into big failures. On the other hand, farmers tend to be conservative—especially during periods of social upheaval. USAID’S urgent development agenda required substantial pipeline to be moved quickly and it appears that under the circumstances, urgency prevailed.

Conclusions

The evaluation concluded that much of the FIDEX agribusiness facility resulted in failure. The project was flawed by its dependence on the assumption of an exploitable comparative advantage in El Salvador for non traditional agriculture; and, a concentration of the portfolio into a few large loans(compared to the remainder of the loan portfolio) that were not credit worthy at the level of capital infusion provided by FIDEX.

Recommendations

More careful and critical thinking should be applied to the assumptions underpinning USAID projects. Conditions that are required for similar types of successful USAID projects in even neighboring countries may not hold for a particular country. Perhaps it was the urgency to move pipeline that should have been tempered by critical evaluation of an enterprise’s credit worthiness, or perhaps it was El Salvador’s lack of a comparatively strong non-traditional agricultural sector that led to disappointing results in the agricultural segment of FIDEX.

GOES Public Sector Component

Findings

The project was to create both a legislative and institutional framework to increase exports; and, to improve the free zone infrastructure at San Bartolo. This project is based on the correct assumption during that period that El Salvador was unable to proceed with export led growth and attraction of foreign direct investment under its then protectionist legislation. El Salvador’s legislative framework was a throwback to an earlier era. Obstacles to achieving project goals included that El Salvador’s international reserves were drained, fiscal revenues were disappearing, there was constrained bank credit and its productive sector was devastated. In spite of these constraints, USAID bravely pursued an agenda to develop and put in place a public sector infrastructure for export led growth.

Conclusions

Working with the Ministry of Economy was frustrating for USAID yet very worthwhile. Legislation produced included the 1986 Export Act that opened the door for many types of companies and rights for private free zones (private free zones subsequently flourished as planned); the 1988 Foreign Investment Act which allowed benefits and guaranties for foreign investment and transfer of capital; and, the 1990 Reactivation Export Act that extended many new ways to export. The one stop export office begun under this component is still functioning with very good reviews from both exporters and government officials. In addition, activities under the free zone segment of the project not only framed the legislation for private free zones, it also implemented the opening of the San Bartolo Free Zone in this regard. This was the only free zone at the time however private free zones soon after began to thrive as they do today. This was a very successful component of USAID's assistance, however for many reasons many only remember the frustrations in producing these powerful and needed results. History will be kinder to the GOES public sector component and it is one USAID should be very proud of. The ad hoc committees that implemented the legislation have transitioned to CONAEXI, an ongoing committee to facilitate export led growth. This is an excellent example of project sustainability.

Recommendations

USAID might want to re-visit the sustained results of the GOES public sector component. For example, CONAEXI and the one stop export CENTREX office are still functioning and USAID may find potential development activities in these areas.

Methodology

As a point of departure, the evaluation team applied a work breakdown structure to the Scope of Work provided by the Mission and this was used to develop a Table of Contents for the final report (please note that this section presents the overall methodology where the four sections of the evaluation each develop the specific applied methodology for that section). The Table of Contents then guided the development of a clear understanding of the outputs required of the team's inquiry. This understanding of outputs and final deliverable in the form of the final evaluation report guided the team in the development of an operational methodology, i.e. the instruments, specific populations and sampling of respondents, use of key opinion leaders, interview method together with data analysis and its application to the evaluation report, critical path of activities of each team member during their stay in El Salvador, etc. This evaluation team presented the operational methodology to USAID during a briefing on the fifth day in country.

Based on revisions of that approach made during the briefing, the team initiated evaluation activities and was guided throughout the research by this basic approach. Methodology is addressed in greater detail in the body and annexes of the evaluation. (See Annex A and Annex B for the Statements of Work and Methodology.)

LESSONS LEARNED

A number of lessons emerged from the evaluation, some general and some rather more specific in nature. These lessons are valuable and have merit on their own, despite the fact that FUSADES itself has been wound down. It is hoped these lessons can be applied in future to similar undertakings.

1. USAID's project managers should have their primary offices in their counterpart NGO or PVO, rather than at USAID itself. This ensures their control, knowledge and ability to stay in touch with their tasks.
2. The "suitability" of a country for a specific project should be carefully assessed and reviewed prior to committing economic, financial and personnel resources to it. Some would argue that El Salvador was a less-than-ideal candidate for non-traditional agricultural projects when compared to some of their Central American neighbors. In terms of fostering industrial projects, the country fared better, as a survey of prospects might have shown prior to project start.
3. Obliging policy change from outside through linking release of ESF dollars to internal policy change is rarely effective unless the host government is itself convinced that such change is needed. Otherwise, "lip service" will be given and empty promises made in order to secure release of the assistance. Thus, support for building internal capacity for analyzing economic policy and educating the populace about the benefits of proposed changes, while time consuming, is the most effective manner to insure that policy will change and that assistance funds make a lasting impact. By instilling a desire for true policy change at higher levels, opportunity, education and improvement of the populace at all levels is also encouraged.
4. USAID priorities in foreign assistance often change so quickly that positive results are in danger of being short lived. To go from a level of assistance whereby USAID was supplying, through FUSADES, the vast majority of funds to DEES up through 1994, to a complete cut off in 1995, puts undue strain on an organization that is expected to continue to function in an effective manner. USAID assistance should be phased out gradually. At the same time, USAID should work closely with the client in helping it secure alternative funding sources during such transitional periods to ensure sustainability in a timely and proactive manner.
5. To assure continued funding for a foundation such as FUSADES, USAID should consider devoting a portion of its yearly budget to building an endowment, as in the case of the Luso-American Development Foundation in Portugal and was considered by USAID in a business support project in Thailand. This could have been feasible in El Salvador, considering the huge influx of U.S. foreign assistance during the 1980s. Total dependency on USAID funding by any institution is dangerous, assuming it is the intention of that institution to continue once that USAID support has ended. FUSADES is now in a very difficult situation because of this circumstance and is gambling on the success of one project, La Colina, in order to survive.

1. FUSADES' Staff, Management and Divisional Performance

1.1 Capability of Full-Time Staff of FUSADES

1.1.1 FIDEX

1.1.1.1 Findings

The Director of FIDEX from 1986 through 1991 had an academic background in banking, and worked in the commercial banking field for much of his early professional life. He was co-founder of Banco Cuscatlan and worked with other banks in helping develop their portfolio. He was Vice President of the Central Bank from 1982-1984. He had been an active businessman in coffee and flour mills, and brought these experiences to FUSADES in 1986, helping to set up a professional staff and developing the water management financial portfolio for the new operation. During the transition to FIDEX, S.A., he was followed by a professional who had worked for him as credit manager, and who was also a competent professional in his own right in handling the details of the transition.

1.1.1.2 Conclusions

The staff in FIDEX was competent, and able to handle the challenges that faced the organization, up to a point, because the challenge of moving the credit portfolios in the desired volumes and adhering to developmental objectives and legal banking criteria at the same time was probably beyond anybody's ability.

1.1.2 FORTAS

1.1.2.1 Findings

The Director of FORTAS during the life of the project, Lic. José Angel Quiros, was recognized as a very competent business administrator by his business association colleagues. He was also recognized for his competence by receiving an appointment as Vice Minister of Finance in the Cristiani administration. Also cited by members of the business community for her dedication and steady assistance was Lic. Mercedes Melendez, who is still with FORTAS, in developing and implementing programs like BEDEL, and the small and microenterprise management training program.

1.1.2.2 Conclusions

These professionals had a lasting impact, and are remembered well three years after the end of the program for their help. From the evaluators observations, they are typical of the dedication and professionalism of the FUSADES staff.

1.1.3 PRIDEX

1.1.3.1 Findings

The fact that PRIDEX achieved impressive results under unfavorable conditions points only to the professional competence of its staff. Clients, owners and factory managers attracted to invest and clients receiving technical assistance for export promotion, uniformly report excellent professional service was provided. The staff responds with thorough and thoughtful answers to questions and demonstrates high levels of interpersonal competence. PRIDEX executives and middle managers speak English fluently and this is a key element for producing results in the international arena.

Staff turnover has traditionally been high for PRIDEX at the middle management level which supports the observation of its professionalism. Surprisingly, this turnover has not been negative since PRIDEX has consistently displayed talent for recruiting replacements of equal talent. The problem of staff turnover is driven by the attractiveness of PRIDEX's managers who interact with clients in the private sector and are subsequently recruited by those clients. In this sense, PRIDEX is an organization that recruits talented managers who develop skills while employed and soon leave due to high demand for their skills. The two top executives have been employed for four years and it appears their commitment is long term. The stability of these executives is a key factor that compensates for the continual turnover of middle managers.

1.1.3.2 Conclusions

PRIDEX's strength is the capability of its executives and managers. In the area of PRIDEX's central strategy, the attraction of foreign direct investment, its staff is the best in El Salvador.

1.2 FUSADES' Organizational and Management Strategy

1.2.1 Organization Design

1.2.1.1 Findings

Reflecting strongly the founding members' belief that FUSADES should be run on business principles, the organization—once it had passed its initial phase of being solely a policy “think tank”—developed a policy-making and managerial structure patterned along corporate lines.

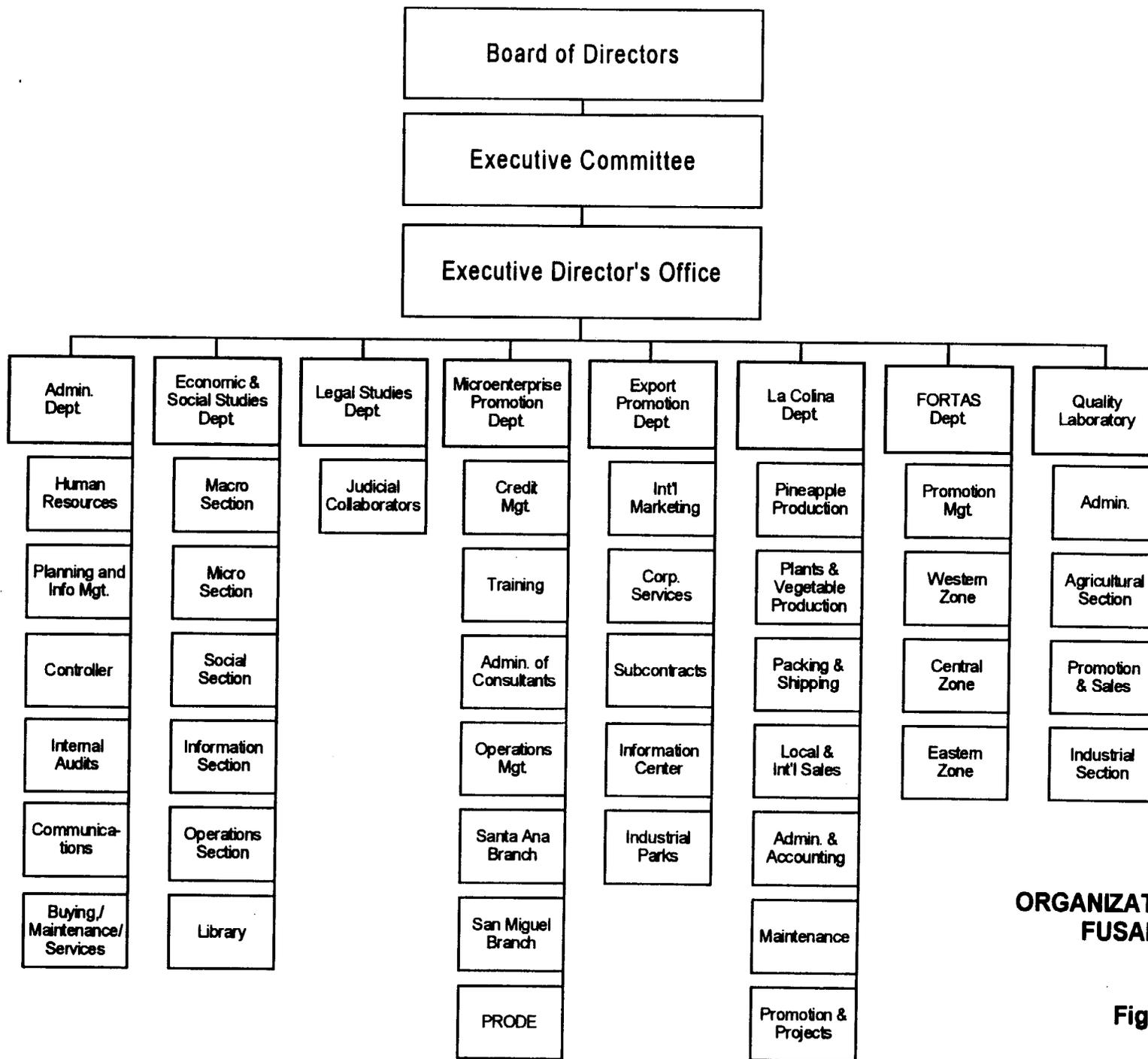
The 1983 founding statutes of FUSADES provide the mandates for organizational policy and establish the following formal organizational structure:

- A General Board, or *Junta General*, consisting of all the founding and honorary members, which meets in ordinary session once annually to approve the acts of the Board of Directors, including the Annual Report and financial statements.

- A Board of Directors, consisting of 20 founding members, elected every two years, who select among themselves the President, Vice-President, Secretary, Pro-Secretary, Treasurer, and Pro-Treasurer. The Board must meet at least thrice yearly. Its principal functions are to elect the members of the Executive Committee, name the Executive Director, expand the membership of the Foundation, oversee its internal organization and regulate its operations, delegate contracting authority to officers, and prepare inventory, balance sheets and income and expense accounts for each fiscal cycle.
- A President and Vice-President who have direct contracting responsibility for all obligations and public documentation and hold general powers (of attorney) on behalf of the Foundation. The President presides over the General Board and Board of Directors meetings, as well as those of the Executive Committee.
- An Executive Committee responsible for the overall administration of the Foundation, which consists of the President, the Vice President, the Secretary, the Treasurer, the Executive Director, and five additional members, elected by the Board of Directors among the directors or founding members. Its size may vary with each new election of the Board of Directors. The Committee meets at least once monthly and has the same powers to act as the Board of Directors by virtue of delegation, unless it is specifically limited by that Board.
- An Executive Director, who is the principal administrative officer of the Foundation. He is elected by the Board of Directors and is responsible to the Executive Committee and more specifically to the President, his immediate chief. The Executive Director administers the Foundation with respect to all functions that are not reserved to the President or the Executive Committee.

The FUSADES Organizational Chart for 1995, Figure 1.1, shows the staffing components for the most part as they now are; the numbers reflect projected staff levels in early 1995. A 24-person Board of Directors, increased from 20, meets monthly to make long-term policy and approve changes in program strategy. The 12-person Executive Committee now includes a coordinator for each program commission (see below) and meets weekly, overseeing programming activities undertaken by the permanent staff. The Executive Director has line authority over the eight departments (*direcciones*), each headed by a Director. The departments consist of sections or divisions, broken down along functional lines. The organization chart depicts the current formal organization, relatively unchanged in the past five years with the exception of the elimination of the FIDEX function and internal changes in DEES and PRIDEX.

Two informal working entities exist that provide an added dimension to the organizational structure. The first, an Operations Committee, corresponds to a staff committee. It meets regularly once a week and integrates management between the departmental level, top FUSADES management, and the Board of Directors. It is composed of the President of the Board of Directors, the Executive Director, who normally presides, and all the department heads. The Committee also provides lateral communication between department heads, facilitating organizational integration and team building. These meetings average two hours



ORGANIZATION CHART OF FUSADES, 1995

Figure 1.1

38

and address substantive issues within each department. The format is a brief update from the Executive Director and the President, followed by briefings by each department head.

A second element was created to provide both the operating and policy levels with professional, independent expertise. These independent entities, or working commissions, operate within each program or department. The commissions include a coordinator who loosely directs the group's work and who is drawn from the FUSADES Board of Directors. It includes three other members of the Board, and 16 professionals working in the particular program field, none of whom are part of the permanent staff. All work *ad honorem*. The commissions prepare and, in some cases, approve work agendas for the departments, and undertake studies and program activities, as well as follow-up with the permanent staff; the commissions authorize the permanent staff to proceed with studies and activities relevant to the mission of the department. The commissions meet each week and the senior department staff attends, exchanging ideas and observations on the workload.

Directors meet separately with their staffs weekly, and the President meets weekly with the Executive Director and the Directors.

1.2.1.2 Conclusions

While subject to criticism because the presence of the working commissions create a divided authority at the department head level, in fact the evaluators observed that in most cases it created a good working dynamism between the department head and the coordinator, and the staff and commission members. This process creates tensions that appear to benefit, rather than weaken, the quality of work analysis, assignments and work development, and strategy design and development. In particular, the commissions form a central and highly creative part of the annual budget and strategic planning process. The evaluators also note that when the balance at the department level ceases to exist, for example, if a working commission does not function, or function well, or has no coordinator, the decision-making process is weakened and could be perceived to be subject to manipulation. This apparently happened in DIVAGRO.

The current Board of Directors does not benefit from the regular and active voting participation of any of the senior program officers, that is, the department/program heads. It therefore suffers from a lack of continuity of staff experience that would provide an institutional memory bank within the Board permanently. Their inclusion would also weaken the perception that the Board is a closed club.

1.2.1.3 Recommendations

The team recommends that four directors replace four of the 14 members of the Board of Directors that represent the private sector, still leaving the total number on the Board at 24.

1.2.2 Planning and Organizational Policy

1.2.2.1 Findings

A formal annual planning cycle begins in October, although budget planning for the next fiscal year, which is on a calendar-year basis, begins in each department in July or August, at the latest. As the result principally of the 1988 evaluation and of decisions made during 1990 staff retreats, most of the administrative functions were centralized, including budgets. Budget formats are sent by the Controller to each department head, who prepares with his staff a first draft of an annual budget and work plan and which in 1994 includes a program strategy for the forthcoming year.

The evaluators studied the format and contents of the annual planning and budget documentation. It consists of:

- An executive summary describing each program, the current situation, the panorama for the next year, and a summary of the organizational structure and budget.
- Work plans detailing general objectives, strategies, and specific objectives with the latter broken down by trimester for each cost center and within each program, showing specific activities related to indicators of results and dates of completion; and action plans for each department.
- A departmental organization chart, accompanied by justifications for new positions.
- Financial projections consisting of 13 detailed tables including a breakdown of budget projections drawing on donated and internal funds; a breakdown by cost centers within each department; actual 1994 disbursements against projected disbursements; program results measured in term of employment and investments generated; technical assistance costs; salary costs; estimates of incomes by department; and loan information including estimates of the volume of loans likely to be approved, disbursed, and recovered.

Once the staff has completed this document, it is presented to each department's working commission in November. Then, it is fully aired and revised. Some commissions include a USAID representative, who can express a view on the approach's coincidence with or divergence from USAID procedures, strategies, or policies. Subsequently, the plan is informally approved and forwarded to the Executive Director and the Controller who review it, the former for program consistency with other programs and the latter from a budgetary point of view. The document is returned to the commission for further revisions, if needed, and once prepared in final is presented by the director and commission coordinator to the full Board of Directors for a first hearing by early December. It is resubmitted with suggested changes within a week, at which point a final decision is taken.

Throughout the preliminary process, intensive discussions occur between the Administrative department's staff, particularly between the Controller (who is also the budget officer) and the departments. They discuss such issues as the financial merits and justification of each proposed program, including its costs and/or projected income.

Just as in the case of departmental budgets, the planning for the administrative or general budget for FUSADES begins in October under the specific direction of the Administrative Director and the general supervision of the Executive Director. Both present the budget and annual administrative planning strategy to the Board of Directors at the same time as other departments.

Two evaluators had the opportunity to observe the presentations by the directors supported by the working commission coordinators at the first meeting in December of the annual strategy and budget session of the Board of Directors.

Organizational policy is mandated by the charter as well as embodied in a number of regulatory and procedural working documents at the administrative level. The administration of budgets and personnel has been centralized and codified, and the evaluators have taken the opportunity to review the more important guidelines. These comprise the following:

- A summary of the manuals and procedures for buying and contracting, the administration of human resources, and accounting administrative procedures.
- An accounting manual.

Taken in their totality, the procedures make up a management system that establishes and defines the administration of FUSADES financial, material and human resources. The buying and contracting manual provides detailed guidance on, among other themes, cost estimates, contracting procedures (including adherence to USAID requirements), proposal evaluation, and negotiation. The accounting manuals provide instruction and procedures on the management of bank accounts, including bank reconciliation, inventory controls, depreciation methodology, and budget formulation. The personnel manual covers recruitment criteria and procedures, promotions, evaluations, firing, and formats for recruitment interviews and personnel contracting.

1.2.2.2 Conclusions

The planning process appears to operate smoothly, and is indeed a process and not a document. While the possibilities of duplication of effort in drawing up planning strategies by departments may exist in the abstract (e.g., PRIDEX could theoretically plan studies that could be considered as falling within the purview of DEES), in fact the amount of information exchanged between department heads at weekly meetings of the Operations Committee minimizes this possibility, as does the positioning of the Executive Director in the annual budget screening process. Nonetheless, there is a continuing perception that each department

operates too independently of the other over the short term, and that the weekly meeting of the Operations Committee is not structured formally enough to fulfill a coordinating function.

Administrative management also is well designed and developed, having corrected the weakness noted in earlier evaluations—the need to centralize fiscal and personnel procedures and establish tighter financial monitoring and controls. The evaluators note that the budget officer, like all budget officers, is by nature cautious of offering his professional blessings to a financial document that will remain a draft and thus subject to change, as it wends its way to decision-making levels several steps above his own hierarchial level.

The professionalism and level of sophistication shown at the presentation of plans and strategies to the Board was very high. Exposition was detailed, short, and with hardly any exceptions, lucid. The questioning by the Board members, led by the President but including other officers, was relevant and revealing. Decisions by the Board to clarify or amend were straightforward, usually made by the President or the Executive Director.

1.2.2.3 Recommendations

The comfort level and effectiveness of finance officers would be improved if the documents were passed back one last time to the Controller before they were formally presented to the Board of Directors.

To minimize any possibilities of duplication, and to enhance the possibilities of uncovering fruitful benefits of collaboration, the weekly Operating Committee should be restructured by adding one component—a very brief exposition by each department head on programming that covers activities over the coming month, and allowing a few minutes of questioning.

1.2.3 Deployment of Human Resources

1.2.3.1 Findings

FUSADES has grown from a staff of 14 in 1984 to 133 in 1988 to about 264 at the time of this evaluation. In the past, personnel actions tended to be decentralized with little professional management. With growth and variety in personnel functions, it became evident that centralized professionalism was needed. In 1989, a human-resource manager was contracted to handle all recruiting, promotion, transfers, salary scales, and evaluations. In 1992, a personnel manual was prepared which is still current and describes uniform hiring, contracting, promotion, and disciplinary procedures. Only training remained under the control of program directors but the personnel officer gathers information on training, monitors courses, and conducts evaluations.

Figure 1.2 is a consolidated summary of full-time employees, by department/program. In October 1994, PROPEMI was the largest line department, with 19% of the staff. One-third of this total comprise microbusiness promoters, most of whom work in the field. Others are

also technical staff, such as loan, program, legal and training officers. The Quality Laboratory runs the next largest program, with 11% of the staff, most of whom are technical analysts. DIVAGRO (10%) and DEES (9%) are next in order. The Administrative department numbers 80, or 30% of overall staff; the bulk of this is in the services and purchasing department, but given the size and diversity of funds from USAID and the need for the very high degree of accountability required, a sizeable component is also in the Controller's Office.

FUSADES' TOTAL NUMBER OF EMPLOYEES

Division	As of 12/93	As of 10/94	As of 12/95*
DEES	29	23	28
Library	3	3	3
Legislation	7	7	6
PRIDEX	19	18	19
Quality Control Lab	26	28	33
La Colina	12	15	24
DIVAGRO	31	25	5
PROPEMI	44	49	51
PRODE	5	13	7
FORTAS	12	11	11
Administrative	93	80	62
Total	281	272	249
Contracted Services	11	5	5
Contracted Services - La Colina	0	3	4

Figure 1.2

Projections for 1995 call for a reduction in overall staff from 264 to 248 persons, a reduction of 6%. The bulk of this is from the Administrative Office, reflecting the fact that there is less need to oversee USAID funds. Another shift reflects the decision to discontinue the DIVAGRO program per se, shifting human resources entirely to La Colina project.

1.2.3.2 Conclusions

Distribution of staff during the project period appears to be balanced, with no evidence of overstaffing despite the very broad nature of FUSADES' mission and the multiplicity of functions and objectives it has developed. Its administrative staff is large, but appropriate in light of the demands for financial and physical controls required by USAID. The administrative staff requirement reduction is also a proper decision in light of the termination of USAID funding in 1994 for 519-0287 and the projection by FUSADES, if well founded, of sustainability.

1.2.4 Leadership

1.2.4.1 Findings

Leadership of an organization like FUSADES, operating as a non-profit entity with developmental goals, can be evaluated on two levels: the external, to determine to what extent the organization's impact was attributable to its leadership or senior management; and the internal. For the latter, leadership can be assessed in terms of whether or not or how well goals and priorities were clearly established, and whether staff was steadily and well motivated toward achieving objectives by authoritative means, collegiality, persuasion, or a combination of these. Inherent in good leadership is its preservation and strengthening of decision-making and strategic planning processes, and ensuring that functions are not wastefully replicated; centralization, if it occurs, does not quash unit initiatives.

The nature of FUSADES' "informal organization" complicates an appraisal of management's ability to lead, especially the existence in each department/program of a semi-autonomous working commission with its own coordinator who is a member of the Board of Directors and is accompanied in deliberations by three other Board members. Therefore, the commissions can deliberate with an operational authority that parallels or even exceeds that of the department head, at least in the eyes of both the President and the Executive Director. This situation creates the potential for confrontation, first at the director-commission coordinator level, which seems rarely to occur, and then at the Executive Director and President level, depending upon how strongly the latter two hold convictions on policy or strategy and program matters.

A second complicating element is the presence of highly qualified professional talent in their respective disciplines at the director level. The current DEES director was the founder of DEES before FUSADES was established and set its direction, which still holds even now to a major degree. He is a respected economist throughout Central America, having just left the Secretary Generalship of the Secretariat of Central American Economic Integration (SIECA), a prestigious post, particularly as perceived by the public leadership in Central America. Both these elements would normally, and in theory, serve to accommodate a more collegial and coordinating role by the Executive Director in situations where he is called upon to make or

recommend decisions bearing upon substantive issues normally handled by the departmental director working with his program commission.

An interim report dated July 1990 by the CARANA Corporation assessing FUSADES determined among its principal findings on governance that there was a need for greater integration of program activities and clearer communication between program components, and suggested the need to clarify lines of authority which blur internal decision making, citing the tendency of the commissions to assume authority. It suggested that the organization had grown beyond the Executive Director's span of control due to FUSADES' expanded activities, among other reasons. While the evaluators sense there is still some room for improving coordination moderately, the matter of blurred lines of authority does not now appear to be affecting performance. At present, the tensions created only seem to stimulate creativity. With regard to the Executive Director's lessened ability to control the organization, the evaluators found this not to be the case at all, and that he seemed to be very much in control, albeit not necessarily omnipresent.

The evaluators have traced a number of benchmark decisions, one reflecting the process of transforming FIDEX from an internal program to an independent financial intermediary; the other, a strategy decision to refocus all DIVAGRO operations toward the La Colina project, and examined these from a management viewpoint. For the former, discussions with current and former participants at a number of levels revealed that in 1990 the FIDEX working committee and its staff (including the legal staff) deliberated on the pros and cons of transforming FIDEX into a financial intermediary. When consensus was achieved the Executive Director then vigorously pushed a recommendation forward with the Board of Directors. It appears that deliberations were taken independently of USAID. Some time later, in 1991, a proposal was submitted to the Board to expand paid-in capital stock from 8 million colones to 20 million colones, selling 25% of the shares to the IDB, retaining with FUSADES 25%, and going public on the new Salvadoran Stock Exchange with the remaining 50%. This would have allowed for a manifold credit expansion and eventually increased interest flows from the larger portfolio, but at the cost of losing substantial control. The Executive Director argued vigorously and persuasively that control should not be lost, and the Board agreed. Both instances reflect the dynamics of a clear deliberative decision-making process at work. The spin-off of FIDEX was called for in the Project Paper amendment, but the modalities of the process, i.e. how much should FUSADES' members control, etc., were not specified.

With regard to DIVAGRO, a somewhat different process was at work. According to the 1990 Controller of DIVAGRO, even then it was evident that need existed to design a project in DIVAGRO that would help to sustain FUSADES beyond the time that USAID support would end, though its nature was then uncertain. By 1992, enough experimental experience had been developed with pilot projects in a number of products, including pineapples, that, according to the then Director of DIVAGRO, Agustín Martínez, the staff could form the basis for a formal project presentation to the Board of Directors or, with delegated authority, to the Executive Committee. The Director first presented the analysis in July, 1992 to his Working Commission, which included the Executive Director (who sits on all the working

commissions), and businessmen and professionals well versed in commercial farm operations. The commission was without a formally-named coordinator at the time. After considerable discussion, the Commission accepted his analysis and its core proposal, that FUSADES acquire the necessary land to begin commercial operations, to include pineapple. Very soon thereafter, he headed a formal presentation to the Board of Directors, where his proposal was accepted, with opposition by some members, who were concerned that the project would enter into competition with the private sector.

1.2.4.2 Conclusions

From the external vantage, there is little question that FUSADES has had a vigorously beneficial impact, in terms of both the policies, such as those espoused under the Cristiani government effecting change from more statist and government-led growth to growth that emphasizes the role of free enterprise led development, and the programs, such as the promotion of jobs through non-traditional export development. Tracing the FUSADES' actor in effecting such change is not always easy. In El Salvador these changes may occur from interactions within the dynamics of an "old boy" and "old girl" system, as when FUSADES' graduates moved to policy positions in the Cristiani government, and in these leadership positions implemented policies they had espoused within FUSADES, or showed their ready disposition toward the professional views of former colleagues who remained in FUSADES. Leadership may also be attributed to good management when FUSADES routinely provides policy makers with sound, timely, and practical analysis and information. The evaluators' discussions with several members of the Board of FUSADES and with former and current members of the Government left little doubt that FUSADES has played an important role in effecting change. When in 1989 Roberto Orellana moved from the DEES Commission to President of the Central Bank, Anthony Cabrales from Director of the DIVAGRO Commission to Minister of Agriculture, Eduardo Cordoba from DEES to Ministry of Economy, or Mirna Lievano to Minister of Planning, they brought with them their free enterprise optic and implemented these policies with vigor.

Decision making in FUSADES is part of a leadership process in which goals and priorities are established clearly by the Board of Directors during the annual planning process. The process, participated in by the staff, provides a sense of strong motivation for achieving objectives, since the sophisticated planning and implementation process is an interactive one. The process promotes continuous and healthy interactions among the commissions, departments, and the Board of Directors. The staff, commissioners, and Directors alike, also have a sense of immediate participation with the community of beneficiaries, witnessed by the evaluators observing conferences and work sessions, for example, sponsored by the DEES. In the context of interdepartmental program coordination, leadership is shown by the Executive Director in overseeing the mechanics of the annual planning process and weekly staff meetings by the Operations Committee, though the latter could be more focussed, and by the Administrative Director who oversees the workings of the centralized financial and administrative system. Thus all the important functions of good leadership are met.

While, for all practical purposes, leadership and final decision-making power reside with the President and the Board of Directors, decision making has tended to flow from the dynamics of existing poles of authority within FUSADES. As a result, the decision-making process is sometimes difficult to trace and, indeed, there is a general impression held by USAID staffers and others who must deal with the organization from the outside that decision making is most often slow or nonexistent. In fact, there is enough evidence to show that decision making is vigorous and transparent, as the two benchmark examples above demonstrate. This seems

particularly true for decisions regarding important issues that effect management's control over operations.

The evaluators have observed deliberations at all levels of the organization—working commissions, staff meetings, formal Board of Director meetings, and have concluded that the decision-making process is adhered to, by and large, for the ordinary day to day decisions, and are most often and properly made by the Executive Director himself. He has the authority and does not need to delegate in these instances. With regard to decision-making on broader issues involving new important projects or program content and control, especially those affecting FUSADES viability, the evaluators have concluded that the process is followed openly. While the charge of manipulation of the process by the leadership is a possibility given the various points where decisions are made before final approvals by the Board of Director, there is a fine line between manipulation and vigorous persuasion, and we have seen no clear evidence of the former.

1.2.4.3 Recommendations

The very complex nature of the leadership and management process makes it difficult for an outsider, particularly a donor, to keep abreast, let alone grasp, everything that is going on in decision making in an organization like FUSADES. When an organization reaches the size of FUSADES and its command structure becomes so diffused, USAID should ensure that the project officer is housed within the physical environs of the building and is in daily attendance at as many of the important decision-making meetings as proper and possible. While the evaluators recognize the fine balance necessary to prevent a donor's presence from becoming an intrusion in the work of an NGO beneficiary, USAID's interest in models like FUSADES would be best served by a daily interaction involving a physical presence there.

1.2.5 The Project's Impact on Organizational Effectiveness

1.2.5.1 Findings

This project was built up from a small organization and USAID encouraged its growth over a ten-year period until it became a relatively large NGO by Central American standards, with a multiplicity of functions. There is a perception that FUSADES' growth and diversity caused it to reach limits in terms of management's ability to give continued focus and leadership. The

evaluators do not agree with this view. However, the end of USAID assistance and the consequent need for FUSADES' management to focus and sharpen its mission further was beneficial.

The project's design has allowed for impact on organizational effectiveness in several ways. First, through its periodic evaluations, and its funding of "retreats" and follow-up monitoring, guidelines are provided so that management can design and implement corrective actions. For example, a 1990 retreat (Annex I of the Institutional Analysis of PP Amendment I dated 8/2/91) called for strengthening strategic planning effectiveness and governance, expanding membership to groups heretofore felt excluded, centralizing administrative functions, and ensuring financial viability after USAID funding ended. In varying ways and with varying success, FUSADES staff has dealt with most of these problems.

Next, the nature of USAID's conditions and requirements tended to affect strongly the way that resources are administered by the project. For example, FUSADES was required to set up numerous bank accounts or prepare its invoicing to allow for a multiplicity of projects, both requirements leading to considerable staff additions, and this has not been helpful to organizational effectiveness. On the other hand, the close coordination between the administrative staff and the project officer has allowed the project officer to make useful suggestions regarding matters of USAID procedures and policies, and other USAID staff have also made helpful suggestions on managing budget and other financial resources. According to the FUSADES Administrative Director, these relations have generally enhanced overall administrative effectiveness.

1.2.5.2 Conclusions

While USAID's level of assistance has been a mixed blessing on FUSADES' organizational effectiveness, on balance the benefits have well outweighed the liabilities. This positive outcome is attributable to a great extent to the frequent collaboration with USAID counterparts.

1.2.5.3 Recommendations

For reasons of improving organizational effectiveness, the daily presence of the project officer in projects like FUSADES would be beneficial.

1.3 Gender Impact on Project's Effectiveness

1.3.1 FUSADES

1.3.1.1 Findings

The project documentation (PP, Authorizations, and Amendments) do not have gender

benchmarks or reliable indicators as guides to objectives achieved. Therefore, the project could not be readily judged by these quantifiable criteria.

FUSADES applies formal personnel procedures, described for the most part in its personnel manual. There does not appear to be any effort on the part of management either to attract women to professional positions in FUSADES or to discourage them from applying; moreover, the regulations are neutral in this regard. Also, there is no perception in the organization that bias exists in the matter of recruitment, promotion, or placement in positions that would lend themselves to advancement.

The distribution of male-female personnel is shown in Figure 1.3 and Figure 1.4. For all categories, by department/programs, the distribution is 59% male, 41% female. The percentages change when measured in terms of "professional-academic" training with the equivalent of at least a bachelor's degree, becoming 72% male and 28% female. By department/program, the highest proportion of female professional staff is found in the Quality Control Laboratories, (60%); the lowest in Administration (22%). Other units (excepting DIVAGRO, which has no females among its 21 professionals) measure in the range 28%-50%. No females direct departments or major programs.

At BANFIDEX, formerly FIDEX, an evaluator observed that more than half of the employees were women, and that three of the eight senior executives were also women. The Chief Legal Officer is a woman, as is one of the two senior credit officers (the officer responsible for all BANFIDEX loans other than the FUSADES loan portfolio). In addition, two (until recently, three) account executives are women. Interviews with the female Corporate Manager revealed that she had been with BANFIDEX for 2 1/2 years, and with the Banco de Desarrollo before that for 7 years.

A number of professional women staff have "graduated" to politically attractive jobs in government or to remuneratively more rewarding positions in business. Among the former is a senior DEES officer, Mirna Lievano de Marques, who became Minister of Planning in 1989, and a former Free Trade Zone Manager in PRIDEX, María Teresa de Rendón, who is now Vice Minister of Planning. Those lost to business have usually gone to international companies which, according to the Administrative Director, can afford to pay professional talent higher salaries; nonetheless, FUSADES officers think they can hold their own in retaining staff against national companies. This situation appears to apply to both male and female professional staff.

**PERSONNEL OF FUSADES BROKEN DOWN BY
GENDER AND DEPARTMENT AS OF OCT. 1994**

Program/Department	Male	Female	Total
Administration			
Executive Office	4	2	6
Internal Audit	3	1	4
Controller	15	3	18
Human Resources	2	2	4
Purchasing	1	2	3
Communications	1	3	4
Maintenance/Gen. Svs.	10	6	16
Admin., Planning, Info	7	3	10
DIVAGRO	31	8	39
Quality Control Lab	16	20	36
PRIDEX	9	9	18
DEES	26	17	43
PROPEMI	30	26	56
FORTAS	4	7	11
Total	159	109	268

Figure 1.3

**TECHNICAL PERSONNEL OF FUSADES BROKEN DOWN
BY GENDER AND DEPARTMENT AS OF OCT. 1994**

Program/Department	Male	Female	Total
Administration	20	2	22
DIVAGRO	22	0	22
Quality Control Lab	8	12	20
PRIDEX	8	3	11
DEES	18	7	25
PROPEMI	17	10	27
FORTAS	4	4	8
Total	97	38	135

Figure 1.4

1.3.1.2 Conclusions

Overall staff distribution in terms of gender seems equitable, reflecting a somewhat neutral stance in hiring and placement policies, and the general disposition of female staffing patterns, particularly for professionals, common throughout Central America. As regards the lack of female professional staff in DIVAGRO, women professionals do not move to strictly agricultural field activities in Latin America, by and large reflecting a cultural notion that agricultural field work for women is mulish and demeaning.

Relatively large numbers work in the technically-oriented quality control laboratory, as small business loan/credit analysts, and as economists or business promoters, and this pattern reflects both the growing availability of female professional talent created in the universities, and their attraction to what is perceived as the steady nature of the work in FUSADES, in contrast with the greater risks inherent in employment in the business community. In this sense, as in the case for many young professionals, the organization serves for some females as an incubator for advancement into higher positions in government and, for those willing to risk the rewards, in business.

The lack of female professionals in senior positions and their disposition at levels just below that does not reflect discrimination, according to one Salvadoran female professional, but rather a time lag of about five years before the current generation of female technical and

professional staffers in FUSADES will reach the appropriate age to move into the more senior brackets in the organization. From observations and interviews with female professionals and technicians, the evaluators conclude that by far most are very competent, well grounded in their discipline, be it credit or economic analysis, and that whenever they participate in talks they do so as professionals and as peers.

PRIDEX utilizes 20% women in management, one being the second ranking member of the organization. Many of PRIDEX's clients are either women owners or women general managers. This is not only seen in *maquila* operations but in handicrafts as well. Of fifteen interviews with PRIDEX clients, three women occupied such positions. Since these clients were selected on a list sample basis, one could reason that approximately 20% of PRIDEX clients are either women who own their business or general manager. Some 90% of jobs created by PRIDEX in the *maquila* sector are held by women. These are sewing jobs where the salary is viewed to be favorable at an average of 30% higher than minimum wage.

While no data was collected by FIDEX on gender impact, interviews with clients having received loans included women business owners and women managers of those companies. Judging from these interviews it would appear that approximately 20% of FIDEX loan clients were either woman business owners or businesses who employed a women as general managers.

1.3.1.3 Recommendations

FUSADES should prepare a statement for inclusion in its personnel manual and distribute it widely, to the effect that it makes it a policy not to discriminate among its staff or potential employees with regard to sex, race, religion, or political affiliation.

1.4 Non-USAID Funding (both historical and planned)

1.4.1 DEES, PRIDEX and FORTAS

1.4.1.1 Findings

Figure 1.5 illustrates the relative importance of USAID funding to other funding for the projects relevant to the evaluation, during a period when this funding was increasingly important for two of the programs—DEES and PRIDEX—and when it ceased altogether with FORTAS. It provides some trend baselines suggestive of future sources. It projects for the final two months of 1994 and through 1995. FUSADES has data back to 1984 which this evaluation believes would illustrate the same general trends.

Self-generated funds come from three sources:

- endowments by members;
- gross income from program operations, such as income from consulting services provided by PRIDEX or sale of economic literature by DEES;
- interest income from investment fund portfolios, and from time deposits of capital accounts.

DISBURSEMENTS OF FUNDS FROM USAID AND NON-AID SOURCES (US\$ in thousands)

USAID SOURCES

Program	1990	1991	1992	1993	1994	Total	1995*
FORTAS	\$ 390.70	\$ 2.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 392.70	\$ 0.00
DEES	590.90	810.70	925.00	1,306.40	1,542.70	5,175.70	0.00
PRIDEX	1,203.30	1,408.50	1,634.30	1,521.10	1,406.30	7,172.50	0.00
Total	2,184.90	2,221.20	2,559.30	2,827.50	2,949.00	12,740.90	0.00

NON-AID (SELF-GENERATED) SOURCES

Program	1990	1991	1992	1993	1994	Total	1995*
FORTAS	\$ 8.30	\$ 40.00	\$ 107.20	\$ 215.10	\$ 182.60	\$ 553.20	\$ 228.50
DEES	17.90	28.00	21.20	23.70	204.00	294.80	1,419.00
PRIDEX	16.10	21.50	45.90	81.90	194.90	360.30	569.80
Total	42.30	89.50	174.30	320.70	581.50	1,208.30	2,217.30
TOTAL	2,226.20	2,210.60	2,733.70	3,148.20	3,530.50	13,949.20	2,217.30

* Projected figures.

Figure 1.5

1.4.1.2 Conclusions

According to the data, USAID furnished during the period almost the totality of funds disbursed under the three programs studied, 91% of the total. PRIDEX disbursed 56% of the USAID total, with 41% by DEES, and the remaining 3% by FORTAS, whose project support ended in 1991.

Of the 9% of the funds that FUSADES generated from its own sources and disbursed, DEES obtained and generated 24%, PRIDEX 30%, and FORTAS, the remaining 46%. The possibility of generating sources within each of these departments to maintain these levels of disbursements simply does not exist. DEES' expected levels of expenditures in 1995 will be about US\$1.1 million, and expected department-generated income at about US\$380 thousand, a shortfall of US\$720 thousand. PRIDEX and FORTAS will have shortfalls in 1995 of about US\$185,000 and US\$140,000, respectively.

1.5 FUSADES' Role on Sustainability Issues

1.5.1 Findings

FUSADES' staff has prepared and presented its annual budgets and program strategies for approval to its Board of Directors. At the end of this process, by mid-December 1994, management will have a clear idea of its goals, its strategic objectives, and future activities. Presentations at the Board level indicate that FUSADES will maintain its present priorities, even now that USAID funding has ended, with regard to conducting analysis and interventions to effect economic policy and legal/regulatory changes that support the free market and private enterprise. Such support will enhance Salvador's participation in economic globalization. FUSADES will continue to promote inward investment and non-traditional exports, particularly for light manufacturing and *maquila*. In addition, it will likely increase its efforts to further economic development among the socially and economically underprivileged, particularly in rural areas. In all likelihood, it will build upon the work done by FORTAS, creating rural foundations comprising tripartite collaborations with small businessmen, civic groups, and mayors/municipalities aimed at improving health clinics, schools, and local infrastructure. It is also likely to divert substantial staff resources to the La Colina from the DIVAGRO project.

The prospect is remote that the level of benefits and associated activities now planned or likely will be adversely affected by the economic climate. The country seems well committed now and in the foreseeable future to the type of open market system accompanied by equitable, sustained growth and social development that FUSADES supports and promotes. This includes avoidance of most subsidies, including credit at below-market rates, and subsidizing low-cost agricultural inputs.

An overview of the projected financial panorama by FUSADES staff is incorporated in Figure 1.6, which reflects FUSADES' staff expectations by department/program. Overall expenses total US\$8.5 million compared with expected income of US\$8.6 million, leaving a surplus of US\$100,000. If amortization of investment in pineapple were extended from one to seven years, the surplus would increase to US\$600,000, as shown in Figure 1.7. In these two tables, expenditures include finance charges, but the cost of freight for the La Colina project is not included, because that is paid by the Chestnut Hill Co. All amortization is over seven years,

except as noted in 1.6. The projected flows of revenues into the administrative budget, totaling US\$2.4 million, are broken down into their various components in Figure 1.8, the principal component of which is interest on the FIDEX portfolios, totaling US\$2.1 million.

**ANTICIPATED INCOME VS. EXPENDITURES FOR 1995
(WITH LA COLINA AMORTIZATION OVER 1 YEAR)**

	Projected income 1995	Projected expenses 1995	Surplus (Deficit)
Administration	21,252.2	17,202.7	4,049.5
Laboratory	3,549.2	7,875.3	(4,326.1)
La Colina	26,210.8	21,042.0	5,168.8
PROPEMI	16,244.0	7,362.3	8,881.7
PRODE	2,080.0	1,196.5	883.5
Economic Studies	1,137.6	10,200.2	(9,062.6)
Legislation	0.0	1,765.4	(1,765.4)
PRIDEX	3,339.6	5,604.3	(2,264.7)
FORTAS	788.8	2,028.8	(1,240.0)
TOTAL	74,602.2	74,277.5	324.7

Figure 1.6

**ANTICIPATED INCOME VS. EXPENDITURES FOR 1995
(WITH LA COLINA AMORTIZATION OVER 7 YEARS)**

	Projected income 1995	Projected expenses 1995	Surplus (Deficit)
Administration	21,252.2	17,202.7	4,049.5
Laboratory	3,549.2	7,875.3	(4,326.1)
La Colina	26,210.8	15,794.0	10,416.8
PROPEMI	16,244.0	7,362.3	8,881.7
PRODE	2,080.0	1,196.5	883.5
Economic Studies	1,137.6	10,200.2	(9,062.6)
Legislation	0.0	1,765.4	(1,765.4)
PRIDEX	3,339.6	5,604.3	(2,264.7)
FORTAS	788.8	2,028.89	(1,240.0)
TOTAL	74,602.2	69,029.5	5,572.7

Figure 1.7

ADMINISTRATIVE INCOME 1995

	Projected income 1995	Actual income 1994	Surplus (Deficit)
Interest/Fixed Deposits	500.0	3,183.0	(2,683.0)
Interest/Fixed Deposits Overnight Sweeping 4%	500.0	400.0	100.0
Interest/FIDEX Portfolio	5,837.9	5,908.6	(70.7)
Interest/Cititrust Portfolio	12,803.7	6,956.3	5,847.4
Rent/FIDEX	185.6	185.6	0.0
Endowments:			
Banks	950.0	1,250.0	(300.0)
Sponsors	375.2	162.0	213.2
Founders	100.0	90.0	10.0
TOTAL INCOME	21,252.4	18,135.5	3,116.9

Figure 1.8

Assumptions underlying the above are many, but the principal ones are that FUSADES will not spin off existing programs and departments, several of which, like PROPEMI, are moneymakers, except that DIVAGRO becomes transformed into an operational dependent entity, La Colina, and will attain and maintain a gross income flow of US\$3 million in 1995. Also, the flow of interest from BANFIDEX on credits for light industry and agribusiness will occur at the levels anticipated, that is, about US\$2.1 million annually.

With regard to financial management and its bearing on sustainability, FUSADES does have in place a sound capacity for recurrent cost identification and management, for both operational and financial accounts, centralized in the Administrative department. Evaluators have examined the accounting and procedural manuals and have visited the key administrative divisions and are assured that a good management information system exists to support pricing and cost-control decisions. However, as the Director of Administration is fully aware, these systems are more appropriate for a USAID-dependent institution, and because FUSADES will be moving more and more into commercial operation modalities, its accounting systems will have to be modified. Several commercial options are now being studied.

With regard to cost efficiency, there is no system in place for FUSADES as a whole that can determine cost per unit of report or cost per beneficiary attended. While plans are underway for the more strictly commercial operations of FUSADES to develop appropriate accounting systems that will measure cost efficiencies, this is not possible for other services. Many of these have a large social content, such as FORTAS programs, and it is not possible to duplicate and price them in the free market. These include such activities as economic policy analyses geared to influence public thinking. To the extent that each department can relate a service to its market value, it has done so (e.g., consulting services to intending investors provided by PRIDEX) and computed its budget for recent years and into 1995 showing net return by service/source line items.

1.5.2 Conclusions

From the vantage of FORTAS, DEES and PRIDEX, these programs are not ever likely to be fully self-sustainable and are expected to run program deficits in 1995, despite best efforts to effect cost restraints and to improve efficiency. However, whether these deficits can be substantially reduced will depend upon how effective cost restraint measures are, particularly at the program level, and whether some services which generate a net return in some programs—trade zone space leasing, for example—can expand the client base. Internal deficit reduction can also be accelerated by a harder look at whether additional resources are actually needed to perform the task at hand. For example, given the reduced scope of DEES activities for 1995, is it necessary to hire more economists?

Deficit reductions at the department level will also depend on whether FUSADES strategies maintain their current course change, that is, focusing more sharply on activities that support social development with equitable growth. This last element suggests, for example, that

needier or microenterprise beneficiaries will be offered services that cannot repay the full cost of the benefit offered. In sum, a large part of FUSADES' activities will be driven by a social agenda. If FUSADES does not generate the revenue it expects from the La Colina operation, or if the interest income stream from its investment portfolio does not meet expectations, FUSADES will be forced to cut its programs back further, beyond those required by the termination of USAID.

FUSADES' central financial management system appears to be satisfactory enough to ensure that whatever cost control efforts are made, the measures to monitor and assess them will be sound.

1.5.3 Recommendations

Because so much is riding on the expected income flow generated by the La Colina project, FUSADES should undertake an independent financial evaluation of its viability. At the same time, FUSADES should set up within management an *ad hoc* group working directly under the Executive Committee to monitor and recommend cost-cutting efficiencies during the critical year ahead.

2. Analysis of PRIDEX

2.1 PRIDEX Background and Overview

PRIDEX, originally called TIPS (The Trade and Investment Promotion Service), was conceived and funded under "The Industrial Stabilization and Recovery" Project, Number 519-0287 in 1984. The original Project Authorization, signed September 17, 1984, funded FUSADES generally for US\$6.9 million (separately under 287, public sector funding amounted to US\$2.6 million to The Ministry of Foreign Trade). Specifically, TIPS, as "the private sector and investment promotion" component, was to receive about US\$6.9 million dollar grant at a total component cost estimated at US\$7.5 million including "cash in kind contributions." By the end of the project, however, in 1994 PRIDEX had spent in excess of US \$22 million as subsequently amended. In addition, PRIDEX received funds to facilitate establishing manufacturing free zones.

The project goal was "to generate employment, income and foreign exchange." Its purpose was "to develop the capacity of the private and public sectors to provide policy support and technical assistance, technology transfer and training services to exporters of non-traditional products." The project developed TIPS (which during 1987 changed its name to PRIDEX upon the completion of its contract with Arthur Young) as a new capability within FUSADES to link Salvadoran firms interested in exports with required technical assistance; to assist in matchmaking between foreign firms and Salvadoran partners; and to attract foreign investment.

This export promotion and investment attraction effort targeted medium and large firms based on an assumption that the ability to export and to attract foreign partners would be possessed by firms already having a stable financial and operating infrastructure. Direct benefits to the poor were intended to occur through employment generation and indirectly through building a stronger economy.

PRIDEX, in its first phase from September 1984 to September 1987, emphasized the promotion of direct U.S. investment in El Salvador with heavy reliance on Arthur Young as its contractor for identifying opportunities, promotion, and follow up. However, the results were disappointing in terms of cost. The political climate was deteriorating, the civil war was raging, the relationship between the private sector and government was polarized, and government policy toward foreign investment and free trade was not a priority. Phase II, which ran from October 1987 to late 1989, coincided with a time when the civil war was raging and the international coverage portrayed El Salvador as a country full of unspeakable horror. During that period, PRIDEX primarily focused on promoting exports from existing Salvadoran companies, even though PRIDEX knew that results would be hard to come by. The third phase began in 1990, when PRIDEX changed its primary focus to attracting U.S. direct investment.

The first amendment to the Project Paper, finalized in 1986, indicated the need to accelerate the promotion of light manufacturing and assembly industries. This amendment also created a credit line through an investment fund. The investment fund was intended to facilitate the attraction of foreign direct investment where PRIDEX would also target apparel/textiles, electronics, medical supplies, and handicrafts. Together with support from the investment fund, PRIDEX expected to create 14,000 jobs, US \$45 million in foreign exchange and US \$25 in investment over the ensuing five years.

As a major division within FUSADES, TIPS was originally intended to have a small staff and a substantial budget for technical assistance. The Project Authorization Document suggested that a core staff of three would facilitate sustainability and forecast that this would be possible by the third year of operation. (page 32) Actually, two Project Amendments were passed that extended the life and funds for the project considerably. Whereas the Project Authorization suggested that TIPS should not be product specific, later on TIPS did concentrate on specific areas of the industrial sector such as apparel, handicrafts, light manufacturing, furniture, and metal fabrication.

Export promotion and investment attraction projects became very popular throughout USAID missions in Latin America during the 1980s. What distinguished FUSADES/PRIDEX from all of these was perhaps the scale of the total assistance package amended over time; and, that this project was undertaken during a period of civil war and social upheaval. While Nicaragua and Peru also experienced civil war and social unrest during this period, El Salvador was the only country to have launched such a project during civil war. While perhaps a worthy goal, some years showed that more AID funds were expended in El Salvador than produced by GNP. In light of this background information, many conclude that FUSADES' assistance was

motivated more by politics than solely by economic development aims. Few would argue that had there been no civil war, funds would have been severely reduced.

The expectation for promoting exports and attracting foreign investment during civil war, particularly where the exports and investment are targeted for non traditional and high value-added sectors, might seem foolhardy. Nonetheless, PRIDEX produced extraordinary results. This section of the report provides findings, conclusions and recommendations for the evaluation of PRIDEX, the division in FUSADES responsible for the export promotion and investment attraction section of the 287 Project.

2.2 Methodology

Sixty-two documents were reviewed, a total of 43 interviews were conducted, and meetings were attended for FUSADES' committees, including The Board of Directors Meeting, Operations Committee, and a weekly PRIDEX staff meeting. The interview categories break down into the following: 15 of the interviews were conducted during site visits to PRIDEX clients with tours of their enterprises, and 23 were conducted with a wide range of expert opinion leaders on PRIDEX. In addition, a file audit of PRIDEX contracts was conducted in order to verify contracts with results reported. The selection of respondents of PRIDEX clients was done on a list-sample basis using a random method guaranteeing representation from all sectors and all years. Interviews were intended to more deeply understand and validate claims made by PRIDEX in its monitoring and reporting statements to USAID. The interview was an open-ended and semi-structured format (see Annex C) which explored data reported by PRIDEX regarding results of technical assistance. It determined the experience of individual enterprises vis a vis PRIDEX claims of services provided and results achieved insofar as these had been previously reported since 1985 with respect to jobs created, hard currency generated through exports, and investment generated.

2.3 PRIDEX Operating Environment

2.3.1 Constraints

The overwhelming impediment to both the promotion of non-traditional exports and the attraction of foreign investment was the civil conflict. In addition, El Salvador did not have a legal infrastructure at the time PRIDEX began operations that would support either export led growth or foreign investment. To make matters worse, the emigration of Salvadorans to the U.S. included many business people and technically skilled workers, the very people required to undertake export development.

The civil war at the time PRIDEX started operations was a hostile, dangerous and bloody setting countrywide. Even in San Salvador, FMLN and right-wing death squads would operate openly. U.S. newspapers would report on and the evening news for years would

regularly show footage of battles with rebels, coverage of the rape/murder of nuns, the bomb that killed three U.S. Marines eating dinner at a cafe, the standoff of the Marines and FMLN guerrillas on the seventh floor of the Sheraton Hotel, atrocities in cities and throughout the countryside, etc. This was both the reality and image of El Salvador. In addition, as a backdrop for the news on El Salvador, U.S. newspapers and nightly news on TV covered events in Nicaragua and the contra movement in Honduras. And it would seem that the public image of El Salvador experienced additional collateral damage from the perception of total collapse of justice, social and economic infrastructure as a result of a "Central American" regional stereotype.

While the portrayal of El Salvador during the war created an international image that was inconsistent with export development and investment attraction, the war also was destroying the physical infrastructure required for enterprise development capable of meeting the needs that export-led growth called for. Industry was an FMLN target and much of El Salvador's plant capacity was systematically destroyed. GNP showed negative growth rates for many years during the project period. The Project Paper supporting Amendment II identified a shortfall of U.S. \$300 million of investment capital to support the required export expansion. Unfortunately, nationalized banks were incapable of delivering on the requirements to enterprises pursuing non-traditional exports (Project Paper for Amendment II, 1991 page 21).

Prior to 1986, El Salvador's legal infrastructure reflected conventional protectionist philosophy. The Export Legislation of 1986 finally facilitated export incentives, established private free zones. CODEXI was created by the government as a mechanism for dialog between them and the private sector. Even so, the legislative infrastructure was only a first step and the transition of the private sector into the generation of export-led growth would take much time to realize, for example the lag time for free zones to be set up and operational or the time required to change the mental outlook and vision of entrepreneurs.

In 1992, a segment on the CBS news magazine, "60 Minutes" showed FUSADES/PRIDEX attracting U.S. investment in ways that exceeded the intention of the USAID assistance. For example, footage showed a USAID employee asserting that labor problems could be controlled through methods inconsistent with U.S. labor policy. A movement against the attraction of U.S. investment to foreign countries through U.S. assistance produced the Foreign Assistance Appropriations Act 599 of 1993. This law prevailed and prevented PRIDEX from pursuing its strategy and targets for investment attraction in U.S. markets. With PRIDEX's strategy focusing full swing on U.S. investment attraction during 1993 and planned for 1994, this law decreased PRIDEX results by at least 50% of their potential for the following period. Upon the project completion, that law no longer applies.

2.3.2 Positive Factors

Positive factors in favor of PRIDEX's efforts to promote exports and attract foreign investment included FIDEX, a credit program tied to PRIDEX efforts. Other factors are the highly regarded entrepreneurial talent and work ethic of the Salvadorans, and the

attractiveness of offshore production for U.S. firms—particularly those based on advantages offered under garment quotas permitting non-taxed entry of goods in the 806 and 807 quota systems.

In June 1989, a new, democratically-elected government assumed office that spearheaded a broad program of structural adjustment which improved the legislative basis for export-led growth and investment attraction. During 1991, legislation, through GOES support and efforts undertaken by PRIDEX, launched many privately-owned free zones that offered an attractive environment to foreign investors. Prior to 1999, PRIDEX did not have a diversified international investment attraction strategy and focused almost entirely on the U.S. As a result of 1999, PRIDEX refocused its targets in Asia and Europe. This much-needed diversification is now in place and shows signs of proceeding well, particularly in the case of attracting start-ups from South Korea and Taiwan.

2.4 PRIDEX Impact

2.4.1 Findings

The issue of measuring impact for export promotion and investment attraction has been a polemic ever since USAID began developing such projects throughout Latin America. Notwithstanding the built-in subjectivity regarding the attribution of “cause” to technical assistance in these areas, with the right approach and level of effort, an approximation of impact can be determined. PRIDEX uses a simple format form where clients who had received technical assistance simply report the number of new jobs created, exports (for measurement of hard currency generated), and new investment.

The data generated from this method presents well and to some degree appears anchored by the fact that business owners actually supply this data and sign the bottom (see Annex D). Unfortunately, based on interviews with business owners, many were surprised to discover the level of results that PRIDEX took credit for. PRIDEX has summarized all results by company and year on two separate lists: one listing results from 1985 through 1991; and, one that lists companies by year from 1992 through 1994 (see Annex E and Annex F). Taking these results as they are presented, they are summarized in Figure 2.1.

PRIDEX RESULTS, 1985-1994

Year	New Jobs	Hard Currency	Investment
1985	1,281	2,241,175	400,670
1986	596	3,516,870	570,160
1987	1,407	5,024,263	877,741
1988	3,221	12,733,574	3,990,486
1989	4,200	19,355,221	7,930,599
1990	5,478	29,185,165	9,971,387
1991	6,117	47,211,009	116,364
1992	8,080	58,634,300	16,146,700
1993	10,771	62,728,600	25,561,800
1994	6,406	40,272,014	11,745,965
Total	47,557	280,902,191	77,311,872

Figure 2.1

While flaws in data collection and validation exist, the amount of overstating results can be approximated and a reasonable figure of total direct project impact can be determined. Perhaps it would be helpful however to trace the history of the impact measures used by PRIDEX as an introduction to this calculation since these results yield answers to the effectiveness and impact of PRIDEX technical assistance.

The first evaluation of PRIDEX during 1988 found that:

The PRIDEX progress measurement and control system provides the basic input needed to monitor program impact by client related to job creation, of foreign exchange earnings, and accuracy of the monthly reports furnished by the clientele. Informal exception control is conducted to ensure that complete reports arrive each month from each client ("Final Report of the Evaluation of FUSADES" June 1988 page 59).

A subsequent report, "Assessment of FUSADES Performance Under The Industrial Stabilization and Recovery Project" in July 1990 found that:

The results are tabulated on the basis of a questionnaire sent out to client companies. Companies are asked to indicate their export related performance for the period, and to specify the percentage of these results they would attribute to PRIDEX. Thus if PRIDEX helps pay for some marketing travel, the company would determine what percentage of the resulting sales could be attributed to this assistance. Although this methodology is not very reliable, it is particularly difficult to measure results in situations where PRIDEX is only partially responsible for exports and investment. (page 58).

As indicated earlier, PRIDEX tabulates its results by asking clients to indicate how much of their growth and exports are attributable to its assistance. However, it is often impossible to make a clear connection between the PRIDEX assistance and the results, and the methodology is subjective at best. (page 78).

In spite of the identification of flaws in two separate evaluations, PRIDEX continued to use the same impact measure through the EOP (end of the project) in September of 1994. In addition, the 1988 indication that "exception control" for validation is used, the evaluation research conducted for this report did not find any attempt to work raw data from clients in any manner except verbatim transfer.

The format of the multi-year presentation of results (see Annex F) also reveals a lack of concern for results. It is difficult to read due to sloppy presentation, firms in their industry sector are not listed in alphabetical or numerical order and there are mistakes that would have been obvious to spot had any degree of due diligence been applied. For example, one business owner remarked, when shown the results attributed to PRIDEX, "they cannot take credit for any of this. We would have invested in this factory anyway. Yes, their help was excellent but only indirect." Another said of the results attributed by PRIDEX regarding his firm, "We had our own market, yes they introduced me around and even offered matchmaking, but we did it ourselves—financing, everything. PRIDEX cannot take responsibility, these are our results." Yet another said "what was achieved we did ourselves." Yet he spoke very highly of the marketing visits abroad arranged for and subsidized by PRIDEX. Finally, after reviewing his results on each and every marketing visit abroad, and there were many, he reasoned that even though they had previously exported successfully to Europe and the U.S. before the PRIDEX assistance, that perhaps 50% of those trips would not otherwise been made and he adjusted his view to accept that PRIDEX could claim 50% of the results reported. One plant manager explained that "we would have invested anyway. We have investments all over the world and each country we have invested in offered assistance like PRIDEX. What would have happened if PRIDEX did not help us, well as I said we would have invested anyway, but the PRIDEX assistance speeded up our decision by months. Come to think of it, sometimes that time is critical and it is possible that without PRIDEX the money would have dried up and we would have missed the opportunity. I do give them that. Yes

they did play a role.” That manager began to come around to offering a result of 30% when he reasoned that perhaps he would have missed the boat if his decision lingered. PRIDEX helped him act swiftly and persuasively at the corporate level and therefore the investment decision was more of a certainty based on the results of his feasibility study.

Another flaw in the results reported are simple mistakes that inflate the data, when corrections should have occurred if any degree of due diligence had been applied. For example, when jobs created are added cumulatively over the years reported for a company, they sometimes yield more total employees than are actually employed. To correct this, from year to year when a company downsizes, the jobs lost should be adjusted from the totals. Yet PRIDEX does not subtract jobs, it just adds them.

Finally, PRIDEX’s results report gives the impression that jobs or investment created for a particular year continue in following years. The problem with subsequent downsizing, in addition to companies who later go out of business, fall through the cracks and are not tracked. Reports for results of these firms in prior years are not adjusted from the total results reported. In fact, PRIDEX does not track firms that go out of business at all.

In the face of the severity of the constraints noted above in PRIDEX’s environment, its results are favorable when compared in that light to those of other USAID-supported investment promotion and export promotion activities in Costa Rica, Honduras, etc. In addition, one should note that PRIDEX, unlike other similar USAID-supported programs, uses actual results instead of “planned or anticipated” jobs created, investment, and hard currency generated.

Others agreed with the results reported, and all respondents uniformly reported excellent service from PRIDEX in spite of any difference of opinion regarding attributed results. The only dispute in 40% of the interviews with business owners assisted by PRIDEX was about results attributed—where the disagreement ranged from 30% to 100% among disputed figures.

Another issue of results claimed is a judgmental one, and the due diligence described above would have drawn more clear distinctions of the methods used these past ten years. For example, results are bunched in the *maquila* type 806 and 807 investments attracted from Korea, Taiwan and the U.S. The tendency was for these firms to utilize PRIDEX heavily during their reconnaissance of El Salvador and their “go/no go decision,” and then, once established, to not seek further help. All of these firms had many years of successful experience with offshore production and brought with them captured foreign markets. For this one-time-only effort, how many years can PRIDEX continue to claim 100% of these results for their own? This result-heavy population vis a vis PRIDEX’s totals is a big factor that had never been addressed or resolved.

Only the direct results of jobs created, hard currency generated, and investment are systematically tracked. However, many indirect benefits and results have also occurred. In El

Salvador, it is estimated that each job supports five people. In the case of PRIDEX's clients, the average salary is 35% higher than the minimum wage. This is seen by the working poor as a step up to opportunity. Furthermore, the type of jobs created by non-traditional-export oriented firms is of a higher quality than those in the traditional economic sectors. For example, jobs in the non-traditional export sector include training in new skills, clean and decent working conditions, and more opportunities otherwise closed to women who choose to work. They most often include facilities for primary health care for workers' families, commissaries where opportunities are provided to purchase frequently-used commodities conveniently and at better than retail prices.

Other indirect results that are not tracked in PRIDEX's reporting system are the secondary impact of job creation and investment in firms acting as subcontractors to the primary PRIDEX clients. Here there is undeniably enormous leverage of the results tracked by PRIDEX. For example, this would include machinery maintenance, transportation, the mini-industry developed for supplying food to people at work, actual subcontracting, etc. These indirect and secondary effects are a highly leveraged multiplier in El Salvador that incubates emerging small enterprise largely affecting the poor.

2.4.2 Conclusions

Even after adjusting for flaws and lack of due diligence in its determination of results, PRIDEX has been an extraordinary success in creating jobs, hard currency and investment. Of the reported 47,557 jobs created, the \$280,902,19 hard currency generated through exports, and the \$73,311,872 of investments, it is likely that (after adjusting for valid results in real terms) actually, 29,408 jobs were created; hard currency generated through exports was \$185,395,446, and \$51,025,835 in investments were created.

In all fairness to PRIDEX, to the evaluation team's knowledge, it is the only USAID-supported investment attraction and export promotion entity to have used actual versus forecast impact data. Regarding the due diligence required to insure validation of PRIDEX's data, some suggest that the due diligence required during the project period would have indeed validated the results claimed--but would have also decreased results achieved. That reasoning is logical since during the war companies did not want to discuss their situation in detail for security reasons. In order for PRIDEX to have implemented the follow up to check the results reported, this process would have necessarily become part of the contract signed between PRIDEX and the company. Since contracts are signed before PRIDEX renders services, it is logical that some companies might have perceived the process as onerous and intrusive.

During the war, PRIDEX's achievements gave hope to those families who otherwise might have become desperate and possibly thrown their lot in with the FMLN. This is so since it is estimated that in excess of 90% of the jobs created are for the working poor.

The profile of investors willing to start and expand businesses during such a period of upheaval is quite a different one than was targeted during this same period, for example, by similar USAID projects in Costa Rica and Guatemala. Compared to results achieved in El Salvador, Costa Rica's and Guatemala's achievements were like shooting fish in a barrel. Much of President Cristiani's success in bringing the FMLN to the negotiating table for a lasting peace agreement is based not only on the military front, but also in the economic war that was waged and won by the democratic government of El Salvador. Achievements during this period were hard to come by and their value as a piece in the collage of El Salvador's emergence from civil conflict with a strong economic platform for postwar recovery was therefore much higher, required more struggle, and came at a higher price than peaceful and democratic countries tracking these same results in Latin America and throughout the developing world during this same period.

PRIDEX has developed and implemented a system for identifying results that is only partially successful. The accuracy of results claimed by PRIDEX could have been established through due diligence of a systematic follow up of results reported, whereby a conversation between the client and a PRIDEX staff member would have confirmed that certain results were indeed attributable to PRIDEX technical assistance, that modifications from downsizing are accounted for, and that firms going out of business have results subtracted from cumulative totals. Where investment had occurred in firms going out of business, arguably the investment in equipment resulted in that equipment staying in El Salvador, that is sewing machines, drill presses, lathes, stamping machinery, specialized packaging machinery, etc. and thus in a net increase in El Salvador's installed capacity. Where the failed firms exited along with their machinery, that loss would reduce the total result of investment claimed by PRIDEX.

It is a fact that PRIDEX's primary target were the "fat cats." And no doubt these parties made some handsome profits, as things turned out. However, all export promotion and investment attraction efforts throughout the world use identical target profiles. This is true in Costa Rica, Guatemala, Bolivia, The Dominican Republic, Honduras, Peru, Indonesia, etc., where USAID has designed and supported very similar projects. Yet the thousands of people benefiting from the increase in plant capacity and production are not rich, they are the poor. Without export expansion and investments attracted, thousands of the poor, now employed and averaging support of five people for each job, would otherwise confront hardship.

2.4.3 Recommendations

Based on the findings and conclusions, the evaluation recommends a reduction of the results claimed by PRIDEX by one third. Then PRIDEX can take credit for those results in new jobs, investment, and hard currency generated. Even if a hard audit of those figures were conducted, the final result would not likely be very far from using two thirds of results now claimed. Therefore, it is safe to say that after adjusting for over reporting, that PRIDEX's direct impact was creation of 29,408 jobs, hard currency generated through exports was \$185,395,446, and \$51,025,835 in investments were created. Indirect but nevertheless real impact of jobs created and investment generated was achieved through a leveraged multiplier

of these results through the waves of subcontracting and services from the direct figures. It would be an interesting exercise for DEES to identify these important indirect impacts.

While this is a much less important issue, perhaps at a tactical level rather than strategic, it is worth mentioning that PRIDEX needs to strengthen its database management unit. A review of needs and current practices should be carried out with the goal of developing new standards for reporting. The new standard should be used to compare the professional requirements for implementing the new practices against the professional capabilities of its existing staff. It is conceivable that replacement of current staff will be required. The work load for the improved database task should only require one technical person, since a management level person is not necessary, and one support staff. This will result in a reduction of one from the current deployment.

PRIDEX should continue to monitor its results. In order to write successful proposals to other foreign donors or the government of El Salvador for financial assistance as per the sustainability plan, PRIDEX will need data to justify its impact and continued financial support. Since the war is over and companies are less security conscious, PRIDEX should consider a validation process for the company reports. This process should also become part of the contractual relationship for all new contracts.

2.5 Description and Evaluation of PRIDEX Activities

2.5.1 Investment Promotion

Until TIPS began operations, there was no investment attraction capability in El Salvador; since the GOES had bigger problems, it is likely that none would have been forthcoming as well. The authorization recognized that the shortage of investment capital and the protectionist orientation of government would require improvement before investment attraction and efforts to alleviate those problems would be continuing during PRIDEX start up.

The first phase of TIPS/PRIDEX's development was managed through a contract with Arthur Young. Initially, the target was U.S. foreign direct investment but results were disappointing. The 1988 evaluation of FUSADES reported a change had occurred (time period not mentioned) whereby, "owing to the negative impression many of these [U.S. investors] have had of the Salvadoran business, economic and political climate, FUSADES/PRIDEX efforts to attract investment are now being focused on Salvadoran sources." (page 63)

The second phase focused on export promotion and not much was done with investment promotion. The PRIDEX office in Miami linked Salvadoran firms to foreign markets and brought matchmaking joint venture contracts. During this time, PRIDEX made great strides for developing private free zones, linking to FIDEX credit and staff development that would later facilitate a return to foreign direct investment. The 1990 Interim Assessment of FUSADES reported that "almost all the results are derived from assistance to existing

companies (including foreign firms), with very little attributable to direct foreign investment.”
(page 58)

CARANA Corporation recommended in 1989 that PRIDEX should extend its level of effort once again on both local and foreign investment promotion. This was partly based on an improved political environment in which more local firms were investing and U.S. firms were beginning to show greater interest. This new strategy, taken from the Costa Rican and Honduran USAID projects there, required aggressive external promotion primarily in the U.S. to generate direct investment. Offices were opened in New York and expanded in Miami. Promotion activities were aggressive and well executed. This strategy was implemented with excellent results until 1992, when 599 was passed.

After 1992, PRIDEX shifted its foreign direct investment target area to Asia and Europe and, following a slow transition period, results improved during 1994 due to new entrants from Taiwan and Korea. Given the lead time required for investment promotion activities to generate results, 599 affected results from between 30% and 50% during 1994. However, since PRIDEX quickly re-targeted its efforts on Asia and Europe, it appears that 1995 will continue to reflect improvement.

The nature of activities required for investment attraction are more complex and require a superior level of effort than those required in export promotion. Investment attraction requires a country to first build an image in the target market and to penetrate with a focused communication strategy within that image. In the case of El Salvador, PRIDEX first had to define and work with El Salvador's negative image and, within the bounds of its current reality, create an image that was both realistic and effective to cause investment to flow.

This aspect of image building and communication was difficult for PRIDEX, yet they were successful. PRIDEX wisely began with focused groups within its target profile and went to work from there. A communication strategy was built and then implemented through brochures which targeted the industrial sector. Other aspects of this strategy abroad included seminars, workshops, company presentations, government missions, cold calls, direct mail campaigns, and visits to 12 to 15 trade shows per year.

The last section of PRIDEX's investment promotion strategy was to make services available to investors once they arrived in El Salvador. These included well-planned assistance in tours of existing plants, introductions to attorneys and accounting firms, visits to production zones with a review of available real estate appropriate for the investor, tours of shipping alternatives, etc. The assistance to the investor in El Salvador would include non-business considerations, such as explaining the educational alternatives for children, shopping, housing, entertainment, medical facilities, etc. Based on interviews with investors, this seems to be an area where PRIDEX excels.

Investment promotion is a labor-intensive strategy that burdens the local PRIDEX staff more than export promotion. The investment promotion model continues but has moved away from

the U.S. and towards the Far East and Europe. PRIDEX currently emphasizes investment attraction over export promotion.

2.5.2 Export Promotion

2.5.2.1 Findings

The first phase of TIPS, which lasted through August 1987, promoted the export of products from Salvadoran firms as a second level objective with foreign direct investment as a first level priority. During the following period, PRIDEX focused on promoting exports from El Salvador's existing productive capacity, i.e. resident firms already producing in El Salvador, and decreased its efforts in foreign direct investments. Results were not encouraging and the need to modify this strategy was apparent. This transition during 1987 focused on the development of its internal resources. Outputs included sector studies in various industries to determine market potential vis a vis El Salvador's comparative advantage and disadvantage per sector (apparel, electronics, light manufacturing, handicrafts, plastics, furniture etc.). PRIDEX also began successful medium term efforts at building free trade zones, which would later facilitate the attraction of foreign direct investment.

Twelve priority sectors emerged from these studies and technical assistance focused on orientation, education and information services, travel to trade fairs, development of export business plans and technical studies targeting production and quality control. The USAID second project amendment supported the aggressive promotion of El Salvador abroad to attract co-investment and long-term subcontracting through matchmaking. Overseas promotional offices were added in New York (a Miami office had been functioning for some time) and a West Coast office was contemplated but never opened.

Export promotion during the early phase was a hunting exercise carried out by product group managers and promotion executives. They used trade and personal contacts, referrals from clients, networking at seminars, walk-ins from advertisements and word of mouth, etc., as a way of identifying clients for targeting technical assistance aimed at export promotion. These managers also traveled abroad to promote Salvadoran products and services, identify customers (particularly *maquila* contractors and co-venture partners), attend seminars and participate in trade shows. Many general and product specific brochures (i.e., the 807 brochure for textiles) were developed to support these efforts. They targeted Salvadoran firms having the greatest immediate potential for export sales.

Apparel and handicrafts represented 71% of the jobs and 40% of the foreign exchange generated during this five-year period, which raised questions as to the need to develop twelve target sectors. The relative low program cost per job (estimated by the 1990 Assessment to be \$1,270) suggested that PRIDEX successfully exploited the excess of El Salvador's plant capacity during this period.

CARANA Corporation recommended during 1989 and 1990 another important change in PRIDEX strategy. Since it was reasoned that the excess capacity utilization had largely been exploited and therefore diminishing returns would follow, FIDEX was actively seeking investment clients with dollar loans. The government policy toward foreign direct investment and free enterprise zones had become positive—that the time was now right for a return to the original strategy for attracting foreign direct investments to El Salvador. Foreign investors had determined that despite the conflict, they could still make profits.

At the same time, PRIDEX extended its efforts in investment attraction. The principal objective of the export development program assisted Salvadoran firms in restructuring to market abroad. These technical assistance efforts were largely carried out through a U.S. contractor, ITI, where much travel to international trade fairs and product-specific technical tours of U.S. facilities were undertaken for market exposure and building exporters' initial learning curves. These efforts carefully screened clients in order to maximize results on fewer clients. PRIDEX's success ratio improved with this strategy, which also narrowed the sector targets from 12 to five.

2.5.2.2 Conclusions

Given the relationship of constraints upon investment attraction and export promotion to results achieved by PRIDEX between 1984 and 1994, PRIDEX has successfully adapted and implemented its strategy to changing conditions. PRIDEX chose wisely to focus inward for internal development during its last two transitions and wasted little time. PRIDEX remained proactive and utilized the comparative advantages of El Salvador to leverage the maximum impact possible under the circumstances.

It was the appropriate utilization of strategy at the right time and adapting to changing conditions that enabled PRIDEX to produce powerful results during difficult times. This strategy has generated successful direct investment start ups in nine free enterprise zones, where prestigious corporations from the U.S., Korea and Taiwan now operate successfully. Many employ in excess of 1,000 workers. There were mistakes, such as starting out stressing a direct investment strategy rather than export promotion utilizing existing excess capacity and later choosing a shotgun approach of too many target sectors in the first transition back to export promotion. However, PRIDEX reacted appropriately and corrected these errors within a reasonable period of time. PRIDEX was in a competitive arena during difficult times for El Salvador. Its services were uniformly regarded as superior in the international marketplace, according to its multinational clients who have shopped for offshore locations in many countries.

Looking back, it would seem that 599 was a mixed blessing. It forced geographical diversification that would otherwise not have been undertaken for years. The impact of 599 is now past since, without USAID funds, PRIDEX is once again free to hunt in the U.S.

PRIDEX played a pivotal role in the development of El Salvador during the darkest years of its struggle during the war. Its actual results were dramatically successful and provided hope for all levels of society, especially the poor, who found work that would not have otherwise been available.

2.5.2.3 Recommendations

Looking back, perhaps it would have been wiser to begin with an internal development strategy that was less dependent on the contractor for accomplishing the results directly. Tighter sector targets would also have prevented wasted effort. However, allowing for such a treacherous operating environment and for what amounted to a new capability for El Salvador, this is a recommendation benefiting from hindsight. Since PRIDEX is now the only organization competent to relate to entrepreneurs abroad at a level of international standards, PRIDEX should continue to focus on investment attraction rather than export promotion, particularly since there is very little excess capacity available.

2.6 Technical Assistance

2.6.1 Findings

Technical assistance is the term used for PRIDEX activities that were intended to generate project results. While “technical assistance” is perhaps not the best way to describe all activities, this section uses the term as it has been used in the project. The following conceptual framework is a useful one to explain these activities together with their estimated total level of effort as per financial and human resources for the project period, as shown in Figure 2.2.

PRIDEX’S TECHNICAL ASSISTANCE ACTIVITIES

Activity	Percentage
Trade Fairs	40%
Training	10%
Seminars	10%
Consulting/Training	20%
Studies	20%

Figure 2.2

Trade fairs were the primary vehicle for both investment attraction and export promotion. Typically based on sector studies, these were carefully planned for and managed by PRIDEX staff, who would use the fair to position El Salvador's image, to source matchmaking partners (identifying contracting and co-venture opportunities), to conduct research in that sector to incorporate into strategy building, and to identify potential investment attraction partners. A purpose in the fairs is the assistance to Salvadoran entrepreneurs, who attend in order to find new markets for medium- and long-term purposes and to obtain contracts in the short run.

Throughout the life of the project, PRIDEX has averaged between 12 and 15 major trade fairs each year. This would include shows like CBI Apparel Sourcing, the Bobbin Show, the National Hardware Show, Expo Nacional Ferretera in Mexico, the Furniture Show in Highpoint, North Carolina, etc. Given that the number of employees at PRIDEX has varied from between 15 and 18, it is easy to understand the constant demands and level of effort of this "technical assistance."

Salvadoran business owners cannot say enough about the trade fairs. They speak about clients in the U.S. and Europe they have sold to for many years based on those trips. They also say that without the subsidy from PRIDEX, they never would have gone there. PRIDEX excels at trade fairs: it is what they do best, that is, representing El Salvador at a world-class standard.

Trips abroad have also been both frequent and useful for training and seminar purposes. These are typically very specific to an industry, a company product, or an industrial process. The only generic area for training has been the subject of quality control and quality assurance. Many Salvadoran firms are grateful for plant tours, introductions to specialized equipment and manufacturing processes which led to re-working production in ways that enabled Salvadoran firms to cross the threshold from domestic to export quality levels for their goods.

A lot of technical consulting was conducted, where typically U.S. experts came to El Salvador to help manufacturers with very focused assistance to such production processes as candy manufacture, the construction of shoe molds, multiple use of metal fabricating machinery, etc. These same types of focused consultations often took place in seminars abroad or were tailor made for El Salvador. Technical consulting and training seminars were less of a burden to the PRIDEX staff since they were undertaken largely on a contractual basis by outside firms.

Perhaps only 50 studies were conducted over the project period. These were typically sector studies evaluating strengths and weaknesses of Salvadoran business sectors vis a vis potential abroad for export or investment attraction. These studies were of strategic importance insofar as they tended to guide decision making on paths PRIDEX would take, or not take, over the years and various decision points. Forty three such studies are listed in Annex G. These studies were almost always carried out by contract with a U.S. firm.

As were other forms of technical assistance, these studies are typically of high quality, yet are difficult to value on a unit basis because their impact was only valuable to a moment in time;

many were decision-support studies for strategic planning. Judging from PRIDEX's adaptation to changing conditions and their zero-base learning curve at project start up, it would appear that these studies played a very positive role in guiding PRIDEX's success. All respondents questioned spoke highly of these studies, as well as of other technical assistance performed by PRIDEX. One can only say that taken in its entirety, this package of "technical assistance" yielded the total project results reported. There was no project tracking on a unit basis with respect to a specific deliverable.

Technical assistance received the lion's share of the PRIDEX budget. According to internal accounting records, the following was spent on PRIDEX activities under evaluation over the life of the project, as shown in Figure 2.3.

PRIDEX DISBURSEMENTS OVER PROJECT LIFE

Activity	Amount
Technical Assistance	8,066,204
PRIDEX Staff	5,695,884
Seminars/Conferences	104,474
Communications	185,300
Trips	2,046,708
Equipment and Materials	995,442
Overhead (to FUSADES)	2,991,362
Promotion Offices	997,795
Contingency	86,575
Total Related Expense	21,169,744

Figure 2.3

While reported as technical assistance at US\$ 8.066 million, actual technical assistance delivered to clients would include U.S. \$2.046 million for trips (since these were subsidies to clients and PRIDEX staff for trade shows), and 70% estimated of PRIDEX staff of \$5.69 million (since 70% of direct labor went to support of trade shows) should also be calculated as technical assistance. Therefore, roughly 63% of USAID funds under 287 to PRIDEX went directly to technical assistance.

2.6.2 Conclusions

Taken individually as units, each technical assistance product/deliverable was reported by clients to be of exceptional quality, professionally presented and almost always sensitive to an immediate business need. This is the uniformly enthusiastic response by those business owners and managers interviewed. PRIDEX's technical services are world class and all respondents, including ministers, confidential assistant to the President, business owners and opinion leaders in El Salvador's private and governmental sectors, characterized PRIDEX's technical assistance as such. All clients who traveled abroad to trade fairs in Europe, East Asia, U. S., and Latin America reported that PRIDEX's presentation and handling of these events was as good or better than the competition from other countries.

2.6.3 Recommendations

PRIDEX should review its current portfolio of technical assistance and determine which products should cease insofar as they will yield decreasing results under its sustainability plan. Otherwise, it would seem that the technical assistance is of good quality and yields excellent results.

2.7 Sustainability and Plans for PRIDEX's Future

2.7.1 PRIDEX's Vision for the Future

The platform for the future is now, so perhaps it would be worthwhile to view the 1994 strategy, results and deployment of human resources as they are vis a vis plans for the future. Results were quite strong in 1994, with a solid rebound from losses under 599. Adjusted realistic figures would be 5,000 jobs created, \$30 million in hard revenue generated from exports, and \$8 million invested.

The fascinating part of PRIDEX's rebound is that PRIDEX abandoned its previously successful strategy of U.S. investment attraction for investment and went to three shows in East Asia, two in Europe, three in Mexico, and one in South America. Naturally' the lag in results will be from one to two years. However, results are already apparent from 1993, insofar as investments attracted during 1994 are now operational, including San Bank Wool, Gabo, Megatex, and Daeshin—all large Korean firms. In addition, expansion of an already large Taiwanese firm was underway as well as a non-recruited U.S. "walk-in." PRIDEX demonstrated the effectiveness of its changed strategy in East Asia with solid results. Interviews with several Korean and Taiwanese owners and factory managers revealed their view that PRIDEX will have continued luck in East Asia.

PRIDEX continued to promote export but not as a first priority—the first priority is investment attraction. For 1995, the targets are once again the U.S. (599 no longer inhibits them), Asia, and Europe. Profit centers on a fee-for-service basis will replace previously subsidized technical assistance. The big question is whether PRIDEX's previously targeted

clients will pay. In addition, new profit centers will start-up, one important example of this is the new electronic bulletin board service (BBS).

2.7.1.1 Findings

PRIDEX currently employs 18 staff members. Figure 2.4 reproduces PRIDEX's version of their organizational chart. However, conversations with PRIDEX clients did not indicate that the fee-for-service projections will hold up. In PRIDEX's main product, investment attraction, the tendency is for clients to pay during the reconnaissance and start up and then to cease requests for further services. These firms are typically well-established multinational firms with experience throughout the world with offshore production. They really do not need anything else following successful start up.

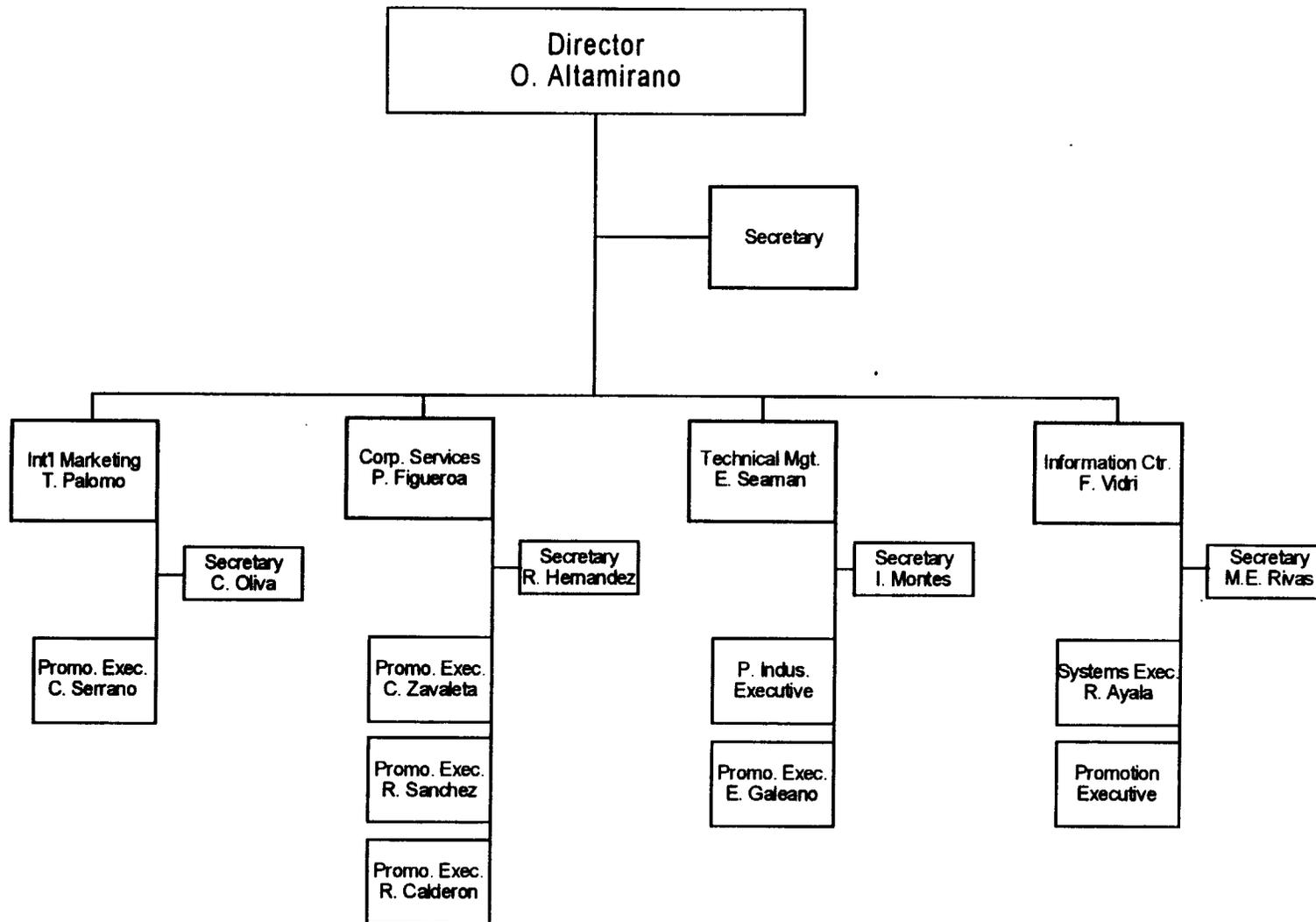
In any case, investment attraction is not the job for a private sector organization—it is the job of government. This is true throughout the world, where government, sometimes together with the support of the private sector, solicits foreign investment, but it is the government that ultimately foots the bill. Such is the case in El Salvador. The only reason that such fine project as PRIDEX developed and grew was that the government in El Salvador was fighting for its life from 1979 to 1992, and the U.S. stepped in. Now that the war is over, the U.S. has stepped out. Not unlike the game of musical chairs, it appears that PRIDEX will not have a chair when the music stops, perhaps with one exception.

The Washton Brown sustainability plan prepared in October 1993 predicted roughly a total combined income from all sources for 1995 to be \$500,000. Realistically, however, this evaluation finds that figure will likely be around \$300,000. While the Washton Brown plan makes an excellent contribution, its primary flaws are that it only stresses profit centers and ignores cost centers, i.e. cost reduction, and that it overestimates income.

Realistically, PRIDEX will spend in the neighborhood of \$420,000 in 1994, depending on the level of spending cuts it will make (this evaluation recommends drastic ones to be taken immediately). The deficit that will be produced by PRIDEX is not alarming at all. All investment attraction programs throughout the world spend more than they produce. In fact, a deficit of even \$200,000, in the light of the impact of PRIDEX and the perhaps \$300,000 it will generate, is about as close to self sufficient as this type of organization can get.

No one should expect El Salvador to accomplish something that Chile, Peru, Indonesia, Japan and other countries have been unable to accomplish. Investment attraction is the job of government just as much as is military preparedness or education; no one expects these governmental activities to be self-sufficient programs.

Under the Washton Brown plan, PRIDEX's main source of revenue will be commissions paid by free zones for the attraction of tenants. This income pool would require a substantial evaluation outside the scope of work of this report. Those assumptions and data collected, nonetheless, reveal some degree of insight. The projections of new foreign firms attracted in



**ORGANIZATION CHART OF
PRIDEX, 1995**

Figure 2.4

USA

1995 seem realistic, and PRIDEX has contracts in place with owners of the free zones that provide a 3% commission for the total value of the contract. Notwithstanding some degree of success with this new profit center, it would appear that income for 1995 from this source will be \$25,000 less than projections. Where there is a new tendency for foreign firms to locate outside of the free zones, PRIDEX has wisely put in place contracts for commissions in that marketplace as well, although with less profit margin.

One disappointment was Washton Brown's recommendation for a \$1,800 annual membership fee for *maquila* operators. PRIDEX now realizes this will not be possible and has changed to a fee-for-service basis on matchmaking services. This will yield funds but perhaps 30% less than the membership projection.

The GOES appreciates PRIDEX but since the government had historically been totally absorbed by the struggle for survival during the war, USAID wisely built this critical capability with foreign aid. The government feels that PRIDEX is not the only game in town for investment promotion. There is FOMEX, the Chambers of Commerce, The Ministry of Economy, industry groups, etc. However, there is still an acknowledgement of PRIDEX's value and the initial signs of a desire for engaging in a yet undefined cooperative relationship. The Minister of Economy pointed out, however, that Salvadoran law would prevent some types of relationships between the government and a private entity.

2.7.1.2 Conclusions

PRIDEX is bravely ready for heroics and it is sincere about sustainability, but if the rest of the world is a good model with respect to governmental responsibilities for over 50% of investment attraction costs, PRIDEX will have to violate the laws of physics to survive as planned. The real challenge for PRIDEX is the immediate reduction of operating costs. The task will be formidable.

For PRIDEX to survive in the long run, it will have to build a strategic alliance with the government of El Salvador within the Ministry of Economy. PRIDEX has a unique and valuable niche in this regard. It is the only world-class service organization capable of delivering a continuous stream of foreign investments. Other organizations doing such work would not be as successful at this task as PRIDEX.

A long-term strategic alliance with the GOES, one that provides the missing financial resources to insure both PRIDEX's long-term program and institutional self sufficiency, is not as difficult a task to achieve as it might seem at first glance. In the field of international investment attraction and export promotion, all governments of other countries provide this function. In addition, all countries in this arena are increasing the resources to these programs rapidly with the new trend toward globalization of world economies as they seek export-led growth—not just developing countries like Jamaica, Peru, Bolivia, Costa Rica, Indonesia, etc. are doing so. In recent years, developed countries are ramping up as well, including Britain, Japan, South Africa, Ireland, Spain, etc. The question for the GOES is, how many

investments will the country lose before it realizes that supporting PRIDEX is the best way to maximize export-oriented foreign investment? Given El Salvador's comparative advantages and disadvantages, this country can less afford such errors than Guatemala or Nicaragua, which can fall back on their strength in agriculture—something El Salvador cannot do.

PRIDEX is too large an organization to survive under the transition to self sufficiency. In addition, PRIDEX and FUSADES should acknowledge the impossibility of self sufficiency for PRIDEX. It is simply not a realistic goal for an organization producing investment attraction and export promotion outputs.

2.7.1.3 Recommendations

PRIDEX should downsize immediately to ten full-time staff. This measure will strengthen PRIDEX's survival quotient.

PRIDEX should explore with FUSADES' legislation department what designs are legal within Salvadoran law with respect to a long-term relationship with The Ministry of Economy. Once determined and agreed upon within FUSADES, proposal discussions should take place with the Ministry. Some type of vehicle should be designed and put in place by 1996. In order to accomplish this, discussions must begin with The Minister of Economy during January and followed up aggressively throughout the year. This should be the number one priority of PRIDEX's chief operating officer as well as the chief operating officer of FUSADES in a support role. The President of the Board of Directors must also follow these efforts and provide support at the highest levels of government and the private sector.

3. Analysis of DEES

3.1 The DEES Program

3.1.1 Appropriateness of Criteria for Determining Areas of Studies and Policy Output for GOES

In its Action Plan for 1994-1995, DEES states that its overall mission is the same as that of FUSADES, "to better the conditions of life of Salvadorans within a system of individual liberties." Turning to its research agenda, the central theme during the period will be "economic globalization and sustainable development."

These objectives are comparable to those of USAID. The broad-based strategic program goal for El Salvador in its Country Development Strategy Statement (CDSS) for 1990-1994, was "to achieve broad based sustainable economic growth by encouraging a strong private sector response to a favorable policy environment." In its project paper for amendment no.2 to the Industrial Stabilization and Recovery Project, the stated goal is "to accelerate economic growth and diversify the economy to attain higher levels of economic well being." The

purpose is “to stimulate growth in the non-traditional export sectors of El Salvador, resulting in increased levels of employment, investment and foreign exchange earnings.”

3.1.1.1 Findings

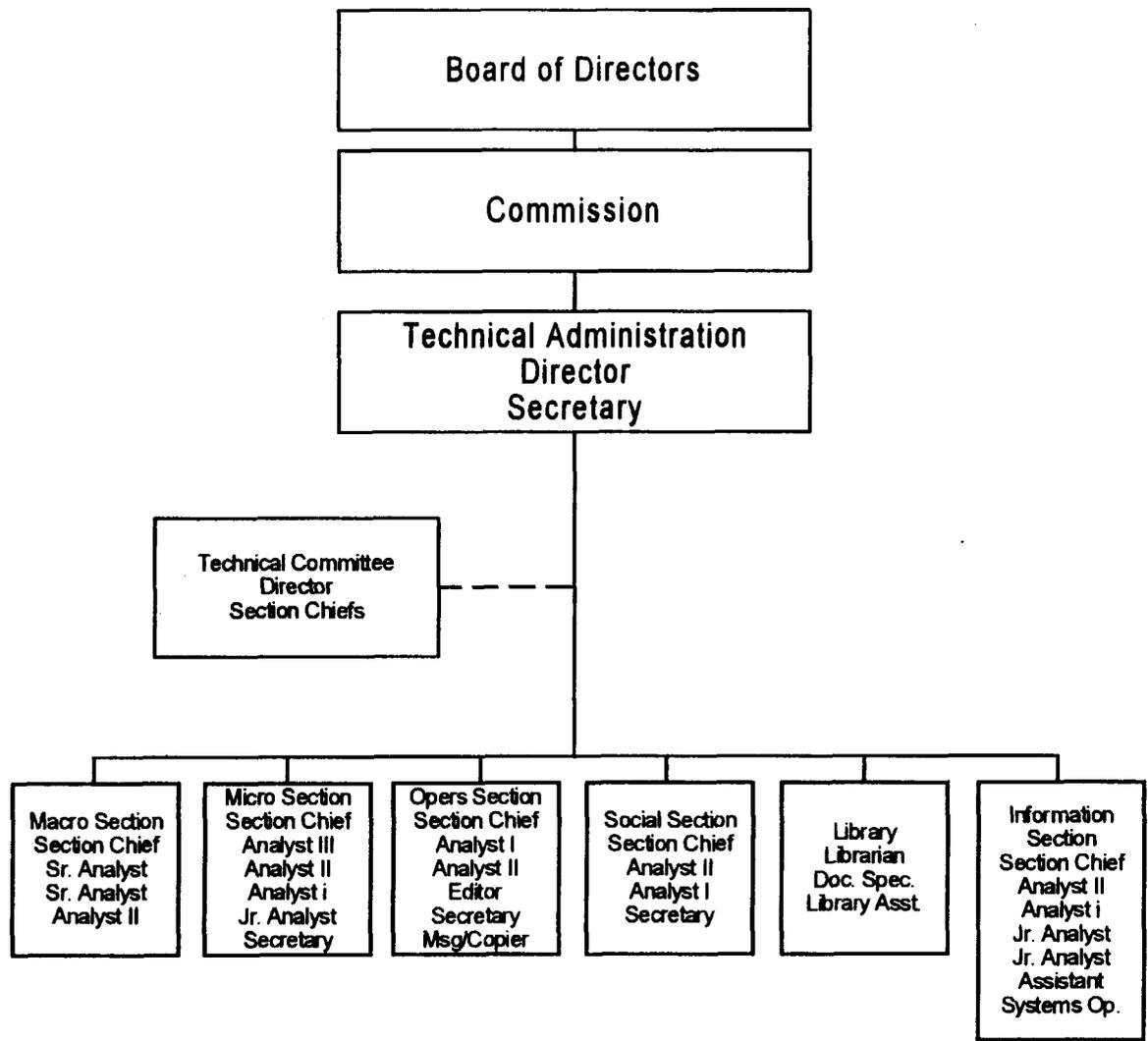
Appropriateness of criteria is a value judgement, in this case one which concerns the economic and social growth model which should be employed by a country. The standard model for many years in Latin America, and one which had the full support of The Economic Commission for Latin America, is what we call a statist model with a highly centralized government, characterized by tight state control and intervention, state owned enterprises, including banks, dominating business activities and relying on state subsidies to exist, a reliance on traditional export commodities to earn foreign exchange, an inefficient industry producing for the local market protected by high tariff levels and quantitative restrictions on imports, among others. This model has proven disastrous over the years as economies stagnated and levels of poverty reached alarming proportions with real wages showing steep declines.

More recently, another growth model has been adopted by most countries in Latin America, influenced to some extent by the outstanding progress being made in many Asian economies as well as in Chile. This model is one based on reliance on the free enterprise system with an emphasis on private-sector, export-led growth supported by a sound fiscal policy; a reliance on market forces to determine prices; a competitive exchange rate; privatization of state run enterprises, and other measures consistent with the model.

It is the latter model which is being proposed by FUSADES/DEES and being supported by USAID. To judge the appropriateness of the criteria it utilizes for selecting areas of study and influencing policy formulation, we need to determine if it is following the criteria consistent with this model of economic growth.

There have been three key macro strategy documents prepared by DEES since its inception. The first is a 1985 publication titled, “The Necessity of a New Economic Model for El Salvador: General Lines of a Strategy.” The second document is a 1989 publication titled, “Toward a Market Economy in El Salvador: Bases for a New Strategy of Economic and Social Development.” The most recent is a 1994 publication titled, “El Salvador: Strategy 1994-1999.” The last document, however, also places emphasis on the analysis of social problems with particular emphasis on the education system and strategies to improve the basic skill level of the children to prepare them for productive employment. A review of these documents, as well as other major studies conducted during the decade of DEES’ existence, reveals that they are consistent with the selected economic and social development model.

The strategy document prepared in 1988 had a strong technical assistance component. Many component parts of that study are readily attributed to the work of Dr. Arnold Harberger and his team of economists, many of them Chileans. A FUSADES founding member described to us the period over some nine months when Dr. Harberger was engaged in the analysis and



**ORGANIZATION CHART OF
DEES, OCT. 1994**

Figure 3.1

USA

strategy work. He pointed out the large number of roundtable discussions that were held with Harberger and his team to gain consensus within FUSADES. The result was a document that membership could support and stand by.

A sample of the major studies conducted and published during the last six years under its program titled *Documentos de Trabajo* (Work Documents) and which impact on its growth model follow:

1989

- The Size and Influence of the Public Sector on the Salvadoran Economy;
- A Strategy for the Reactivation of the Agricultural Sector in El Salvador;
- Proposal for the Modernization of Capital Markets in El Salvador;
- Characterization, Reach and Restrictiveness of Credit Policy in El Salvador.

1990

- Guidelines for Development: Suggestions for Economic Policy in El Salvador;
- Bases for a Strategy for the Renegotiation of the External Debt of El Salvador;
- Diagnostic of Administration of Resources of the Ministry of Education of El Salvador;
- Toward a Strategy to Address the Basic Needs of the Poor in El Salvador.

1991

- Structure of Public Employment and Administrative Modernization in El Salvador;
- Basic Education;
- Technical Education;
- Sectoral Study of Informal Non-traditional Agro-industry in El Salvador;
- Sectoral Study of Traditional Agro-industry in El Salvador;
- Sectoral Study of Formal Non-traditional Agro-industry.

1992

- El Salvador: Financial Development and Regulation;
- The Informal Financial Sector in El Salvador;
- Analysis of Private and Economic Profitability of the Salvadoran Industrial Sector;
- Taxes and Their Effect in the Economic Integration of Central America.

1993

- The Mexico-El Salvador Free Trade Treaty;
- Central America: The Institutional Dimension of Economic Integration;
- The Cattle Crisis in El Salvador; Diagnostic and Proposals.

To implement its Action Plan, there are six subsidiary themes which will be the subject of DEES research and investigation over the planning period, as follows:

- **Macroeconomic policy:** DEES will follow and periodically evaluate the principal macro indicators of economic activity.
- **Commercial policy:** Studies will be conducted in the areas of the customs system, the tariff structure, and foreign investment.
- **Infrastructure:** As competitiveness of the economy requires sustainable efforts to expand and modernize, infrastructure studies are to be undertaken in telecommunications, electric energy, ports, and transport, including privatization measures.
- **Public administration:** Because of their importance in the process of reform of the state, themes such as organization, functioning, size and efficiency of the public sector are to be selected.
- **Human resources:** In this area investigations will be made of themes related to education at all levels, of health and nutrition, of institutional structures and the culture of globalization.
- **State of law:** In this area will be themes related to the legal framework, such as the institutional structure and the administrative system under which it operates.

3.1.1.2 Conclusions

There is some criticism that DEES is spreading itself over too many areas of research, considering its size and available resources. One member of the DEES Commission stated that it should work on major themes and forget about the plethora of small studies it performs, permitting its staff to be reduced to 15 highly experienced economists/social scientists from its present level of over 30 people at different skill levels.

Other criticisms are that it is straying from its central theme of free enterprise and export-led growth/globalization by its increased emphasis on social issues, and that its research does not provide enough support to the other departments of FUSADES. Emphasizing selected social issues, especially education, is important to export-led growth/ globalization because human resources are a key to increasing a country's productivity, and increasing its competitiveness in moving up the technological chain. However, as one member of the DEES Commission pointed out, DEES is a group of economists, and effective social analysis requires a team of specialists in other disciplines, such as sociology, to understand the complexities involved. (This statement is not entirely accurate as the chief of the DEES Social Section has a degree in sociology.)

Now that the overall strategic plan (Strategy 1994-1999) has been completed and published, it appears appropriate for DEES to turn its attention to key subsidiary issues. It should not, however, emphasize the social sector to the detriment of its very important economic analysis work, particularly those studies and publications directly supporting the export-led

growth/globalization model. Although the rhetoric of the model has gained wide acceptance, there are many issues to be grappled with and pitfalls along the road to its successful implementation. A vigilant DEES can track these and offer useful suggestions.

Attention is currently being given by DEES and its Commission to the exchange rate question and the differing viewpoints about it. Because of the growing reserves of dollars in the country due to worker remittances and, more recently, the unusually high international coffee prices, supply and demand factors allow stability in the current nominal rate even though internal inflationary pressures would normally indicate a need to devalue in order that the non-coffee export sector maintain its international competitiveness. Reliance on the remittance and coffee price “windfalls” can lead to high growth, led especially by the construction, commerce, and service sectors, but that will only be sustained as long as the windfalls continue. DEES and its Commission realize that economic strength ultimately depends on the productive capacity of industry and agriculture and their ability to compete in international markets, hence the importance of the need to continually monitor the exchange rate question and the policies of the Central Bank.

That being said, some commission members believe the foreign exchange rate should be decided by supply and demand factors, as market economy principles would dictate, rather than Central Bank intervention measures, and that the economy will make the necessary adjustments if the Government maintains a non-inflationary fiscal and monetary policy. They believe that relying on devaluation as a key policy tool to increase international competitiveness is a disincentive for industry to increase its productivity, because it lessens the need to control costs and upgrade technology.

It is this point of view that is pushing the globalization corollary to export-led growth, the idea being that the goal of El Salvador should be to become integrated with the world economy. Rather than condemning itself to produce labor-intensive, low-end products resulting in a work force which never rises much above a subsistence wage, it should seek to produce components of high-tech products and gradually move up the technological chain as more experience is gained by entrepreneurs, managers, technicians, and workers. This strategy will require increasing amounts of foreign investment, especially that which is willing to transfer technology, but young aggressive El Salvadoran entrepreneurs trained abroad will also become increasingly important to the process. This strategy would move the country from its low-cost, low-wage mentality, in which devaluation is a key tool to compete with the Haitis and Bangladeshes of the world, to one which will make possible higher living standards throughout the labor force.

Another viewpoint is offered by a former Minister of Agriculture. He is concerned that the current exchange rate is a disincentive to development of a broad range of tradable goods in the agricultural sector, pointing out that the continuing mini-devaluations in Chile, to offset domestic inflation, were a key factor in the export response from non-traditional agriculture in that country.

The discussion on exchange rate policy and its relationship to other economic factors is illustrative of the dynamics operating in DEES and its Commission. Serious debate and questioning are part and parcel of the open process DEES goes through before making recommendations on economic policy.

3.1.1.3 Recommendations

The question of the appropriate size of the study program is closely related to the amount of financial resources which will be made available to DEES. Because funds will likely be more limited in the future, DEES, its Commission and FUSADES management need to carefully analyze each study and activity proposal not only in terms of cost but also in terms of its importance and specific results intended, in advancing the FUSADES/ DEES socioeconomic agenda.

There is a risk that, in order to continue an ambitious research program with a reduced budget, study outputs will be somewhat superficial and not contain the analytical detail necessary to effect policy and administrative change. DEES has indicated its intention to undertake fewer studies but to go into more depth on each of them. The agenda set out in its current Action Plan is ambitious compared to budget limitations. This raises questions about DEES' ability to carry out its activities on the scale it envisions.

The work of the Interamericas Group included an exercise carried out with FUSADES to seek collaboration with other institutions in conducting its research. It would appear that DEES could leverage its resources by seeking such collaboration with both international and domestic organizations, especially with some of the better NGOs and foreign foundations, in furthering a portion of its research agenda. We have seen scant evidence, one case being its collaboration with the Pontifical Catholic University of Chile, that this is being done. We recommend that the FUSADES Board discuss this subject and develop a strategy and plan to implement it.

3.1.2 Impact of Policy Studies on GOES

3.1.2.1 Findings

The impact of DEES policy studies on public sector policy formulation has varied during the three different governments in power during the life of the FUSADES/DEES organization. Between the time of FUSADES establishment in 1983 and until the end of the Duarte Administration in early 1989, policy studies prepared by DEES had little impact on GOES policy. This relates to points made previously regarding the statist model of development compared to one relying on the free enterprise system and export-led growth. Most analysts agree that the Duarte Administration had many of the characteristics which make up the statist model for development, including establishment of price controls, high tariff levels and quantitative restrictions, nationalized banking operating under a regime of subsidies, agrarian reform, as well as other characteristics of the model.

As the FUSADES philosophy was based on the alternative model, and this was reflected in the studies prepared by DEES, there was little or virtually no impact on public sector policy formulation throughout this period which extended until mid-1989. Indeed, President Duarte has made it clear that he considered it subservient to the interests of the "fourteen families" and living off the backs of the poor.

However, DEES did have an impact in educating the public and in formulating an alternative program, based on hard analysis rather than mere rhetoric. This helped establish a strong national dialogue between the party in power and the opposition and led to a lively debate during the election campaign of 1989. Such dialogs had the effect of strengthening democracy in El Salvador and inserting into the campaign some real discussion of national economic and social issues alongside the usual character assassinations and polemics.

The Cristiani Administration adopted the economic model proposed by FUSADES/ DEES, that is one relying on the free enterprise system and private sector led growth. In addition to the influence of its development model, the major impact was the result of the migration of people from the staff of DEES and its Commission to key policy making positions in the new government.

We can cite Mirna de Liévano de Marques, who was Minister of Planning for all five years of Cristiani's term (1989-1994) after having been a DEES senior staff member for some five years; Roberto Orellana, who was named President of the Central Bank in 1989, continuing in that role to this day, after serving as the Coordinator of the DEES Commission from 1983 until he went to the Central Bank; Rafael Alvarado Cano who went from Chief of Operations (Dissemination) of DEES to be Minister of Finance; Enrique Cordoba who became Vice-Minister of Agriculture and then Minister of Economy after serving as Chief of the Microeconomic Section of DEES; Norma de Dowe who was Chief of DEES' Social Section prior to becoming Director of the Directorate of Reconstruction, a position she held throughout the Cristiani years and still holds at the time of this report; and Miguel Araujo, who went from Chief of DEES' Information Section to Executive Secretary of the Secretariat of the Environment from the period 1989 to 1994.

In addition to people going directly from DEES into the Cristiani Administration, others from FUSADES who shared the same philosophy were named to key positions, among them Tony Cabrales who went from Director of DIVAGRO to serve as Minister of Agriculture, María Teresa de Réndón, from Free Trade Zone Manager in PRIDEX to Vice Minister of Planning, and José Angel Quiros, who went from Director of FORTAS to Vice-Minister of Finance.

All of these people took the basic tenets of the FUSADES/DEES model, which they themselves were instrumental in shaping, into the government with the objective of putting them into effect. The Cristiani Administration was entirely in favor of virtually all aspects of the free-enterprise, export-led growth model as was made clear during his campaign for the Presidency, in his Government's Economic and Social Development Plan for 1989-1994, which was published under the auspices of the Ministry of Planning headed by Lic. Liévano,

and in many of the actions taken during his Administration. It should be stressed that the Plan was issued after the first year of the Cristiani government, and it is clear that the role of Lic. Liévano, and through her DEES', was very important in developing the Plan. These ideas and positions were developed and incubated while she served in FUSADES/DEES.

The programs developed at DEES were later implemented upon the transition of a large component of the DEES professional staff into government. However, it is not unusual that some tenets of the best-laid plans are not carried out once a party shifts from the role of critic to governing. This is the nature of democracy, as opposed to dictatorship, as any democratic government discovers unforeseen circumstances, crises, rigidities, resistance of entrenched functionaries, and legitimate political opposition whether from political parties, labor unions, the universities, the media, and others. In the case of the Cristiani government, the major crisis was the increasingly violent civil war for more than half his presidency and the constraining effects on the economy, regardless of policy or administrative restructuring.

This evaluation describes some of the more important policy changes put into effect as well as citing some examples of DEES criticism. This criticism offers evidence that FUSADES/DEES never became a tool or apologist for any particular administration and has been able to maintain its objectivity and professionalism in advocating free-market, private-sector-led solutions to economic and social problems.

The first priority of the Cristiani Administration was to stabilize the economy through a series of actions which were largely successful, including the liberalization of prices, opening the economy to outside competition, and reestablishing property rights. For example, price controls were lifted on some 290 products and a commercial reform was undertaken. Tariff levels were reduced and dispersion of rates compressed, along with a large reduction of paper work. To improve public finance, a tax reform was put into place to reduce rates, simplify the tax laws, increase the tax base, and reduce tax evasion. A value-added tax replaced stamp taxes and most exemptions were eliminated.

In the financial sector, reform was undertaken which included the liberalization of interest rates, the strengthening of the Superintendency of the Financial System, the privatization of banks, reestablishment of the system's financial strength, and eliminating credit operations which gave special interest rates for certain kinds of activities. Reform in the foreign exchange system made it free, with the determination of rates by supply and demand resulting in the establishment of some 60 legal exchange houses. The system of exchange eliminated payment restrictions and allowed transfers arising from international transactions.

The reforms discussed above during the Cristiani period followed the prescriptions set out in the various DEES studies. However, that does not mean that DEES was fully satisfied with the government's performance. In carrying forward its analytical role, FUSADES/DEES has not hesitated to criticize performance when it feels it is warranted. What is surprising is the degree of criticism which has continued unabated to this day, showing that DEES has not

been coopted by any particular political group and remains true to the economic policies it advocates.

Here are a few representative samples of some of the more important criticisms of policy and administrative performance as discussed in various DEES publications and studies such as the yearly, “¿Como Esta Nuestra Economia?” (How Is Our Economy?), the Macroeconomic Section’s report on Sectoral Diagnostic, and the Microeconomic Section’s report on Diagnostic Update. These criticisms were made between 1991 and 1993, well into the Cristiani administration. The criticisms selected include issues relating to fiscal policy, customs administration, agriculture, the economic program, and the exchange rate. They are valid ones but it should be understood, as pointed out above, that any democratic regime operates under constraints and should be judged in that context. DEES pointed out the following (please take note that we are paraphrasing not quoting).

- **Fiscal policy:** Up to the present there are serious deficiencies in planning and executing public expenditures. The criteria used to design the national budget was and continues to be the maintenance of the previous year’s structure rather than determination of efficiencies by a socioeconomic evaluation of the distinct projects. Since the government is not generating funds to finance public investment, it is not possible to count on a long term public investment plan as the funds coming from abroad are subject to many variables and can be unstable. It is for this reason to determine if a country of five million people really needs an administrative apparatus of 80,000 employees.
- **Customs:** Customs is a dinosaur of 1,800 employees, lacking in necessary infrastructure and plagued by strongly institutionalized administrative vices, especially corruption. To resolve this problem will require a great deal of political will and, in the extreme case, perhaps a drastic renovation of personnel. In general, the exporters are of the opinion that the governmental agencies are not giving adequate help to the export process. The agency most criticized is Customs, for its excessive bureaucracy and inefficiency that results in an alarming level of corruption causing delays in receipt of goods, thus increasing their cost.
- **Agriculture:** There is a lack of a sustainable agricultural strategy. Growth in agriculture is based on an increase in basic grains and sugar cane, which means the productive structure has not changed significantly. Agricultural diversification and, hence, exports of non-traditional products, has not taken off to the extent that is desirable for sustaining the economic program.
- **Economic program:** The program for 1989-1994 was to achieve sustained economic growth in the medium term, having as its foundation an expansion and diversification of exports. In three years of the Administration, this objective is very far away. It is necessary to promote adequate conditions to achieve sustained export growth through improving international competitiveness, and substituting the dependence on USAID with actual foreign investment.
- **Exchange rate:** During 1991 and 1992 there was a fall in the real exchange rate that has affected the competitiveness of the export sector. (According to the Central Bank,

there was a real appreciation of the colon of 5.4% and 7.1%, respectively.) The strong entrance of private capital and net transfers are causing a stabilization in the nominal exchange rate, and appreciation in the real rate, which affects the competitiveness of exports.

The above represents only a small sample of the type of practical analysis performed on a frequent basis, and in understandable language, to track progress on the policy as well as administrative fronts.

However, in spite of problems and lack of performance in certain areas, the overall success of the economic stabilization program of the Cristiani government should be pointed out, as evidenced by the growth rates in the Gross Domestic Product from a level of just under one percent during his first year in 1989 to a level of about five percent a year in 1992 and 1993 (Central Bank data). The strengthening economy, and the greater opportunities afforded were powerful tools in negotiating the peace settlement, and built a platform for post-war recovery which can be seen by yearly growth rates now approaching 5.5%.

With regard to DEES attitudes during this period, note the opinion of one of the ex-DEES professionals who joined the Cristiani cabinet. It is her opinion that DEES seemed to be seeking its niche during the Cristiani period because the DEES philosophy was being pursued in the government by all the people who entered the administration from FUSADES. According to this viewpoint there was more dynamism during the period of philosophical difference which was much more in play during the Duarte years.

Another opinion from a former DEES senior staff member and current member of the DEES Commission is that there was a great deal of interaction between DEES and the Cristiani economic cabinet, which had a strong contingent of DEES and Commission representation, for about a period of two years. After that there began a gradual distancing and increasing criticism from FUSADES/DEES.

During the most recent campaign the ARENA candidate, Armando Calderón Sol, expressed his agreement with the FUSADES/DEES recently completed Strategy for 1994-1999. In a newspaper interview on March 10, 1994 in *La Prensa Gráfica*, he stated that the Strategy was a true support for El Salvador that coincided completely with his party. He went on to say, "We have some similarity in thought with the people of FUSADES. Also we should remember that the program of President Cristiani was based on much help of FUSADES. In this second government there will also be a continuity because our project is not one of five years." Calderón Sol also discussed the necessity of promoting non-traditional exports and increasing tourism to increase foreign exchange earnings, recognizing that family remittances are a fragile element that could diminish and that foreign assistance would also diminish.

He also gave great emphasis to the social sector, saying there cannot be true economic development if it is not translated into social well being. He indicated that he receives very

favorable responses when the people hear that they intend to work in education, health and the environment.

It appears that the intentions of the Calderón Sol administration follow closely the basic tenets of FUSADES, not only in the general economic program to be pursued but in the social sector as well. However, there is some apparent concern in DEES that the key decision makers in the new regime come more from a political rather than technocratic base.

As the new administration entered office only a scant six months ago, it is too soon to judge the effects that DEES policy advocacy will have. However, as philosophies are similar it would be reasonable to believe that differences are likely to be more over personalities and detail rather than policy direction. For example, two of the DEES Commissioners reported that there is increasing concern that the privatization process is not proceeding quickly enough in areas vital to the economy, such as the major port at Acajutla and the telecommunications system. Thus, the criticism focuses on the pace of privatization, not the concept, which is being supported by the government.

We have already noted the continuing debate in DEES and its Commission over the exchange rate policy, some believing that the continuing strength of the colon is harming non-coffee exports. It should be pointed out, however, that the President of the influential Central Bank, Dr. Orellana, is a man who had been the Coordinator of the DEES Commission and also led the Bank during the Cristiani government. It would appear that channels of communication between him and DEES would be open to debate key questions of monetary policy and their resulting economic effects. We should also mention his view that President Calderón wants to move more quickly into globalization and to further open the economy, thus modernizing the state. As such moves will meet with some resistance, he needs FUSADES' help in pursuing this objective.

Finally, one of the Commissioners spoke about the current controversy surrounding a proposed law of free competition drafted in the Legal department of FUSADES with DEES collaboration on economic factors (the two departments frequently work together closely under an umbrella unit called "The Center for Studies"). According to this view the law was too controversial, not only for the government, but for some of the FUSADES membership who believed the law might harm their business interests since it was designed to overcome price fixing, cartel behavior in restraint of competition, etc. He indicated that in its stead Congress passed a law for consumer protection that does not have the teeth of the one sidetracked. However, the issues surrounding these proposals were widely disseminated by DEES and public awareness has been aroused.

3.1.2.2 Conclusions

DEES had little impact on the Duarte Administration but its basic tenets of a market-economy, export-led growth (the concept now being revised in some quarters to globalization) and, to a certain extent, social justice had a very positive impact on the Cristiani

government as evidenced by the major reforms cited above and the increases in the growth rate of the economy. Thus far, the Calderón Sol administration is carrying forward the same general plan with continued success. Thus, we can confidently conclude that the impact of FUSADES/DEES continues although the level of mutual confidence between DEES and the economic cabinet is lower than it was during the Cristiani government. This should not be surprising considering that FUSADES/DEES professionals make up a much smaller share of key decision-making positions under the current regime.

It appears that the Calderón Sol government is placing increasing emphasis on social programs and this is an area to which FUSADES is also giving more attention both in its operational programs, such as FORTAS and PROPEMI, as well as the analyses coming from the Social Section of DEES. However, we should not lose sight of Dr. Calderón Sol's interest in pushing globalization more vigorously. This is an area of interest to DEES as well.

While being supportive, it seems likely that DEES will continue to be an independent analyst and not hesitate to be critical, when warranted, of policy lapses and administrative shortcomings and abuse related thereto. There is evidence that this process is at work and that members of the government do not like it.

3.1.2.3 Recommendations

DEES appears to be carrying out its professional duties in an exceptional manner and can only be encouraged to maintain its high standards. If it vigorously pursues the globalization model, it will likely need to bring in a few outstanding economists considered experts in their fields to assist in mapping out a practical strategy. The severe proposed budget cuts in foreign technical assistance could prove to be a negative factor as the top experts do not come cheap. However, considering the strong interest of the President in pursuing a more aggressive globalization policy, FUSADES/DEES should establish a dialog with key officials and develop study proposals to advance this concept.

3.1.3 Impact in Influencing Private Sector on Benefits of Free Enterprise Model

3.1.3.1 Findings

It is not possible to determine impact on private-sector thinking concerning macroeconomic and social policy in an objective manner without a sophisticated sampling model, one which is not within the scope of the current evaluation and which would have required longitudinal tracking from 1984 forward. Rather, a series of impressionistic samples based on the opinions of private-sector leaders were used to make judgments on the effectiveness of the dissemination program of DEES, and take into consideration that the membership of FUSADES, some 300 business people, are very influential in forming private-sector opinion.

With regard to FUSADES membership, it should be kept in mind that it represents some of the most influential business leaders in the country in many sectors. It also represents some

of the leading thinkers and opinion makers. That the vast majority of them accept the basic guidelines of the FUSADES/DEES philosophy is a given, considering their continuing membership in the organization. Thus, they are a prime target for the analytical work and economic and social proposals coming out of DEES.

Several of the interview respondents discussed the gradual process by which support has been built for the free enterprise model. In the past, Salvadorans were accustomed to receiving special favors depending on their degree of power and personal connections. This could result in receiving a highly-subsidized loan for their business, a favorable tariff rate or restrictions on the import of a competing product, a special import license giving the favored parties an oligopolistic control of the market, as well as other well known favors in the state-controlled model which has been the norm in many Latin American countries.

Favored parties have resisted the gradual loss of preferential treatment, not really believing that the system has changed but that they had themselves lost their privileges while others had not. Because change has been gradual they were partially correct in their suspicions as certain parties did, and some do continue to, receive favors. The dynamic of this process at work is visible in the recent scuttling of the proposed law of free competition.

However, in spite of setbacks, as the new model has gradually begun to take hold and the courts and media have begun to focus on the special favors for certain parties, the rule of law has begun to receive greater acceptance throughout the populace. One example of the change in the "rules of the game" is the recent resignations of the Ministers of Agriculture and Finance over a case involving alleged favored treatment in tariff levels given to an influential rice importer. The more such cases of abuse are brought to the public's attention, with consequent trial and conviction, the more potential abusers will become convinced that the system has changed, and perhaps they will alter their own behavior. And, gradually the general populace may come to believe that they are living in a country that has a modicum of justice rather than only privilege for the few.

Discussions with leaders of business associations and FUSADES members have also shown the gradual nature by which a business community comes to accept the export-led growth model. The strongest opposition to export-led growth is quite naturally from those industries which have had success supplying the local market due to high protective tariffs and/or quantitative restrictions. With such protection they can stay inefficient using antiquated technologies and producing shoddy products. Apologists have coined the phrase "infant industries" to justify their avoidance of international competition; however the infant never grows up and the protected never want the tariffs to go down.

Parties in favor of the model are exporters, whether traditional or non-traditional and whether in agribusiness or in industry, and, depending on circumstances, importers and merchants. These latter two groups are at times in favor of the model since one of its parts is to significantly reduce and, in the best of all worlds, eliminate import barriers. This causes an increase in local demand, sales opportunities and profits.

However, another part of the model is to maintain a competitive exchange rate so that exporters are not harmed by local inflation, which is quite often a problem during the transition to the export-led growth model. Exporters are protected from inflation through devaluation of the local currency, as the more the latter is devalued the more they receive for every dollar of sales abroad. However, devaluation increases the cost of goods to importers, having the effect of restricting their sales and their profits, except if they are selling intermediate goods to exporters.

The experience of other countries has shown that as more businesses and people become engaged in export activity, the more the resistance to the model dissipates; there being a certain “critical mass” of support which takes over. This process involves gradually increasing levels of foreign investment and technology attracted by the favorable business climate, technology upgrading by previously protected industries allowing them to compete in wider regional and world arenas, and the entrance of new entrepreneurs, many of whom are educated abroad and see opportunities for new products and services. The increased income arising from the export sector raises the revenue level of the public sector through taxation, thus facilitating a sound fiscal policy without necessitating the austerity measures which often lead to reductions in critical public investment in supportive infrastructure. A sound fiscal policy, along with a sound monetary policy, in turn has a major impact on bringing down inflation to world levels, thus eliminating the need for further currency devaluation and gaining the continued support of importers and merchants who are sympathetic in any case. At this point the model has generally gained sufficient acceptance to make it self sustaining.

El Salvador is in the midst of implementing the model described above, with all its complications along the way. FUSADES/DEES has been, and continues to be, the primary advocate for it and has successfully coopted other groups to support it as more and more businesses, their employees and their families are becoming stakeholders. The dissemination program of DEES is effectively turning these stakeholders into advocates. This, in turn, is being translated through the political process into continued policy change at the national government level. An indication of confidence is the current government’s position in advocating free trade treaties with NAFTA members. This represents a sea change in thinking and much credit must go to FUSADES/DEES for affecting attitudes of key decision makers in both the private and public sectors.

The move from export-led growth to globalization as a concept is not really a change in direction but in emphasis. There is no reason that *maquilas* cannot exist, with factories producing high-tech components. It is only that the emphasis would switch from attracting the former to the latter and there would need to be more importance given to a sound fiscal and monetary policy, which is desirable in both cases.

3.1.3.2 Conclusions

The role of DEES and the Legislation Department in altering private-sector thinking and actions in favor of a market economy and export-led growth/globalization is an important

one. The studies, articles, seminars, and other activities have contributed to the observed change both through their influence in revising and/or creating new government policies, regulations, and laws and in having a positive effect on gathering private sector support as well as creating favorable public opinion.

3.1.3.3 Recommendations

DEES should continue to focus its efforts on the advancement of market economy and export-led growth/globalization concepts, and the policies and administrative actions needed to carry them forward, as they are the keys to bringing prosperity to the country and raising the standard of living of the disadvantaged. While placing some emphasis on social problems, especially the need to improve and expand education opportunities in order to increase skill levels in order to move up the technological chain and add more value to its exports, the social sector should not dominate DEES resources. We see this as a risk due to the changing focus of the international donor community, which is once more emphasizing programs to directly benefit the poor rather than wait for the tedious process of trickle down to work. DEES should not risk losing its support in the business community by changing its priorities in midstream.

We also recommend that DEES establish contact with a few of the better think tanks in East Asia for the purpose of information exchange and establishment of seminars. Private-sector, export-led growth has been the engine of development in many of these countries, some of which, such as Thailand and Malaysia, were not much more advanced than El Salvador a scant ten or 15 years ago. Thus, decision makers in El Salvador would be able to relate to the problems they faced, and the measures which were taken to overcome them, as well as gain insight on other problems, especially pollution and urban congestion, which came about as a direct consequence of their economic success as measured by growth rates in excess of ten percent per year over much of the past decade. DEES' private sector constituency should take a keen interest in learning more about the practical aspects of the East Asian miracle. We would also stress that continued collaboration with other institutions in both the private and public sectors will do much to assure future success.

3.1.4 Impact of Dissemination Efforts and their Relationship to Project Goals

3.1.4.1 Findings

Dissemination and information are concentrated in two sections of DEES—Information and Operations. Their work results in a series of publications and other activities for subscribers and other beneficiaries under a program called The System of Economic Information (SIE). SIE was initiated in 1990 as an alternative means of assistance and consultation to assist business decision making. It has since been expanded to attend the needs of other sectors of the economy as well including public sector officials, labor unions, research centers and universities. Currently, there are 91 organizations subscribing to the SIE program, paying C6000 per year; ten new subscribers joined this year.

To provide service to SIE subscribers, a permanent information bank is maintained which contains, for use of subscribers, statistics and information about the economy, foreign commerce, finance, fiscal matters, international prices, and social and demographic indices.

In addition, SIE provides periodic information concerning different economic and social themes, with the stated objective that the information be “converted into a tool of indispensable utility so that business owners, professionals, and public servants can make adequate decisions.”

Included in the service are six publications as well as a series of conferences, seminars, discussion groups, and breakfast meetings. The six publications consist of the following:

- “How Is Our Economy?”: This yearly publication provides a general review of the country's economy during the past ten years, with special emphasis on the major events of the past year.
- “Labor Market Survey”: This publication is distributed every six months. Information is provided on wages and salaries, employment statistics and other related indicators.
- “Quarterly Situation Report”: This quarterly report provides an analysis of the behavior of the principal economic indicators of El Salvador including financial, fiscal, agricultural, external, prices, and wages. In addition, it presents analysis of special themes of national relevance. We note that a special theme for the final quarter of 1994, to be published in January 1995, concerns business attitudes to the *apertura*, or economic opening, as part of the globalization focus of DEES.
- “Survey on Business Climate”: This is a quarterly publication covering businesses in every sector and region of the country. The results show business behavior during the quarter, comparing them with the results of the previous period, and providing expectations for the next quarter.
- “Economic and Social Bulletin”: This monthly publication analyzes current and long-term themes concerning the economy and social sectors of the country.
- “Weekly Economic Report”: This weekly report analyzes the most important current themes that affect the national and world economies.

In order to deepen the impact of the publications, there is a continuous program of seminars, conferences, discussions, and breakfast meetings. DEES has tracked these over the years and their numbers have been included in its reporting to USAID. In quantitative terms they have exceeded the output indicators in the Log Frame. However, to provide some understanding of the specific subjects dealt with, the objectives of the events, the experts called upon to participate, and the audience in attendance, described below are the most important of the 21 conferences/seminars/discussions conducted during the year of 1994.

Presentations of the proposal, “Social Solutions and Economic Reforms, El Salvador - Strategy 1994-2000” were made to representatives of the political parties, the armed forces, the university community, study centers, business owners, and professionals. The objective of the presentations was to show the steps proposed by FUSADES to give continuity to the

economic and social reforms undertaken by the previous government, which facilitated the economic advance of the country and which are necessary for stability and social development.

“Commercial Negotiations from the Perspective of Mexico,” which included the attendance of the representative of the Mexican negotiating group and his collaborators, who were responsible for finalizing NAFTA with the United States and Canada. They expressed their views about the proposed Free Trade Treaty (*Tratado de Libre Comercio*) that will be completed with El Salvador.

“Decentralized/Private Sector Solutions to Public Problems,” which stressed the theme of the modernization of the state as the means necessary to continue the process of national recuperation and development. Participating in the seminar were renowned national and international figures including Dr. Hernan Buchi, ex-Minister of Finance of Chile, Dr. Rolf Luders, consultant to the World Bank, Dr. Tarcisio Castañeda, World Bank collaborator and expert in social issues, and Cecilia Gallardo de Cano, Minister of Education.

“The Commercial Agenda of the United States and its Impact on El Salvador,” provided information on the impact of the commercial agenda of the United States on El Salvador. The conference was attended by representatives of unions, research centers, government institutions, and business owners and professionals interested in learning the proposals relevant to NAFTA.

“Presentation of the Agricultural Strategy 1994-2000” was part of the Strategy of Economic and Social Development “Social Solutions and Economic Reforms,” which has three fundamental objectives: achieving a rapid growth by modifying the range of products; reducing rural poverty by creating conditions for self-sustaining development; and promoting the rational use of natural resources.

In addition to the above, a closer degree of contact was made with the Legislative Assembly through working meetings to analyze themes such as Modernization of the State and the General Budget for 1995.

Another important dissemination tool, apart from the SIE program, is the weekly articles published under the title of *Martes Económico* (Economics Tuesday), in alternating weeks, in the two newspapers with the largest circulation in El Salvador, *La Prensa Gráfica* and *El Diario de Hoy*.

Starting in November 1991 and continuing through the present, FUSADES, through DEES, uses this series of articles to maintain a presence in the national debate concerning economic and social themes, always taking care to maintain high technical and professional standards, with the expressed purpose of forming public opinion and influencing decision making both in the private as well as public sectors. The subject matter of the articles varies widely from week to week but they have covered such subjects as fiscal problems, Central American

integration, monetary liquidity, external debt, gender issues, microenterprise, interest rates, privatization, excess liquidity, the free trade treaty, family remittances, macroeconomic policy and basic grains among many others.

DEES has provided the evaluators with the entire series of articles and both their high quality and relevance of subject matter are immediately apparent. The articles are an effective tool in advancing the philosophy of FUSADES without engaging in the normal partisan rhetoric common in the popular press.

At a more basic level, a strategy to form public opinion in the free enterprise system was initiated in 1993 under the title of "Live in Liberty with Responsibility." The objective of that program is to increase the message of FUSADES in a clear and simple form through television, radio, and the press. A magazine with the same name and containing 12 pages is published twice a month in the principal newspapers of the country. The campaign lays the groundwork for the general population, business people, politicians, and the new government to be more receptive to the recommendations of FUSADES in its Strategy 1994-2000.

Another effective tool in public outreach is the FUSADES library, the Biblioteca Dr. Alfonso Rochac, with a bibliographic database now surpassing 5,000 entries. During 1993, FUSADES established exchange agreements with libraries and educational institutions in the United States, Spain, Germany, Hungary and Japan, and participated in information and bibliographic committees on a national and international level, as well as book fairs. The installations of the library were enlarged in 1993 and it currently serves over 9,000 users, of which 65% are university students.

With regard to training, four courses in the social evaluation of projects have been given in association with the Pontifical Catholic University of Chile. The course participants included representatives of both the public and the private sector. DEES professionals also provided training in both San Salvador and in the countryside to 450 ex-combatants of the FMLN in economic variables and market economics.

An important area of technical assistance was in the participation of DEES with the Pontifical Catholic University of Chile in preparing the feasibility study and promoting the establishment of a private business school, the Superior School of Economics and Business (*Escuela Superior de Economía y Negocios*).

3.1.4.2 Conclusions

It is our opinion that the DEES dissemination program is outstanding in every respect. Content is very high quality and entirely consistent with the free enterprise philosophy of the organization. DEES has used its dissemination tools very effectively in reaching a broad audience throughout the country at a comparatively low cost. This program is very likely a major factor in the apparent widespread acceptance of the free enterprise model even in the universities, which have traditionally been strongholds of socialist thought. What is surprising

in this regard is that even the FMLN-led coalition accepted most parts of the FUSADES Strategy 1994-1999 during the last election campaign in 1994. We verified this by reviewing press clippings of interviews with party leaders, including Presidential candidate Ruben Zamora.

3.1.4.3 Recommendations

In view of the fact that an effective organization is in place, operating smoothly and providing very important information to private and public sector leaders as well as to the general populace, it is important that FUSADES continue to provide the budgetary resource supplements needed to continue the pace and quality of the program. At the same time, DEES should put in place a mechanism to allow for periodic reviews of alternative means to generate revenues and increase the degree of self sufficiency of its dissemination program.

3.2 DEES Management and Organizational Factors

3.2.1 DEES' Organization and Management Approach

3.2.1.1 Findings

The organizational structure of DEES is provided in the organization chart in Figure 3.1. Similar to the other departments of FUSADES, DEES is headed by a commission. The commission members are drawn from FUSADES membership and includes a coordinator, who is drawn from the FUSADES Board of Directors. The coordinator directs the commission's work. The commission acts much like a board of directors for DEES' approving work plans, assessing work of the department, and holding meetings each week to discuss key policy or program issues in which DEES is involved. The role of the commission structure in FUSADES is explained in greater detail in the management section of the report.

Over the years, DEES has grown from a skeletal staff of two people at the beginning to over 30 professionals at the current time. The top staff member of DEES is the Director, who oversees five operating sections and a library. DEES works in close collaboration with the Legislation Department pursuant to an umbrella structure titled the Center of Studies (*Centro de Investigación*).

Three sections—the Macro Economic Studies Section, the Micro Economic Studies Section, and the Social Studies Section—carry out the study work while the Information Section performs economic and social surveys. The study work is undertaken principally by staff members with occasional outside technical assistance on a contract basis. The other two Sections—Operations and Information—also provide a number of support functions. The Library administers and catalogues all internally-generated documents, as well as outside materials. Finally, a Technical Committee, headed by the DEES Director, brings together all

five Section Chiefs to discuss new initiatives, to assure coordination among the sections, and to provide oversight to work in progress.

The specific functions assigned to each of the units in the organizational structure are as follows:

- **Director**

- organizes the resources and provides guidance in attaining the objectives and work priorities;
- assigns resources and directs the work agenda;
- evaluates results of work undertaken and guides projected tasks;
- defines office work and communication policies;
- plans and coordinates the development of the study agenda; and
- controls the pace of the work plan and proposes alternative actions.

In addition, there is an executive secretary and an office assistant for a total of three.

- **Macroeconomic Studies**

- analyzes and follows the economic and social policies to form opinions and formulate proposals for study;
- undertakes studies of specific themes that permit the formation of development strategies and opportune decision making;
- analyzes the administrative and legal factors of social and economic programs in order to adopt elements that improve their efficiency and effectiveness; and
- disseminates study results and policy proposals, including the principles upon which they are based.

This section is staffed by a Chief, two senior analysts and an analyst for a total of four.

- **Microeconomic Studies**

- undertakes studies concerning key sectoral themes in the economy and proposes solutions to impediments;
- analyzes the legal, institutional and practical aspects which affect the carrying out of economic activity;
- contributes to the national discussion about themes which impact the productive sectors of the country; and
- organizes and participates in forums discussing sectoral themes.

The section includes a Chief, four analysts below the level of senior analyst and an executive secretary for a total of six.

- **Social Studies**

- analyzes and follows socioeconomic policies in order to form opinions and formulate action proposals;
- undertakes research and evaluation studies concerning strategic aspects of social development at the national, sectoral and group level, or particular

themes of interest that contribute to the formulation of strategies and decision making;

- follows development and social well being indicators and proposes strategies for sectoral or institutional action;
- analyzes the legal and administrative aspects of programs of social and economic development in order to assist elements that improve efficiency and effectiveness; and
- disseminates results and proposals as well as their underlying principles.

This section is staffed by a Chief, two analysts below the senior level, and an executive secretary.

- **Information**

- analyzes and follows economic activity and price movements;
- summarizes, systematizes and prepares economic and social information;
- assists the technical sections in performing studies and in recompilation and processing of statistics;
- assists and coordinates the use of computers;
- performs field investigations to generate financial resources for DEES; and
- provides information to business, students and others.

This section has the largest staff level in DEES, a total of eight including a Chief, two analysts, two junior analysts, and three technical level staff.

- **Operations**

- promotes and sells a publication, "System of Economic Information," in different national and international markets;
- organizes events for the dissemination and promotion of DEES work outputs;
- organizes activities with the objective of disseminating the thought of DEES in the different communication channels; promotes the sale of publications and services of DEES;
- produces the bulletin, "Business Orientation" (*Orientación Empresarial*); and
- collaborates in following the DEES Action Plan.

In addition to a Chief, its five staff members include two analysts, a text editor and an executive secretary.

- **Library**

- provides services of bibliographic and document information for DEES and the public;
- sells DEES publications, promoting and controlling the sales;
- establishes contact with national and international organizations in order to exchange information and be the depository of publications of the World Bank;
- seeks resources at the national and international level to increase its information base and remain up to date; and

- organizes technically and administratively the bibliographic and document information service for the public.

The staff of three includes a librarian, a documentation specialist, and an assistant librarian.

- **Edition and Printing**

- reproduces documents and edits texts for publications.

It currently is in the process of building up to a staff of six people.

DEES can be considered the heart of FUSADES, being the only operating entity in the initial years of the organization. Under the leadership of its Director, and with the review and approval of its commission, DEES establishes program priorities based on its analysis of the economic and social situation of the country, concentrating on those policy areas determined to be significant constraints impeding economic growth and social development. FUSADES has been fully supportive of DEES and has provided it with sufficient resources, basically through the USAID grants, to allow it to carry out its program of studies and dissemination.

3.2.1.2 Conclusions

The management structure and approach of DEES have proven to be sound, judging by the continued effectiveness of its program activities. Its commission is very active, meeting every week and supporting its work. Internally, the work flow appears to be effective and there is open communication among the different Sections and between the Section Chiefs and the Director.

3.2.1.3 Recommendations

DEES should continue with its current management structure, approach, and level of effort as funds permit under the harsh realities of self sufficiency, otherwise cuts must be made. In view of the fact that the intense work of putting together the macroeconomic strategy has been completed and accepted by the previous and current governments, there would seem to be less need to augment the senior analyst staff of the Macro Section to three, in addition to the Chief, when the Micro Section is scheduled to be assigned only one and the Social Section none. In view of the emphasis on sectoral and socioeconomic issues, it would appear that some importance should be given to increase the senior staff members of these sections.

On the other hand, it is clear that with improper macro policies, work at the sectoral, micro, and social levels will not achieve all the results hoped for. In any case, two senior analysts in addition to the Chief should suffice, with the other position given to the Micro or Social Section.

3.2.2 Expertise for Policy Recommendations to GOES

3.2.2.1 Findings

DEES has been able to recruit and retain an impressive staff of professionals. In addition, it has contracted outstanding economists, especially from the U.S. and Chile, to provide analysis and advice on key economic and social problems.

An analysis of “the capability of the DEES to provide the analytical basis for policy recommendations to the GOES,” as called for in the scope of work, requires that the evaluators identify the key individuals and the expertise which they have brought, and are bringing, to DEES, whether as staff, as contractors, or as members of the DEES Commission.

The current Director of DEES, Mr. Rodriguez Loucel, was also the first Director between 1983 and 1988. For three years prior to reassuming his duties at DEES, he was the Secretary General of SIECA, a Central American regional body for economic integration, resident in Guatemala. He also served as Director of Economic Research at the Central Bank, was a university professor in El Salvador, and was named economist of the year twice by the College of Professionals in Economic Science. He has an M.A. in Economics from Yale University.

Mirna Liévano was a senior staff member at DEES prior to being named Minister of Planning for the entire five-year period of the Cristiani Administration. Prior to joining DEES in 1983, she held positions of increasing responsibility in the Ministries of Economy and Plan and was coordinator on a number of government commissions. She also served as a professor of economics at a private Salvadoran university. She has degrees from universities in El Salvador and Belgium. She currently heads the newly-established business school.

Eduardo Cordoba was a senior staff member at DEES when he became Minister of Economy in the Cristiani government. Prior to joining DEES, he was assistant to the president at a major Salvadoran bank, spent three years as a program specialist at USAID/El Salvador and served two years in London as a Salvadoran representative to the International Coffee Organization. He received his M.S. in Agricultural Economics at Texas A&M University.

Rafael Alvarado Cano went from DEES to become Minister of Finance in the Cristiani government. Prior to joining DEES, he held positions as Technical Manager at the Chamber of Commerce and Industry, economic advisor at the National Housing Bank, served as a management consultant, and was a university professor.

Norma Rodriguez de Dowe was a senior staff member at DEES when she was named as Director of the Directorate of Reconstruction in the Cristiani government. Prior to joining DEES she was contracted by Technoserve to develop a plan for the financial viability of the

agrarian reform cooperatives. Her government service included more than ten years in increasing positions of authority as an economist at the Ministry of Public Works.

The individuals discussed above, except for Mr. Rodriguez Roucel, are all former senior staff members of DEES who took important policy and administrative positions in the Cristiani government. The qualifications of current senior staff members of the three study sections are described below.

Jaimes Costa is Chief of the Macroeconomic Section. Prior to joining DEES staff in 1988, he was Chief of the department of Energy Planning at the Rio Lempa Hydroelectric Commission. His career in the Salvadoran government started in 1976 and included positions in economic and social analysis in the Ministries of Planning, Economy, and Finance. His last position at Finance was as Chief of the projects section. He received his Masters Degree in Economics at the Technology Institute of Mexico (ITAM).

Oscar Melhado is Chief of the Microeconomic Studies Section. He joined the DEES staff in 1992 and rejoined it in 1994 after having spent 1993 in Washington D.C. as a representative of the U.N.'s Economic Commission for Latin America. He was also a professor of microeconomics at the University of Central America (UCA) after completing his Doctorate in Economics at Boston University in 1990.

Sandra Vasquez de Barraza is Chief of the Social Studies Section, a function she has held continuously since 1988. She has held a variety of positions with social sector organizations including the National Board of Nonformal Education in Guatemala and Save the Children, in addition to performing independent consultancies for a variety of U.N. organizations. She has also worked in adult education at the Ministry of Education and did research and design work at the University of El Salvador. She has a degree in sociology from the University of Central America (UCA) and in political science from San Carlos University in Guatemala.

Finally, we should note that Dr. Umaña, the head of the Legislation Department, is a lawyer who is a consultant to the UNDP, a technical collaborator to the Salvadoran Supreme Court, and a member of a study commission on legislation.

3.2.3 DEES and its Organizational Environment

3.2.3.1 Findings

The role of DEES is to provide the expertise necessary to support the broad goals of an economic and social development model based on the free enterprise system with an emphasis on export-led growth. As the overall growth model has been prepared and refined, most recently in the "New Strategy of Economic and Social Development: the Second Phase: 1994-1998," more attention is being given to specific constraints in the economy at the sectoral level and to social issues.

These type of studies and related activities at various times support those departments of FUSADES which give advice to small and micro enterprises (PROPEMI), work with community level foundations which deal with social problems of the poor (FORTAS), provide technical assistance to farmers and agribusiness (DIVAGRO), and provide technical assistance to export-oriented industry (PRIDEX).

In addition, there is a close relationship with the Legislation Department which, along with the DEES, forms the Center of Studies. The implementation of economic and social reforms prescribed by DEES, as a consequence of its analyses, frequently require legal reform and changes in laws. The Legislation Department works closely with DEES study teams in preparing the legal basis for the proposed reforms.

With the exception of the seemingly close relationship with the Legislation Department, we have found that DEES operates as a semi-independent entity with its own agenda. Although there is communication with the operating departments at the weekly staff meetings that the Executive Director has with the department directors, there does not appear to be a real integration of DEES studies and dissemination with the needs of the other departments. That is not to say that such activities are not useful to them but rather that DEES establishes its own timetable and priorities and runs its program as it sees fit with the full support of FUSADES management.

In addition to those studies which provide the analytical support for programs of the departments offering technical assistance and credit (DIVAGRO, PROPEMI, PRIDEX and FORTAS), DEES' ability to organize seminars and discussion groups, to disseminate publications to the business community, universities, education and health associations, and to publish a series of weekly articles in the two leading newspapers in El Salvador, can and does enhance their programs. The dissemination efforts appear to be very successful in reaching not only key public and private sector decision makers, but also the general public in San Salvador and throughout the country.

3.2.3.2 Conclusions

There are a variety of program and organizational formats which could be tested to improve the relationship of DEES with other divisions and activities of FUSADES. In spite of some views that DEES is a semi-independent operation from the other departments, the current approach appears to be working adequately as evidenced by the results being achieved by DEES in supporting the other departments with both relevant analysis of problems and proposed solutions and dissemination of information. That is not to say that there is no room for improvement. It is the job of top management to maintain vigilance and constantly review the effectiveness of procedures to keep open the channels of communication between DEES and the other departments.

3.2.3.3 Recommendations

To provide for maximum impact of FUSADES programs, it is important that there be proper coordination and complementarity between the yearly Annual Plans of DEES and the other departments. The top management of FUSADES should review current procedures and make any necessary changes to assure that Annual Plans are not prepared in isolation. Regular meetings between the Director of DEES and the directors of the operational departments, including key staff members when necessary, during preparation of the yearly strategies and plans would be a practical mechanism to provide feedback and raise any important issues or disagreements before the plans are completed. Any unresolved issues should be brought to the Executive Committee of FUSADES for resolution.

It is important that DEES have a clear understanding of the forthcoming activities of the other departments so it can prepare itself to provide the necessary resources, when needed, for both analysis and dissemination. Coordination at the planning stage is necessary to establish the base for both formal and informal communication and mutual support throughout the year.

To assure proper interdepartmental communication during the year, the Director of DEES should meet once a month with his counterparts in the other departments, in a meeting chaired by the FUSADES' chief of staff. These meetings would provide the forum for the departments which have program operations, which include technical assistance to the general populace, to discuss areas of support in which DEES and Legislation Department studies, articles, and seminars would be helpful. If proper attention is given during the yearly planning period to these type of issues, as suggested above, the monthly meetings would be for the purpose of tracking progress and making necessary alterations rather than discussing basic strategy.

3.2.4 Cost Effectiveness of DEES' Activities

The cost effectiveness of DEES activities can best be expressed in terms of the Logical Framework (Logframe), consisting of Inputs, Outputs, Purposes, and Goal.

The important elements of its inputs are the costs for personnel and outside contractors, equipment and supplies, and overhead charged to it by FUSADES' administration. These costs are combined to make up its budget. The activities resulting from this combination of resources—its studies, reports, and various dissemination efforts—make up its program outputs.

The impact of those outputs on both public-sector policy formation and action as well as private-sector thinking and actions are combined to judge success in reaching the program's purpose. Finally, the impact of those actions on broad-based, private-sector, export-led growth and enhancement of the free enterprise system in the context of personal freedom all result in achievement of the program's goals.

At the highest level of sophistication, this analysis could also be translated into a Cost and Benefit comparison and quantified to give an internal rate of return for the DEES program. The study team does not have the tools or information to even approach this level of analysis. However, DEES' impact at the output and purpose level are discussed in other sections of this report. In this section, the focus is on the inputs and we make recommendations that DEES incorporate these tools in planning and evaluating its activities.

3.2.4.1 Findings

The budget of DEES during the last five year period, excluding the Legislation Department, whose budget is often integrated into that of DEES in some publications, has averaged a little more than US\$1 million a year. For 1994, according to FUSADES documents, the budget is estimated at \$1,365,909, while for 1995 it is proposing a budget of \$1,120,459.

With regard to assistance from USAID, official documents show a total contribution to DEES, excluding management overhead, of some \$6.3 million.

The most important DEES resource is its staff, which currently consists of 33 professionals distributed among its five sections. Total salaries of personnel, and costs related thereto, are expected to reach a figure of some \$530,994 during 1994 followed by contracting of consultants at \$371,196. Thus, total manpower costs are expected to be slightly in excess of \$900,000 or about two-thirds of the total budget. The dissemination program, the most important parts of which are publications and seminars, will cost around \$214,500. Although these figures are for 1994, they are representative of the scale and emphasis of DEES' budget during the last five-year period.

With these inputs, DEES carries out its program activities, or outputs, and the latter have an impact on the purposes and goals of the program. The program activities of DEES and how they have impacted on purpose and goal levels are addressed in some detail below. The findings show ample evidence of the cost effectiveness of DEES when viewed in light of the results obtained from an expenditure of not much more than a million dollars a year and a total expenditure of \$6.3 million. The beneficial results of policy and administrative change during the Cristiani years are well known and will be discussed further. DEES was instrumental in bringing them about, both by the quality of its analyses and its contribution of personnel to ministerial positions in the government.

3.2.4.2 Conclusions

Any sophisticated analysis of the DEES program using quantitative techniques would show a very high internal rate of return when considering its impact on policy change, increasing orientation of business to the export sector due to DEES' influence, and changed attitudes of the populace due to dissemination activities. Based on the benefits of the DEES program activities, it can be observed that funds devoted to it have been utilized with a high degree of cost effectiveness.

3.2.4.3 Recommendations

In view of the results forthcoming from the DEES program, it is strongly recommended that the Salvadoran business community in general, and FUSADES members in particular, concentrate their efforts to assure that DEES continues to function at, or near, its current level.

In addition, DEES should establish an evaluation mechanism which can be used to measure success year by year employing, to the extent possible, quantitative techniques. Progress benchmarks should be established during the planning period starting with output factors—number of studies by sector, conferences to be held, publications to be issued, etc. Then there should be an attempt to measure the degree of success of these outputs by tracking key policy or administrative changes relating to the DEES outputs. This would assist in planning next steps to take and new areas of studies and other activities which would form the basis for preparing the next year's plan.

3.2.5 FUSADES' Future Vision of DEES Following PACD Compared to Current Deployment of Human Resources and Strategy

3.2.5.1 Findings

It is apparent that, under present circumstances, with the termination of USAID assistance, DEES will no longer be able to carry out the wide range of study activities that it has been accustomed to up to the present. Furthermore, the more limited availability of financial resources means that it will perform even more of its work with its own staff rather than outside contractors, especially foreign experts. The move toward a globalization strategy, as a logical sequence to an export-led growth model, will require a world-renowned expert and likely a series of round table discussions with key private- and public-level decision makers, and therefore, FUSADES should assure that funds are available for such assistance.

In the near term, DEES will now devote itself to activities of highest priority in supporting and advancing the concepts set out in its Strategy for Development: 1994-1999. Thus, it will orient its investigations toward those areas that will lead to putting into practice the most important recommendations set out in that report. Although its spokesman indicated that it will perform fewer studies, it intends to go deeper into each analysis with the objective of increasing the impact of each activity. Its agenda for studies and activities will also give priority to those that strengthen and assist the other program areas of FUSADES, many of which are consistent with the 1994-1999 Strategy, without sacrificing attention to tracking policy and administrative issues which are important to the successful implementation of the government's announced intention to continue to pursue growth through a private-sector-led, market economy.

FUSADES' management is asking DEES to seek projects that result in the generation of funds but to do so without detracting from its priority agenda. Efforts are to be made to

maintain or increase the impact of DEES activities while minimizing costs and generating funds in a variety of ways. However, management has stated that it is more important to generate funds than to reduce costs in order to assure that DEES can continue to provide the important analytical tools needed to effectively promote the policies, and actions related thereto, that are of primary importance to FUSADES.

3.2.5.2 Conclusions

FUSADES' management has a keen understanding that the DEES program is the most atypical compared to its other departments. Whereas the other departments have operational tasks that can be measured in quantitative terms, the main function of DEES is that of a "think tank" investigating economic and social issues and not a program with operational tasks. FUSADES' management has not lost sight of this distinction and the contrast with its other departments. It continues to place DEES in a privileged position even though it is the department which generates the smallest percentage of revenues from its activities. However, there is a risk that fiscal pressures may result in a tightening of the DEES budget to the point that it will only be able to partially meet its program outputs and its important strategic objectives. This could lead to a loss of momentum to take the variety of actions needed and the proper sequencing of such actions at the national level. DEES has played an important role in reviewing and recommending these types of actions to the government and in exerting pressure through its constituency in the business community, the intellectual community, the political parties, and the press.

3.2.5.3 Recommendations

In view of the importance of the continued functioning of DEES at or near its current level of effort and the increased importance it is giving to analyzing and proposing solutions to poverty issues in both its social sector and economic studies, USAID might consider directed assistance for DEES activities which have a direct linkage to addressing social issues in El Salvador. This is especially important in view of the decision to terminate the program of temporary asylum granted to Salvadoran refugees in the U.S., and is consistent with the current priorities of USAID. If such assistance is provided, it will free more of FUSADES' own resources to be directed at the critical economic issues which DEES has so ably addressed and which, if its recommendations are successfully implemented, will ultimately be the deciding factors in lifting many Salvadorans out of poverty.

Even if there is no further donor assistance from USAID or other sources, FUSADES' management should resist pressure to cut the DEES budget, as it is apparently intending to do in 1995, if it will result in the inability of DEES to carry out its essential tasks. Finally, too great an emphasis on contract work in order to meet the revenue goals of FUSADES holds the risk that DEES will be carrying out objectives of other parties rather than its own unless it finds clients with a high degree of compatible interests.

3.2.6 Revenues Needed to Sustain Future Scenarios for DEES

3.2.6.1 Findings

DEES, like FUSADES as a whole, has relied on USAID for most of its funding needs. With USAID assistance terminating in late 1994, DEES finds itself facing a budget crunch. The department is under instruction from FUSADES' management to increase the amount of self-generated revenues in order to increase its level of self sufficiency but, in doing so, not to reduce the scale of its program.

To get an idea of the funding needed for DEES to continue with the level of effort it has attained, we begin with the budget for 1994 which is expected to reach a total of \$1,365,909 by year's end. DEES has come to expect a budget of this magnitude and it has been provided to DEES by FUSADES who, in turn, relied in large part on USAID grant support.

DEES has submitted a budget proposal of \$1,120,459 for 1995 which entails a cut of \$245,449. Under this proposed budget staff salaries and benefits would increase by some \$75,635, or nearly 15% from the current year. The largest cuts would be taken in two important areas—technical assistance to DEES (this refers to contracts with outside expertise for studies, papers, attendance at seminars, etc.) and publicity, publications, and promotions, activities related to dissemination. Cuts in these areas are likely to have a detrimental impact on the quality of the DEES program and the effectiveness of its outreach.

3.2.6.2 Conclusions

Without having the expertise of a cost accountant it is difficult to judge exactly where DEES can cut costs from its current level without damaging its program. However, it appears risky to make cuts of the magnitudes proposed for technical assistance and dissemination. There is also the risk that FUSADES' management will make additional cuts since so far the budget is merely DEES' proposal to management, not the approved and final version.

3.2.6.3 Recommendations

It is important that the DEES Commission and FUSADES Board give close attention to the DEES budget for 1995 to assure that it has the resources necessary to carry out its important analytical and dissemination functions.

3.2.7 Relationships with Other Institutions

3.2.7.1 Findings

DEES has developed relationships with a number of institutions for a variety of purposes. Technical expertise for analyzing the economy and cooperation in forming the export-led growth model has come from the University of Chicago, specifically through Dr. Arnold

Harberger and his team, and with *Fundación Chile*. These groups have also been used to prepare documents for, and to participate in, conferences and seminars. In addition, a close relationship was established with the Pontifical Catholic University of Chile in a number of areas including academic training courses in Chile and preparation of the project for the establishment of the first private business school in El Salvador, *Escuela Superior de Economía y Negocios* (ESEN). The school was inaugurated in early 1994 and is headed by Lic. Mirna Liévano, a former senior staff member of DEES and Minister of Planning during the Cristiani regime.

DEES has also done contract work for international and domestic organizations and maintains continual contact with them. Among such projects are:

- **A.B.T. Associates Inc. (USA):** In 1993, DEES was subcontracted by ABT to carry out four agricultural studies in the areas of agricultural credit, barriers to entry, agrarian policies, and investment and commercial policies. Over a period of six months, DEES participated in the analytical aspects of the study as well as providing information and logistical support. As a result of this collaborative effort Project CRECER was established and provided with \$15 million in USAID funding.
- **World Bank:** In 1993, the World Bank contracted DEES to carry out a private sector survey. The participation of DEES consisted in preparing the questionnaire, with World Bank supervision, carrying out the survey, and presenting the tabulated results of each of the questions.
- **CINDE (Costa Rica):** This work consisted in the preparation of a seminar titled, “Private Decentralized Solutions to Public Problems.” DEES undertook the coordination, logistics, and communication program for the promotion and public opinion aspects of the seminar. The program communications activities included interviews with the principal television news programs, promotion of favorable articles in the press, and design and distribution of the summary document to invitees and international affiliates of CINDE.
- **Alcance Investigación de Mercados (Mexico):** During 1994, this Mexican firm contracted DEES to carry out field work for a survey of people who were users of international long-distance telecommunications services. DEES was in charge of reviewing and reproducing the questionnaire, contracting the field personnel, supervising the work and reviewing the quality of information. Field work was carried out in three weeks.
- **Central Bank of El Salvador, National Fund for Low Cost Housing (FONAVIPO):** The study dealt with the principal factors explaining the price increases of housing and commercial establishments of more than C300,000. In addition, DEES estimated the probable impact that the financial system can exercise as a result of the lack of sale of houses of high value.

3.2.7.2 Conclusions

DEES does not appear to maintain close relationships with similar institutions in El Salvador. It may be that it is the only institution of its kind in the country. The viewpoint of a former director of DEES is that attempts were made to interact with two institutions doing research, one connected to a political party and the other a part of a private university. These relationships gradually fell apart due to internal dissensions within the party causing a loss of effectiveness within that institution and a situation at the university whereby the most dynamic professionals departed as they felt they were not given enough independence of thought.

3.2.7.3 Recommendations

DEES should increase its efforts to collaborate with other institutions, both at the national and international levels. There would appear to be considerable contract work that could be performed for Salvadoran public institutions, particularly in advancing globalization, by DEES without compromising its independence. (Witness the extent of such work in the U.S. by private consulting firms.) In addition, private banks, business associations, and other private entities in El Salvador would also appear to need occasional studies where DEES expertise could be utilized. Finally, links should be continued and strengthened with international donor agencies and development banks. The latter is discussed elsewhere in this evaluation.

3.2.8 Organizational Considerations Viewing DEES as an Independent Unit and as a Division of FUSADES in the Future

3.2.8.1 Findings

The nature of DEES program activities makes it highly unlikely that it could survive as an independent unit, one that would need to generate sufficient income to cover its costs. In the current year, DEES is only generating revenues covering about 14% of its budget. To do so would require it to operate in the mode of a profit-making consulting firm which would do work commanded by others. This would deny it the ability to carry out its strategic agenda except in the manner it utilized its profits. In such an operational mode, DEES could no longer exist as an independent “think tank” whose studies and investigations impact on the major economic and social issues as defined by FUSADES.

3.2.8.2 Conclusions

It is apparent that DEES will need to rely on budget assignments from FUSADES, and thereby continue its status as a department (i.e., division) of the organization. This is not to say that DEES cannot, or should not, increase its revenue generation and degree of independence. Indeed, its Information and Operations Sections are making a concerted effort to do so and appear to be making satisfactory progress. The studies sections—Macro, Micro, and Social—have done some contract work but not enough to have any real impact on revenue generation.

3.2.8.3 Recommendations

DEES should make a greater effort to generate revenue but do so by marketing clients who have similar interests as does FUSADES. As the development scheme of DEES/ FUSADES has had a high degree of acceptance by both the previous and current administrations, and as the GOES is a member of major international assistance organizations, the most relevant being the World Bank, the International Monetary Fund, the Inter-American Development Bank and the UNDP through its U.N. parent, it would be logical to believe that funds should be available from these sources to carry out the type of macro, sectoral and social analysis work that DEES is capable of doing and which fit the FUSADES philosophy.

In this regard, there would appear to be a high degree of compatibility among the international institutions, the GOES, and DEES in the type of work that would be undertaken since all three place priority on private-sector, export-led growth, privatization, poverty alleviation, and reliance on the free enterprise system.

In many cases these institutions rely on the host government to select the organization to carry out the work. Even in cases in which competitive procedures are used, DEES should be able to capture its share of contracts. Considering the amount of foreign assistance programmed for El Salvador by these institutions, it would appear that DEES has the potential to greatly expand the amount of contract work it does without sacrificing the purposes for which it was created.

DEES should also be eligible to receive funds from bilateral assistance agencies, including USAID and the various Japanese agencies, to perform analytical work requested by them.

Finally, an attempt should be made to establish relationships with important foundations in the United States and Europe with an objective of sharing work compatible to DEES' interests and eventually to request funding from one or more of them. A member of the DEES Commission indicated that to his knowledge there have been little or no such contacts.

Even if DEES reaches the point of near self sufficiency, it is our opinion that it should remain an integral part of FUSADES, rather than taking any sort of independent route. Many of FUSADES activities appear to be compatible and DEES plays a constructive role in providing the analytical tools needed by the other departments to facilitate their work. If some other parts of FUSADES eventually are made independent, it is a widely held viewpoint that DEES is the core of the organization and the one department that is indispensable for the continued existence of FUSADES as an entity. The evaluators concur with this assessment.

4. Public Sector Component

4.1 Background, Constraints and Impact

4.1.1 Findings

The original Project Authorization signed September 17, 1984 funded the Government of El Salvador (GOES) under Project number 519-0287, Industrialization and Recovery. This grant was for public sector funding amounting to US\$2.6 million for The Ministry of Foreign Trade and an additional US\$5.2 million grant was provided from the economic support funds (ESF) to cover local currency costs related to organizational improvements in the Ministry. “Participating institutions will provide an additional estimated \$.7 million in local currency in the form of cash and in-kind contributions.” (Project Authorization, p. 2). This three-year grant component was “designed to provide the Salvadoran public sector with the resources and flexibility required to attack problems and to respond to specific needs as these arise within key areas which are critical to attaining the objective of expanding non-traditional exports and investment.” (PA, p. 16)

The project essentially found El Salvador unable to proceed with export-led growth or foreign direct investment based on protectionist legislation that was actually a throwback to an earlier era. Since GOES was preoccupied with the civil conflict and USAID had also funded a substantial export and investment-led strategy in the private sector, without new legislation supporting these new policies it was reasoned that El Salvador would face increasingly more difficult problems in the economic area. This was not an easy task since the Duarte administration was not sold on the benefits of leaving the protectionist model for one facilitating export-led growth and foreign investments.

Consistent with this and other language, the Authorization used careful language to position the task. “The need to provide in a period of economic restructuring the capacity to respond in a flexible and timely manner for policy analysis, planning, administration and managerial improvement, and to selectively implement changes, is self-evident.” (PA, p. 34). This is the kind of necessary diplomatic and vague tone of the project at the time it was launched. “The technical soundness was found to be predicted on an approach which retains flexibility, supports greater coordination between the key GOES agencies, fosters greater cooperation between the public and private sectors, and build in access to local currency resources for operational implementations as the need and opportunities arise.” (PA, p. 34). Needless to say, USAID wanted a legislation framework that might irritate the Duarte administration. Such a framework was desperately needed.

The project was to create both a legislative and institutional framework to increase exports; and, to improve free zone infrastructure at the GOES free zone in San Bartolo. Later USAID reviews found that “this project has labored for the most of its life in a policy and political

environment that was not conducive to increased investment or export. At that time, 1986, The *Institutional Investor* ranked El Salvador 106 out of 109 countries in terms of credit standing; *Euromoney* ranked El Salvador 119 out of 119 countries regarding financial risk (and 111 of 119 for economic risk; and, the Frost and Sullivan *World Political Risk Forecast* ranked El Salvador “very high” in political risk—the most severe category. Due to these constraints, among others, the PACD was extended.

USAID understood the constraints from the beginning, but decided that it was better to keep working with The Ministry of Foreign Trade MICE (during a GOES reorganization, the implementing ministry became The Ministry of Economy) to attempt change, notwithstanding constraints.

Activities under the free zone segment of the project not only framed the legislation for private free zones, it also implemented the opening of The San Bartolo Free Zone in this regard. This was the only free zone at the time however free zones soon after began to thrive as they do today. GOES counterpart resources under the project have been utilized to finance, among other things, the construction of an additional 24,000 square meters of indoor industrial space which was fully utilized quickly by exporting firms. Other construction activities included leveling undeveloped land, construction of two new internal roads and construction of additional space for administration, security, a main gate and an entrance control post.

By March 1986, only 6% of the total amount obligated was expended. By December 31, 1990, 48% or \$1,233,680 had been expended. Not much happened until 1986 when quite a lot began to sire through CODEXI, a group combining four ministers with powerful leaders of the private sector. This was an historic and strategic success for El Salvador. During 1989 this dialog expanded to include trade association representation and the group’s name changed to CONAEXI.

In this segment of the project, The Export and Investment Strategy Formulation and Policy Analysis, it was supported by The Export and Investment Development Committee (CODEXI). CODEXI was a high level committee formed by public and private sector leaders whose purpose was to promote increased exports and investment during the very tense period between 1986-1989. Independently, just the functioning of CODEXI during this period was a significant achievement given the gulf between the public and private sector. CODEXI meetings provided a forum for dialogue between the private and public sectors. CODEXI is credited in a primary way, with the passage of the Export Promotion Law and its six implementing regulations, and the Foreign Investment Guarantee Law. This infrastructure facilitated the ability of FUSADES to implement development in the private sector. Following CODEXI's accomplishments, its status as an ad hoc group led to the start up of CONAEXI, a top level commission, chaired by an influential person appointed by the President, reporting directly to the President. CODEXI therefore was successful not only in producing timely legislation, but also succeeded in the sustainability of its mission.

The key outputs for CODEXI and CONAEXI under the project were three new laws that did away with a large part of protectionism; made free trade zones legal and privatized, and opened the financial sector to new forms of investment and credit. The laws were: The Export Act (1986) which created benefits for a wide range of products and types of companies, and also included rights for private free zones; The Foreign Investment Act (1988) which allowed benefits and guaranties for foreign investment and transfer of capital; and The Reactivation Export Act (1990) which extended the freedom to export.

Critical in the success of this series of legislation of this USAID project with GOES, was the support of PRIDEX. These laws facilitated the transformation of the economy of El Salvador. In 1991, however, the program was halted. Perhaps because of the new Minister of Economy and because of factors surrounding his motivations, the project slowed considerably, frustrations mounted and USAID stopped the project. By that time, however, much had been accomplished and the project was considered a success.

While much frustration has been reported by USAID with respect to the GOES Public Sector Project, its accomplishments were actually brilliant given the obstacles and leveraged strategic that the project's impact had at that period of time. USAID reported that "the public sector component of the project has shown less than dynamic progress." The reasons for initial implementation delays included: The political nature of the Ministry, frequent changes of Ministers, the general managerial and technical weaknesses of Ministry staff, and the pronounced lack of commitment on the part of GOES to support export and investment initiatives. Nonetheless, history has shown that the objectives of the project were met; and, the results facilitated FUSADES' ability to implement programs based on the legislation and contribution of San Bartolo.

The ministry stayed with the one stop shop for exports and it is an important part of its export strategy. The ministry began and continues to use networks of sector-specific trade associations and chambers of commerce to promote investment actively. During this project, the ministry contracted for a wide range of studies that were used not only to draft legislation and other support measures, but also to discover how to promote products abroad. Its assistance in the legislation and other support measures facilitated the development of private free trade zones. The importance of these zones cannot be underestimated. Of course PRIDEX, the private sector, and USAID also played roles in free zones, but without the cooperation of the ministry such accomplishments would have been impossible. The ministry's trade export office is more active than ever and well led.

4.1.2 Conclusions

El Salvador was in a civil war that would be fought and won on both the military and economic battlefields. Yet the legislative framework was inconsistent with building a strong economy. El Salvador's international resources were drained, and reduced fiscal revenues were constraining bank credit and devastating productive sectors.

The Authorization speaks of “forces” that generate negative impacts in private investment, external credit availability, and other capital movements. Perhaps the primary problem was the Duarte administration was not focused on the issue of how legislative frameworks support worthwhile export and investment-led growth. Certainly the careful and diplomatic language had departed by the time the Second Authorization Amendment was written in September 1991. Hindsight would provide that the legislation that was facilitated by the Ministry had a strategic impact on the country.

USAID credits the project in its successful design and implementation of a national export strategy; providing a policy framework to support export and investment promotion; and the re-activation of the San Bartolo Free zone. Mentioned in USAID’s October 1991-March 1992 Project Status Reports, that “a National Strategy for the development of exports has been defined with the participation of representatives from the public and private sectors. Both the GOES Economic Cabinet and the President of El Salvador agreed with the Strategy.” It should be noted that the powerful achievements by PRIDEX would have been significantly affected without the private free zone legislation accomplished by the project.

Overall, USAID remembers only frustration regarding the GOES component. However, there were brilliant and sustainable achievements. Without these achievements FUSADES’ results would have been diminished to a very large degree. History will be kind to the GOES Public Sector component.

5. FIDEX Agricultural Portfolio

5.1 Agribusiness in El Salvador and FIDEX’s Influence on It

5.1.1 Findings

Coffee, sugar and, from 1946 to 1979 cotton, were the major (by far) sources of foreign exchange to El Salvador. Prior to the country’s decline beginning in 1979, ocean shrimping was developing as an important source of income. It is worth noting that El Salvador was a distinctly non-traditional cultivator of its major source of foreign exchange income, coffee. It was the first coffee producing country to use fertilizer on a major scale; it was also highly successful producing coffee on the side of volcanoes hitherto considered useless for agriculture but, in fact, rich in the soil contents needed for such cultivation. The non-traditional innovative skills of the country’s coffee producers should not be summarily dismissed. El Salvador was not much more endemically suitable to coffee when it was first implemented (and very nearly failed) than are some of the non-traditional agricultural efforts being attempted now. Cotton has disappeared, a victim of the civil war, most likely forever, and sugar without a U.S. quota with an unpredictable world market (now high, however) is a business which is well suited to El Salvador, but cannot come close to matching the importance of coffee to the economy.

In spite of considerable research and investment in non-traditional agriculture over recent years, there does not, at present, appear to be any medium term prospect of altering dependency on traditional crops. However, a number of diversification efforts which, for the most part, would never have been considered if the FUSADES/FIDEX program had not existed, may eventually lead to meaningful, if not substantial, income to the Salvadoran economy. In many cases, this will follow a series of mutations of the original projects which will often include complete changes of product lines. It has been established by now that El Salvador can profitably support a few non-traditional agroindustries for which the country is far from ideally suited. In fewer cases, new non-traditional enterprises for which the country has turned out to be quite adequately suited were financed by FIDEX and might never have been attempted if the experimental investment policies of FIDEX had not existed in El Salvador.

5.1.2 Conclusions

An important outgrowth of the FIDEX/FUSADES development program has been a fairly active effort by many private entrepreneurs to invest in non-traditional agribusiness projects without any financial support from FIDEX. It would be fair to credit FIDEX and FUSADES in general as being important catalysts inspiring this investment, much of which is already financially successful.

The future prospects for non-traditional agriculture is being seriously assessed in El Salvador now. Clearly, agriculture must remain a key element in the country's economy for some time to come, primarily because of the large portion of the country's population which resides in rural El Salvador and is not equipped to participate in a manufacturing expansion just yet, nor could a developing manufacturing sector absorb so large a number of people very rapidly. Meanwhile, the jobs created by a modest non-traditional agricultural sector and (most importantly) a well established traditional one could provide income and population stability. A massive influx of rural population to San Salvador could have catastrophic results, as demonstrated by some of El Salvador's neighbors.

5.2 Agribusiness Operations of FIDEX: Composition and Field Visits

5.2.1 Findings

The following is a discussion of the components of the FIDEX portfolio, including field visits to six agribusinesses financed by FIDEX. These companies were selected from a currently active portfolio consisting of 47 loans to 18 ongoing projects, because they are representative of the categories of businesses in which FIDEX has been most active. One of the projects, Banana Tropic, does not appear on the list of ongoing projects because it had been considered uncollectible but has subsequently repaid and been reactivated in a different, non-traditional agribusiness line. By and large, these companies are representative of types of activities which might succeed, in most cases on a small scale, and make a modest, but continuing contribution to the economy of El Salvador. However, the FIDEX agricultural portfolio does

not refute the broadly accepted premise that non-traditional agribusiness is an unpromising target for more than a small amount of investment in El Salvador. There are, nevertheless, a few promising projects in the portfolio and more still which may become successful if the portfolio continues to be adequately managed. Even appropriate attention will not prevent some additional failures, however. The amount of these losses would have been substantially less had FIDEX not continued to prop up failing projects for too long.

The majority of the agribusiness projects financed under 303 are still functioning and a significant number have repaid their loans. Credit 327 has been operating only since 1990 and many of its loans are still in their startup phase. Under less determined ownership and management, and without the attention FIDEX and DIVAGRO apply to the undertakings under both credits, their failure rate would be higher. But the hardest work may still be ahead. A number of these borrowers are managed and owned by individuals with little previous experience in their field of activity, and many of these enterprises are not well suited to El Salvador. Those that do succeed will do so because of an enormous amount of effort which might have been better applied to activities other than non-traditional agriculture.

But it is relevant to reemphasize the broader motivation of FUSADES. At the time FUSADES initiated its agribusiness loan program, about 75% of the nation's poorest inhabitants lived in rural areas, where investment in agriculture was the only way to create employment rapidly. This, rather than "business" motivations, characterized the FIDEX operation.

5.2.2 Conclusions

To a Salvadoran banker, non-traditional agriculture means unassumable risk, and experience indicates that this is a generally valid business assessment. LAAD de Centroamérica (a private lender to non-traditional agriculture) has been quite successful in the region. This success is predicated on favorable interest rates on USAID loans and very considerable care in the selection of borrowers and, normally, being well collateralized. Even so, almost all LAAD loans were in trouble some time and close to half were in trouble almost all of the time, during the company's first ten to 15 years of operation. The fact that the major portion of LAAD-CA's portfolio eventually became successful is largely accountable to the fact that it was able to diversify its portfolio over seven countries (the Central American Common Market plus Panama and Belize). Several of these were ideally suited to almost all types of non-traditional agriculture, especially Guatemala and Costa Rica. Three others offered a reasonable number of opportunities which became successful. Nicaragua has been near totally inactive since 1979. But, among the countries in which LAAD-CA was active, El Salvador was the least productive and least profitable. This was true during the eight-year period 1971-1979, when neither civil war nor social upheaval constituted inhibitions to the development of business activities. LAAD-CA could not have succeeded if the remainder of the countries in which it did business had been as unsuitable for non-traditional agriculture as El Salvador.

An additional major obstacle to FIDEX's success lay in the fact that the total FUSADES complex of activities was not properly structured, mostly because the funds employed were a gift and, as such, predictably led to an absence of the sense of responsibility, controls, incentives and penalties that are endemic to a true banking operation. Above all, leadership is inevitably absent or, at best, weak, under such conditions.

There are, nevertheless, a number of projects in the active portfolio which might eventually become viable and profitable, but some will cost considerably more than they are worth, in pure financial terms, and as contributions to the Salvadoran economy.

5.3 Field Visit Evaluations

The findings set out in this section of the evaluation are in the form of field visits. Such reports would normally be incorporated as an annex to the evaluation, but since these are crucial to the discussion of this section, they are included here within the main report and detailed below.

5.3.1 Viveros Xochicali

DATE: November 30, 1994

PROJECT: Viveros Xochicali

OWNER/MANAGER: Manuel Vicente Menjívar

PRODUCT: Ornamental plants

LOCATION: Zapotitán

Mr. Menjívar is sole owner of this ornamental plant cultivation enterprise. He has seven manzanas under cultivation on an 11.9 manzana plot of land. He exports to the United States and sells on the local market; the latter is especially attractive at this time of year (Christmas).

Mr. Menjívar began operations some ten years ago on a very small farm, located on a vacant lot in downtown San Salvador, where he also operated a retail store to sell his production. Both FIDEX and LAAD-CA were impressed by his ability and the great effort he devoted to his mini farm/retail activity. Anticipating his capacity to manage a larger operation, a more economical and viable business, FIDEX and LAAD-CA financed a new farm in Zapotitán. This substantially larger operation, in relative terms, permitted Xochicali to produce an expanded number of varieties and enter the export market. The farm can be expanded with land already in Mr. Menjívar's possession, and he is considering the purchase of three more manzanas (it should be noted that growing ornamental plants is a particularly intensive use of land, and even three more manzanas would significantly increase his income). Land costs are quite high now, and Mr. Menjívar is delaying his decision. At any rate, his present operation is already sufficiently profitable, and sufficiently demanding, in his opinion. Both BANFIDEX and LAAD-CA have advised him to be cautious and delay purchase of land at so high a price until he has been able to determine that the growing local market merits the

expansion. Heavy expenses to expand primarily for the export market would be particularly risky for a very small producer.

Mr. Menjívar's success was made possible by the liberal terms (ten years on most of the funds) given by FUSADES on the approximately \$507,000 (equivalent) in loans it has made to Viveros Xochicali. These generous terms, by local standards, were appropriate considering the high risk of his business. He had to adjust himself to the much more complicated demands of larger scale farming and learn to conform with the quality, volumes and insistence on meeting precise delivery schedules. FIDEX's financial package and his own efforts continued to cause this project to be successful.

Viveros Xochicali's principal products are Aralia, Croton, Shefflera and Aglaonema, a common mix in El Salvador and other Central American countries. Guatemala and Costa Rica are much more suitable for the growing of these crops and numerous others, because of the higher altitudes and consequent more suitable climates. Nevertheless, Mr. Menjívar's production met export standards fairly rapidly, which was somewhat of a surprise to even those who financed him.

Mr. Menjívar exports by air to buyers in Miami by TACA Airlines, and some of his production is transhipped to Orlando where he has established a good marketing arrangement.

The outstanding balance of his loans is C. 3, 849,000 (\$442,414) and he was somewhat in arrears in payments of both interest and principal as of September 30, 1994, but his payments have tended to be related to his own income which is sporadic and related, to some degree, to certain U.S. and Salvadoran holidays, when flower sales increase. His gross sales in fiscal 1993 were \$243,306, about 40% of which was received in dollars for exported product. The balance of sales were to the Salvadoran market, for colones. His total production increased by about 50% over 1992 levels, and exports became a substantially greater part of total sales. He may need some time to absorb this growth. The prospects of Viveros Xochicali becoming a major grower and exporter, emulating the large growers in Costa Rica, are very doubtful, but he has established that an export product previously thought to be unsuitable for El Salvador actually can be profitably produced in the country.

Viveros Xochicali hires 40 full time employees. Up to 60 additional part timers are hired during those periods of the year when harvests peak (Christmas and Mother's Day, mainly).

5.3.2 Banana Tropic

DATE: December 5, 1994

PROJECT: Banana Tropic

OWNER: Pacific Farms, a European company created for this project

MANAGER: Gert Olson, a Norwegian citizen

PRODUCT: Bananas for export, now converting to plantains for local consumption

LOCATION: San Luis

The company was established by three European entrepreneurs who anticipated a substantial increase of world demand for bananas because of the breakup of the Soviet Union and its satellites, and their subsequent availability as markets for bananas from the west.

The company bought three farms in the same region of El Salvador and planted 70 hectares in bananas. The company's own financing was supported by a \$798,000 loan from FUSADES in 1991. This loan was paid in full by the parent company this year from the proceeds of the sale of two of the farms, and it has planted 22 hectares of plantains for sale on the domestic market. Banana Tropic has requested financing from FUSADES to help cover the costs of planting 338 more hectares in plantains, in stages.

The prospects for the project's success appear to be good. Demand for plantains in El Salvador and elsewhere in Central America is quite high, and the manager and his assistants are skilled farmers. Mr. Olson had more than five years' experience growing both bananas and plantains in Ecuador. The likelihood of the company ever succeeding as a banana producer for the world market was very limited.

5.3.3 Pescanova

DATE: December 6, 1994

PROJECT: Pescanova

OWNER: Jimmy Ruiz

PRODUCTS: Shrimp Naupii, Post Larvae, Brood Shrimp

LOCATION: El Zunzal

This project, located on the Pacific Coast, captures pregnant shrimp from the sea, daily, and grows out the offspring to various levels for an international market. It is now beginning to produce its own feed supply from algae. Naupii, Zoed, Mysis and post larvae are the sequence of development of the fertilized eggs from the shrimp held in tanks. The company now sells naupii and post larvae to major buyers in Panama, Honduras, Mexico, Ecuador and the largest company in the U.S., G.M.S.B. (in Key West) which deals in shrimp breeding.

Pescanova borrowed \$800,000 from FIDEX in February 1994 to finance an expansion which will permit the company to have considerably greater impact in its present activities and initiate feed production. The company has been in business for two years and is already planning its third expansion, based on existing demand for its products.

Probably the company's greatest advantage are the ample presence of shrimp off the Salvadoran coast, the skill and experience of its Ecuadoran technical advisor, Humberto Espindola, and Mr. Ruiz's entrepreneurial ability.

Mr. Ruiz, the sole owner, is very active in the business and works compatibly with the Ecuadoran technician, and the company's staff in general. He is not a scientist, but has

considerable experience with the fishing industry and understands the technical aspects of the project very well, in fact, well enough to understand that he needs the help of experts.

The company's loan is still in its grace period, but it is reasonable to predict that this project will be one of FIDEX's greater successes, with the caveat that this sort of activity is always vulnerable to a number of hazards, disease leading the list.

Pescanova may expand into shrimp farming to become a completely integrated industry, but Mr. Ruiz is loathe to do this in the near future, partially because he does not want to be in a position to even appear to compete with some of his clients.

The company is conscious of the threat of disease and has taken steps to provide some protection. Production is done in modules, soon to be six in all, and further expansion (now underway) will be in new modules. If disease affects one, there is less chance it will affect others. Even so, the close attention that Pescanova's owner, management and staff give to cleanliness and disease prevention is one of the project's virtues.

Income is all directed to expansion, within the current plan. Another expansion plan may be adopted in several years but not, apparently, without careful consideration.

Another FIDEX project, Oceanica, producing essentially the same product line is not nearly as successful, but could become so. It is obtaining Ecuadoran assistance now, located by Pescanova's Ecuadoran technician.

5.3.4 Ornesa

DATE: December 6, 1994
PROJECT: Ornesa
OWNER: Ana Cecilia de Mojica
MANAGER: Ana Cecilia de Mojica
PRODUCT: Ornamental plants
LOCATION: Ahuachapán

This project was initiated with FIDEX financing in 1992 as a three-manzana izote farm. This product was sold to farmers in Florida who "grew the plant out" until a flower was produced and was sold to various markets in the United States as ornamental plants.

In 1993 the farm was leveled by heavy winds, the fringe of a Pacific coast hurricane. Starting in January 1994, Señora Mojica replanted the farm with Aralias and two varieties of Aglaonemas. The latter ornamental plants are destined for the European market and will be shipped beginning in April directly to Holland on KLM from the Guatemalan international airport. The plants will travel to the Guatemala airport by truck in refrigerated containers. The Aralias are for the U.S. market and are being shipped each week, from El Salvador's international airport.

Señora Mojica received a \$50,000 loan from FUSADES in 1992 and, in January 1994, a loan of \$149,425 (equivalent) to finance the rehabilitation of the farm and cover the costs of entering the new product line.

Largely because of the storm and down time and costs related to entering a new line of activity, her earnings are quite low, only about \$3,000 (equivalent) in the fiscal year ending in September 1993, and not much more for 1994, as yet unaudited. She feels she could carry on with a line of credit of about \$30,000 a year, to be repaid each year from the proceeds of her sales.

She has the opportunity of buying an additional three manzanas of land to expand her project, but financing for this will, most likely, not be available. It would be difficult to obtain financing (including the working capital referred to above) even if the export plan is successful.

Señora Mojica paid a high price for the land on which she is presently located and much of it is not suited for the products she is growing. The three manzanas which she could buy are worse. She may overcome this obstacle (she has the requisite tenacity) if she has personal resources to cover a year or two of operations.

The project is typical of a weakness in the FUSADES philosophy, at least in pure banking terms. FIDEX gave financing which would normally have been provided by the founding entrepreneur. The FUSADES argument contends that many potentially excellent entrepreneurs are lost to the Salvadoran economy because they lack funds to start up a business.

5.3.5 Fruvex

DATE: December 7, 1994

PROJECT: Fruvex

OWNER: Ing. Juan José Gutiérrez

MANAGER: Ing. Juan José Gutiérrez

PRODUCTS: Honeydews and Cantaloupe

LOCATION: Ahuachapán

Ing. Gutiérrez began operation of the melon farm eight years ago, producing honeydew melons and cantaloupe on 20 manzanas of land. He is presently harvesting 60 manzanas of honeydew and clearing land to produce 200 manzanas for both types of melons. Although a 30-day period during December/January is normally the best time to export to the U.S., because Florida is not producing during this period and Mexico is not yet in the market, Ing. Gutiérrez expects to sell into the U.S. market over a three-month period from December to March, beginning next season. This season he is only in honeydews. Cantaloupe requires more treatment, i.e., must be cooled longer, at higher temperatures, so that the interior of the product is cooled, through its thick skin.

Honeydew is simple to process, but must be sold at \$10 a box (4, 6 or 8 per box, depending on size) to provide for a desirable profit. He must produce 500 boxes per manzana and sell at \$6 a box to break even. Fruvex is one of only three melon projects financed by FIDEX that have been successful. Most of FIDEX's loans to melon projects failed, primarily because of the growers' lack of experience and inability to deal with the limited export market opportunities.

FIDEX's financing provided for installation of the cooling plant and rollover working capital, but even with adequate financing the business is not profitable every year. On the average, it has provided profit over the eight years, and 200 manzanas with efficiency and some luck and hard work could provide a good deal of profit, but still not every year. Ing. Gutiérrez still depends on sugar cane (on an adjacent farm) to provide stability to his agricultural operations. Melons, like sugar and like agriculture in general, look better if income is reviewed on a ten-year (or more) average, than in any specific year. Melon producers who are diversified in several agricultural activities would have been more promising clients for FIDEX than the numerous borrowers it financed who applied too much optimism (and their financial resources) to melons.

Fruvex's products must be trucked to Puerto Barrios in Guatemala in refrigerated containers to be shipped to U.S. Atlantic ports. Availability of shipping to the U.S. from El Salvador's west coast is still too uncertain and, at any rate, the east coast of the U.S. provides the best market.

Ing. Gutiérrez received four loans from FIDEX, the first two in 1988: one for \$147,000 (equivalent) to finance the installation of the cooling and boxing/storage plant, and equipment. He also invested a nearly equal amount of his own funds. The other loan in 1988 was for working capital (\$60,000, equivalent). In 1990 he received a working capital loan for a total of \$300,000 (equivalent).

He has repaid all of these loans but now will need working capital to support his expanded operations. He does not believe such financing will be available from a commercial bank and is probably right. His project, like many of the potentially successful FIDEX projects will have working capital requirements which will not interest the country's private banking system.

Fruvex presently employs about 200 workers (mostly women) for harvesting and land preparation. About 25 are employed in the plant when it operates. Since this is a seasonal business, so is the employment. In the case of Fruvex, much of the labor force is employed during other months by the owners of cane fields and at other farms nearby.

5.3.6 Del Tropic

DATE: December 8, 1994

PROJECT: Del Tropic

OWNERS: Ronald Anthon; Pedro Urquía

MANAGERS: Pedro Urquía; Ana de Chicas

PRODUCTS: Frozen black-eyed peas and okra

LOCATION: La Libertad

Del Tropic's management, Pedro Urquía and Ana de Chicas, worked in senior positions with Quality Foods, a large but now failed vegetable freezing enterprise in El Salvador (The Quality Foods plant is still used by various producers under contract). They learned the business well and Initiated Del Tropic to imitate the most practical aspects of Quality Foods, on a more efficient and substantially less ambitious basis. All of their products are exported to the United States (nearly \$2.0 million sales in fiscal 1993).

The owners have no immediate or even medium range plans to expand, in spite of the fact that demand for their products might justify doing so. They are prone to be conservative; their experience with Quality Foods contributes to that attitude. A substantial expansion of exports would, furthermore, require an increase of the number of commodities in their export mix. The U.S. (and world market) market for black-eyed peas and okra is limited, and Del Tropic is not the only processor of these products. It may be one of the most efficient and dependable, however, and the company is content, for the time being, to be the best producer in a narrow market, thus sustaining a comfortable niche.

When and if the company does expand, it will probably be required to import raw material (primarily broccoli) from Guatemala. Quality Foods did this on a relatively large scale and Del Tropic also imported some broccoli in its early days. The owners and management will wish to give more consideration to an expansion which depends heavily on a product cultivated in a neighboring country which has a large and expanding frozen vegetable industry of its own.

Del Tropic buys product from a large and increasing number of small farmers. The number of laborers, including family farm members and some hired labor (who are occupied producing for Del Tropic ten months of the year) number in excess of 1,000. Some of these same growers produce for Bon Appetit, a nearby canning plant, and many are engaged in coffee harvesting during the November/December down months of Del Tropic. Plant labor averages at 145 employees on a yearly basis.

The total loan is \$2,526,316 (equivalent). Disbursement and repayment is in colones. The loan, made in 1993, was still in its grace period at the time of our visit, and was current in interest payments. This project is one of FIDEX's successes. It is the positive result of the failure of Quality Foods, another FIDEX-financed project.

5.4 Overview of Agribusiness Portfolios

5.4.1 Findings

The subprojects visited are typical of the kind of activities financed under credits 303 (USAID grant of \$10.8 million, equivalent) and 327 (USAID grant of \$5.6 million, equivalent), but some of those we saw are more promising than the average component of the portfolio. They were randomly selected by the consultants, however.

Figures 5.1 and 5.2 contain currently active FIDEX projects presented according to category of products. Thirteen 303 and 327 loans (not included on this list) have been passed on to FUSADES' Controller for collection. At least one of these, Banana Tropic, appears to be a successful revival effort and was the subject of one of our field visits. There are some prospects of reviving a very large shrimp pond operation which had been passed on to FUSADES for collection.

Although the requirements of USAID grants 303 and 327 differ, the types of projects financed under each do not differ substantially, and there are some FIDEX projects financed from both sources. Grant 303 was loaned by FIDEX in colones only. The 327 grant has been loaned in colones and dollars.

The mix of the agribusiness portfolio is fairly similar to the mix found in LAAD de Centromérica's portfolio, and includes just about every type of non-traditional project that has been done in the Central American region successfully. The emphasis of FIDEX's portfolio had to be governed by the market for their funds, that is to say, FIDEX was compelled to deal with the projects that were presented to them by existing or, often, potential owners and entrepreneurs.

Ornamental plants, melons, frozen fruits and vegetables, shrimp production (ponds) and shrimp larvae production were the types of activities that attracted the most investment by FIDEX.

The shrimp pond projects were all failures for a variety of reasons, one of which is that the areas in El Salvador available for such undertakings are in no way comparable to those available in Ecuador, or even Honduras. It is also a type of project which has a history of technical difficulties throughout the world.

Shrimp larvae has been the subject of one of FIDEX's greatest successes and one of its greatest failures. Some of the ornamental plant projects are modestly profitable, operating on a small scale, but the climate of El Salvador is not well suited to this industry. The vegetable freezing industry was limited from the outset by the fact that El Salvador does not produce the entire mix of vegetables necessary to maintain a major industry in this category. It has traditionally imported vegetables from Guatemala. The success of Del Tropic is evidence of Salvadoran ingenuity, rather than proof that vegetable freezing for export is promising as a

large scale industry in the country. Melons can be grown in El Salvador, but there are still only about 30 days of export market predictably available to Salvadoran growers. Improvements in the availability (and cost) of transportation and further efficiencies could provide for a somewhat broader market window. Nevertheless, many of the presently active agribusiness projects may succeed to a degree permitting them to repay their loans and make a modest contribution to the economy.

5.5 Administrative and Financial Details of Grants 303 and 327

Few, if any of the FIDEX agribusiness projects would have been even considered by a private commercial bank, or even the nationalized commercial banking system which existed during most of the history of FIDEX.

5.5.1 Findings

The regulations governing the use of the funds under credits 303 and 327 provided that equipment could be purchased only from the United States, and working capital could only be provided in conjunction with loans for fixed investment. Even with these caveats, there were an ample number of clients (most especially for the colones subloans) for loans of up to ten years requiring less in the way of guarantees than a commercial bank or even other development lender. FIDEX was almost completely in compliance with USAID's caveat that its funds be applied to non-traditional agriculture. Two projects for the production and export of coffee were, nevertheless, financed with these funds. This does not, however, seriously conflict with the overwhelming adherence to both the spirit and the letter of the provisions of USAID's financing.

FIDEX's somewhat liberal collateral policy is consistent with FUSADES' generally liberal policies and with its overall objectives. However, both FIDEX and the FUSADES Controller's office make serious efforts to collect and have taken legal action when other means have failed. The first disbursements under 303 were made in 1987 and the first disbursements under 327 were made in 1990.

Repayment of principal (and full payment of interest) has been received on subloans for a total of \$2,935,000 (equivalent), almost all from shorter term loans under credit 303. Most of these funds have been loaned out to other projects, many of which were already FIDEX clients.

A portion (about 30%) of the funds in 327 were loaned out in dollars. Most of the 327 loans are in their early stages, and will face some of the pitfalls that affected 303 subloans. Thirteen subloans under credit 303 and 327 to six borrowers for a total amount of \$2,596,000 (equivalent) have been passed on to FUSADES by FIDEX/BANFIDEX as uncollectible, for legal or other appropriate action. A portion of these funds will be recovered through execution of security (guarantees and collateral) and a very small number will recover in altered form. One of the projects we visited (Banana Tropic) was returned to FUSADES. This subloan was paid off in full by the European parent company and Banana Tropic has

CURRENTLY ACTIVE PROJECTS—CREDIT 303

Borrower	Project	Subloans/ Total Disb.	Purpose	Outstanding Balance	Status as of 9/30/94
Mena Lagos	Coffee cultivation	1/\$24,483	Irrigation equipment	\$11,149	Current
Del Tropic Foods	Frozen food proc. for export	4/\$1,655,172	Purchase of plant, equip.; working capital	\$1,655,172	In grace; interest curr.
Cerro de Flores	Ferns	2/\$172,414	Seed, stock, initial cult.	\$80,460	Current
INGAPO	Plantain cultivation	1/\$8,966	Irrigation equipment	\$5,287	\$1,724 princ. In arrears; interest curr.
Inver. Agr. Florencia	Fruit and veg. refrig. plant	1/\$91,954	Purchase equipment	\$91,954	Princ., interest in arrears
Bon Appetit	Fruit and veg. refrig. plant	4/\$1,459,770	Plant installation, equip.; working capital	\$1,459,770	In grace
Arturo Meza Hill	Ornamental plants	1/\$15,862	Packing plant	\$12,874	Current
Viveros Xochicali	Ornamental plants	3/\$448,276	Infrastructure; capital	\$436,782	Slightly in arrears
Borgonovo Pobl.	Coffee exporter	2/\$252,874	Working capital	\$252,874	In grace; interest curr.
Mauricio Borgonovo	Coffee production	2/\$114,943	Working capital	\$114,943	In grace; interest curr.
FRUVEX	Melon cultivation	3/\$507,000	Equip.; capital	\$32,500	Current

Figure 5.1

CURRENTLY ACTIVE PROJECTS—CREDIT 327

Borrower	Project	Subloans/ Total Disb.	Purpose	Outstanding Balance	Status as of 9/30/94
Soc. Agr. Samayoa	Marigold cultivation; dye extraction	8/\$205,000	Machinery; working capital	\$196,000	Princ. In arrears; interest current
ORNESA	Ornamental plants	2/\$50,000; \$149,425*	Infrastructure; working capital	\$50,000; \$149,425	Princ. In arrears; interest current
Topsy de El Salvador	Ice cream plant	2/\$1,300,000	Equip.; working capital	\$1,300,000	Princ. In arrears; interest current
PESCANOVA	Shrimp larvae prod. etc. for export	3/\$800,000	Equip.; working capital	\$783,000	Princ. In arrears; interest current
Agroexport Anales	Ornamental plants	2/\$197,500	Infrastructure; equipment	\$197,500	In grace; interest current
Oceanica	Shrimp larvae prod. for export	5/\$74,713*	Infrastructure; working capital	\$367,816	Heavy default on princ., interest
INGAPO	Plantain production	1/\$79,540*	Equipment	\$79,540	In arrears on princ., int.

Figure 5.2

converted to a new product line (plantains for the domestic market). It will probably receive some BANFIDEX financing for this conversion (from FIDEX rollover funds).

The single industry providing for the greatest losses is frozen vegetables, in one project, Quality Foods. None of the shrimp pond projects financed by FIDEX were successful, and the majority of the melon projects failed.

5.5.2 Conclusions

The reasons for these failures differed, but these borrowers (like FIDEX's entire portfolio) were known to be high risk enterprises from the outset. Providing for limiting losses on agribusiness subloans was not, for good or for bad, a major objective of FUSADES when it established the FIDEX operation.

5.6 The Structure of FIDEX

5.6.1 Findings

FIDEX was established to serve as the development banking component of a loosely integrated, multifaceted private institution (FUSADES), whose goal was to play a leadership role in the establishment of a peaceful, democratic, economically and socially sound El Salvador. It was important to FUSADES that each component contribute to the achievement of these goals, but this did not mean that each component was necessarily expected to become successful, in the conventional sense.

The effect of these preconceived priorities is most notable in the operation of FIDEX, which was compelled to perform in a manner contradictory to the generally accepted and established principles of banking, even development banking. The latter statement is particularly applicable to FIDEX's agribusiness operation, which is substantially more vulnerable than the industrial portfolio. The two types of portfolios should, in fact, be operated entirely separately. The extreme pressure to produce posed a substantially greater hardship in the agribusiness portfolio, and the absence of a pipeline of viable projects forced FIDEX to finance (and sometimes promote) activities which were of very doubtful viability. It is to FIDEX's credit that it was able to do as well as it did with so poor a pool of potential projects, with only a few notable exceptions.

5.6.2 Conclusions

Throughout this section of the evaluation, we will refer to weaknesses in the FIDEX operation (as well as strengths). Some of these might have been avoided or corrected, but most were the almost inevitable result of trying to cause a credit institution to adapt itself to institutional structuring and objectives which did not contribute to, and even detracted from, FIDEX's efforts to function as a sound development bank. Furthermore, free money obtained with minimum difficulty or enforceable commitments to apply essential controls almost

inevitably breeds a pressure free, incentive free and generally leadership free condition in an institution, that experiences no great concern when losses are incurred or excessive, unwarranted expenditures are incurred. The fact that this mix of activities might have been structured in a more rational and effective manner may, however, be easier to see in retrospect than it was from the perspective of instability and urgency which characterized El Salvador at the time of FUSADES's establishment.

FIDEX personnel did, on the whole, make a reasonable effort to follow sound banking procedures, but its operations were subjugated to objectives of greater concern to FUSADES's decision makers, who did not visualize FIDEX as a routine development bank.

5.7 Impact of FIDEX's Agribusiness Portfolio

5.7.1 Impact on Employment

5.7.1.1 Findings

Both FIDEX and DIVAGRO said they have attempted to maintain credible figures on employment and export income generated by the portfolio on a project by project basis, but were able to provide only total figures for the portfolio. In their calculations, they had to take into consideration failed and currently nonproductive projects, as well as the temporary basis on which most agricultural labor is hired. A further complication results from the fact that most of the employment generated is indirect. A processor of frozen vegetables, for example, can only estimate, at best, the employment figures for the farmers from which they purchase raw material. The laborers, in this case, are the farm family and additional labor retained by farm families during peak harvest periods and, in many cases, during planting.

The total employment figures for the two credits for the year 1993, as presented by BANFIDEX, are as follows: for Credit 303, employment totaled 4,804; for Credit 327, the figure was 9,533.

Based on the consultant's experience, these figures are a reasonable estimate. They appear high because the numbers are not annualized; a laborer who is employed for four months, only during harvesting and planting seasons, should be computed to have worked for 1/3 of a year only. Nevertheless, some FIDEX-financed processing plants, including its largest and most successful one (Del Tropic) operate most months of the year because they deal with several raw materials, cultivated at different times of the year.

5.7.1.2 Conclusions

Agriculture, with few exceptions like cattle ranching, is a very heavy employer, direct and indirect, especially projects which produce ornamental plants, ferns and flowers, as well as

those that process fruits and vegetables and cultivate fresh fruits and vegetables for the fresh produce market.

The economics of food processing in Central America are based on labor intensive raw material production and capital intensive processing plants. Salvadoran exporters could not compete on the world market if processing plants were not relatively modern, if not close to state of the art, but one advantage the Salvadoran processors benefit from is their capacity to obtain hand picked commodities which are, in some cases, machine harvested in the United States. The black-eyed peas, for example, processed by Del Tropic are able to obtain good prices and an assured market for the visually more desirable handpicked product.

Only a few successful horticulture projects and processing plants can cause the level of employment provided by the FIDEX/BANFIDEX portfolio to increase substantially as they expand. Non-traditional agriculture can make a contribution to dealing with El Salvador's underemployment problems but would not solve them.

5.7.2 Impact on Export Income

5.7.2.1 Findings

These figures were also provided on a global basis. Many of the projects in the portfolio are new and their exports are quite small; in some cases this income will not increase or may cease altogether. In the end, a relatively small number of these projects will provide for most of the foreign exchange income.

The survival of some of these projects will be predicated on their capacity to shift from export to domestic markets. The revival of the Salvadoran economy is moving at a faster pace than had been anticipated by the owners of many FIDEX clients. The several profitable ornamental plant producers financed by FIDEX, which do export, are selling a significant portion of their production (50% in the case of the ornamental plant producer we visited) on the Salvadoran market.

The export figures computed by FIDEX for 1993 were as follows: for Credit 303, a total of \$8,877,000; and for Credit 327, \$1,002,000 total.

5.7.2.2 Conclusions

These figures should increase. Many of the projects are still in their start up phase, and some of the projects selling on the local market will eventually export. In the normal course of events, medium sized agribusinesses are most likely to succeed as exporters if they have been able to go through all the difficulties of start up and become profitable businesses selling to less complex local markets.

5.8 DIVAGRO: A Brief Note

DIVAGRO is the technical arm and think tank of FUSADES's agricultural activities. Its staff includes agricultural engineers, several of which work particularly closely with FIDEX in the analysis and supervision of subloans. DIVAGRO's principal activity is the performance of studies, some of which have resulted in projects which FIDEX then financed. All FIDEX projects were reviewed by DIVAGRO, whose input has often been critical to decisions to reject or proceed with loan proposals.

Normally, technical analysis of its projects would be a function of the development bank, itself, and subject to the control of the same management as the other elements of the lending operation.

This structure is a weakness of the FUSADES program but has, nevertheless, functioned adequately according to FIDEX and DIVAGRO personnel. We were impressed by the diversity of the knowledge DIVAGRO personnel, and their familiarity, with all the FIDEX projects we discussed with them.

5.9 FIDEX Agribusiness Operations Overview

5.9.1 Findings

As mentioned above, the findings for this section have been presented in 5.1-5.6 as a series of field visits, assessments and analysis of how those projects typified or diverged from the general trends and results of the FIDEX holdings as a whole. For those data, we can draw some conclusions and make some recommendations as given below.

5.9.2 Conclusions

Three major lessons learned from the FIDEX experiment are the unsuitability of El Salvador for many types of non-traditional agribusiness, the inevitable bad consequences of trying to solve the problems of basically bad projects by constantly injecting more funds into them, and the extreme importance of lending to entrepreneurs with experience and skill in their chosen fields of endeavor; the importance of dealing with clients with these attributes is intensified when functioning under unfavorable conditions. Unfortunately, there were few potential borrowers with these qualifications available to FIDEX, and it may have been justified for lowering its standards, considering the pressures to produce placed upon them. But trying to revive ailing projects by incessantly increasing financial exposure has been a persistent weakness of FIDEX. At any rate, the circumstances in El Salvador are changed, and the former FIDEX personnel now handling this portfolio for BANFIDEX have acquired the ability to deal with troubled projects and developed skills that they would not have had without their experience with FIDEX. In this case, a fundamental weakness has evolved to a lesson learned and a potential, consequent strength.

It is important to note that FIDEX was a lending mechanism, not a development bank motivated by potential profits or losses. It had no obligation to repay the funds which financed its operations, and no shareholders or Board of Directors motivated by profit and loss, which is normally essential to the rational operation of a private development bank. FIDEX's essential function was to respond to the needs of FUSADES, whose principal motivation was not closely related to the success of its development of a "development bank." This is a major weakness of the FIDEX operation.

The fact that El Salvador is generally unsuitable for non-traditional agriculture was not a consideration when the institution was established. This may have been a defensible decision at the time, but it would not be justifiable to continue ignoring this reality. If this was an unavoidable weakness when FIDEX initiated operations, continuing to ignore this reality would constitute a serious weakness. The BANFIDEX personnel dealing with this portfolio are doing a credible job, but as the bank grows and its own portfolio (on which it assumes the credit risk) increases and demands more attention, it will assume considerably higher priority than a portfolio administered at a fixed fee and which exposes the Bank to no risk. The amount of the fee is attractive to BANFIDEX now, while it is in its startup phase, but this will change. Some alteration of the fee mechanism should be considered.

The potential for loss in all agriculture, but most especially in non-traditional agriculture, is enormous, and large reserves are prudent protections. A manufacturing enterprise can be planned and structured so that its success can be predicted with a fair amount of certainty, if a qualified entrepreneur is supported by experienced management and trained labor for an undertaking which can produce high quality products for a market which has been properly assessed. Even when all these factors are correctly dealt with, failure is possible, but doing things right and making the proper assessments will more often than not result in success in industry. Furthermore, the problems which can afflict most manufacturing enterprises, once they are operating, are, for the most part, predictable well in advance, and the ownership and management can usually be prepared for adversity when it comes.

Not so with agriculture. Experimental agricultural projects are, more often than not, successful, but this success is rarely indicative of what will happen when a commercial enterprise is implemented. Normally, the only sure way to experiment in agriculture is to start, from the outset, with a full scale commercial enterprise. Even a highly successful first year or two of operations offers no assurance of continued success. Agriculture is a very high risk business, and bankers who can avoid the real needs of agriculture invariably do so. With very few exceptions, agribusiness banking tends to be lending entirely to collateral, rather than to projects. Only successful coffee and sugar cultivators and exporters enjoy special consideration from the banking system because of competition among banks for their business.

Non-traditional agriculture, even the few projects which appear to be well on the way to establishing their viability, may be years away from becoming attractive to commercial banks. The question of how to meet working capital needs and the routine costs of replacement of

parts and machinery for the most successful among the BANFIDEX/FIDEX portfolio is already a discernible issue. This is a major weakness in the BANFIDEX/FIDEX portfolio which may get worse before it gets better.

Some of the BANFIDEX personnel responsible for the former FIDEX portfolio have been working with these projects for several years. At the outset, they had a tendency to support essentially failed projects far longer than they should have. This is a tendency of loan officers new to agriculture. This staff has acquired experience in the only way it could, by doing the job, making mistakes and improving their credentials as development bankers, under difficult conditions. There is no source of training better than the one they have experienced. With the controls (and incentives) BANFIDEX will hopefully provide, and decreasing pressure from FUSADES because of improving conditions in El Salvador, the BANFIDEX staff should, with some adjustments in the fee arrangement, be capable of dealing satisfactorily with the portfolio, certainly much better than a Salvadoran bank unfamiliar with the subject. BANFIDEX's human resources could be the undertaking's greatest strength.

5.9.3 Recommendations

Considering the apparently great improvement of conditions in El Salvador and the improved capability of FIDEX/BANFIDEX as non-traditional agribusiness bankers, it would be appropriate to reassess the objectives of the agribusiness program and of FIDEX in general. Much of the original FIDEX program did not meet its objectives and, in retrospect, it is doubtful that it ever could have.

Coffee and sugar remain essential to the economy and an essential component to the economic stability of rural El Salvador. Modernization and improvement of many coffee farms must be undertaken to help meet this aim, and may be a valid development objective. A careful assessment of the potentials for expanding the development of several promising non-traditional agricultural enterprises, as well as the implementation of small (even sometimes large) manufacturing enterprises in rural El Salvador, should be very seriously considered.

6. FIDEX Industrial Portfolio

6.1 Description of Subprojects Created Since Implementation of Industrial Credit Fund

The task undertaken was to indicate which subprojects have been financed since the creation of the industrial credit fund under the 519-0287 Project, including those that have already repaid their debt. As a subsidiary task, the actual status of each of the subprojects financed under the project was to be indicated.

6.1.1 Findings

Funding of \$15 million was approved in 1989. Since then, 50 loans totalling \$15,223,260 have been made (Annex H contains a FUSADES printout of the portfolio as of September 30, 1994). Of the 50 loans, eight totalling \$1,391,318 have been repaid, and current loans have had paydowns of \$2,836,376, so that reflows have totaled \$4,227,693. As of September 30, 1994, there were 42 loans on the books for \$10,965,000. Those are the official figures. By November 30, 1994, the outstanding loans totalled \$13,200,000, according to the office of the Controller of FUSADES. Nevertheless, the rate of disbursement and the level of outstanding loans have consistently fallen below the expectations reflected in the Project Authorization Paper, with amendments. The latter assumed full disbursement by the end of the third year and subsequent close to full utilization of reflows. Based on the evaluation team's broad panoply of interviews and readings, and the cumulative knowledge of the business, such expectations were found to be unrealistic. In corroboration, the Project's credit line was for awhile reduced to \$8.5 million due to initial poor utilization of funds.

All but seven of the industrial loans were for *maquila*; of those, 70% represented clothing. The largest loan, \$3,000,000, was for construction of the San Marcos free zone; the smallest was \$15,000 (but part of \$106,000 lent to the same client); the median loan was \$200,000.

Examined for concentration by borrower, of which there were 23 (17 borrowers received more than one loan), the constructor's loan represented 27% of the loans outstanding (and 20% of the total fund of \$15 million); the next largest loan to a single group represented 10.6% of the fund outstanding, and the median average for all loans outstanding was 2.4%. It was appreciated that there existed a fair balance between loans to foreign investors and those to local companies. The concentration represented by the construction loan, while well above the norm for concentration which we would establish at 10% of the fund, did not appear to present undue risk. The constructions effected under the loan are hypothecated to FUSADES and, in addition, are supported by dollar rent contracts with the occupants of the buildings.

In terms of maturities, the longest maturity was ten years, the shortest one year (only one loan), and the median was five years. The trend of terms in 1994 remains about as it was in the first years, an average of five years, although the maturity of one loan went out to eight years.

There were five delinquent industrial loans, totalling \$1,928,881 or 16.8% of the outstanding loans. These were represented by two borrowers, one with one loan for \$773,881 and another with four loans totalling \$1,155,000. Both borrowers had paid something down on their original loans and occasionally make interest payments. Given the collateral security obtained, it was not evident that the loans would be a total writeoff. The FUSADES 2% reserve for bad debts on 287 loans stood at a modest \$186,363. Total bad debt reserves of FUSADES are shown in Figure 6.1.

TOTAL BAD DEBT RESERVES OF FUSADES

Project	In Colones	In U.S. Dollars*
207 Industrial	¢ 1,640,000	\$ 186,363
328 Agribusiness	¢ 500,000	\$ 56,818
303 Water Management	¢ 2,430,000	\$ 276,136
TOTALS:	¢ 4,570,000	\$ 519,318

* ¢ 8.80 = \$US1.00

Figure 6.1

We discussed with appropriate parties the whole question of delinquent loans and what to do about them and found a good grasp of the subject, especially at BANFIDEX. All in all, 13 loans (out of 51, or 25%) have been rescheduled and made current, with maturities extended another four to five years. In a collaboration between FUSADES and BANFIDEX, strong efforts are made to collect when the borrowers appear recalcitrant. These include current legal action to take over properties pledged to the loans.

An example of delinquent loans, discussed elsewhere under the Banana Tropic section, is the case of Pacific Farms, in which a group from Norway already growing bananas in Ecuador formed a project in El Salvador, despite traditional, local non-participation in the banana-exporting group of nations. Pacific Farms tried two locations, failed in one and were successful in the other. However, they were ready to pack up and go home because, on top of the failure, they were experiencing problems with maintaining their land boundaries. Had this loan been financed by a local commercial bank, there would have been a requirement for guarantees which would have by now resulted in foreclosure. Instead, BANFIDEX had accepted a standby letter of credit. When the first farm failed, BANFIDEX sat down with them for negotiations and worked out a solution whereby the land from the failed program was sold, and the company was refinanced as a new project. BANFIDEX granted a year's grace and accepted a smaller standby letter of credit to cover just one year's interest payments. The company is now exporting bananas to Europe.

Re security for the loans, the policy is the more risk, the more collateral required. Normally, they take a lien on what is being financed. If the credit is to acquire machinery, a lien is taken on that, and if it is for a building, the lien is against the building. In addition, they require the signatures of the principal shareholders, a traditional and customarily binding local ritual. Where the owners are from East Asia and not easily investigated as to their standing, BANFIDEX looks for additional security. In one case, they took a lien on the building which had been bought to house the Taiwanese managers. In another case, they took a standby letter of credit from a Taiwanese bank. Where the *maquila* is a Salvadoran company, there is more

willingness to base themselves on the cash flow estimates. All in all, BANFIDEX is more flexible with FUSADES' money than they are with their own. This is not necessarily due to the fact that losses on their own funds come out of their capital, but reflects more the developmental character of the FUSADES' funds.

The return to FUSADES on its industrial loan portfolio is running at over one third of FUSADES' administrative income, and is budgeted to reach 51%, or \$1,233,000 in 1995. As a matter of interest, the income from the total loan portfolio (industrial project 287, water management 303, and agribusiness 387) is running 70% of this year's total administrative income, and is budgeted to be 87.7% of FUSADES' total income in 1995. Seen in terms of FUSADES' total income, the estimated 287 interest represents 15%, and when combined with 287 and 303 income, it totals 25% of FUSADES' total income. Based on the current loans outstanding, the income from the 287 portfolio represents an 8% return for 1994, and possibly 10% for 1995. This assumes that the loan approval and disbursement rate will maintain the improvement it has shown in 1994. Since 1989, the yearly number of disbursements has been six in 1989, 11 in 1990, eight in 1991, seven in 1992, eight in 1993, and ten in 1994, showing a steady increase in recent years.

6.1.2 Conclusions

The condition of the industrial portfolio is more than satisfactory for non-traditional industrial export development financing. With regard to concentration, ordinarily it would be concluded that the loan to the free zone constructor warranted special comment, but this loan appears to be well secured and is a key component of the strategy to develop non-traditional export industries. The delinquency ratio is acceptable, and the projected reflow rate appears manageable in terms of ability to get them recirculated.

Certainly, FUSADES will have to forego collecting some or all of the back interest owed, which has now reached almost \$63,000, and it could lose all or most of the overdue principal, now reaching \$200,000. But FUSADES' Controller may well be correct in believing that the value of the property assets claimable by FUSADES under situations of default has been and continues appreciating substantially. Moreover, the account executives' sensitivity to the problem situations encountered with development loans provides a basis for believing that they will be able to work out of a high proportion of problem cases as they arise. In point of fact, the forceful way that delinquent borrowers have been handled is all the more remarkable for having to use it against people who may not be so convinced that these are, in the words of one entrepreneur, "real loans and not USAID gifts."

This is doubly important not only for the development aspect but because FUSADES will be counting heavily on the income to support its core activities. While the rate of return to FUSADES is not much greater than on a five-year CD, it is arguably higher than the rate of return on its patrimony achieved by many a fund or foundation in the U.S.

6.1.3 Recommendations

A key concern about this development portfolio is to keep the funds recirculated, not only to better meet the expectations of entrepreneurs, but to maximize interest income for FUSADES. Monitoring the loan pipeline is not currently the responsibility of any one person or department, although the FUSADES members of the credit committee undoubtedly gain knowledge of it when they meet to consider loan requests. For this reason, and for other good reasons among which are the need to apply special care and expertise to the troubled agribusiness and water management portfolio, the need to periodically review credit policies and procedures, and to review the arrangements with the fund administrators, the evaluators recommend that FUSADES reconstitute the former Financial Commission which existed when FIDEX was in house.

6.2 Determination of Impact of Loans Provided

The task was to assess the impact of the loans provided by FUSADES/FIDEX/BANFIDEX, especially in the creation of new investment, labor and foreign exchange generated by the credit. A subsidiary task was to estimate the amount of direct and indirect employment generated by the subprojects financed under each of the FIDEX credit lines.

6.2.1 Findings

To put in perspective these findings on impact, it is useful to have a view of the situation in El Salvador when the FIDEX loan program was initiated. There had been no industrial construction since the 1970s; then the earthquake leveled a great many buildings, so there was indeed a great shortage at the time the FIDEX loan fund was conceived. If industry and investment were to be attracted, the industrial infrastructure would have to be created in the form of free zones and industrial parks.

The shortage was not only of buildings and industrial infrastructure, but of investment capital as well. The CARANA Corp., a consultant to USAID at the time, estimated in mid-1990 that the demand for long-term financing from non-traditional enterprises was some \$281 million for investment capital and \$114 million for working capital.

We start with PRIDEX report of March 3, 1994 on the overall impact of the Industrial Development Program, of which the 287 industrial loans form an integral part. Over 42,408 jobs have been generated to date, plus \$239 million in foreign exchange earnings and \$77.8 million in new investment in export enterprises.

The authorization to create the \$15 million fund estimated the following results: the creation of 14,000 new jobs, \$45 million in foreign exchange earnings generated by the enterprise, and \$25 million in new direct investment. Figure 6.2 compares these estimates with results reported to FUSADES by the recipients of the loans (Annex I contains details by borrower).

287 AUTHORIZATION ESTIMATES VS. RESULTS

287 Loans	USAID Goal	Results 1984-1993	Results 1993
New Jobs	14,000	11,584	1,650
Export Dollars	\$45,000,000	\$76,119,162	\$16,679,400
Direct Investment	\$25,000,000	\$19,773,679	\$951,500

Figure 6.2

It is pointless to analyze the results in terms of original expectations for several reasons. In the first place, no one could have estimated the deterrent effect of the civil conflict going on at the time. Secondly, the initial restrictions on the use of the funds limited their utilization, which later modifications only partially eased. Thirdly, this was uncharted territory both for the project's designers and for those who were to implement it.

Nevertheless, the figures are impressive, especially the current data. The project started slowly, has gained momentum, and is making its mark. *Maquila* has been growing an average of 67% per year in the 1990s. This will be better seen on looking at the impact on wages and benefits, working conditions, training and opportunity, and productivity.

In absolute terms, the employment generated from an investment of \$15,000,000 could not be expected to be more than low five digit. But it has proven to provide steady year-round employment (as opposed to seasonal employment on farms) at increasing rates of pay. From random soundings with recipients, it appears that the wages paid by the borrowing firms are invariably higher than the minimum wage generally paid throughout the country. The lowest figure heard was 20% above the minimum wage. In plants practicing piecework, the take-home pay for many was double the minimum wage of ¢35 (US\$3.98) per day. Also, monthly bonuses for quality production in some plants earn workers the equivalent of a week's extra wages.

The impact on the family of having a double wage coming in, either because the woman who would otherwise be at home or at a menial job, is now employed, or because the principal wage earner is now so much better remunerated, may not be quantifiable. But it represents an expansion of the middle class in El Salvador. Perhaps this is the most important thing that is happening.

To go to a free zone at closing time is to see how the women leave the factories in their clean jeans and blouses. This is a far cry from the way it was when the party dress, ill-suited as it was, was worn back and forth to work, and in the factory as well, until it wore out. Follow the bus that takes the workers home and one can see the growth of the middle class in the

housing boom. As alluded to above, the growth of the middle class is a phenomenon that owes its momentum to the thousands of jobs created by a series of initiatives, an important one of which has been the USAID-financed *maquila* industry.

The workers' benefits also have tended to be above the average. Among them are health benefits, uniforms which save much wear and tear on personal clothing and, depending on the plant, other kinds of amenities, such as company bus transportation and training courses to step up to higher paying jobs. In one plant the workers learn to use all the machines in the place, from single needle to 10 needle. They come in knowing only how to use the home machine and acquire the skills to run some sophisticated machines.

In plant after plant, local people are learning supervisory skills and moving up to more responsible positions. In one plant, all the supervisors, the managers, the General Manager and the President are not only local people but also women.

Some other impacts deserve mention. The experience of producing for the overseas market has brought local firms up in quality. The contracting firms have been so demanding on quality that they have planted a new consciousness that will serve Salvadoran industrialists well as they attempt to grow their exports. One firm's switch to piecework was a direct result of their overseas client's quality demands. The benefit to the workers was a system of piecework which rewards quality productivity with greatly increased take-home pay. Still another aspect, evident but remaining to be fully substantiated, is the ability of local firms, once within the special *maquila* environment, to compete internationally with Asian firms. One such example is Specialty Products/Korpack (see Annex J).

The *maquila* has represented another kind of opportunity, and the experience may prove replicable. There is at least one example of a woman's ascendancy in this male area, and a local female entrepreneur at that.

Still another impact remains to be assessed, for it is too early to see signs of sprouting. The reference is to the local banking industry. Term lending for development projects, where different forms of collateral are devised and considerations of cash flow are equated with the "three c's of credit"—character, capacity, and capital—has not yet taken hold in the local banking system. But it has made its impact on BANFIDEX which, while still a fledgling, seems already at home in this kind of lending, and is so known in the marketplace.

The stories are as yet anecdotal, and need investigation, but there are interesting cases of export industries getting started which would not have been tried without the FIDEX loans. Only the latest is a loan for a fishing venture, described elsewhere in this report, which starts down a trail that can be of vital importance for reviving the deep-sea fishing industry.

6.2.2 Conclusions

There is a good story to tell about the positive impact of the FUSADES/FIDEX loan facility in terms of job creation, new direct investment and export generation. Equally important, perhaps, were the new opportunities and new directions provided to industry by the FIDEX industrial loan facility. In effect, FIDEX created the free zone industry in El Salvador. The FIDEX loan program lifted horizons. This is an important part of the positive impact. And it was the low-paid people who benefitted.

The productivity and quality demands that were forced down by the competitive markets in the north have inspired work standards not previously experienced, and to which El Salvadoran workers and industry have responded well.

The new firms financed by FIDEX loans have provided opportunities not only for better remuneration, but for training and opportunity to upgrade skills and expand expectations. And there is some evidence to suggest that local firms, benefitting by operating within the *maquila* environment, may reach global standards of competitiveness.

The program has resulted in the creation of BANFIDEX as a private financial institution specializing in development financing.

6.2.3 Recommendations

The evaluators recommend that there be more reporting of information pertinent to impact, as part of the loan reporting process, from the loan recipients through BANFIDEX to FUSADES. The appropriate department in FUSADES should design an informational form that would provide the needed information on a real-time basis to serve study purposes and also to provide feedback on the social and economic impact of the loan programs. In addition, FUSADES should study and measure impact, with a view to publicizing the results. In this connection, those departments of FUSADES that have to do with social programs should determine where their own programs could be helpfully applied to loan recipient firms.

6.3 Accessibility of FIDEX as Developmental Credit Source

The task was to assess the accessibility of FIDEX as a source of developmental credit for non-traditional industrial export activities.

6.3.1 Findings

FIDEX, from its inception until the creation of BANFIDEX, held meetings at home and abroad, put out publications and otherwise let it be known about its credit lines. The publications describing the credit lines were clear and explicit as to what they consisted of, for what purposes they could be used, and how to apply for them. One such is attached as Annex K.

FIDEX and PRIDEX had people continually going around drumming up investors and touting the credit lines. By coincidence, one evaluator had attended three PRIDEX/FIDEX-sponsored meetings in the late 1980s, two in New York with merchant and investment bankers and a third in Miami with Salvadoran investors and multinational companies where, to quote from his notes taken at the time, the PRIDEX/FIDEX representatives had announced that, "Salvador has aggressive export promotion program. Thrust is exports to create jobs and dollars; credit lines and investment credit available; free zones too, including financing for infrastructure. . . Stock Exchange being created; seed capital in trade credit insurance program; now establishing a medium term credit facility."

Notes from the Miami meeting read in part as follows, "Information concerning FUSADES/PRIDEX activities was disseminated and the message was clearly got across of what FUSADES/PRIDEX does and can do. The thrust of the message was that: USAID has provided FUSADES/PRIDEX with the resources, both financial and technical, to develop an aggressive export promotion program; a broad range of financial programs exist to cover everything, from paying 3/4 of the cost for potential investors/contractors to come in and look the place over, to financing at medium term the cost in foreign as well as local currency of machinery and buildings. It may be expected that this message will spread to others who did not attend."

The transition to BANFIDEX appears not to have affected accessibility. It may actually have been enhanced by the promotional efforts of the newly formed entity. Moreover, whereas FIDEX/PRIDEX went out in search of clients, with BANFIDEX it is becoming more of a two-way street, with clients coming in to them as well.

But in the transition, some of the help that projects used to get from PRIDEX and DIVAGRO may have been lost. PRIDEX and DIVAGRO do not appear to have maintained their capability for technical review of projects. BANFIDEX loan officers say that only in the case of aquaculture do they go to DIVAGRO (on a fee basis to DIVAGRO), as the latter's only specialists are in aquaculture. With PRIDEX they pay a commission for referring projects to them, but do not use PRIDEX to do the technical review of a project, because PRIDEX is now only a promoter. Due to rotation of technical people and the loss of experienced technicians like Ricardo Alas, PRIDEX was said to be unable to give much help. They are missed because, in the words of BANFIDEX account officer, Alicia Castillo, more technical assistance is needed. She feels that more attention should be paid to this aspect because development credit requires a lot more attention, especially when given to new firms, as most of the *maquilas* are.

Another negative of the weakened relationship is the apparent breaking of the link with PRIDEX promotional efforts, for PRIDEX has the overseas investor contacts which BANFIDEX does not have. From talks with business leaders, it appears that another adverse result is that entrepreneurs don't really understand the relationship between BANFIDEX and FUSADES.

BANFIDEX states that it has six executives who call on firms. Three are exclusively for the investment fund of FUSADES, while three do both FUSADES loans and those of BANFIDEX. The two senior credit executives on the FUSADES portfolio, Parada on industrial loans and Cuestas, on agribusiness loans, are the key men in the set up. Prado came over with the portfolio from FIDEX, and Cuestas, already with a background in agribusiness loans, came in shortly afterward. They supervise the account officers and shepherd each loan. They see to the financial analysis, prepare the loan application and go with it to the Credit Committee. They give thorough attention to each client now that FUSADES has restructured itself and no longer has account executives. Parada and Cuestas say that they reach out for people and help them do the paper work. They visit potential and current clients, explain the lines of credit available, handle the paperwork, and lead the clients through the USAID requirements right up to the Credit Committee. Afterwards, they monitor performance. They appeared obviously proud of their ability to help clients make their proposals bankable. Melon credits were cited as an example. They doubted that the credits would have been realized if they had not become deeply enmeshed in the process.

Our interviews bore out these contentions. One such is reported in detail here to give the full flavor of the process. It concerns a local entrepreneur who had just received approval for a loan from BANFIDEX under FUSADES credits for long line and other fishing equipment, the first in a multi-stage project.

He liked what he had heard about BANFIDEX but was afraid to go there because of the bad reputation of his industry. But he went, and was attended by Manuel Cuestas, Credit Executive for the agribusiness sector. He found himself being attended by one who had a knowledge of the industry and, more important, a knowledge of how to structure the financing of a project like his. All in all, he said, Cuestas had studied the project carefully and had been very helpful, and it was a good experience. He applied in June and wound up six months later getting a loan for five years at four points over prime (8.5%) as opposed to the 22% he would have paid at a local bank plus their 1% per year charge on the value of the collateral, which would have been a real estate mortgage renewable at the option of the bank every 12 months. Actually, he probably could not have gotten a loan for his purpose out of the local banks and would have had to disguise it as a one-year loan for working capital, because of the bad experience they have had with the shrimp/fishing industry. The discussions and visits to his place of business were made not only by BANFIDEX, but also by a man that BANFIDEX had requested from FUSADES, Mario Denis, who had the technical knowledge.

The FUSADES lines of credit form a natural tie in with other products offered by BANFIDEX. While the bank makes mainly short-term loans to industry, it also provides for clients' longer term needs by accessing funds from the Central American Bank for Economic Integration (BCIE) and the Inter-American Development Bank (IDB) through the Central Bank's rediscount window. The bank also uses a \$1 million loan from FUSADES at market rates (currently 8.5%).

As to the accessibility of the lines of credit in terms of the substance of the lines, i.e. for which purposes they may be used, it has benefitted from periodic reviews which have resulted in mitigating the harsher restrictions.

All along, lending officials and promoters have found much demand for the credit. But the conditions often made them inaccessible. Initially the lending went only to *maquilas*, although not restricted only to them, but financing for construction of free zone buildings was not permitted. The machinery and equipment could only come from the U.S., or needed a waiver (a real negative for the sewing industry). Working capital could only be financed when it was part of the total credit, and only up to 50%, a real obstacle in the view of some officials. Working capital alone was not financeable. Lending officials stated that they were continually amazed that with all this they still found takers for the USAID credits. Another restriction, on the agribusiness side was that if the amount were over \$500,000, the loan would have to go to USAID for approval (\$3 million on the industrial side). While it was true that they were offering preferential rates, the requirements were so narrowly defined that clients often preferred to go for local credits. Another restriction had been that the loans could only go to those exporting in dollars outside the region. Some clients, as reported to the evaluators by a local pharmaceutical manufacturer, wished to start by producing for the local market or for the Central American market before attempting to scale the demanding world market. Having to assume the exchange risk on a three- to five-year basis was a deterrent for many of them.

Some clients have complained about red tape in BANFIDEX. And they have said that the bank must widen its lines of financing; they found the local banks more open to them.

According to BANFIDEX credit officials, to access FUSADES' credit lines takes a lot of time and there is much paperwork. For each disbursement there is an enormous amount of paper, and it takes two to three months for the disbursement of funds from USAID. In the process of opening a credit, USAID has so many restrictions that the use of the funds has to be carefully justified as to the type of shareholding in the firm, type of activity, etc. But, they admitted, little by little the permissible activities have been expanded so that they can now attend more types of firms.

Another hindrance has been the frequent necessity to request waivers of USAID. An example is sewing machines, which is the basic equipment of the *maquila*. The ones made by Taiwan and Japan were reported to be much less costly than those made in the U.S. Nevertheless, the process of gaining waivers has proven to be very time consuming.

6.3.2 Conclusions

FIDEX did a good pioneering promotional job. BANFIDEX appears to be following the path, perhaps more professionally, and has set in place a mechanism to seek out clients and help them through the maze. It seems to work, and BANFIDEX remains quite accessible, perhaps even more so because they include the FUSADES credit lines in the total package of services they offer their expanding client base.

Continued good results in terms of industrial development depend on getting investment from abroad to supplement the local input. Abroad these days means East Asia. This is where PRIDEX has the resources, the know how and the system. There is a need to reestablish the collaboration between PRIDEX and BANFIDEX.

About the credit lines themselves, the basic problem from the outset was that their design was not market driven. Little by little, the limitations have been eased but they are still restrictive and driven by changing priorities within USAID.

6.3.3 Recommendations

Gradually, it will become apparent that the amounts available are insufficient in relation to demand. One option might be to merge the three lines—industrial, agribusiness, and water management—into one single credit facility open to any development project. Attention should be paid to the growing recognition that it is likely that the future of business projects in El Salvador is not in agriculture or agribusiness but in industry unrelated to the land.

We recommend the communication link with PRIDEX be reestablished in order to better use the lure of development loan funds to attract Asian companies that can employ large numbers of workers in producing for export. Another reason for recommending the setting up of a Financial Committee in FUSADES, as suggested earlier in this report, is to have people looking at such suggestions and seeing that they become reality.

In order to make the credit lines more accessible, it is suggested that USAID and the proposed FUSADES Committee review them through the eyes of a merchant banker to make them more market responsive. Such a review would also consider mechanisms, if appropriate, for hedging exchange risk where credits are in dollars and the sales are in local or other currencies that do not move in parallel with the dollar.

We also recommend that PRIDEX/BANFIDEX publish, from time to time, profiles of loan recipients, names excluded, showing what was financed, the tenor of the credit, grace period and interest charges, plus something about impact, say an order of magnitude of the number of jobs created, and the export exchange earned.

6.4 Relationship of FIDEX Loan Policies and Portfolio to Project Objectives

The task was to determine the relationship of FIDEX's loan policies and portfolio to the project objectives.

6.4.1 Findings

The general project objective was to stimulate growth in the country's non-traditional export sectors, resulting in increased levels of employment, income, investment, and foreign exchange earnings. Within this program, the FIDEX Investment Fund of \$15 million was to

finance industrial *maquila* operations or light manufacturing assembly enterprises. Projects financed under this fund have demonstrated that non-traditional exports can be developed on an important scale to provide significant increases in employment, income, investment, and foreign exchange earnings. There is no evidence that these objectives have yet become fulfilled or outmoded.

With experience, the policy has been broadened to extend the credit line to all manufacturing and service industries which directly support manufacturing, and to agroindustrial projects. In addition, some of the controls have been eased and the policies and procedures made somewhat more user friendly. However, there remain restrictions on the uses of funds which hinder accessibility, as previously discussed in this report. Among limiting factors are the prohibition on financing the construction of factory buildings, the limitation on financing working capital, the non-application to export firms producing for non-dollar markets, the requirement that equipment financed must be of U.S. origin, and the compartmentalization of the investment funds into three packages (287, 327 and 303), when combining them could permit the financing of more ambitious projects, such as offshore fishing, industrial parks or the reconditioning of selected local industries.

Moreover, the prohibition from actively promoting services to U.S. firms has become a handicap. The reason is that the prohibition extends to PRIDEX, which is the only Salvadoran agency equipped to do this promotion. There are no deterrents on Mexican agencies which actively seek U.S. companies that would source from this region rather than Asia, or that would invest to here to better compete with East Asia. U.S. companies and U.S. investor groups remain a very potent source of investment, technology transfer and international market access, especially since the U.S. economy is strong compared to most Asian economies.

One aspect of the loan policies adopted to achieve the program's objectives was found to be undeveloped—equity investing. To date there has only been loan funding, no equity funding. This reluctance to take shareholding in loan recipient companies was variously explained with comments that “they would not let us”, USAID and/or senior officials at FUSADES. Other similar comments were heard, such as, “it was too risky” or “it would not bring back earnings until well into the future.” Perhaps more pertinent is the explanation that there was nobody in USAID or in FUSADES with experience in this type of investing. The only locally known models, such as CORSAIN, had gone bust, and the one successful regional model, LAAD, had only done one or two in almost three decades. ADELA, the Latin American private investment company from which LAAD had sprung, had crashed with the debt crisis in the early 1980s. The investing arm of the Inter-American Development Bank, the IIC, has had very slow going in making equity investments within Central America. Indeed, it finally refrained from participating in the offering of shares in BANFIDEX after spending considerable energy to have the project evaluated. Little wonder then, that FUSADES should have been skittish about equity investing.

Nevertheless, equity investing can be very useful to help firms over rough passages when cash flow is thin and should be retained to meet operating costs rather than being paid out in interest costs. Equity participation may be taken at the outset, when cash flow projections are not robust, or it may be taken as part of turnaround financing in exchange for cutting interest rates, or even forgiving overdue principal payments. Also, taking shares might enable FUSADES to get in on the ground floor of certain activities with the idea that these participations could later be sold off through the Stock Exchange. Indeed, FUSADES has just made a move of its own in this direction with the investment in La Colina.

The evaluators have observed that the FUSADES policies, in reflection of project objectives, have been faithfully transmitted to BANFIDEX through the manuals and systems which are now in place in BANFIDEX, through the controls exercised by the Credit Committee, and through the executives who have gone over from FUSADES to BANFIDEX into key positions. Among those are R. Hill, President; E. Castenada, Executive Director, and M. Parada, Credit Executive.

The Credit Committee for the FUSADES loans (For BANFIDEX's own loans, the approval is by the BANFIDEX Board of Directors) comprises six members—three from FUSADES and three from BANFIDEX, plus invited personages (*invitados*) including FUSADES/BANFIDEX President and the BANFIDEX Executive Director. As FUSADES has veto power on each loan, this is the ultimate point of control on the destiny of the funds. Should BANFIDEX attempt to stray from the policies laid down by USAID/FUSADES, this is where it would be braked. However, to our knowledge that has not become an issue in the administration of the funds to date.

The Credit Committee meets weekly. It approves all loans. In addition, it sees its work as including the restructuring of loans. Its members are Guillermo de la Guardia, Román Quirós and Alvaro Guatemala of FUSADES, and Eduardo Call, Arturo Alvaren and Roberto Siman Sirí of BANFIDEX.

The members, on both sides, bring to the committee much business and/or credit experience. Mr. Guatemala, for one, has ably reorganized the successful PROPEMI small business lending facility. Mr. Siman is a well respected private banker. The presence on the Committee of the Administrative Director of FUSADES and the appearance of FUSADES' President and the Executive Director as invited persons indicate the seriousness with which FUSADES treats the administration of the investment funds. The Credit Committee's function is really more critical to the proper investment of the funds than the 25% share ownership held by FUSADES, because the former exercises control and the latter can be outvoted.

A particular set of circumstances renders the committee's work even more crucial. The USAID project under which the investment fund was created has terminated as of September 30, 1994. We also know that the USAID Mission to El Salvador has downsized and changed priorities to do things more with the poor.

At the same time, as BANFIDEX continues developing as a private financial institution, it is inevitable that its management and important shareholders look toward commercial bank lending for the simple reason that it is proving so profitable to all involved. Fortunately, there are counterbalancing forces at work, not only through the President and Executive Director of BANFIDEX, and some other directors, but also from the emerging presence of Benjamin Vides. Mr. Vides has just returned to El Salvador after an absence of several years, during which he was the Director for Central America on the Board of the IDB. When the IDB formed its investing subsidiary, the Inter-American Investment Corp. (IIC), Vides worked on its establishment and then stayed on for three years with responsibility for Central American activities. As recently named Executive Director for the Corporación Universal, the holding company which owns or controls, BANFIDEX, BANCASA, Seguros Universal, and has ties to Cementos CESSA and other companies, one of his roles is to advise BANFIDEX on future directions. He sees the need for an investment banking capability in El Salvador and wants to steer the bank in that direction, helping the BANFIDEX group to find their niche as providers of complete financing packages, with the participation of foreign investment groups.

Within two years, BANFIDEX will have to increase its capital from ¢30 to 50 million, and has begun to think about it. Among possible interested parties are the CDC (Commonwealth Development Corp.) and the IIC. Mr. Vides is working to steer BANFIDEX thinking toward a positive appreciation of that scenario.

6.4.2 Conclusions

The general project objectives remain appropriate to the Salvadoran situation. FUSADES/BANFIDEX policies are in tune with these objectives, but may still be too narrowly defined to be an effective industrial development tool.

The Investment Fund Initiative has been an effective and uplifting development tool. To keep it from being too slow, too little and too restrictive, the policies which guide its implementation should be regularly reviewed and revised to fit changing times and needs.

As discussed in this section and in other parts of this report, the review should consider getting more mileage out of the funds, by broadening the application of all three funds, that is, and for making them more user friendly. The process needs to be made to run faster and smoother. And the policies need to be broadened to permit going in new directions with development financing in order to meet needs for facilities outside the capital city that will attract industries; to meet needs for reconversion in order to modernize and make more competitive industries formerly somewhat isolated from competition; and probably to encourage seeking out and helping to structure larger, more complex financing opportunities.

It is reasonable to conclude that the support and monitoring from USAID will taper off. The implication for FUSADES as the ties loosen with USAID is that they, FUSADES, will have to shoulder all of the weight of seeing to it that the lending remains faithful to the project objectives, and that reflows of principal are relent for industrial export development. This

takes some organizing, because competition in the international market makes changing demands on the participants, and FUSADES will have to be responsive in designing credit mechanisms that are helpful. In this regard, FUSADES' 25% shareholding in BANFIDEX is much less effective than its presence and veto power on the Credit Committee. But it is important that a mechanism be developed for assisting the busy members and Credit Committee representatives from FUSADES to set the proper course and to see the corrections that become necessary.

6.4.3 Recommendations

In the continually evolving situation in El Salvador, especially as it strives to rebuild its industrial base and become internationally competitive, and given the implications of the project termination, now more than ever there is reason for FUSADES periodically to review and reconsider how its Investment Fund is and should be applied. To accomplish this, it is recommended that FUSADES set up a committee, similar to its other committees such as for FORTAS and PROPEMI, chaired by someone with an understanding of development lending, containing financially-oriented people drawn from the membership, and staffed by a local person financially educated. Such a committee could be advised for a period by a veteran merchant banker contracted from abroad. The contracting of that person would be a valuable contribution to the continued success of the program.

6.5 Analysis of the Funds Management Agreement between FIDEX and BANFIDEX

The task was to assess the adequacy of the funds management agreement signed between BANFIDEX and FUSADES. A subsidiary task was to assess the appropriateness of BANFIDEX as the administrator.

6.5.1 Findings

The funds management agreement (see Annex L) called for BANFIDEX to manage three lines of credit totalling approximately \$35,783,537. The three lines are: \$10,735,000 in colones as the Irrigation line, Convenio 519-0303; \$15,048,537 in dollars for the *Maquila* or light industry line, Convenio 519-0287; and \$10,000,000 in dollars and colones for the Agroindustry line, Convenio 519-0327.

BANFIDEX must administer loans already made under the above lines, loans already authorized but not yet disbursed, new loans from funds not yet drawn down, and loans from reflows of capital. Credit Lines 287 and 327 are regulated by the Trust Agreement with CITIBANK, Bahamas and in accordance with the terms and conditions of the convenios subscribed between USAID and FUSADES. Credit Lines 327 and 303 are bound not only by the USAID/FUSADES convenios but also, for the part in colones, by this agreement. Loans are to be prepared in accordance with the manuals approved by USAID, and in accordance with the prohibitions of USAID LAC Bureau from 1988, until the funds no longer are part

of the agreement and become the patrimony of USAID. FUSADES remains the owner of the funds. Principal reflows may not be used for expenses, as stated in the trust agreement.

The agreement calls for BANFIDEX to promote and coordinate the above lines of credit for non-traditional exports whenever possible through the programs of FUSADES, PRIDEX, & DIVAGRO; to receive and analyze the feasibility of loan requests; and do a financial analysis of same. The BANFIDEX Credit Committee is to approve or deny loan requests. BANFIDEX is to review the documentation to see that it is in order for registry; to effect disbursements, to maintain controls, to register the guarantees, to visit the recipients once a month and inform FUSADES of the results; and to receive pay downs.

The agreement also states what records should be maintained, and stipulates that FUSADES shall have discretionary access to the records. USAID may inspect the records when authorized in writing by FUSADES. The loans will be approved by BANFIDEX's Credit Committee, on which FUSADES shall have two members with veto power when agreed-upon policies are not observed or if the loan is not convenient for FUSADES.

There is also a system for returning loans after 90 days delinquency and after legal steps have been taken to protect FUSADES' position. Finally, the agreement provides for monthly reports to FUSADES about action in the accounts. This requirement, added to the fact that FUSADES' representatives sit on the Credit Committee, provides feedback to FUSADES as the project develops. All in all, the evaluation, drawing on past experience, finds that the agreement covers the basic requirements of funds administration.

With regard to the way the agreement has been adhered to, the evaluation conducted a spot check of files and documentation, in addition to interviews with the Executive Director and Controller of FUSADES as well as with his aides, and was satisfied that all major stipulations had been fulfilled.

It was determined that regular statements are being obtained from clients, i.e. balance sheets plus profit and loss statements. The evaluator reviewed copies of loan agreements and found them to be similar to the standard agreements used by banks in El Salvador. Procedures were reviewed and found in conformity with requirements.

Loan memos are prepared for each loan, and are given to the Loan Committee before the meetings as evidenced by the evaluator's sample review. Annex M contains a typical loan memo selected at random. The credit files were found to be well organized, up to date and thorough; easily the equal of credit files in U.S. banks.

The evaluation included interviews with the two credit executives responsible respectively for the industrial and agricultural portfolios. Both are seasoned executives; the industrial credit executive having come over from FUSADES; the agricultural credit executive having been with BANFIDEX since 1992, and before that with an agricultural credit organization. Both executives appear to keep on top of their loans and visit their clients regularly.

BANFIDEX does not reject many proposals. The principal reason is that the screening process eliminates about 10%, and the approval process another 10%. The main reason for rejection is the client's previous bad experience with other banks. There was no evidence that BANFIDEX pays more attention to industrial loans than to agricultural.

Concerning BANFIDEX's suitability as administrator, first of all, its senior executives are seasoned bankers who also represent continuity and connection with FUSADES/BANFIDEX. Mr. Ricardo Hill, President of BANFIDEX, is also the President of FUSADES. This arrangement has been useful and possibly necessary to smooth the transition because, initially, the spinoff to FIDEX S.A. was not characterized by controls and procedures satisfactory to FUSADES. Nevertheless, there has been some objection to the effect that this represents a conflict of interest inasmuch as Mr. Hill's group has obtained control of BANFIDEX. Possibly, this was the origin of the recent decision by the FUSADES Board to put out for bids the administration of the three credit lines. At any rate, Mr. Hill is also President of the Multisectoral Bank set up by the Central Bank to make available to the banking system the various loan funds provided by international agencies such as the Central American Bank for Economic Integration, the Inter-American Development Bank and the World Bank. These lines generally provide the commercial banks with a source of funds for making term loans.

The Executive Director of BANFIDEX was trained in Banco Cuscatlán, which has produced so many good bankers, and was in FUSADES as head of the education foundation, FEPADE, a large USAID project. In addition, he was Executive Director of FUSADES from 1985 to 1986. The credit executives and their aides have been favorably discussed elsewhere in this report.

Finally, an examination of interest rates charged suggests a reasonable approach, given USAID's mandate that they be at commercial rates. Interest rates have been set at one to four points over prime, the latter running today around 8.5%. An examination of the whole portfolio reveals that the mean interest rate has been 9.75%, with the low at 7.00% (one loan) and the high at 11.75% (several loans). The low rate for 1994 was 10.75% and currently the loans are being charged 11.75%. All of the loans appear to have been fixed rate, not adjustable for changes in rates.

It has been said that the idea to submit the management of the portfolio to bidding arose because some on the FUSADES Board thought that the current arrangement was expensive. Now that the bank was 75% owned by others, the argument went, the 2% annual fee should be cut at least in recognition that 25% remained in the hands of FUSADES (it is hard to imagine where this reasoning came from).

Actually, the idea of charging 2% per year on average balances was born out of FUSADES' experience in managing the program. To do a good job managing was costly. The 2% was the idea of the then-head of PRIDEX. USAID thought it should be even higher, and one of its people suggested charging different rates for different parts of the portfolio. In the end,

the 2% was a melded cost between the good and the bad portfolio. This fee was supposed to cover 80% of the bank's operating costs at the time; it was left open to renegotiate every two years. Note that USAID Project Authorization Amendment No. 2, March 1991 stated, "FIDEX... will cover operating costs from the fees paid for management of the FUSADES credit portfolio."

Still another contribution to setting the fee at 2% came from the idea of some that BANFIDEX, when acting as an intermediary for CDC of Great Britain, IIC, the IDB, etc., could earn 4%. Thus this was opportunity cost, i.e. before BANFIDEX had gotten permission to take deposits. Nevertheless, some, among whom was FUSADES' Controller, thought it was high.

At any rate, the Board sought bids from other banks. Four banks participated in the bidding. Banco de Desarrollo, which had a tradition of development type loans and was now back in the hands of its founders after re-privatization, decided not to bid because of concern over the costs of managing such a portfolio. The four banks were: Banco Agricola; Banco Salvadoreño; Banco Cuscatlán; and BANFIDEX. Banco Agricola presented the highest bid, while Cuscatlán quoted 1%, and the others 1.5%. Banco Salvadoreño, which in the opinion of Mr. Hill did not have the infrastructure to handle it, won with a bid of .5%. He prophesied that the cheap bid would end up costly, feeling that a portfolio of this type could not be managed by commercial criteria. Reflecting the essentially risky nature of development lending, the FUSADES loan portfolio required special handling and much follow-up. Many of the loans have had to be restructured three or four times.

BANFIDEX had recently made a study of how much time was required to service the FUSADES portfolio, which showed that the credit department spent 80% of its time on the FUSADES portfolio, and that senior management devoted 20% of its time to it (see Annex N). In terms of income and expense, the profit on the account was running about \$120,000 per year. This was based on an administration fee of 2% of the outstanding balances, which were running on the average below \$20 million.

But the calculations also showed that BANFIDEX's cost of managing the cartera was calculated at 1.3% and that the breakeven on the account was at an administration fee of slightly more than 1.25%. That being the case, the bid of .5% by Banco Salvadoreño was below cost.

The latter bank gave no indication that it had the capability to manage this type of lending facility. BANFIDEX officials wondered what would happen when Banco Salvadoreño realized the costs associated with managing the cartera. Banco Salvadoreño would not be satisfied with the commission it would be earning. The .5% it would receive on the FUSADES fund did not compare favorably with what it got on other loans; like other banks, it charged 1% just to open a credit. For term loans the rates were much stiffer. This was, after all, a special business; all the loans had been refinanced several times, a fact of life of

development banking. In contrast to Banco Salvadoreño, BANFIDEX had only done development banking until it went public.

There were other factors that figured into the equation. First, it was reported that the Central Bank had already withdrawn from Banco Salvadoreño the management of the portfolio of bad loans which had been taken from some of the banks prior to their privatization and given it instead to the Banco Agrícola. Second, the FUSADES people remembered that FIDEX had already had a bad experience with funds administered by Banco Hipotecario. The water management loans in Banco Hipotecario had been priced at low rates and they wound up paying no attention to the administration of the portfolio. Why, then, remove the funds from a bank that was giving good service? The controller and his team who had coordinated the control and the reporting system with BANFIDEX on a memo account basis, which they balanced every month, were especially concerned about changing the account to another bank. FUSADES had worked some three to four years with FIDEX to get the people up to speed, and BANFIDEX had become the beneficiary. Third, according to the agreement between USAID and FUSADES, “prior to replacing the financial institution administering the investment fund during the life of the project, FUSADES will request USAID’s written approval; also will review the legal and financial framework to determine the feasibility of moving the offshore trust to El Salvador.”

In assessing the viability of transferring the administration of the FUSADES credit lines, it is valid to consider the effect on BANFIDEX, first because FUSADES owns a 25% stake in it, and second because BANFIDEX, by the assessment of the President of the Central Bank, is the only private financial institution in the country specializing in development credit.

It appears that BANFIDEX may not be badly hurt by such a transfer. The FUSADES portfolio in BANFIDEX represents only 11% of the gross income of that bank (while for Banco Salvadoreño it would represent much less, probably 1%). BANFIDEX has just completed one year of operations, and is showing a healthy return of 13% on its capital. Its deposit base is now almost ¢86 million (\$10 million). In addition, BANFIDEX is accessing ¢40 million (\$4.5 million) from BCIE and BID through the BCR. BANFIDEX now has a portfolio of some \$14 million in loans (see Annex O) with non-FUSADES resources, compared with some \$21 million in loans with FUSADES credits. BANFIDEX has been increasingly profitable and should be able to carry on even without the FUSADES program. A few pertinent figures are shown in Figure 6.3.

BANFIDEX FUNDS*

Type of Funds	1993		1994	
	¢	\$	¢	\$
Deposits	59.7	6.7	85.8	9.8
Loans	94.5	10.7	126.6	14.4
USAID/FUSADES Funds				
Industry	93.4	10.6	115.3	13.1
Agroindustry	65.9	7.5	76.5	8.7
Total	¢159.3	\$ 18.1	¢191.8	\$ 21.8

* in millions

Figure 6.3

BANFIDEX is currently talking with CDC about that British government development agency's intent to buy into the equity of BANFIDEX and extend credit as well. In addition, they have made an arrangement with Chase Manhattan Bank, and have been asked by Credit Suisse to do likewise for Europe, whereby BANFIDEX will offer to wealthy Salvadorans diversification-type foreign investment services through those banks. The fee business could be interesting and the arrangement could develop reciprocally so that foreign investors bring money into El Salvador through Chase and Credit Suisse to BANFIDEX for local placement.

6.5.2 Conclusions

All in all, the Funds Management Agreement is a broad one and well suited to achieving the development objectives of the FUSADES credit lines. From USAID's point of view, if anything has been understated it has to do with what happens now that the project has ended but the goals remain. A problem could occur in maintaining the focus on export development lending as USAID distanced itself from FUSADES and if the latter were to experience pressing financial needs.

The management of the account by BANFIDEX must be considered satisfactory. The credit manuals and procedures accurately reflect the letter and spirit of the agreements between USAID and FUSADES; the documentation is good, the records are well kept and up to date, and the credit executives are on top of their jobs.

The leadership of BANFIDEX certainly appears up to the task of providing continued growth and direction to this specialized financial institution. But the whole tenor of the team's evaluation suggests that the moment has arrived in the development of the two institutions,

FUSADES and BANFIDEX, when each requires its own full time and independent leadership.

Regarding the proposed transfer of administration of credit lines from BANFIDEX to Banco Salvadoreño, it is not clear what has been the rationale for thinking that the current rates are too high. In fact, it would not be unreasonable to wonder whether the administrator is being asked to do too much for its 2%. One questions whether the arrangement provides sufficient incentive to rehabilitate the bad loans, when it may barely buy a supervisory job. It is difficult to escape the conclusion that the Banco Salvadoreño has not priced it right and does not know what it may be getting into. The transfer of administration for a fee of .5% may have the effect of turning the credit lines into a commercial fund and robbing BANFIDEX of its original purpose, just as that institution is settling into its niche. If FIDEX was spun off in order to better serve the needs of the non-traditional export sector, it becomes difficult to justify removing the portfolio from them at this time.

7. FORTAS

7.1 Project Background and Overview

The Industrial Stabilization and Recovery Project (#519-0287), conceived during a time of turbulent civil strife, was originally authorized in September 1984, to provide financing for a number of FUSADES programs, among which were the Association Strengthening Program. This program delivered information and training to potential exporters through business associations, then and since considered important in the development of stable societies dependent upon preservation of private property and open to free enterprise. According to the Project Paper, as amended, this program was designed to provide short-term technical assistance and training materials to Salvadoran business associations, and to upgrade management and production skills. It was also to establish bases for future exports of members products. However, according to USAID project review documentation, it subsequently became apparent that the associations needed considerably more help in organization, managerial, and administrative strengthening before actively engaging themselves in export-related activities.

Assistance under Project 519-0287 ceased effective July 1985, and a separate project was designed (#519-0316) and took effect in April, 1985, whose purpose was to provide support for development of a program of business association strengthening in areas not related directly to exports. Among activities conducted under this project through 1987 were conferences and seminars in support of free enterprise, training of association personnel and members of the associations, provision of consulting service and office equipment for associations, and other support activities for research, promotion and communications. The project was later amended to provide a business association with assistance through FORTAS- financed training for managers and workers in the industrial and Agro-industrial

sector. The -0316 project was replaced with another, the Private Sector Initiatives Project (#519-0336), authorized in August, 1987, that continued and expanded upon the original, to provide technical assistance through the end of 1991 to improve the administration and organizational capacity of private sector associations.

The intent of the three efforts, in broadest terms and as expressed concretely in the context of expected major outputs, was to effect significant improvement in the institutional development of 25-35 associations, strengthen export promotion activities in 10-15 associations, and engage 10-15 associations strongly in the promotion of the free enterprise system. These numerical targets were substantially achieved although the results of the early export promotion efforts were minimal; qualitative aspects are discussed in further detail below.

7.2 FORTAS' Impact on Associations

7.2.1 Self-sufficiency

7.2.1.1 Findings

Lic. Ortiz Avolas, formerly Executive Director of the Association of Salvadoran Industrialists, cited useful programs to enhance self-sufficiency as those that helped attract new members to associations or that would eventually provide new revenues. These programs included making available to members a consultant on banking and credit, and the creation with project funds of a Training Center in the Association that in turn and in time generated income. Luis Alberto Padilla, former Administrative Manager of the Chamber of Commerce and Industry, cited as particularly useful the BEDEL (Bases Esenciales de Empresa Libre) training program, which began in 1986 under the project. The program teaches small businessmen the basics of sound management, including training in such areas as labor-management relations (introducing businessmen for the first time to a negotiating rather than a confrontational ambience with their labor counterparts), and in cost determination and pricing, among other themes.

7.2.1.2 Conclusions

By providing the associations with resources that attracted new members, and by starting programs like BEDEL that over time has become a source of income, the project helped generate revenues for self-sufficiency.

7.2.1.3 Recommendations

New projects to assist business associations and to encourage self-sufficiency must focus on engendering activities that offer businesses attractive services, such as business training and consultation in areas such as banking and credit. These services should be provided through the associations themselves for maximum impact.

7.2.2 Change in Roles and Objectives

7.2.2.1 Findings

Many of the associations at the inception of the project did not see themselves as agents of societal change favoring free enterprise and development so much as representatives of narrow private interest groups. The project provided opportunities for entrepreneurs in associations and association managers to broaden their understanding of the role of their association in the greater community. Lic. Avolas believed that the training that he was provided in INCAE under the project in management principles helped him to diversify the base of his association to include members who would take active roles in decision-making in the association, particularly in committees and on the Board of Directors. Experiences of other associations were more neutral; one cited that while the associations perception of its role changed over time, it was affected by changes in the policy environment more, promoting greater awareness of the gains of a more open society, economically and politically.

7.2.2.2 Conclusions

Results were mixed and inconclusive. Efforts to effect change occurred, if at all, when the business environment changes as free-market principles were accepted and applied under a new government. The assumption that a relatively small project with limited resources could cause major changes in the roles that these business associations played proved to be incorrect.

7.2.2.3 Recommendations

Future project design in El Salvador which includes as its goal redefining the societal role of business associations must insure that very sizable resources are provided. These resources are probably well beyond the availability of funds to USAID for such projects at the present time, but in order to truly impact business associations sufficient input must be available.

7.2.3 Promotion of Export Initiatives/Activities

7.2.3.1 Findings

Lic. Silvia Cúellar, then Manager of the export association, COEXPORT, said that from the beginning of the project her association was given funds that assisted in strengthening it as an institution, growing from a committee to a corporation: it was able to finance a survey of exporters, create a detailed databank on export-relevant matters, acquired computers, undertook diagnostic studies on behalf of its membership, and managed periodic congresses for exporters where they could air views on needed changes in the policy environment. The Salvadoran Industrialists' Association did not perceive any effects in this area. The Chamber of Commerce now has a strong export committee, which may have been stimulated by the earlier impetus toward export promotion but, in the view of its officers, the greatest impact

was probably the management training offered to entrepreneurs under BEDEL, which improved company competitiveness.

7.2.3.2 Conclusions

Activities undertaken under the program may have benefitted exports, but not measurably during the earlier years when it focussed with little success on export development alone. Success, which was limited, came more gradually, later as the effects of management training, and office equipment grants, strengthened these weak associations and allowed them to handle the assistance the project could provide to the association membership.

7.2.3.3 Recommendations

Export promotion assistance should not be given to weak associations. By its nature, successful export promotion requires intensive technical assistance in such areas as marketing, production techniques (tailored to the individual firms), pricing, packaging, and labeling. Export promotion and development should be properly left in the hands of stronger entities, such as PRIDEX.

7.2.4 Increase in Membership Among Organizations in the FORTAS Component

7.2.4.1 Findings

No surveys were conducted by the associations themselves over the course of the project to measure its direct impact on the size of membership. The project offered a large menu of services and technical assistance during its life, including professional training courses in management, planning strategies and information systems, administration, business communications training, and the BEDEL training system. According to former officers, all these services played a role in attracting new members to the associations.

7.2.4.2 Conclusions

Services offered to members under the project such as the BEDEL program, the availability of technical assistance, and training centers, all elements established under the program, proved attractive in recruiting new members to associations, according to then officers of the associations. Similarly, for small producers intending to export, the access to an organization which could target assistance to meet their specific needs attracted some new members.

7.2.4.3 Recommendations

As in the case of enhancing self-sufficiency, new projects designed to assist business associations increase their memberships must focus on fostering activities that offer members attract, useful and relevant services. During the lifespan of this project, the most successful incentives to attracting members involved business-oriented training and consultancies.

7.3 Impact on Free-Enterprise System Among Those Organizations Receiving Services from FORTAS

7.3.1 Findings

According to FORTAS management, activities in this component of the project included (a) a massive national publicity campaign promoting the advantages of the system of free enterprise during 1989 and early 1990; this reportedly reached 1.8 million persons, (b) training of 110,000 young students on the benefits of the system under Bases Empresariales and EMPRESA courses, (c) training under the BEDEL program to 2,138 persons in 150 different courses in 1990 alone, which included in its curriculum basics of the free enterprise system, and finally, (d) the introduction of scholarly material on the economics of the marketplace in all the undergraduate programs in 12 universities; this involved training 400 professors in the discipline. Several association officers singled out this program for special mention; several said they used working forums to bring in internationally-renowned economists from Chile (i.e., La Fontaine) and elsewhere to describe economic advances under a free, open market system and they felt this and the other public information activities helped to promote principles of free enterprise.

7.3.2 Conclusions

Activities in this component appeared to be one of the most successful parts of the program.

7.3.3 Recommendations

When very sizable resources are available to create the necessary impact, projects should use the outreach systems made available by business associations for massive publicity campaigns, university-level training in selected free-market themes, workshops on basic issues, and scholarly forums on the economics of free, open-market systems.

7.4 Strengthening of Private Sector's Image by Associations Served by FORTAS

7.4.1 Findings

FORTAS principal areas of concentration in this element of the program was in poor urban neighborhoods in metropolitan San Salvador and rural areas. 25 associations, working under the supervision of FORTAS completed 139 light infrastructure works in 65 different communities from 1988 through 1990, which, according to management benefitted 22,000 families. The association officers interviewed in the metropolitan San Salvador area were not familiar with the details of the program, but were generally and favorably aware of it and its benefits in terms of its favorable impact on the image of the business community. They were also aware of the extent to which this element formed the basis for subsequent FORTAS efforts to create local foundations, comprising a triumvirate of municipal authorities,

community organizations, and small business associations, to collaborate on projects in these marginal areas.

7.4.2 Conclusions

This component of the project was successful. It created the basis for FORTAS current strategies.

7.4.3 Recommendations

See the Recommendations in 7.5.3 below.

7.5 Future Actions for FUSADES with Associations

7.5.1 Findings

FORTAS presently uses its ties with small business associations to develop programs to assist rural communities throughout El Salvador, though its current focus is not on the associations per se but on their role in forming private foundations to further the collaborative work of community action groups, municipal and other civil authorities, and the local business community. FORTAS efforts in the immediate future are geared to using the foundation system to enhance social development and economic growth in these rural areas, and the diversity and depth of its activities will be a function of its limited available resources.

7.5.2 Conclusions

If FORTAS funding levels were increased beyond current levels, it would try to expand foundation development work to rural areas where it has not worked thus far, due to unrest in these areas, now stabilized; that is, in eastern and northeastern parts of the country. It could also work to strengthen further the institutional capacities of its existing network of rural-based associations through expansion of its training programs for association officers.

It should also draw upon its earlier successes in promoting free enterprise themes by developing appropriate programs, including the introduction of the topic in the curriculum of rural secondary schools, where appropriate.

7.5.3 Recommendations

USAID should associate itself closely with FORTAS' efforts in developing assistance programs aimed at rural communities, using private foundations to further and augment the work of action groups, the local business community, and municipal and civil authorities. It should make funding available to enhance social development in rural areas now helped by FORTAS, as well as in those areas where it has not worked, in the east and the northeast of the country.

**ANNEX A:
SCOPE OF WORK**

I. ACTIVITY TO BE EVALUATED

Project 519-0287 - Industrial Stabilization and Recovery - was designed in the early 1980's to help El Salvador achieve broadly based, sustainable growth and to encourage a vigorous response by the private sector to an improved policy environment. The Project, which was authorized on 9/17/84 with an amended PACD through 9/30/94, consists of two components: a private sector component, currently implemented by the Salvadoran Foundation for Economic and Social Development (FUSADES); and a public sector component, implemented until 1991 by the Ministry of Economy (former Ministry of Foreign Trade). The Project is scheduled to terminate on 9/30/94.

The 519-0327 Agribusiness Development and the 519-0303 Water Management Projects, both implemented by FUSADES, sought to assist Salvadoran private sector entrepreneurs enter into non-traditional agriculture export activities. Both Projects fund credit credit components which are managed by FIDEX/FUSADES.

Project 519-0336- Private Sector Initiatives was designed in 1987 to provide technical and financial assistance, training, and other services to Salvadoran business associations, and to support the economic, social and policy research, analysis and dissemination activities of FUSADES, thereby contributing to improving private/public sector relations and the Salvadoran public's perception of the private sector. The Project terminated on December 31, 1991.

The evaluators will perform an end-of-project evaluation for the Industrial Stabilization and Recovery Project which will cover three main activities: 1) Private Sector Component institutional development of FUSADES and its programs funded under the 519-0287 Project; 2) Industrial Credit funded under the 519-0287 Project; and 3) Public Sector Component development of non-traditional exports funded under the 519-0287 Project.

In addition, the evaluators will 4) examine Agroindustrial credit funded by the Agribusiness Development 519-0327 and the Water Management 519-0303 Projects. Last, 5) a final evaluation for the Private Sector Initiatives support of business associations, funded under the 519-0336 Project will be carried out.

Activity 1: PRIVATE SECTOR COMPONENT- FUSADES

The private sector component has funded activities for different units of FUSADES, namely PRIDEX (Export and Investment Promotion unit), CENTER OF STUDIES/DEES (Department of Economic and Social Studies), FIDEX (Export and Investment Development Fund), the FUSADES administration, and FORTAS (Association Strengthening Activities Program). Within each of these units the evaluators will examine USAID financed impact under Project 519-0287.

ACTIVITY 2: FIDEX INDUSTRIAL PORTFOLIO

In evaluating the FIDEX unit of FUSADES, the consultants will examine the industrial portfolio (funded under Project 519-0287 Industrial Stabilization and Recovery).

ACTIVITY 3: PUBLIC SECTOR COMPONENT GOES- MINISTRY OF ECONOMY

The public sector component (now terminated) of the 519-0287 Project, implemented by the Ministry of Economy, will be evaluated based upon Project documentation only.

ACTIVITY 4: FIDEX AGROINDUSTRIAL PORTFOLIO

The consultants will examine the agroindustrial portfolio (funded under Projects 519-0303 Water Management and 519-0327 Agribusiness Development).

ACTIVITY 5: PROJECT 519-0336- PRIVATE SECTOR INITIATIVES

Another Project implemented by FUSADES, the 519-0336 Private Sector Initiatives, was authorized on 8/23/87 and its PACD amended to 12/31/91. The evaluators will prepare an expanded Project Assistance Completion Report (PACR) for the Project, which will fill the Mission requirement for an end-of-Project evaluation.

II. OBJECTIVE

The purposes of this end-of-Project evaluation are:

- 1) To review the overall impact of FUSADES programs funded under the Industrial Stabilization and Recovery Project, in terms of the original objectives established in each of the programs it is implementing, as well as FUSADES institutional, managerial, financial and technical strengths and weaknesses;

- 2) To examine the FIDEX Program of FUSADES, focusing on the industrial portfolio funded by Project 519-0287, in order to assess its contribution to the development of non-traditional export activities in El Salvador;
- 3) To assess the impact of the public sector component of the 519-0287 Project, under the former Ministry of Foreign Trade (now Ministry of Economy), in stimulating growth in the non-traditional export sector of El Salvador, through its support to the implementation of a national overall export and investment strategy;
- 4) To assess the impact of the agroindustrial portfolio of FUSADES funded by Projects 519-0327 (Agribusiness Development) and 519-0303 (Water Management), in order to assess its contribution to the development of non-traditional export activities in El Salvador.
- 5) To assess the impact of the FORTAS/FUSADES program, funded under the Private Sector Initiatives Project, in improving the capacity of the private sector associations and their contribution to an improved public's perception of the private sector in El Salvador.

III. SCOPE OF WORK

519-0287 Project- INDUSTRIAL STABILIZATION AND RECOVERY

A. ACTIVITY 1: Private Sector Component

The TEAM LEADER will analyze FUSADES' general capability to implement Project activities. Specifically the TEAM LEADER will:

- 1) Assess the impact of the various activities conducted by FUSADES' units (CENTER OF STUDIES/DEES, PRIDEX, FIDEX, FORTAS) within the Mission's strategic framework.
- 2) Examine the issue of gender impact on Project effectiveness.
- 3) Assess the management capabilities of FUSADES and the full time staff of its implementing units (CENTER OF STUDIES/DEES, PRIDEX and FIDEX) to implement programs.
- 4) Assess FUSADES' organizational structure, policies, leadership and overall management in order to evaluate the Project's investment in institutionally strengthening the organization.

5) Indicate what other sources of funding have been identified by FUSADES for PRIDEX and the CENTER OF STUDIES/DEES Project activities.

6) Assess whether the institutional arrangement for Project implementation has strengthened or hampered the possibilities of sustained Project activities for the CENTER OF STUDIES/DEES and PRIDEX.

The INTERNATIONAL TRADE SPECIALIST will:

1) Discuss the constraints faced by PRIDEX to achieving its objectives, eg. the Salvadoran business environment, institutional constraints, extra-regional constraints, production and marketing constraints specific to El Salvador and legal constraints derived from the enforcement of Section 599 to the Foreign Assistance Appropriations Act of FY 1993 (relating to relocation of US businesses, assistance to export processing zones and internationally recognized workers' rights). Specifically determine how the constraints affected the Project outcomes.

2) Determine the relationship between increases in foreign exchange earnings, employment and investment and the PRIDEX program activities, if any.

3) Assess the investment promotion activities of PRIDEX and its adaptation to changing conditions, particularly as a result of the enforcement of Section 599 legislation.

4) Assess the impact of PRIDEX technical assistance sub-projects that have been completed, on the apparel/textiles, electronics, light industry and handcrafts export sectors.

5) Determine what FUSADES expects from PRIDEX following the PACD and compare this vision to PRIDEX's current deployment of resources and strategy.

6) Assess the viability of the PRIDEX Program independently and within the overall management structure of FUSADES.

7) Assess whether Project activities for PRIDEX are being conducted in a cost-effective manner (i.e. cost per unit, cost per beneficiary analysis).

8) Determine what revenues will be needed to sustain these activities.

The ECONOMIST will:

- 1) Assess the capability of the CENTER OF STUDIES/DEES to provide the analytical basis for policy recommendations to the GOES.
- 2) Assess the appropriateness of the CENTER OF STUDIES/DEES criteria for determining its areas of study, and influencing government policy formulation.
- 3) Assess the success/failure of the CENTER OF STUDIES/DEES in influencing government policy formulation.
- 4) Assess the success/failure of the DEES in influencing private sector thinking on the benefits of the free-enterprise model.
- 5) Examine the relationship of CENTER OF STUDIES/DEES activities to other divisions/activities of FUSADES and recommend, where appropriate, any restructuring of programs and responsibilities which could improve the effectiveness of DEES and FUSADES as a whole.
- 6) Determine what FUSADES expects from the CENTER OF STUDIES/DEES following the PACD and compare this vision to DEES' current deployment of resources and strategy.
- 7) Assess the viability of the CENTER OF STUDIES/DEES program independently and within the overall management structure of FUSADES.
- 8) Assess whether Project activities for the CENTER OF STUDIES/DEES are being conducted in a cost-effective manner (i.e. cost per unit, cost per beneficiary analysis).
- 9) Determine what revenues will be needed to sustain these activities.
- 10) Assess seminars, publications, training and technical assistance provided by DEES and how these activities relate to Project goals.
- 11) Assess the CENTER OF STUDIES/DEES/FUSADES receptiveness/collaboration in joining efforts with other local/foreign institutions/associations for carrying out specific activities/programs.

B. ACTIVITY 2: FIDEX Industrial Portfolio

The INDUSTRIAL CREDIT SPECIALIST:

- 1) Indicate which sub-projects have been financed since the creation of the industrial credit fund under the 519-0287 Project, including those that already paid their debt.
- 2) Assess the impact of the loans provided by FUSADES/FIDEX/BANFIDEX, especially in the creation of new investment, labor and foreign exchange generated by the credit.
- 3) Assess the accessibility of FIDEX as a source of developmental credit for non-traditional industrial export activities.
- 4) Determine the relationship of FIDEX's loan policies and portfolio to the Project objectives.
- 5) Estimate the amount of direct and indirect employment generated by the sub-projects financed under each of the FIDEX credit lines.
- 6) Indicate the actual status of each of the sub-projects financed under the Project.
- 7) Assess the adequacy of the funds management agreement signed between BANFIDEX and FUSADES.
- 8) Assess the transparency of the FUSADES sale of FIDEX S.A.'s stock to the public, particularly to non-FUSADES members, to divest the former's participation to 25% , as mandated by the Cooperative Agreement for Project 519-0287.

C. ACTIVITY 3: Public sector component

The INTERNATIONAL TRADE SPECIALIST will:

- 1) Discuss the constraints faced by the Ministry of Economy (GOES priorities, GOES and private sector attitudes, institutional constraints, extra-regional constraints and others) in the implementation of the National Export Strategy.
- 2) Assess the Ministry of Economy's contribution, during the Life of the Project, to the passage of appropriate legislation to support non-traditional export and investment development.
- 3) Assess the Ministry of Economy's contribution, during the

LOP, to the development of physical and institutional infrastructure needed to facilitate investment and exports. NC

4) Assess the Ministry of Economy's initiative in supporting activities that complemented the export and investment promotion efforts of the private sector, such as the collection of data relevant to foreign investors, dissemination of information on laws and regulations, elimination of red-tape for foreign investment, etc.

510-0327 AGRIBUSINESS DEVELOPMENT AND 510-0303 WATER MANAGEMENT PROJECTS

D. ACTIVITY 4: FIDEX Agroindustrial Portfolio:

The AGROINDUSTRIAL CREDIT SPECIALIST will:

- 1) Indicate which sub-projects have been financed since the creation of the funds under the 519-0327 Agribusiness Development and 519-0303 Water Management Projects, including those that already paid their debt.
- 2) Assess the impact of the loans provided by FUSADES/FIDEX/BANFIDEX, especially in the creation of new investment, labor and foreign exchange generated by the credit.
- 3) Assess the accessibility of FIDEX as a source of developmental credit for non-traditional agroindustrial export activities.
- 4) Determine the relationship of FIDEX's loan policies and portfolio to the Project objectives, as well as to determine the impact and payback of loaned capital.
- 5) Estimate the amount of direct and indirect employment generated by the sub-projects financed under each of the FIDEX credit lines.
- 7) Indicate the actual status of each of the sub-projects financed under each of the USAID Projects.
- 8) Indicate how the overall business environment has changed since the inception of the USAID Water Management and Agribusiness Development Projects.
- 9) Indicates the characteristics of the agribusiness sector before credit was made available from the 519-0303 Water Management Project and 519-0327 Agribusiness Development Project lines, in terms of total assets, equipment, size of

sales (exports and local market), employment, source of raw materials, etc.

10) Recommended future actions considering that the Water Management Project (519-0303) has ended and the Agribusiness Development Project (519-0327) is planned to terminate on March 31, 1995.

11) Assess the role of DIVAGRO in a) promoting the 519-0327 Project, b) technically assisting it, c) any other support provided by DIVAGRO. Has this support been critical for the success or failure of the Project?

519-0336 Project- PRIVATE SECTOR INITIATIVES

E. ACTIVITY 5: Support to Business Associations

The TEAM LEADER will:

- 1) Assess in what ways and to what extent the business associations have increased their self-sufficiency through FORTAS support. ~ 0
- 2) Assess in what ways and to what extent the FORTAS program has led to a redefinition of the associations' roles and objectives. ~ 0
- 3) Evaluate the extent to which the FORTAS program enabled its members to promote the export initiative or to carry out export-oriented activities.
- 4) Assess the increase in membership within associations under the FORTAS component. ±
- 5) Assess the impact of the associations assisted by FORTAS in promoting the free-enterprise system.
- 6) Assess the impact of the associations' activities in strengthening the private sector's image before the public and demonstrating its involvement in El Salvador's economic and social problems.
- 7) Recommend future actions for FUSADES to undertake with business associations, ONGs, other institutions, to maintain private sector unity and collaboration. ±

IV. METHODOLOGY

In its proposal to the Mission, the contractor will define the methodology suggested for the evaluation of each of the five activities presented in Section III Scope of Work, to include statistical analysis of data, revision of national account figures, trade data, etc.

Field work , including the preparation of a draft report and exit conference will take place in El Salvador. The work of the selected team will be coordinated by a team leader who will remain in-country for the entire duration of the evaluation. Consultants are authorized 1 round trip US-El Salvador.

The team will work under the general policy guidance of the USAID/El Salvador Mission Director and under the direct supervision of a Mission Evaluation Committee (MEC) composed of the Deputy Mission Director or Programs and Projects Development Office (PPD) Director, the Project Manager, the Mission Evaluation Officer, Backstop officers from PPD, Controller's Office (CONT), Contracts Office (CO) and the Economic Planning and Analysis Office (ECON). FUSADES and the Ministry of Economy will designate a liaison officer for the purpose of facilitating the Contractor's execution of the scope of work.

The Consultants research will include:

- Review of FUSADES, PRIDEX, and DEES documentation, such as the Industrial Stabilization and Recovery Project Papers and subsequent amendments; the Grant agreement and subsequent amendments; the Mission semiannual reports; the 1988 FUSADES Evaluation prepared by Development Associates, Inc. in 1988; the 1987 RIG Audit of FUSADES, the PRIDEX Strategy documents prepared by CARANA in 1990, the self-sufficiency document prepared for FUSADES by Interamericas Group Inc. in early 1994, the self-sufficiency plan for PRIDEX prepared by Washton-Brown Associates in 1993.
- For the FIDEX evaluation, the contractors will review at a minimum the Water Management Project Paper, the Agribusiness Development Project Paper, as amended, the Water Management and Agribusiness Development Evaluation reports, the Industrial Stabilization and Recovery Project Paper Amendment No. 1 which created the investment fund, the evaluation reports of FIDEX (July 1989) and the Mooney-Laport Assessment of 1989; the loan reports from BANFIDEX, the semiannual reports of the

Water Management, Agribusiness Development and Industrial Stabilization and Recovery Projects, the client files in BANFIDEX related to credit applications and supervision under these three USAID funded programs, the Funds Management Agreement between BANFIDEX and FUSADES.

- For the GOES component, the contractors will review at least, the Industrial Stabilization and Recovery Project Paper and subsequent amendments, the Grant Agreement with the Ministry of Economy (former Ministry of Foreign Trade) and subsequent amendments, Project Implementation Letters, the National Export Development Strategy prepared in July 1990, the Mission semiannual reports, Ministry of Foreign Trade annual action plans (1985-1990), Project correspondence, CODEXI, CONAEXI documentation.

- With respect to the 519-0336 development of an expanded version of the PACR, the evaluators will review the Private Sector Initiatives Cooperative Agreement with FUSADES dated 8/31/87, its subsequent amendments and Project Implementation Letters; the Mission semiannual reports; the 1988 FUSADES evaluation prepared by Development Associates, Inc. in 1988. There is no Project Paper for this activity.

The evaluators will review the same documentation for the 519-0316 Project, Association Strengthening Activities, authorized on 7/19/1985. This is due to the fact that FORTAS was originally funded under the 519-0316 Project. There is no Project Paper for this activity.

The evaluators will also employ primary and secondary data gathering techniques including:

interviews with FORTAS/FUSADES personnel, business association members, business association directors, FORTAS Commission members and USAID staff;.

interviews with FUSADES, PRIDEX, FIDEX and CENTER OF STUDIES/DEES staff, and whatever others may be deemed appropriate.

- interviews with recipients/participants of FUSADES programs to include actual and potential exporters, importers and investors, credit users, etc.

- interviews with government officials in the fields of international trade and investment and macroeconomic policy formulation.

- review documents and secondary literature of the GOES component for evaluation.

**ANNEX B:
METHODOLOGY**

Methodology

As a point of departure, the evaluation team applied a work breakdown structure to the Scope of Work provided by the Mission and this was used to develop a Table of Contents for the final report (please note that this section presents the overall methodology where the four sections of the evaluation each develop the specific applied methodology for that section). The Table of Contents then guided the development of a clear understanding of the outputs required of the team's inquiry. This understanding of outputs and final deliverable in the form of the final evaluation report guided the team in the development of an operational methodology, i.e. the instruments, specific populations and sampling of respondents, use of key opinion leaders, interview method together with data analysis and its application to the evaluation report, critical path of activities of each team member during their stay in El Salvador, etc. This evaluation team presented the operational methodology to USAID during a briefing on the fifth day in country.

Based on revisions of that approach made during the briefing, the team initiated evaluation activities and was guided throughout the research by this basic approach. The following summarizes research activities undertaken by the team:

In excess of 150 documents were reviewed that included evaluations, project papers, PIDs, evaluations, USAID and FUSADES monitoring reports, log frames, reports and all documents generated by FUSADES and the organizational sub units targeted by the SOW.

Reviews were made of the raw files of all organizational subunits of FUSADES specifically targeted for evaluation:

Thirty seven subject matter experts were interviewed including four ministers, the assistant to the President of El Salvador, The President of the Central Bank, presidents of commercial banks and key enterprises in El Salvador, The Directors of FUSADES sub units, USAID professional staff and ex FUSADES professional staff; and,

Field research included 103 visits to enterprises and organizations related to the SOW for the evaluation. Where audit type observation was required for impact measure as was the case for PRIDEX, a statistical list sample method was used to determine specific enterprises for visits. For the other targets, a combination of sampling methods was used including list samples, cluster samples and respondents selected simply because of the immensity of their role in the FUSADES program (Del Tropic for example was unavoidable).

The interviews used an open-ended and semi-structured method where systematic and comprehensive coverage was assured while allowing a free flow of unanticipated issues to surface in a flexible manner. Each team member built an interview instrument that was field tested and then improved. Prior to initiating the field trips, the team met to define terms, to discuss the procedures for data collection and for a final review of our instruments.

**ANNEX C:
PRIDEX INTERVIEW QUESTIONS**

PRIDES INTERVIEW QUESTIONS

1. Describe the business you are in and your relationship with PRIDEX.
 - a. How was it initiated?
 - b. What services did PRIDEX offer and what did you contract for?
 - c. How would you describe the services delivered? Explain

2. What did you report to PRIDEX with respect to the results of the assistance provided?
 - a. How did you decide what PRIDEX's contribution was for:
 1. Employment Generated
 2. Hard Currency Generated
 3. Net Investment

 - b. Looking back at what you attributed to PRIDEX, were these realistic figures?

 - c. If you could revise these figures, what would your new estimates be?

 - d. Were there other results produced through your relationship with PRIDEX that were not reported? If so, please describe.

3. How would you describe the quality of the services delivered by PRIDEX?

4. For each year you reported results caused by PRIDEX, were these results only valid for the year reported, or, did the results for a particular year reported continue in some manner? For example if investment was attributed for 1989, what happened in following years with respect to the investment?

5. What would have happened to your business as it is now if you had never received services from PRIDEX, i.e. if PRIDEX did not exist?

**ANNEX D:
IMPACT MEASUREMENT AND JOB
FORM COVER LETTER**



TIPS 195/GE/RA/co/93

San Salvador, Marzo 30 de 1993.

Señores
EXMODICA
Km. 69 Carr. a Metapán
Santa Ana.

Atn.: Licda. Matilde Monedero.

Estimados señores:

Adjunto a la presente sírvanse encontrar un cuestionario que deberá ser completado y devuelto a nuestras oficinas dentro de los 10 primeros días del mes.

El propósito de este cuestionario es el de llevar un monitoreo mensual de los resultados obtenidos por su empresa, y de los cuales el Programa PRIDEX haya contribuido a su generación.

El presente formulario corresponde a los resultados obtenidos durante el mes de MARZO del año en curso. Reiteramos a ustedes que dicha información será tratada con toda confidencialidad.

De presentarse alguna duda, favor de comunicarse con nosotros que gustosamente les atenderemos.

Atentamente,

At: 

Ing. José Ricardo Alas
PRIDEX/FUSADES

FUNDACION SALVADOREÑA PARA EL DESARROLLO ECONOMICO Y SOCIAL

Edificio FUSADES. Boulevard Santa Elena, Urbanización, Santa Elena, Antiguo Cuscatlán, La Libertad. El Salvador, C. A.
Apartado Postal: 01-278, Teléfono: (503) 78-3366 — Fax: (503) 78-3356, 78-3369

162

INFORME DE LOGROS
MES DE: OCTUBRE 1994

ASOCIACION
PRIDEX

EMPRESA: INDUSTRIAS LAINEZ, S.A DE C.V.

A) NUEVOS EMPLEOS GENERADOS (•)

PERMANENTES: 22

TEMPORALES: 12

PRIDEX RECIBIDO	
DA	<i>[Signature]</i>

B) NUEVAS DIVISAS GENERADAS US\$ (•)

ESTADOS UNIDOS: \$96,605.77

CANADA: _____

EUROPA: _____

CARIBE: _____

LATINOAMERICA: _____

OTROS:..... _____

TOTAL: \$96,605.77

CENTROAMERICA: _____

C) NUEVAS INVERSIONES GENERADAS US\$ (•)

ACTIVOS FIJOS: _____

OBSERVACIONES:

GILMA YANIRA NAVAS LIEVANO

ELABORADO POR

[Signature]

FIRMA Y SELLO

NOV. 4 DE 1994

FECHA

(•): La asistencia de PRIDEX/FUSADES contribuyó en la generación de estos resultados.

**ANNEX E:
PRIDEX RESULTS REPORT:
1992-1994**

PRIDEX

**RESULTADOS: EMPLEOS, DIVISAS E INVERSION
1992-1994**

	1992			1993			1994		
	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION
SUB-TOTAL	26	\$871,000	\$373,600	52	\$223,600	\$472,100	0	\$201,000	\$0
** SECTOR: CALZADO									
CALZADORA TECNICA									
CORSAL	169	\$0	\$99,300	17	\$0	\$8,700			
DIDESAL	8	\$0	\$25,000	35	\$17,300	\$0		\$17,000	
INDUSTRIAS CARICIA	21	\$0	\$106,900	49	\$0	\$125,700		\$78,000	
PYCA: A	15	\$0	\$51,700	5	\$0	\$30,000			
DURAMAS	0	\$875,100	\$0						
SUB-TOTAL	213	\$875,100	\$282,900	108	\$17,300	\$184,400	0	\$95,000	\$0
** SECTOR: MUEBLES									
GRIVAL	18	\$410,300	\$25,000						
IMMES									
MUEBLES MOLINA	0	\$45,300	\$50,000	0	\$18,000	\$15,700			
SALAHM DE EL SALVADOR	65	\$266,700	\$78,100						
PROMASAL	2	\$1,100	\$31,900						
CINSA	0	\$227,100	\$0						
MOBLEX									
PROAGRO									
SUB-TOTAL	85	\$950,500	\$185,000	0	\$18,000	\$15,700	0	\$0	\$0
** SECTOR: ARTESANIAS Y REGALOS									
ARTESANIAS DE LA PALMA				22	\$78,400	\$0	1	\$65,000	
CAMEX				2	\$187,500	\$0	3	\$78,000	
INDUSTRIAS ALY				1					
LAS TINAJAS									
MADIMET				9	\$25,000	\$5,000		\$21,000	
MAFINSA	10	\$116,600	\$0		\$116,400			\$89,000	
MULTI-TOYS				7	\$24,500	\$9,500			
PRODUCTOS SUCHIL	8	\$4,000	\$0	7	\$20,800	\$92,000			
EXPOSAL	7	\$376,600	\$1,500						
EXPRESA	0	\$85,800	\$0						
CREACIONES TROPICALES	0	\$269,400	\$0						

PRIDEX

**RESULTADOS: EMPLEOS, DIVISAS E INVERSION
1992-1994**

	1992			1993			1994		
	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION
** SECTOR: CONFECCION DE ROPA									
AGAPE	22	\$160,000	\$5,900						
MAQUIEXPORT	360	\$342,500	\$40,000						
MAQUISAL	0	\$0	\$0	63	\$391,500	\$0			
INDUSTRIAS TOPAZ	0	\$3,400	\$13,600						
MAQUITEX	0	\$327,700	\$0						
PRONE	0	\$1,035,700	\$0						
SUIZTEC	0	\$0	\$0						
INTECU	0	\$2,128,700	\$0						
SPC	379	\$2,414,600	\$91,900						
CONFECC. SAMOUR BAHAI	45	\$1,990,000	\$245,000						
SEEP INTERNAT.	250	\$125,000	\$2,495,000						
INDUS TRIAS LOVA	30	\$14,000	\$8,000						
ADUSA	129	\$138,000	\$101,000	335	\$843,000	\$350,000	300	\$950,000	\$100,000
AUTRAN ZACARIAS	0	\$13,600	\$8,000	0	\$392,700	\$0	100	\$455,000	\$75,000
EXTEX				549	\$405,500	\$618,200	125	\$300,000	\$0
IDEAM				80	\$143,300	\$0			
IMATCO	27	\$155,000	\$3,000	28	\$421,000	\$9,000	15	\$245,000	
IMATEX	30	\$408,500	\$14,000	15	\$971,000	\$692,000			
IMPRAH	350	\$177,000	\$1,073,900	65	\$807,000	\$2,000,000			
INDUSTRIAS ORION				187	\$150,000	\$150,000	0	\$220,000	\$0
INTEMAQ				202	\$354,200	\$25,300	18	\$51,700	\$0
JACABI	18	\$40,000	\$50,000	21	\$112,000	\$0			
KIDS				70	\$0	\$0			
LATIN INDUSTRIAS				62	\$334,800	\$100,000			
MANUCO	144	\$230,900	\$0	11	\$579,500	\$11,300	25	\$545,000	
MAQ-AM				40	\$206,800	\$18,600	10	\$145,000	
MAQUILA Y CONFECC.				120	\$50,000	\$3,500			
MARYLEN	30	\$54,000	\$56,000	0	\$6,700	\$1,900			
MATEX				155	\$3,133,800	\$520,100	100	\$2,500,600	\$125,000
SALEX	18	\$460,500	\$0						
SANTA ANA INTERNATIONAL				169	\$65,000	\$235,200	45	\$100,000	
VERSALLES	31	\$251,900	\$17,400	35	\$881,700	\$20,000	25	\$651,000	
ZIG-ZAG				10	\$18,500	\$0			
CAINSA				80	\$655,000	\$3,470,000	100	\$785,000	\$100,000
CHI-FUNG				288	\$827,300	\$415,000	237	\$745,367	\$125,000
CIMER				36	\$287,200	\$0			
CMT	66	\$243,600	\$20,500	80	\$576,900	\$19,200			
CONFECCIONES DEL VALLE				15	\$1,193,500	\$74,200	100	\$895,000	\$65,000
CONFCSA	200	\$1,694,900	\$55,600	200	\$1,153,600	\$0	125	\$975,675	\$0
ELEC. RIC DESINGS				320	\$305,000	\$0			

PRIDEX

**RESULTADOS: EMPLEOS, DIVISAS E INVERSION
1992-1994**

	1992			1993			1994		
	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION
SUB-TOTAL	26	\$871,000	\$373,600	52	\$223,600	\$472,100	0	\$201,000	\$0
** SECTOR: CALZADO									
CALZADORA TECNICA									
CORSAL	169	\$0	\$99,300	17	\$0	\$8,700			
DIDESAL	8	\$0	\$25,000	35	\$17,300	\$0		\$17,000	
INDUSTRIAS CARICIA	21	\$0	\$106,900	49	\$0	\$125,700		\$78,000	
PYCA: A	15	\$0	\$51,700	5	\$0	\$30,000			
DURAMAS	0	\$875,100	\$0						
SUB-TOTAL	213	\$875,100	\$282,900	108	\$17,300	\$184,400	0	\$95,000	\$0
** SECTOR: MUEBLES									
GRIVAL	18	\$410,300	\$25,000						
IMMES									
MUEBLES MOLINA	0	\$45,300	\$50,000	0	\$18,000	\$15,700			
SALAHM DE EL SALVADOR	65	\$266,700	\$78,100						
PROMASAL	2	\$1,100	\$31,900						
CINSA	0	\$227,100	\$0						
MOBLEX									
PROAGRO									
SUB-TOTAL	85	\$950,500	\$185,000	0	\$18,000	\$15,700	0	\$0	\$0
** SECTOR: ARTESANIAS Y REGALOS									
ARTESANIAS DE LA PALMA				22	\$78,400	\$0	1	\$65,000	
CAMEX				2	\$187,500	\$0	3	\$78,000	
INDUSTRIAS ALY				1					
LAS TINAJAS									
MADIMET				9	\$25,000	\$5,000		\$21,000	
MAFINSA	10	\$116,600	\$0		\$116,400			\$89,000	
MULTI-TOYS				7	\$24,500	\$9,500			
PRODUCTOS SUCHIL	8	\$4,000	\$0	7	\$20,800	\$92,000			
EXPOSAL	7	\$376,600	\$1,500						
EXPRESA	0	\$85,800	\$0						
CREACIONES TROPICALES	0	\$269,400	\$0						

PRIDEX

**RESULTADOS: EMPLEOS, DIVISAS E INVERSION
1992-1994**

	1992			1993			1994		
	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION
** SECTOR: CONFECCION DE ROPA									
AGAPE	22	\$160,000	\$5,900						
MAQUIEXPORT	360	\$342,500	\$40,000						
MAQUISAL	0	\$0	\$0	63	\$391,500	\$0			
INDUSTRIAS TOPAZ	0	\$3,400	\$13,600						
MAQUITEX	0	\$327,700	\$0						
PRONE	0	\$1,035,700	\$0						
SUIZTEC	0	\$0	\$0						
INTECU	0	\$2,128,700	\$0						
SPC	379	\$2,414,600	\$91,900						
CONFECC. SAMOUR BAHAI	45	\$1,990,000	\$245,000						
SEEP INTERNAT.	250	\$125,000	\$2,495,000						
INDUS TRIAS LOVA	30	\$14,000	\$8,000						
ADUSA	129	\$138,000	\$101,000	335	\$843,000	\$350,000	300	\$950,000	\$100,000
AUTRAN ZACARIAS	0	\$13,600	\$8,000	0	\$392,700	\$0	100	\$455,000	\$75,000
EXTEX				549	\$405,500	\$618,200	125	\$300,000	\$0
IDEAM				80	\$143,300	\$0			
IMATCO	27	\$155,000	\$3,000	28	\$421,000	\$9,000	15	\$245,000	
IMATEX	30	\$408,500	\$14,000	15	\$971,000	\$692,000			
IMPRAH	350	\$177,000	\$1,073,900	65	\$807,000	\$2,000,000			
INDUSTRIAS ORION				187	\$150,000	\$150,000	0	\$220,000	\$0
INTEMAQ				202	\$354,200	\$25,300	18	\$51,700	\$0
JACABI	18	\$40,000	\$50,000	21	\$112,000	\$0			
KIDS				70	\$0	\$0			
LATIN INDUSTRIAS				62	\$334,800	\$100,000			
MANUCO	144	\$230,900	\$0	11	\$579,500	\$11,300	25	\$545,000	
MAQ-AM				40	\$206,800	\$18,600	10	\$145,000	
MAQUILA Y CONFECC.				120	\$50,000	\$3,500			
MARYLEN	30	\$54,000	\$56,000	0	\$6,700	\$1,900			
MATEX				155	\$3,133,800	\$520,100	100	\$2,500,600	\$125,000
SALEX	18	\$460,500	\$0						
SANTA ANA INTERNATIONAL				169	\$65,000	\$235,200	45	\$100,000	
VERSALLES	31	\$251,900	\$17,400	35	\$881,700	\$20,000	25	\$651,000	
ZIG-ZAG				10	\$18,500	\$0			
CAINSA				80	\$655,000	\$3,470,000	100	\$785,000	\$100,000
CHI-FUNG				288	\$827,300	\$415,000	237	\$745,367	\$125,000
CIMER				36	\$287,200	\$0			
CMT	66	\$243,600	\$20,500	80	\$576,900	\$19,200			
CONFECCIONES DEL VALLE				15	\$1,193,500	\$74,200	100	\$895,000	\$65,000
CONFCSA	200	\$1,694,900	\$55,600	200	\$1,153,600	\$0	125	\$975,675	\$0
ELEC. RIC DESINGS				320	\$305,000	\$0			

PRIDEX

**RESULTADOS: EMPLEOS, DIVISAS E INVERSION
1992-1994**

	1992			1993			1994		
	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION
EXMODICA				77	\$139,700	\$5,000			
FELI INDUSTRIES	132	\$632,900	\$34,900	63	\$1,258,100	\$5,000	145	\$1,125,475	\$75,000
H&H EXPORT CORP				347	\$392,600	\$382,700			
HERMOSA	35	\$262,100	\$0	112	\$1,039,400	\$0			
ICAT, S.A.	58	\$586,900	\$17,700	37	\$835,500	\$34,300			
INCONDEZ	217	\$185,700	\$162,000	225	\$246,300	\$259,000			
INDUSTRIAS FLORENZI	0	\$1,002,900	\$0	0	\$120,100	\$0			
INDUSTRIAS MAQUILERAS				65	\$353,600	\$338,700			
INDUSTRIAS MERLET, S.A.	467	\$912,000	\$1,067,800	56	\$177,300	\$352,000	250	\$815,000	\$87,000
INDUZCO	14	\$6,100	\$8,700	22	\$103,400	\$21,000			
INVERMAQ	153	\$170,200	\$68,700	0	\$170,000	\$0			
IRENE				498	\$835,000	\$1,100,000			
KNITS	45	\$36,000	\$100,000	65	\$236,500	\$120,800			
KNITSAL	153	\$654,400	\$338,700	8	\$1,574,300	\$56,900	221	\$1,345,085	\$55,000
KONFETTI	20	\$572,400	\$2,000	5	\$30,000	\$1,000			
IND. LAINEZ	193	\$794,100	\$504,800	190	\$1,357,100	\$0	641	\$1,371,600	\$0
MAINSA	40	\$23,600	\$0	50	\$67,500	\$0			
PICACHO				209	\$148,200	\$1,295,000			
SALUDA APPAREL				60	\$558,500	\$5,400			
CHARLES PRODUCTS *				475	\$3,186,000	\$750,000	275	\$3,735,000	\$1,254,000
CONF CCIONES EL PEDREGAL *				220	\$990,700	\$1,331,200	400	\$1,182,600	\$545,000
DOALL INDUSTRIES *	399	\$225,600	\$25,000	235	\$3,193,700	\$0	235	\$2,765,876	\$345,000
FORMOSA *	538	\$718,500	\$2,600,000	83	\$671,200	\$0		\$100,000	
INDUSTRIAS FALLA *				50	\$17,500	\$300,000	25	\$818,000	
LOVE LINK SALVADOREÑA*				0	\$0	\$0			
SPRING CITY EL SALVADOR*				175	\$238,900	\$613,200	136	\$1,887,001	\$488,600
CHARTER*	8	\$183,100	\$108,400	554	\$1,767,700	\$51,200	235	\$1,876,568	\$56,790
INCASSA*	50	\$0	\$2,190,000	167	\$282,300	\$79,000			
TRANSGLOBAL APPAREL*	1,063	\$1,477,800	\$10,000	94	\$1,481,600	\$19,600			
BROOKLYN MANUF.*	782	\$2,013,500	\$440,700	188	\$1,135,900	\$0	200	\$1,234,567	\$76,000
PRIMO *	50	\$1,993,300	\$250,400	139	\$4,533,300	\$117,100	156	\$2,667,600	\$100,000
REM+B*	2	\$407,600	\$50,000	54	\$1,659,400	\$636,900			
SATELLITE INTERNATIONAL*	126	\$734,800	\$194,100	197	\$5,347,900	\$128,400	379	\$2,816,900	\$345,000
CONFECCIONES LUCKY START*	17	\$217,700	\$0						
DAESHIN*									
DAEWOO EL SALVADOR*				0	\$0	\$1,279,900	275	\$0	\$1,245,675
EL CROWN INTERNAT.*	108	\$735,300	\$150,000	148	\$1,770,900	\$22,400	75	\$113,300	
HANCHANG*				1,057	\$2,315,900	\$2,287,300	235	\$2,862,300	\$2,119,400
INDUSTRIAS AMITEX*				356	\$134,000	\$609,200			
INDUSTRIAS JATEX*	355	\$190,700	\$360,000	93	\$1,601,000	\$384,500	245		\$1,235,000
INDUSTRIAS TABONY*	21	\$80,100	\$30,000	12	\$51,600	\$0			

167

PRIDEX

**RESULTADOS: EMPLEOS, DIVISAS E INVERSION
1992-1994**

891

	1992			1993			1994		
	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION
LINDOTEX*				635	\$172,000	\$2,025,100	239	\$759,200	\$2,173,500
QUALITY*	121		\$40,000	80	\$369,400	\$0			
SUB-TOTAL	7,296	\$27,226,800	\$13,062,700	10,337	\$46,518,600	\$23,343,300	3,692	\$17,048,414	\$10,790,965
** SECTOR: OTROS									
WESTERN PETROLEUM	50		\$1,450,000	49	\$3,646,100	\$265,300	125	\$1,683,900	\$135,000
BEMISAL	1	\$483,000	\$39,400	2	\$654,800	\$0			
FACELA				95	\$26,100	\$738,000	100	\$50,000	\$100,000
INDUSOLA	2	\$0	\$80,000	0	\$28,100	\$0			
LABORATORIOS REAL				2	\$11,700	\$15,300			
SUMMA INDUSTRIAL	0	\$171,400	\$0						
CAJAS Y BOLSAS	40	\$112,300	\$0						
LABORATORIOS MORAZAN	49	\$0	\$66,000						
SUB-TOTAL	142	\$766,700	\$1,635,400	148	\$4,366,600	\$1,018,600	225	\$1,733,800	\$235,000
** SECTOR: METAL MECANICA									
BOIRA DE C.A.	6	\$36,100	\$56,000	2	\$8,000	\$6,000	100		\$345,000
CAST PRODUCTS	0	\$251,300	\$0	0	\$616,400	\$0			
IMACASA	62	\$576,900	\$0	0	\$783,700	\$0			
INVERSUISS									
MATCO	0	\$577,300	\$68,600	58	\$214,100		145	\$126,700	\$65,000
METALURGICA SARTI	59	\$0	\$460,700	22	\$0	\$167,300			
SOLAI RE				18	\$197,700	\$65,900	125	\$255,000	\$75,000
IMSA	0	\$617,000	\$0				115	\$567,000	\$235,000
HECASA									
LABORATORIOS REAL	4	\$57,800	\$0						
SUB-TOTAL	131	\$2,116,400	\$668,300	100	\$1,819,900	\$239,200	485	\$948,700	\$720,000
** SECTOR: PLASTICOS									
DELMED	0	\$499,500	\$0	0	\$225,500			\$126,000	
OMNIPLASTIC				32	\$0	\$672,100		\$75,000	
ROYAL INDUSTRIES				0	\$0	\$0			
INDISA	26	\$371,500	\$373,500						

PRIDEX

**RESULTADOS: EMPLEOS, DIVISAS E INVERSION
1992-1994**

	1992			1993			1994		
	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION
EXMODICA				77	\$139,700	\$5,000			
FELI INDUSTRIES	132	\$632,900	\$34,900	63	\$1,258,100	\$5,000	145	\$1,125,475	\$75,000
H&H EXPORT CORP				347	\$392,600	\$382,700			
HERMOSA	35	\$262,100	\$0	112	\$1,039,400	\$0			
ICAT, S.A.	58	\$586,900	\$17,700	37	\$835,500	\$34,300			
INCONDEZ	217	\$185,700	\$162,000	225	\$246,300	\$259,000			
INDUSTRIAS FLORENZI	0	\$1,002,900	\$0	0	\$120,100	\$0			
INDUSTRIAS MAQUILERAS				65	\$353,600	\$338,700			
INDUSTRIAS MERLET, S.A.	467	\$912,000	\$1,067,800	56	\$177,300	\$352,000	250	\$815,000	\$87,000
INDUZCO	14	\$6,100	\$8,700	22	\$103,400	\$21,000			
INVERMAQ	153	\$170,200	\$68,700	0	\$170,000	\$0			
IRENE				498	\$835,000	\$1,100,000			
KNITS	45	\$36,000	\$100,000	65	\$236,500	\$120,800			
KNITSAL	153	\$654,400	\$338,700	8	\$1,574,300	\$56,900	221	\$1,345,085	\$55,000
KONFETTI	20	\$572,400	\$2,000	5	\$30,000	\$1,000			
IND. LAINEZ	193	\$794,100	\$504,800	190	\$1,357,100	\$0	641	\$1,371,600	\$0
MAINSA	40	\$23,600	\$0	50	\$67,500	\$0			
PICACHO				209	\$148,200	\$1,295,000			
SALUDA APPAREL				60	\$558,500	\$5,400			
CHARLES PRODUCTS *				475	\$3,186,000	\$750,000	275	\$3,735,000	\$1,254,000
CONF CCIONES EL PEDREGAL *				220	\$990,700	\$1,331,200	400	\$1,182,600	\$545,000
DOALL INDUSTRIES *	399	\$225,600	\$25,000	235	\$3,193,700	\$0	235	\$2,765,876	\$345,000
FORMOSA *	538	\$718,500	\$2,600,000	83	\$671,200	\$0		\$100,000	
INDUSTRIAS FALLA *				50	\$17,500	\$300,000	25	\$818,000	
LOVE LINK SALVADOREÑA *				0	\$0	\$0			
SPRING CITY EL SALVADOR *				175	\$238,900	\$613,200	136	\$1,887,001	\$488,600
CHARTER *	8	\$183,100	\$108,400	554	\$1,767,700	\$51,200	235	\$1,876,568	\$56,790
INCASSA *	50	\$0	\$2,190,000	167	\$282,300	\$79,000			
TRANSGLOBAL APPAREL *	1,063	\$1,477,800	\$10,000	94	\$1,481,600	\$19,600			
BROOKLYN MANUF. *	782	\$2,013,500	\$440,700	188	\$1,135,900	\$0	200	\$1,234,567	\$76,000
PRIMO *	50	\$1,993,300	\$250,400	139	\$4,533,300	\$117,100	156	\$2,667,600	\$100,000
REM+B *	2	\$407,600	\$50,000	54	\$1,659,400	\$636,900			
SATELLITE INTERNATIONAL *	126	\$734,800	\$194,100	197	\$5,347,900	\$128,400	379	\$2,816,900	\$345,000
CONFECCIONES LUCKY START *	17	\$217,700	\$0						
DAESHIN *									
DAEWOO EL SALVADOR *				0	\$0	\$1,279,900	275	\$0	\$1,245,675
EL CROWN INTERNAT. *	108	\$735,300	\$150,000	148	\$1,770,900	\$22,400	75	\$113,300	
HANCHANG *				1,057	\$2,315,900	\$2,287,300	235	\$2,862,300	\$2,119,400
INDUSTRIAS AMITEX *				356	\$134,000	\$609,200			
INDUSTRIAS JATEX *	355	\$190,700	\$360,000	93	\$1,601,000	\$384,500	245		\$1,235,000
INDUSTRIAS TABONY *	21	\$80,100	\$30,000	12	\$51,600	\$0			

167

PRIDEX

**RESULTADOS: EMPLEOS, DIVISAS E INVERSION
1992-1994**

891

	1992			1993			1994		
	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION
LINDOTEX*				635	\$172,000	\$2,025,100	239	\$759,200	\$2,173,500
QUALITY*	121		\$40,000	80	\$369,400	\$0			
SUB-TOTAL	7,296	\$27,226,800	\$13,062,700	10,337	\$46,518,600	\$23,343,300	3,692	\$17,048,414	\$10,790,965
** SECTOR: OTROS									
WESTERN PETROLEUM	50		\$1,450,000	49	\$3,646,100	\$265,300	125	\$1,683,900	\$135,000
BEMISAL	1	\$483,000	\$39,400	2	\$654,800	\$0			
FACELA				95	\$26,100	\$738,000	100	\$50,000	\$100,000
INDUSOLA	2	\$0	\$80,000	0	\$28,100	\$0			
LABORATORIOS REAL				2	\$11,700	\$15,300			
SUMMA INDUSTRIAL	0	\$171,400	\$0						
CAJAS Y BOLSAS	40	\$112,300	\$0						
LABORATORIOS MORAZAN	49	\$0	\$66,000						
SUB-TOTAL	142	\$766,700	\$1,635,400	148	\$4,366,600	\$1,018,600	225	\$1,733,800	\$235,000
** SECTOR: METAL MECANICA									
BOIRA DE C.A.	6	\$36,100	\$56,000	2	\$8,000	\$6,000	100		\$345,000
CAST PRODUCTS	0	\$251,300	\$0	0	\$616,400	\$0			
IMACASA	62	\$576,900	\$0	0	\$783,700	\$0			
INVERSUISS									
MATCO	0	\$577,300	\$68,600	58	\$214,100		145	\$126,700	\$65,000
METALURGICA SARTI	59	\$0	\$460,700	22	\$0	\$167,300			
SOLAI RE				18	\$197,700	\$65,900	125	\$255,000	\$75,000
IMSA	0	\$617,000	\$0				115	\$567,000	\$235,000
HECASA									
LABORATORIOS REAL	4	\$57,800	\$0						
SUB-TOTAL	131	\$2,116,400	\$668,300	100	\$1,819,800	\$239,200	485	\$948,700	\$720,000
** SECTOR: PLASTICOS									
DELMED	0	\$499,500	\$0	0	\$225,500			\$126,000	
OMNIPLASTIC				32	\$0	\$672,100		\$75,000	
ROYAL INDUSTRIES				0	\$0	\$0			
INDISA	26	\$371,500	\$373,500						

PRIDEX

**RESULTADOS: EMPLEOS, DIVISAS E INVERSION
1992-1994**

167

	1992			1993			1994		
	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION
SUB-TOTAL	28	\$871,000	\$375,500	57	\$125,500	\$172,100	0	\$281,000	\$0
** SECTOR: CALZADO									
CALZADORA TECNICA									
CORSAL	169	\$0	\$99,300	17	\$0	\$8,700			
DIDESAL	8	\$0	\$25,000	35	\$17,300	\$0		\$17,000	
INDUSTRIAS CARICIA	21	\$0	\$106,900	49	\$0	\$125,700		\$78,000	
PYCASA	15	\$0	\$51,700	5	\$0	\$30,000			
DURAMAS	0	\$875,100	\$0						
SUB-TOTAL	213	\$875,100	\$282,900	108	\$17,300	\$181,400	0	\$85,000	\$0
** SECTOR: MUEBLES									
GRIVAL	18	\$410,300	\$25,000						
IMMES									
MUEBLES MOLINA	0	\$45,300	\$50,000	0	\$18,000	\$15,700			
SALAHM DE EL SALVADOR	65	\$266,700	\$78,100						
PROMASAL	2	\$1,100	\$31,900						
CINSA	0	\$227,100	\$0						
MOBLEX									
PROAGRO									
SUB-TOTAL	85	\$950,500	\$185,000	0	\$18,000	\$15,700	0	\$0	\$0
** SECTOR: ARTESANIAS Y REGALOS									
ARTESANIAS DE LA PALMA				22	\$78,400	\$0	1	\$65,000	
CAMEX				2	\$187,500	\$0	3	\$78,000	
INDUSTRIAS ALY				1					
LAS TIJAJAS									
MADIMET				9	\$25,000	\$5,000		\$21,000	
MAFINSA	10	\$116,600	\$0		\$116,400			\$89,000	
MULTI-TOYS				7	\$24,500	\$9,500			
PRODUCTOS SUCHIL	8	\$4,000	\$0	7	\$20,800	\$92,000			
EXPORSAL	7	\$376,600	\$1,500						
EXPRESA	0	\$85,800	\$0						
CREACIONES TROPICALES	0	\$269,400	\$0						

PRIDEX

**RESULTADOS: EMPLEOS, DIVISAS E INVERSION
1992-1994**

	1992			1993			1994		
	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION
CORPAK	29	\$2,415,800	\$3,600						
ANGELITOS	4	\$1,186,000	\$23,300						
GLOBEX	21	\$168,700	\$0						
ARTESANIAS DE EL SALVADOR	4	\$0	\$3,500						
SUB-TOTAL	58	\$4,770,500	\$31,900	0	\$0	\$0	0	\$0	\$0
** SECTOR: TEXTILES									
TEXTUFIL	30	\$10,231,100	\$0						
MATEX	64	\$8,450,800	\$0						
DURAFLEX									
TEXTPORT	0	\$2,376,500	\$0						
NEMTEX	10	\$82,400	\$0						
IUSA	0	\$64,100	\$0						
SUBTOTAL	104	\$21,564,900	\$0	0	\$0	\$0	0	\$0	\$0
TOTAL	8,080	\$58,634,300	\$16,146,700	10,771	\$62,728,600	\$25,661,800	6,406	\$40,272,014	\$11,745,965

*= EMPRESAS DE INVERSION EXTRANJERA

**ANNEX F:
PRIDEX RESULTS REPORT:
MULTI-YEAR LISTING**

EMPLEOS, DIVISAS E INVERSION ##
1985 - 1991

CLIENTE	1985		1986		1987		1988		1989		1990		1991								
	EMP.	DIV.	INV. EMP.	DIV.	INV. EMP.	DIV.	INV. EMP.	DIV.	INV. EMP.	DIV.	INV. EMP.	DIV.	INV. EMP.	DIV.							
## SECTOR:																					
ALMACENES DE DESARROLLO	0	0	0	0	0	0	0	0	0	0	0	0	0	0							
## Subtotal ##	0	0	0	0	0	0	0	0	0	0	0	0	0	0							
## SECTOR: ART. HOGAR Y ADORNOS																					
ARTES GRAFICOS PUBLIC.	0	0	0	0	0	0	0	0	0	0	0	0	0	0							
IMPRESOS LITOGRAFICOS	0	0	0	0	0	0	0	0	0	0	0	0	0	0							
INDISA	0	0	0	0	43	141402	0	199	235571	0	179	145034	0	15	146033	0	46	316440	21000		
INDOLINA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
MANUFACTURAS DE PAPEL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
SPECIALTY PRODUCTS	0	0	0	0	0	15	600075	07613	211	521261	533600	63	1156260	1506400	263	3766135	64700	20	3059412	15100	
FACELA	0	0	0	0	0	0	0	0	0	1399	0	0	0	0	0	500	0	0	0	0	
CAJAS Y BOLSAS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	55	85200	1350000	
CELPAC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
MANUFACTURAS FINAS	0	0	0	0	0	0	0	0	0	0	0	0	0	6	72521	0	1	106900	0	0	
PARFUM CARREL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
SUMMA INDUSTRIAL	0	0	0	0	0	0	0	0	0	363233	0	0	436503	0	10	217930	417000	1	174076	0	
BENISAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5	325424	15000	0	
## Subtotal ##	0	0	0	0	0	58	750277	07613	410	1120065	534999	242	1737077	1506400	302	4292969	401700	120	4060252	1409100	
## SECTOR: ARTESANIAS																					
ANGELITOS	400	515465	55670	0	1217191	25000	75	763315	10000	27	569039	1003	109	457976	16044	2	402426	57601	2	077665	0
CERAMICA DAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EL ARBOL DE DIOS	0	0	0	7	71000	1000	3	153773	0	0	191302	0	0	0	0	120	30000	0	0	0	0
EL ESFUERZO	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ETORSAL	100	123710	0	1	20321	0	05	137000	2300	100	165250	6900	20	230500	2100	24	269023	106600	24	512233	7962
GUITARRAS GALVEZ	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MANOS, S.A.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OLD HARBOR CLANDLE CO.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
P.T.I.	0	0	0	0	0	2	0000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SALVADIDAC	0	0	0	30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VELAS FANTASIA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EXPRESA	0	0	0	0	0	0	0	0	300	196344	21945	790	209342	24410	72	217419	6705	0	226736	23211	
MOORE COMERCIAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MUEVO ARTESANIAS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MARRON	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
## Subtotal ##	500	639175	55670	38	1300512	26000	165	1062000	12300	507	1122735	30640	927	905010	43374	218	999660	170906	26	1616634	31173
## SECTOR: CALZADO																					
CECASA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
COETCAL	0	0	0	0	0	12	10100	50562	0	0	0	0	0	0	0	0	0	0	0	0	0
NAQUILSA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DURAMAS	0	0	0	0	1500000	160000	147	059161	36590	133	752903	65000	67	3001690	95000	116	5361321	42001	109	4923334	9907
SUELAS DE EL SALVADOR	0	0	0	0	0	03	0	0	102	492406	105553	54	730777	33207	97	579532	27412	11	196906	0	

411

BY EMPLEOS, DIVISAS E INVERSION 01
1985 - 1991

CLIENTE	1985		1986		1987		1988		1989		1990		1991								
	EMP.	DIV.	INV. EMP.	DIV.	INV. EMP.	DIV.	INV. EMP.	DIV.	INV. EMP.	DIV.	INV.	EMP.	DIV.	INV.	EMP.	DIV.	INV.				
CREACIONES ROSITA	0	0	0	0	0	18	5999	0	0	0	0	0	0	0	0	0	0				
CREACIONES ROJANA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
CREACIONES ZOMARY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
DESORO	0	0	0	0	0	0	0	10000	0	0	0	0	0	0	0	0	0				
EL SALVADOR INTERNACIONAL	80	120000	136400	203	340000	0	0	0	0	0	0	0	0	0	0	0	0				
ESTILO	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
EXPORTADORA LIEBES	0	0	0	0	0	1360	0	0	0	0	0	0	0	0	0	0	0				
EZEQUIEL SILVA	16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
GILBERTO NOCHEZ	20	8000	2400	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
GLOVIL	43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
GRUPO MAQUILERO	0	0	0	30	2250	0	61	120400	1200	0	0	0	0	0	0	0	0				
HERMOSA	0	0	0	37	7306	25000	5	20240	0	0	0	0	0	0	74	213295	15250				
IMASAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
IMATCO	0	90000	5700	0	0	5000	15	3000	10000	202	133900	52315	140	190600	11503	30	193000	51000	24	262001	71000
INCONTEX	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
INDUSTRIAS CARIBE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
INDUSTRIAS HIGH LIFE	50	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
INDUSTRIAS ROSITA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
INTECU	0	0	0	40	100000	0	0	0	161	273006	122452	423	1757471	50000	139	1011311	0	123	2292493	9900	
INTERIM	0	0	0	39	0	75000	56	140704	6000	5	211006	10660	0	0	0	0	0	0	0	0	
J. HORNISH	0	0	0	105	75000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
J.P. INDUSTRIES(USA)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
JEESAN ENTERPRISES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAMA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LEYLA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOPEZ HNOS.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LYNSA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MAQUICENTER	0	0	0	0	0	0	91	37000	11000	27	30545	0	0	0	0	0	0	0	0	0	0
MAQUILA EN ACCION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MAQUITEJ	0	0	0	0	0	0	52	82090	10030	230	324633	67366	0	424529	14924	129	511260	64215	0	440605	4606
MARTIN LOPEZ	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MATELSA	30	14000	22000	0	0	5000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MATEJ	0	0	0	0	0	0	0	29346	0	0	103712	0491	02	529220	0445	135	1393419	0	140	2137200	66000
NOVICK	60	22000	5700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PAMII	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PICASA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PIMAR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PINEDA HERMANOS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PONY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PYKE (USA)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RANDY NORTHCUIT (USA)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RAUL TELLES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SANCAR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TISA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TRADE INTERNATIONAL CENTE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WILLIAM SANDOVAL	0	1240000	37340	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ROBESA	40	14000	22700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLOTHIER	0	0	0	0	0	0	26	17312	5000	15	45461	1572	3	22706	1000	0	0	0	0	0	0

EMPLEOS, DIVISAS E INVERSION **
1985 - 1991

CLIENTE	1985		1986		1987		1988		1989		1990		1991								
	EMP.	DIV.	INV.	EMP.	DIV.	INV.	EMP.	DIV.	INV.	EMP.	DIV.	INV.	EMP.	DIV.							
CONFEC. SAMOUR BAHIA	0	0	0	0	0	0	0	75	241540	182000	286	776842	132526	140	1232000	216000	125	980000	174000		
COUNTY LINE SPORTSWEAR	0	0	0	0	0	0	0	105	149117	286730	115	126832	50086	0	0	0	0	0	0		
ELECTRIC DESIGNS	0	0	0	0	0	0	0	15	14000	0	0	0	0	0	0	0	0	0	0		
EZU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
HASGAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
INDUSTRIAS TOPAZ	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0		
INDUSTRIA TRIANDM	0	0	0	0	0	0	20446	14	0	1965	24	50942	0	46	35484	25798	0	0	21415		
INDUSTRIAS FLORENZI	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
KONFFETTY	0	0	0	0	0	0	0	195	117000	35000	200	187000	1250000	440	314250	900000	0	362000	0		
LAMEZ	0	0	0	0	0	12	12000	0	22	69175	7360	35	367060	4000	73	253057	25000	25	633020	54189	
LANCER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
LORENAR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
MALDENFORM	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
MASTEX	0	0	0	0	0	0	0	110	952742	123819	0	0	0	0	0	0	0	0	0	0	
MINIMA'S	0	0	0	0	0	0	0	0	0	0	51	66693	59779	21	342557	0	0	0	0	0	
UNIFIN	0	0	0	0	0	0	0	43	1500	154000	0	0	0	0	0	0	0	50	5000	0	
A.N. EXPORTS	0	0	0	0	0	0	0	0	0	0	69	3500	113000	20	5000	1600	0	0	0	0	
ADUSA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10	39615	0	
BICHACHI	0	0	0	0	0	0	0	0	0	0	0	10000	0	0	0	0	0	0	0	0	
CO.MFG.DE COATEPEQUE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
COMPLEMENTOS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
CONFECSA	0	0	0	0	0	0	0	0	0	0	54	123180	0	0	64238	0	0	167995	4000	0	
CREACIONES TROPICALES	0	0	0	0	0	0	0	0	0	0	0	0	0	11	109557	0	210	407035	0	0	
INDUSALCO	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
INDUSTRIAS MERLET	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
KID'S	0	0	0	0	0	0	0	0	0	0	0	0	0	356	352000	112000	0	519599	130000	0	
LONDON FASHION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
MAQUILAS SALVADORENAS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
PRONE	0	0	0	0	0	0	0	146	42930	32000	30	84316	0	0	339496	130000	345	897627	351000	0	
SALEX	0	0	0	0	0	0	0	0	0	0	5	0	53525	115	151665	118191	144	494303	0	0	
SATELLITE INTERNATIONAL	0	0	0	0	0	0	0	0	0	0	120	0	100000	449	362465	251431	121	240501	898720	0	
SPC	0	0	0	0	0	0	0	62	135347	7500	90	735100	80400	295	3720742	130000	105	2992672	92500	0	
KNITSAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	43640	220000	125	321000	766000	0	
MANUCO	0	0	0	0	0	0	0	0	0	0	0	0	0	102	0	135301	42	20987	137500	0	
AUTRAN ZACARIAS	0	0	0	0	0	0	0	0	0	0	0	0	0	25	8757	0	35	141100	8700	0	
INDUSTRIAS TABONY	0	0	0	0	0	0	0	0	0	0	0	0	0	9	2520	100000	42	24675	43800	0	
TRANSGLOBAL APPAREL PROD.	0	0	0	0	0	0	0	0	0	0	0	0	0	200	150000	100000	110	1787150	11824	0	
PRIMO, S.A. DE C.V.	0	0	0	0	0	0	0	0	0	0	0	0	0	313	149137	2418663	409	1759277	126720	0	
BROKLYN MANUFACTURING CO.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	119	46959	486831	0	
S & C APPAREL, LTD.	0	0	0	0	0	0	0	0	0	0	0	0	0	12	0	1000000	823	737875	272050	0	
ICAT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	70800	135000	125	676597	14400	0	
IMATEX	0	0	0	0	0	0	0	0	0	0	0	0	0	92	0	107000	32	86719	20500	0	
INSUCASA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
DINTEX	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
INTEIO	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
MAQUIEXPOR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	482	96668	27800	0
CONFECIONES Y ENSAMBLES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	60	20000	0	0
CMT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
																		119	12665	195000	0

**ANNEX H:
PORTFOLIO OF INDUSTRIAL 287
LOANS**

PRESTAMOS Y
CANCELADOS

287 \$

REPORTE DE LA CARTERA DE PRESTAMO

FECHA: 25 de Noviembre de 1994

PAG. 1

COD. PRMO	REF. ANI.	VAL. APROBADO	VAL. DESEMB.	S A L D O	SALDO VENCIDO	INTERESES	INT. MORA	INT. VENCIDOS	FEC. APERT.	FEC. VENC.	PL.	TASA
4100-00001-1-00	----->	SPECIALTY PRODUCTS, S.A. DE C.Y.										
Cod. Ej.: 1	001001	404,000.00	107,060.00	0.00	0.00	0.00	0.00	0.00	25/05/1989	25/05/1994	60	10.000
4100-00002-2-00	----->	SPECIALTY PRODUCTS S.A. DE C.Y.										
Cod. Ej.: 99	001002	380,000.00	142,002.58	0.00	0.00	0.00	0.00	0.00	27/07/1989	27/07/1993	48	10.000
4100-00003-3-00	----->	MAQUILAS SALVADOREÑA S.A. DE C.Y.										
Cod. Ej.: 99	001003	269,667.00	269,667.00	0.00	0.00	0.00	0.00	0.00	27/07/1989	27/07/1997	96	10.000
4100-00004-4-00	----->	ACERO S.A. DE C.Y.										
Cod. Ej.: 99	001004	90,000.00	90,000.00	0.00	0.00	0.00	0.00	0.00	21/08/1989	21/08/1992	36	7.000
4100-00005-5-00	----->	INDUSTRIAS FLORENZI S.A. DE C.Y.										
Cod. Ej.: 1	001005	875,246.00	875,246.00	773,881.16	773,881.16	178,724.52	902.86	154,238.07	29/09/1989	29/09/1994	60	10.000
4100-00006-6-00	----->	MAQUILAS SALVADOREÑA S.A. DE C.Y.										
Cod. Ej.: 99	001006	135,438.00	135,438.00	0.00	0.00	0.00	0.00	0.00	27/07/1989	27/07/1993	48	10.000
4100-00007-7-00	----->	INDUSTRIAS MERLET S.A. DE C.Y.										
Cod. Ej.: 99	001007	153,400.00	153,400.00	0.00	0.00	0.00	0.00	0.00	15/03/1990	15/03/1994	48	8.250
4100-00008-8-00	----->	PRIMO S.A. DE C.Y.										
Cod. Ej.: 99	001008	971,000.00	971,000.00	404,726.75	143.37	7,068.66	0.56	98.37	16/03/1990	16/03/1997	84	9.500
4100-00009-9-00	----->	MOLINA HERMANOS S.A. DE C.Y.										
Cod. Ej.: 99	001009	330,000.00	330,000.00	330,000.00	88,000.00	59,198.48	53.78	55,119.31	06/04/1990	06/02/2000	120	9.500
4100-00010-2-00	----->	MOLINA HERMANOS S.A. DE C.Y.										
Cod. Ej.: 99	001010	300,000.00	300,000.00	300,000.00	300,000.00	49,372.89	183.34	30,149.97	06/04/1990	06/03/1994	48	9.500
4100-00011-3-00	----->	PRIMO S.A. DE C.Y.										
Cod. Ej.: 99	001011	750,000.00	750,000.00	374,949.34	0.00	7,186.53	0.00	0.00	10/09/1990	10/08/1997	94	9.500
4100-00012-4-00	----->	SPECIALTY PRODUCTS S.A. DE C.Y.										
Cod. Ej.: 99	001012	400,000.00	400,000.00	0.00	0.00	0.00	0.00	0.00	23/08/1990	23/08/1994	48	10.750
4100-00012-4-01	----->	SPECIALTY PRODUCTS S.A. DE C.Y.										
Cod. Ej.: 5	001012	199,712.00	199,712.00	187,051.10	0.00	2,217.33	0.00	0.00	20/07/1994	20/07/1998	48	11.500
4100-00013-5-00	----->	ANGELITOS S.A. DE C.Y.										
Cod. Ej.: 99	001013	253,120.00	253,120.00	84,376.00	0.00	325.20	0.00	0.00	26/09/1990	26/12/1995	60	9.500
4100-00014-6-00	----->	SALEX S.A. DE C.Y.										
Cod. Ej.: 99	001014	400,000.00	400,000.00	115,618.53	0.00	244.08	0.00	0.00	08/10/1990	08/10/1996	72	9.500
4100-00015-7-00	----->	MOLINA HERMANOS S.A. DE C.Y.										
Cod. Ej.: 99	001015	275,000.00	275,000.00	275,000.00	275,000.00	57,686.43	168.06	54,575.49	15/10/1990	15/10/1994	48	10.500
4100-00016-8-00	----->	MOLINA HERMANOS S.A. DE C.Y.										
Cod. Ej.: 99	001016	250,000.00	250,000.00	250,000.00	83,328.00	47,274.19	50.92	44,446.07	15/10/1990	15/10/1998	96	10.500
4100-00017-9-00	----->	SATELLITE INTERNATIONAL, S.A. DE C.Y.										
Cod. Ej.: 8	001017	564,000.00	564,000.00	352,706.82	206.82	4,754.19	0.56	0.00	05/07/1991	05/07/1998	84	10.500
4100-00018-5-00	----->	PRIMO S.A. DE C.Y.										
Cod. Ej.: 99	001018	450,000.00	450,000.00	-172,574.87	0.00	9,407.73	0.00	7,232.57	05/07/1991	05/07/1998	84	9.500
4100-00019-0-00	----->	BROOKLYN MANUFACTURING S.A. DE C.Y.										
Cod. Ej.: 99	001019	304,000.00	304,000.00	142,377.03	0.00	756.37	0.00	0.00	04/11/1991	04/11/1999	96	9.500
4100-00020-4-00	----->	BROOKLYN MANUFACTURING S.A. DE C.Y.										
Cod. Ej.: 99	001020	346,000.00	346,000.00	115,336.00	0.00	612.72	0.00	0.00	04/11/1991	04/11/1995	48	9.500
4100-00021-5-00	----->	INDUSTRIAS MERLET S.A. DE C.Y.										
Cod. Ej.: 99	001021	56,000.00	56,000.00	23,497.15	5,097.15	349.03	5.96	235.46	07/11/1991	07/11/1995	48	10.000
4100-00022-6-00	----->	MANUFACTURAS Y CONFECCIONES S.A. DE C.Y.										
Cod. Ej.: 99	001022	90,000.00	90,000.00	43,011.04	549.06	1,197.15	0.31	1,071.70	15/11/1991	15/11/1995	48	10.500
4100-00023-7-00	----->	ANA CARLOTA DE LAINEZ										
Cod. Ej.: 99	001023	160,000.00	160,000.00	140,039.42	40.42	2,871.78	0.17	0.00	06/12/1991	06/12/1999	96	10.000
4100-00024-8-00	----->	DATA ENTRY DE EL SALVADOR S.A. DE C.Y.										
Cod. Ej.: 99	001024	141,600.00	141,600.00	109,718.45	0.00	1,954.36	0.00	0.00	21/12/1991	21/12/1999	96	10.500

REPORTE DE LA CARTERA DE PRESTAMO

CHA: 25 de Noviembre de 1994

PAG. 2

PRIMO	REF. ANI.	VAL. APROBADO	VAL. DESENB.	S A L D O	SALDO VENCIDO	INTERESES	INT. MORA	INT. VENCIDOS	FEC. APERT.	FEC. VENC.	PL.	TASA
0-00025-9-00	----	FELI INDUSTRIES S.A. DE C.V.										
Ej.:99	001025	25,600.00	25,600.00	12,802.00	2,133.00	347.52	3.92	236.30	23/01/1992	23/01/1996	48	10.000
0-00026-5-00	----	FELI INDUSTRIES S.A. DE C.V.										
Ej.:99	001026	194,427.00	194,427.00	142,457.53	16,077.53	3,867.13	54.90	2,629.53	23/01/1992	23/01/1998	72	10.000
0-00027-0-00	----	SEERR INTERNATIONAL S.A. DE C.V.										
Ej.:99	001027	93,750.00	93,750.00	0.00	0.00	0.00	0.00	0.00	19/03/1992	19/03/1997	60	10.250
0-00028-1-00	----	TITULOS BIENES Y VALORES S.A. DE C.V.										
Ej.:99	001028	3,000,000.00	3,000,000.00	3,000,000.00	0.00	118,187.50	0.00	72,875.00	01/10/1992	01/10/2007	180	10.500
0-00029-2-00	----	SEER INTERNACIONAL S.A. DE C.V.										
Ej.:99	001029	411,005.00	411,005.00	408,077.56	79,272.56	60,576.85	1,566.57	- 54,523.70	02/10/1992	02/10/2002	120	10.500
0-00030-6-00	----	SEERR INTERNACIONAL S.A. DE C.V.										
Ej.:99	001030	187,500.00	187,500.00	183,052.36	58,048.36	27,173.10	1,113.65	24,457.82	02/10/1992	02/10/1998	72	10.500
0-00031-7-00	----	SEERR INTERNACIONAL S.A. DE C.V.										
Ej.:99	001031	301,495.00	301,495.00	282,652.00	131,901.00	41,895.30	2,403.53	37,702.63	02/10/1992	02/10/1996	48	10.500
0-00032-8-00	----	SATELLITE INTERNATIONAL S.A. DE C.V.										
Ej.:99	001032	200,000.00	200,000.00	150,209.91	210.91	131.43	0.05	0.00	18/02/1993	18/02/1997	48	10.500
0-00033-9-00	----	ANA CARLOTA RIVAS DE LAINEZ										
Ej.:99	001033	70,000.00	70,000.00	69,080.66	0.00	1,585.97	0.00	0.00	02/03/1993	02/03/2001	96	10.500
0-00034-5-00	----	CORPACK S.A. DE C.V.										
Ej.:99	001034	0.01	296,940.00	222,490.68	0.00	3,275.55	0.00	0.00	01/07/1993	30/06/1998	60	10.000
0-00035-0-00	----	CORPACK S.A. DE C.V.										
Ej.:99	001035	0.01	237,997.42	138,580.82	0.00	2,040.22	0.00	0.00	01/07/1993	30/06/1996	36	10.000
0-00036-1-00	----	SIGMA S.A.										
Ej.:99	001036	250,000.00	250,000.00	250,000.00	0.00	954.87	0.00	0.01	12/11/1993	12/11/1996	36	10.750
0-00037-2-00	----	SIGMA S.A.										
Ej.:99	001037	250,000.00	250,000.00	250,000.00	0.00	954.87	0.00	0.01	12/11/1993	12/11/2001	96	10.750
0-00039-4-00	----	KNITS S.A. DE C.V.										
Ej.:99	001039	153,800.00	123,455.00	123,455.00	0.00	4,338.93	0.00	3,502.18	03/12/1993	03/12/2001	96	11.500
0-00256-0-00	----	CONFECCIONES SANDOUR BAHATA S.A. DE C.V.										
Ej.:5	1042	91,000.00	91,000.00	91,000.00	0.00	3,331.84	0.00	3,142.25	19/05/1994	19/05/1999	60	12.500
0-00257-1-00	----	CONFECCIONES SANDOUR BAHATA S.A. DE C.V.										
Ej.:5	1043	15,000.00	15,000.00	15,000.00	2,500.00	345.83	4.48	314.58	19/05/1994	19/05/1995	12	12.500
0-00258-2-00	----	TEXPRO S.A. DE C.V.										
Ej.:8		122,000.00	122,000.00	122,000.00	0.00	3,808.26	0.00	1,314.04	24/06/1994	24/06/1999	60	12.500
0-00259-3-00	----	KNIT S.A. DE C.V.										
Ej.:4		54,475.00	54,475.00	54,475.00	0.00	1,556.70	0.00	1,187.48	03/12/1993	03/12/1995	24	11.500
0-00261-8-00	----	LA CORBATA S.A. DE C.V.										
Ej.:7		120,000.00	120,000.00	120,000.00	0.00	2,855.83	0.00	0.00	23/08/1994	23/08/2001	84	11.500
0-00262-9-00	----	FOLLAJES EL SAUCE S.A. DE C.V.										
Ej.:7		258,000.00	258,000.00	258,000.00	0.00	6,706.21	0.00	0.00	07/09/1994	07/09/2002	96	12.500
0-00263-5-00	----	BOHAVEURE S.A. DE C.V.										
Ej.:8	1050	258,500.00	258,500.00	258,500.00	0.00	5,108.97	0.00	0.00	22/09/1994	22/09/1998	48	11.750
0-00268-4-00	----	INDUSTRIAS ORION S.A. DE C.V.										
Ej.:6	1048	136,000.00	136,000.00	136,000.00	2,833.33	2,558.50	6.37	1,331.67	29/09/1994	29/09/1998	48	12.500
0-00269-5-00	----	INDUSTRIAS ORION S.A. DE C.V.										
Ej.:6	1047	100,000.00	100,000.00	100,000.00	1,666.67	1,881.25	3.75	979.17	29/09/1994	29/09/1999	60	12.500
0-00270-9-00	----	BOHAVEURE S.A. DE C.V.										
Ej.:8	1049	368,500.00	368,500.00	368,500.00	0.00	7,282.99	0.00	0.00	22/09/1994	22/09/2000	72	11.750
0-00271-5-00	----	ANGELITOS S.A. DE C.V.										
Ej.:8	1051	14,025.00	14,025.00	14,025.00	0.00	263.85	0.00	0.00	29/09/1994	29/09/1998	48	12.500

REPORTE DE LA CARTERA DE PRESTAMO

ECHA: 25 de Noviembre de 1994

PAG. 3

CP.TMO	REF.ANT.	VAL.APROBADO	VAL.DESEMB.	S A L D O	SALDO VENCIDO	INTERESES	INT.MORA	INT.VENCIDOS	FEC.APERT.	FEC.VENC.	PL.	TASA
100-00273-1-00	----->	XMIT'S, S.A. DE C.V.										
ed.Ej.: 4	1041	30,345.00	30,345.00	30,345.00	0.00	540.94	0.00	335.27	03/12/1993	03/12/1995	24	11.500
		15,253,605.02	15,223,260.00	10,995,567.18	1,820,889.34	732,772.05	6,523.74	551,698.65				

Garantia:	TODAS LAS GARANTIAS	Tipo Préstamo:	TODOS LOS PRESTAMOS
Línea:	FUSADES MAQUILA-DOLARES	Cod. Destino:	TODOS LOS DESTINOS
Plazo:	TODOS LOS PLAZOS	Clase de Gasto:	TODAS LAS CLASES DE GASTOS
Moneda:	MONEDA EXTRANJERA	Act. Económica:	TODAS LAS ACTIVIDADES ECONOMICAS
Estado:	CARTERA DE PTMOS.(TODA)	Destino:	TODOS LOS DESTINOS
Cartera:	TODA LA CARTERA	Tamaño Económico:	TODOS LOS TAMAÑOS ECONOMICOS
Cl. Cred.:	TODOS LOS CREDITOS		

80

REPORTE DE SALDOS DIARIO
 PRODUCTIVOS Y NO-PRODUCTIVOS

FEC. CALCULO INTERESES.: 990930

287 #

VALOR ESC VALOR DES VALOR ACT VALOR DIS	FECHA APD FECHA ESC FECHA DES FECHA VEN	TASA % DIARIA INT.ACUM	CUOTA CAPITA INT.ACM	HORA CAP.HORA INT.HORA INT.VEN.	FECHA CAPV FECHA INTV	MONEDA	CAMBIO
--	--	------------------------------	----------------------------	--	--------------------------	--------	--------

FTE. FONDO.: 93 CITRUS CONV. 287

PRESTAMOS PRODUCTIVOS:

001008 PRIMO S.A. DE C.V. TELEFONO: EJE. CTA: ELIZABETH ALVARADO VALOR DE CANCELACION: 906,202.93	971,000.00 971,000.00 909,726.75 16/MAR/1999	09/NOV/1999 16/MAR/1999 20/MAR/1999 16/MAR/1997	0.75 98.37 1,975.56	1,110.93 193.37 1,975.56	291.90 16/DIC/1999 193.37 16/DIC/1999 .12 98.53	DOLARES	
001011 PRIMO S.A. DE C.V. TELEFONO: 77-1066 EJE. CTA: ELIZABETH ALVARADO VALOR DE CANCELACION: 376,959.26	750,000.00 750,000.00 379,999.39 20/JUN/1999	20/JUN/1999 10/SEP/1999 21/SEP/1999 10/AGO/1997	0.75 91.13 2,009.92	33,209.26 31,899.39 2,009.92	182.33 10/DIC/1999 10/DIC/1999 182.33	DOLARES	
001012 SPECIALTY PRODUCTS S.A DE C.V. TELEFONO: 77-0894 EJE. CTA: ELIZABETH ALVARADO VALOR DE CANCELACION: 283,934.27	199,712.00 199,712.00 199,712.55 20/JUL/1999	20/JUL/1999 20/JUL/1999 29/SEP/1999 20/JUL/1998	10.75 59.69 9,221.72	16,703.72 12,102.00 9,221.72	.55 20/OCT/1999 .55 20/OCT/1999 .00	DOLARES	
001013 ANGELITOS S.A. DE C.V. TELEFONO: 78-2178 EJE. CTA: ELIZABETH ALVARADO VALOR DE CANCELACION: 102,200.17	253,120.00 253,120.00 102,020.26 10/MAY/1999	26/SEP/1999 20/SEP/1999 26/SEP/1995	0.75 29.00 297.99	21,390.99 21,093.00 297.99	17,009.97 26/DIC/1999 17,652.26 26/DIC/1999 3.92 152.71	DOLARES	
001014 SALEX S.A. DE C.V. TELEFONO: 77-1069 EJE. CTA: ELIZABETH ALVARADO VALOR DE CANCELACION: 120,101.50	900,000.00 900,000.00 126,570.95 11/ENE/1999	08/OCT/1999 11/OCT/1999 08/OCT/1996	0.75 30.76 1,531.13	0,001.50 7,270.95 1,531.13	08/ENE/1996 08/OCT/1999 .00	DOLARES	
001017 SATELLITE INTERNATIONAL S.A. DE C.V. TELEFONO: EJE. CTA: ROSA E. DE SERRANO. VALOR DE CANCELACION: 389,725.97	569,000.00 569,000.00 376,031.00 07/FEB/1999	05/JUL/1999 15/JUL/1999 05/JUL/1998	9.75 102.06 7,009.92	31,309.92 23,500.00 7,009.92	035.03 05/OCT/1999 031.00 05/OCT/1999 3.67 3.95	DOLARES	
001018 PRIMO S.A. DE C.V. TELEFONO: EJE. CTA: ELIZABETH ALVARADO VALOR DE CANCELACION: 179,597.73	950,000.00 950,000.00 172,579.07 09/ABR/1999	05/JUL/1999 12/JUL/1999 05/JUL/1998	0.75 91.95 7,022.06	17,050.90 10,027.59 7,022.06	3,971.00 05/ENE/1995 05/OCT/1999 3,971.00	DOLARES	
001019 BROOKLYN MANUFACTURING S.A. DE C.V. TELEFONO: 23-3592 EJE. CTA: ELIZABETH ALVARADO VALOR DE CANCELACION: 157,230.37	309,000.00 309,000.00 155,093.03 29/JUN/1999	09/NOV/1999 22/NOV/1999 09/NOV/1999	0.75 37.60 2,195.39	5,050.93 2,055.59 2,195.39	71.05 09/FEB/1995 09/NOV/1999 71.05	DOLARES	

REPORTE DE SALDOS DIARIO
 PRODUCTIVOS Y NO-PRODUCTIVOS

FECL. CALCULO INTERESES.: 990930

	VALOR ESC VALOR DES VALOR ACT VALOR DIS	FECHA APO FECHA ESC FECHA DES FECHA VEN	TASA % DIARIA INT.ACUM	CUOTA CAPITAL INT.ACUM	HORA CAP.HORA INT.HORA INT.VEN.	FECHA CAPV FECHA INTV	MONEDA	CAMBIO
001020 BROOKLYN MANUFACTURING S.A. DE C.V. TELEFONO: 23-3592 EJE. CTA: ELIZABETH ALVARADO VALOR DE CANCELACION: 196,129.97	396,000.00 396,000.00 199,009.71	30/JUN/1991 09/NOV/1991 22/NOV/1991 09/NOV/1995	0.75 35.02 2,090.26	30,793.97 28,753.71 2,040.26	66.00 66.00	09/NOV/1999 09/NOV/1999	DOLARES	
001021 INDUSTRIAS MERLET, S.A. DE C.V. TELEFONO: 79-1563 EJE. CTA: ROSA E. DE SERRANO. VALOR DE CANCELACION: 23,503.29	56,000.00 56,000.00 23,997.15	12/JUL/1991 07/NOV/1991 21/NOV/1991 07/NOV/1995	9.25 6.09 6.06	9,700.06 9,700.00 6.06	397.17 397.15 .03 .02	07/NOV/1999 07/NOV/1999	DOLARES	
001022 MANUFACTURAS Y CONFECCIONES, S.A. DE C.V. TELEFONO: 22-9565 EJE. CTA: ROSA E. DE SERRANO. VALOR DE CANCELACION: 93,596.90	90,000.00 90,000.00 93,011.09	12/JUL/1991 15/NOV/1991 25/NOV/1991 15/NOV/1995	9.75 11.65 535.06	7,009.92 6,599.06 535.06	.00	15/NOV/1999 15/NOV/1999	DOLARES	
001023 ANA CARLOTA RIVAS DE LAINEZ TELEFONO: 22-2223 EJE. CTA: ROSA E. DE SERRANO. VALOR DE CANCELACION: 190,067.05	160,000.00 160,000.00 190,039.92	26/JUL/1991 06/DIC/1991 16/DIC/1991 06/DIC/1999	9.25 35.90 027.59	7,339.77 6,512.10 027.59	90.96 90.92 .09 .00	06/DIC/1999 06/DIC/1999	DOLARES	
001024 DATA ENTRY DE EL SALVADOR S.A. DE C.V. TELEFONO: EJE. CTA: ROSA E. DE SERRANO. VALOR DE CANCELACION: 109,985.92	191,600.00 191,600.00 109,710.95	19/SEP/1991 21/DIC/1991 16/ENE/1992 21/DIC/1999	9.75 29.72 267.97	5,517.97 5,250.00 267.97	.00	21/DIC/1999 21/DIC/1999	DOLARES	
001025 FELI INDUSTRIES S.A. DE C.V. TELEFONO: 22-1392 EJE. CTA: ROSA E. DE SERRANO. VALOR DE CANCELACION: 12,962.65	25,600.00 25,600.00 12,002.00	26/JUL/1991 23/ENE/1992 30/ENE/1992 23/ENE/1996	9.25 3.29 160.65	2,293.65 2,133.00 160.65	.00	23/OCT/1999 23/OCT/1999	DOLARES	
001026 FELI INDUSTRIES S.A. DE C.V. TELEFONO: 22-1392 EJE. CTA: ROSA E. DE SERRANO. VALOR DE CANCELACION: 199,262.95	199,927.00 199,927.00 192,957.53	26/JUL/1991 23/ENE/1992 30/ENE/1992 23/ENE/1996	9.25 36.60 1,707.63	11,500.63 9,721.00 1,707.63	6,373.60 6,356.53 17.29 17.15	23/OCT/1999 23/OCT/1999	DOLARES	
001027 SEERN INTERNATIONAL S.A. DE C.V. TELEFONO: EJE. CTA: ROSA E. DE SERRANO. VALOR DE CANCELACION: 10,219.33	93,750.00 93,750.00 10,167.61	23/ENE/1992 19/MAR/1992 27/MAR/1992 19/MAR/1997	10.25 5.17 51.72	9,156.03 9,105.11 51.72	.00	19/MAR/1995 19/DIC/1999	DOLARES	
001028 TITULOS, BIENES Y VALORES S.A. DE C.V. TELEFONO: 26-9715 EJE. CTA: VALOR DE CANCELACION: 3,072,062.50	3,000,000.00 3,000,000.00 3,000,000.00	13/AGO/1992 01/OCT/1992 17/DIC/1992 01/OCT/1997	9.75 012.50 72,062.50	129,759.01 57,692.31 72,062.50	.00	01/ENE/1995 01/OCT/1999	DOLARES	

REPORTE DE SALDOS DIARIO
 PRODUCTIVOS Y NO-PRODUCTIVOS

FEC. CALCULO INTERESES.: 990930

	VALOR ESC VALOR DES VALOR ACT VALOR DIS	FECHA APB FECHA ESC FECHA DES FECHA VEN	TASA % DIARIA INT.ACUM	CUOTA CAPITAL INT.ACUM	HORA CAP.HORA INT.HORA INT.VEN.	FECHA CAPV FECHA INTV	MONEDA	CAMBIO
001029 SEERR INTERNATIONAL S.A. DE C.V. TELEFONO: EJE. CTA: VALOR DE CANCELACION: 463,701.20	911,005.00 911,005.00 908,077.56	13/AGO/1992 02/OCT/1992 09/OCT/1992 02/OCT/1992	9.75 110.52 59,302.65	69,577.65 10,275.00 59,302.65	119,923.96 60,997.56 1,321.07 95,925.90	02/OCT/1999 02/OCT/1999	DOLARES	
001030 SEERR INTERNATIONAL S.A. DE C.V. TELEFONO: EJE. CTA: VALOR DE CANCELACION: 200,349.97	107,500.00 107,500.00 103,052.36	13/AGO/1992 02/OCT/1992 09/OCT/1992 02/OCT/1992	9.75 99.50 29,350.69	32,170.69 7,812.00 29,350.69	71,170.03 50,236.36 933.92 20,992.67	02/OCT/1999 02/OCT/1999	DOLARES	
001031 SEERR INTERNATIONAL S.A. DE C.V. TELEFONO: EJE. CTA: VALOR DE CANCELACION: 322,196.77	301,995.00 301,995.00 202,652.00	13/AGO/1992 02/OCT/1992 09/OCT/1992 02/OCT/1996	9.75 76.55 37,599.51	56,392.51 10,893.00 37,599.51	195,005.70 113,050.00 1,995.26 32,027.70	02/OCT/1999 02/OCT/1999	DOLARES	
001032 SATELLITE INTERNATIONAL S.A. DE C.V. TELEFONO: 71-1179 EJE. CTA: VALOR DE CANCELACION: 180,655.53	200,000.00 200,000.00 166,901.27	26/NOV/1992 10/FEB/1993 25/FEB/1993 10/FEB/1997	9.75 95.22 1,673.27	10,390.27 16,667.00 1,673.27	1,956.61 315.27 .99 1,191.34	10/NOV/1999 10/NOV/1999	DOLARES	
001033 AMA CARLOTA RIVAS DE LAINEZ TELEFONO: 22-2223 EJE. CTA: ROSA E. DE SERRANO, VALOR DE CANCELACION: 69,609.52	70,000.00 70,000.00 69,000.66	26/NOV/1992 02/MAR/1993 12/MAR/1993 02/MAR/1901	9.75 10.71 523.06	2,520.52 1,996.66 523.06	.00 1,996.66 523.06 .00	02/JUN/1995 02/OCT/1999	DOLARES	
001034 CORPACK, S.A. DE C.V. X TELEFONO: 77-1210 EJE. CTA: VALOR DE CANCELACION: 293,090.89	296,990.00 296,990.00 237,291.60	12/JUN/1992 01/JUL/1993 01/JUL/1993 30/JUN/1998	10.00 65.90 5,799.24	20,335.09 19,536.60 5,799.24	.00 19,536.60 5,799.24 .00	01/OCT/1999 01/OCT/1999	DOLARES	
001035 CORPACK, S.A. DE C.V. X TELEFONO: 77-1210 EJE. CTA: VALOR DE CANCELACION: 162,999.50	237,997.92 237,997.92 150,663.60	12/JUN/1992 01/JUL/1993 01/JUL/1993 30/JUN/1996	10.00 99.07 3,035.02	19,392.03 15,557.01 3,035.02	.00 15,557.01 3,035.02 .00	01/OCT/1999 01/OCT/1999	DOLARES	
001036 SIGMA, S.A. TELEFONO: 27-2180 EJE. CTA: VALOR DE CANCELACION: 251,249.97	250,000.00 250,000.00 250,000.00	21/SEP/1993 12/NOV/1993 10/NOV/1993 12/NOV/1996	10.00 69.99 1,249.97	11,666.63 10,916.66 1,249.97	.00 10,916.66 1,249.97 .00	12/DIC/1999 12/OCT/1999	DOLARES	
001037 SIGMA, S.A. TELEFONO: 27-2180 EJE. CTA: VALOR DE CANCELACION: 251,249.97	250,000.00 250,000.00 250,000.00	21/SEP/1993 12/NOV/1993 03/FEB/1994 12/NOV/1901	10.00 69.99 1,249.97	9,722.19 3,972.22 1,249.97	.00 3,972.22 1,249.97 .00	12/DIC/1995 12/OCT/1999	DOLARES	

183

REPORTE DE SALDOS DIARIO
 PRODUCTIVOS Y NO-PRODUCTIVOS

FEC. CALCULO INTERESES.: 990930

	VALOR ESC VALOR DES VALOR ACT VALOR DIS	FECHA APD FECHA ESC FECHA DES FECHA VEN	TASA % DIARIA INT.ACUM	CUOTA CAPITAL INT.ACUM	MORA CAP.MORA INT.MORA INT.VEN.	FECHA CAPV FECHA INTV	MONEDA	CAMBIO
001039 KNITS, S.A. DE C.V. TELEFONO: EJE. CTA: PATRICIA MURGA VALOR DE CANCELACION: 125,703.79	153,000.00 123,455.00 123,455.00 30,345.00	26/NOV/1993 03/DIC/1993 13/DIC/1993 03/DIC/1993	10.75 36.07 2,240.79	9,309.79 2,136.00 2,240.79	1,253.96	03/ENE/1996 03/OCT/1999	DOLARES	
001040 KNIT.S. S.A. DE C.V. TELEFONO: 22-3364 EJE. CTA: VALOR DE CANCELACION: 55,109.92	59,475.00 59,475.00 59,475.00	26/NOV/1993 03/DIC/1993 22/AGO/1999 26/JUL/1997	10.75 16.27 639.92	5,174.00 9,539.50 639.92	195.23	03/ENE/1995 03/OCT/1999	DOLARES	
001092 CONFECCIONES SANDOUR BAHIA, S.A. DE C.V. TELEFONO: EJE. CTA: VALOR DE CANCELACION: 92,699.59	91,000.00 91,000.00 91,000.00	10/MAY/1999 19/MAY/1999 16/SEP/1999 19/MAY/1999	11.75 29.70 1,699.59	3,595.92 1,095.03 1,699.59	1,322.77	19/JUN/1995 19/DIC/1999	DOLARES	
001093 CONFECCIONES SANDOUR BAHIA, S.A. DE C.V. TELEFONO: 26-9280 EJE. CTA: VALOR DE CANCELACION: 15,000.56	15,000.00 15,000.00 15,000.00	10/MAY/1999 19/MAY/1999 16/SEP/1999 19/MAY/1995	11.75 9.90 60.56	1,310.56 1,250.00 60.56	.00	19/OCT/1999 19/OCT/1999	DOLARES	
001094 TEXPRO, S.A. DE C.V. TELEFONO: 78-9759 EJE. CTA: VALOR DE CANCELACION: 123,552.96	122,000.00 122,000.00 122,000.00	29/JUN/1999 22/AGO/1999 29/JUN/1999	11.75 39.02 1,552.96	9,177.96 7,625.00 1,552.96	1,319.06	29/SEP/1995 29/DIC/1999	DOLARES	
001095 LA CORDATA, S.A. DE C.V. TELEFONO: 20-0676 EJE. CTA: VALOR DE CANCELACION: 120,029.15	120,000.00 120,000.00 120,000.00	19/JUN/1999 23/AGO/1999 07/SEP/1999 29/AGO/1999	10.75 35.03 029.15	5,929.15 9,800.00 029.15	.00	23/MAY/1995 23/FEB/1995	DOLARES	
001096 FOLLAJES EL SAUCE, S.A. DE C.V. TELEFONO: 98-6504 EJE. CTA: VALOR DE CANCELACION: 259,936.00	250,000.00 250,000.00 250,000.00	31/MAY/1999 26/AGO/1999 07/SEP/1999 07/SEP/1999	11.75 09.21 1,936.00	11,136.00 9,200.00 1,936.00	.00	07/DIC/1995 07/MAR/1995	DOLARES	
001099 BONAVENTURE, S.A. DE C.V. TELEFONO: 30-9120 EJE. CTA: VALOR DE CANCELACION: 369,900.79	360,500.00 360,500.00 360,500.00	09/AGO/1999 02/SEP/1999 22/SEP/1999 22/SEP/1992	11.00 112.60 900.79	16,259.96 15,359.17 900.79	.00	22/DIC/1995 22/DIC/1999	DOLARES	
001050 BONAVENTURE, S.A. DE C.V. TELEFONO: 30-9121 EJE. CTA: LIC. MIGUEL PARADA VALOR DE CANCELACION: 259,131.91	250,500.00 250,500.00 250,500.00	09/AGO/1999 02/SEP/1999 22/SEP/1999 22/SEP/1990	11.00 70.99 631.91	32,999.91 32,312.50 631.91	.00	22/DIC/1996 22/DIC/1999	DOLARES	

REPORTE DE SALDOS DIARIO
 PRODUCTIVOS Y NO-PRODUCTIVOS

FEC. CALCULO INTERESES.: 990930

VALOR ESC VALOR DES VALOR ACT VALOR DIS	FECHA APO FECHA ESC FECHA DES FECHA VEN	TASA % DIARIA INT.ACUM	CUOTA CAPITAL INT.ACUM	MORA CAP.MORA INT.MORA INT.VEN.	FECHA CAPV FECHA INTV	MONEDA	CAMBIO
--	--	------------------------------	------------------------------	--	--------------------------	--------	--------

SUB-TOTAL PRESTAMOS PRODUCTIVOS:

TOTAL SALDO.....	8,962,899.17						
TOTAL INTERES ACUMULADO..	245,328.13						
TOTAL CAPITA MORA.....	250,029.35						
TOTAL INTERES MORA.....	4,276.31						
YTA INTERESES VENCIDOS..	100,986.71						
TOTAL INTERES DIARIO.....	2,450.98	TOTAL INTERES MENSUAL....:	12,259.82				

PRESTAMOS NO-PRODUCTIVOS:

001005 INDUSTRIAS FLORENZI S.A. DE C.V. TELEFONO: 27-3111 EJE. CTA: PATRICIA HERNANDEZ VALOR DE CANCELACION: 953,062.78	875,296.00 875,296.00 773,001.16	00/MAY/1989 29/SEP/1989 03/OCT/1989 29/SEP/1999	10.00 219.97 170,833.73	392,992.92 169,108.69 170,833.73	953,062.78 773,001.16 397.89 179,181.62	30/SEP/1999 30/SEP/1999	DOLARES	VENCIDO
001009 MOLINA HERMANOS S.A. DE C.V. TELEFONO: 28-9011 EJE. CTA: ROSA E. DE SERRANO. VALOR DE CANCELACION: 308,171.79	330,000.00 330,000.00 330,000.00	25/ENE/1990 06/ABR/1990 26/ABR/1990 06/FEB/1990	8.75 80.21 57,999.29	60,999.29 11,000.00 57,999.29	133,250.91 77,000.00 222.45 56,250.91	06/OCT/1999 06/OCT/1999	DOLARES	
001010 MOLINA HERMANOS S.A. DE C.V. TELEFONO: 28-9011 EJE. CTA: ROSA E. DE SERRANO. VALOR DE CANCELACION: 398,227.19	300,000.00 300,000.00 300,000.00	25/ENE/1990 06/ABR/1990 26/ABR/1990 06/MAR/1999	8.75 72.92 97,360.50	89,860.50 37,500.00 97,360.50	398,227.19 300,000.00 866.69 98,227.19	30/SEP/1999 30/SEP/1999	DOLARES	VENCIDO
001015 MOLINA HERMANOS S.A. DE C.V. TELEFONO: 28-9011 EJE. CTA: PATRICIA HERNANDEZ VALOR DE CANCELACION: 331,549.96	275,000.00 275,000.00 275,000.00	20/JUL/1990 15/OCT/1990 22/OCT/1990 15/OCT/1999	9.75 79.90 55,059.31	90,229.31 39,375.00 55,059.31	291,550.10 290,625.00 695.15 50,933.10	15/OCT/1999 15/OCT/1999	DOLARES	
001016 MOLINA HERMANOS S.A. DE C.V. TELEFONO: 28-9011 EJE. CTA: PATRICIA HERNANDEZ VALOR DE CANCELACION: 296,980.81	250,000.00 250,000.00 250,000.00	20/JUL/1990 15/OCT/1990 22/OCT/1990 15/OCT/1990	9.75 67.71 96,770.18	57,106.18 10,916.00 96,770.18	119,719.20 72,912.00 210.63 91,807.20	15/OCT/1999 15/OCT/1999	DOLARES	

SUB-TOTAL PRESTAMOS NO-PRODUCTIVOS:

TOTAL SALDO.....	1,920,801.16						
TOTAL INTERES ACUMULADO..	386,768.81						
TOTAL CAPITA MORA.....	1,969,910.16						
TOTAL INTERES MORA.....	2,392.81						
TOTA INTERESES VENCIDOS..	376,907.52						
TOTAL INTERES DIARIO.....	510.29	TOTAL INTERES MENSUAL....:	2,551.95				

FUSADES CARTERA / FIGEX

REPORTE DE SALDOS DE LA CARTERA DE PRESTAMOS
FEC. CALCULO INTERESES: 990930

FUENTE DE FONDO	SALDO TOTAL	TOTAL INT. ACUMULADOS	TOTAL CAP. HORA	TOTAL INT. HORA	TOTAL INT VENCIDOS	NUMERO REGISTROS
CREDITOS ACTIVOS FUENTE DE FONDO: 93 CITIYRUS CONV. 287	10,891,780.33	432,000.19	1,722,447.51	6,419.12	405,395.90	91

	10,891,780.33	432,000.19	1,722,447.51	6,419.12	405,395.90	91

TOTAL GENERAL

TOTAL SALDO.....	10,891,780.33		
TOTAL INTERES ACUMULADO..	632,000.14		
TOTAL CAPITAL NOM.....	1,722,447.51		
TOTAL INTERES NOM.....	8,617.12		
TOTAL INTERESES VENCIDOS..	485,359.23		
TOTAL INTERES DIARIO.....	2,961.27	TOTAL INTERES MENSUAL.....	19,011.27

**ANNEX I:
LOANS BY BORROWER, ALREADY
PAID**

287 INDUSTRIAL LOANS ALREADY PAID OFF

BORROWER	AMOUNT \$	DISBURSED	ORIGINAL TERM
Specialty Products	107,060	05/89	5 years
Specialty Products	142,003	07/89	4 years
Maquilas Salvadoreña	269,667	07/89	8 years
Acero S.A.	90,000	08/89	3 years
Maquilas Salvadoreña	135,438	07/89	4 years
Industrias Merlet	153,400	03/90	4 years
Specialty Products	400,000	08/90	4 years
SEER International	93,750	03/92	6 years
TOTALS	1,391,318		Mean: 4 yrs

**ANNEX J:
FIELD TRIPS, J. BORGATTI**

PLANT VISITS BY EVALUATION TEAM MEMBER JOSEPH J. BORGATTI

Date: November 30, 1994
Enterprise: Specialty Products
Owner: Sigma S.A. (Nassim Yarhi)
Admin. Manager: Carlos Alvarenga
Product: Maquila: Specialty packaging: bags and boxes
Location: San Bartolo Free

The account executive at PRIDEX (two years), Ernesto Galeano was the guide on this visit. There appeared to have been much collaboration between PRIDEX and Specialty Products (and between PRIDEX and Charter, a sister company). Among the collaborations was one with the Centro de Información Comercial in PRIDEX which is connected with Embassies through E Mail. This is an information channel that helps bring Salvadoran industries to the attention of foreign buyers and investors. Apparently another example is the technical analysis done by PRIDEX on requests for loans by Charter and Specialty Products. It was explained that often the technical analysis would be requested by FIDEX. Then PRIDEX, in doing the analysis, would wind up also doing the business plan for the client. Galeano explained that when the companies get to know FUSADES/PRIDEX they find they can get help such as negotiating with the owners of the free zones, negotiating contracts, etc. In return, the client companies feed back to FUSADES on a regular basis important information on impact in terms of employment, investment, exports generated, etc.

A gratuitous piece of information was that PRIDEX's 18-person staff was converting to a new strategy of promoting, as a new product, the development of industrial parks outside the capital city.

The Sigma group was among the first local firms to exploit the advantages of free zone status, and was the very first to appreciate the advantages of FIDEX loans. Sigma was sophisticated enough to use DCF calculations to show that if generating \$, a dollar term loan from FIDEX a good deal. When FIDEX tried to prove to people how they could make money under their program, the first loan was made to the Sigma Group.

Carlos Alvarenga, who is the Administrative Manager of both plants -Specialty & Corpack- informed that Specialty is invoicing €500,000 (\$56,818) per month on the export of distinctive bags and boxes (bolsas distintas & estuchas). The firm competes on quality not labor cost, as they are paying \$.74 per hour (€1,085 per month for 240 hrs = \$.50 plus 14 of social services cost = \$.74 per hour). He explained that while this was high for a Third World country, it was much lower than what they paid when the factory was in the United States where labor cost was \$6 per hour.

The firm has 600 employees, possibly two-thirds of them women, who work in cramped quarters. Management is actively seeking additional space, but the San Bartolo Free Zone appears to be running at close to full occupancy.

CORPACK

The company's principal raw material is wood, which is imported from the United States. Currently 90 people are employed, about half of them women. The ornate, velvet lined, wooden boxes (for jewelry) are all hand made.

This is a business that requires quick retooling and quick turnaround when fashions change.

Even more than Specialty Products, CORPACK needs more space. Also, like Specialty and like other maquilas the firm encounters annoying and costly problems with the customs people. The big problem is how to make things go faster and smoother in the Customs. They are disappointed with customs red tape and with the way taxes are calculated. Apparently export taxes are levied on total costs and not just on local component.

Date: November 30, 1994
Enterprise: Charter
Owner: Taiwanese
Admin. Manager: David Wan
Product: Maquila: Clothing
Location: San Marcos

The firm exports to the United States. It hasn't reached the top in terms of 599, but may soon have to slow down their growth. Charter employs 450 women workers. They are now occupying another new building with 120 workers, and plan to go to 300, after which they will have 750-800 workers, all women. A further planned expansion will take them to 1450 workers.

Charter works with the United States under 807. The cut cloth comes down from then U.S. while other fabric comes from Far East and is cut in El Salvador. They produce for Eddie Bauer, J.C. Penny, Liz Claiborne and KMART.

Pay scales average 20-30% higher than the Salvadoran minimum wage. The workers are all on piece work, which gives them higher take home pay. Work conditions were quite superior in this plant. Also noticeable was cleanliness. The employees all wore uniforms provided by the company, thus saving wear and tear on their personal clothing.

Currently Wan and his group are planning a big project, to build their own free zone. The intention is to bring more Taiwanese companies here, and have them all in the same park, where the park's management can handle all ex-plant activities, such as immigration visas for Taiwanese technicians, import and export permits and clearances, taxes, utilities, hiring etc. The already established firms can help the newcomers adjust -to learn the language, and understand the culture, and become informed about who to seek out for help. A lot of money is involved, so the company is still considering this idea of a free zone just for the Taiwanese.

As this is an initiative of the government to help the new investors, PRIDEX is helping them to find additional land, the government - to help the new investor.

Mr. Wan spoke for other free zone companies when he described three serious problems. They are enumerated here with the thought that PRIDEX may find it appropriate to champion their resolution:

1. Every firm faces enormous problems in dealing with the customs, whether in shipping things out or in receiving raw materials. Complainants say that if the Ministry of Hacienda wants to do something, it should send delegados out to accompany maquila people to the aduana and help resolve bureaucratic and other problems. The laws already give free zone companies permission to import duty free and to export free of local taxes, but the procedures are cumbersome (engorrosos).

2. In San Bartolo, there has been another problem, the union. The security people have not been able to control their actions until customs police came in. Meanwhile, factory break-ins, harassing people coming in to work, vandalism, finally produced a shutdown of at least one plant. Altmirano of PRIDEX promoted a meeting with the government about it. But the labor ministry took the attitude that it was trying to protect the workers, and would not hear management's side. Now, any worker fired or laid off goes to the labor debarment and presents a claim against the company; even if the worker quit of his/her own volition, and even if the person was paid full indemnity. Last March, one maquila received 20 summons to go to court, had to hire lawyers, have its managers take time off, etc.

3. There is a problem in obtaining residency problems, especially for Asians. With much difficulty and delay they get 6 months residence permits which are usually 3 months old by the time they get them. In former years, they could get visas for one year. This needs to be facilitated - there is much red tape, many documents required: birth certificate, police certificate, school certificate. If the expatriates are from mainland China or from Hong Kong, it becomes a major problem, because they can't easily get such documents. As a result, some have to go out; others have to come and go back and forth.

Date: December 14, 1994
Enterprise: Industs. Carlotta
Owner: Ana Carlotta de Lainez
Gen. Manager: Irma Llanera
Product: Maquila: Sewn women's clothing
Location: San Salvador, industrial zone

Industrias Carlotta is a maquila employing 350 workers. Although enjoying the fiscal advantages of a plant located in one of the free zones, this one is located in an industrial zone to the southwest of the city in an area brimming with lower middle class housing. The plant is served by a rail spur and is less than a mile from a main thoroughfare. But truck access to the plant itself is extremely difficult and becomes completely blocked when one container is being loaded or unloaded. Unlike maquilas visited in the new free zones, this one is crowded with machines and the layout owes more to expediency than planning. Future physical expansion may be restricted.

The President and General Manager are both women; so too are most of the supervisors in the plant. There are six men in maintenance, and three in operations. The only senior male is the engineer. Carlotta an example of a female entrepreneur's ascendancy in this male area, and a local female at that.

The firm has been working for Hanes for about three years. The cloth is cut in the U.S. and sent here. Formerly, Carlotta exported her own products. But the maquila contracts are more profitable. Other clients are KMART and a lingerie manufacturer. In addition, Carlotta exports blouses sporadically to Spain. Last year sales were \$1.2 million; this year they will be a bit less due to down time in changing over to a new product. Changeovers have proven to be costly, but they are recuperating nicely.

The workers are on piece work; and earn €70-80 colones per day, as opposed to the minimum wage of €35. In addition, they have a bonus system whereby targets are set and bonuses paid when they are beaten. These targets have to do with quality as well as quantity because of the quality demands of Hanes. Bonuses can average €150-200 per month. The products go direct to the stores, already marked with bar code. The experience with Hanes has brought her up in quality. Hanes have been demanding (exigente) on quality. The multi needle machine is something new for them. At Carlotta, the workers learn to use all the machines in the place, from single needle to 10 needle. A plus is that they are acquiring the skills to run some sophisticated machines. This enables the better workers to increase their incomes. At the same time, the firm qualifies to sew higher value added products.

**ANNEX K:
FUSADES SAMPLE PUBLICATION**



CONDICIONES DE LINEAS DE CREDITO FUSADES

- ORIGEN DE FONDOS** : USAID LINEA 519-287
- DESTINO** : INDUSTRIA LIVIANA, MAQUILA Y AGROINDUSTRIA
- OBJETIVO** : ESTIMULAR EL CRECIMIENTO EN LOS SECTORES INDUSTRIALES E INDUSTRIALES NO-TRADICIONALES DE EXPORTACION, RESULTANDO EN MAYORES NIVELES DE EMPLEO, INGRESOS, INVERSION Y GENERACION DE DIVISAS.
- MONEDA** : US DOLARES
- PRESTATARIOS** : EMPRESAS SALVADOREÑAS
- DESTINOS FINANCIABLES** : MAQUINARIA Y EQUIPO (MEDIANO Y LARGO PLAZO)
- CAPITAL DE TRABAJO (CORTO Y MEDIANO PLAZO).
- INVERSIONES EN PATRIMONIO POR PARTE DE FUSADES.
- ORIGEN DE LA MAQUINARIA** : ESTADOS UNIDOS DE NORTE AMERICA (PREFERIBLEMENTE NUEVA, SIN EMBARGO MAQUINARIA USADA ES PERMITIDA).
- MONTOS DE FINANCIAMIENTO** : MINIMO US \$ 100,000.00
MAXIMO US \$ 3,000,000.00
- PROHIBICION** : EL FINANCIAMIENTO NO PODRA SER UTILIZADO PARA :
- ESTUDIOS DE PRE-FACTIBILIDAD Y FACTIBILIDAD, PERFILES DE INVERSIONES

FUNDACION SALVADOREÑA
PARA EL DESARROLLO ECONOMICO Y SOCIAL



POTENCIALES, LA COMPRA DE EDIFICACIONES O PROPIEDADES, Y EL ESTABLECIMIENTO DE ZONAS FRANCAS.

LOS REFLUJOS DE LOS FONDOS DE ESTA LINEA NO PODRAN SER OTORGADOS A DIRECTORES DE FUSADES, NI EMPRESAS EN LAS CUALES DIRECTORES O MIEMBROS DE COMITES DE FUSADES FORMEN PARTE DE ELLAS A TRAVES DE SUS JUNTAS DIRECTIVAS O CARGOS LABORALES.

ESTRUCTURA DE FINANCIAMIENTO

: 75% FINANCIADO POR FUSADES Y 25% APORTE DE LA EMPRESA (MAXIMO).

LOS PRESTAMOS DE CAPITAL DE TRABAJO SOLAMENTE SE DARAN EN CONJUNTO CON FINANCIAMIENTO A LARGO PLAZO Y SOLAMENTE SE DARA HASTA EL 50% DEL MONTO TOTAL DEL PROYECTO PARA CAPITAL DE TRABAJO.

TODAS LAS ESCRITURAS DE PRESTAMOS FINANCIADOS CON FONDOS AID, DEBERAN DE INCLUIR UNA CLAUSULA EN LA CUAL LOS PRESTATARIOS SE COMPROMETEN A HONRAR LOS DERECHOS DE LOS TRABAJADORES INTERNACIONALMENTE RECONOCIDOS.

PLAZOS

: CAPITAL DE TRABAJO, DE 1 A 3 AÑOS, PREFERENTEMENTE (OTROS PLAZOS DE ACUERDO A LA NECESIDAD DEL PROYECTO Y A LA DISCRECION DEL COMITE). OTROS DESTINOS, MINIMO 3 AÑOS Y MAXIMO 10 AÑOS. PERIODO DE GRACIA SOBRE CAPITAL, 2 AÑOS MAXIMO, PREFERENTEMENTE (OTROS PLAZOS DE ACUERDO A LA NECESIDAD DEL PROYECTO Y A LA DISCRECION DEL COMITE).

FUNDACION SALVADOREÑA
PARA EL DESARROLLO ECONOMICO Y SOCIAL



- TASA DE INTERES** : EL U.S. PRIME RATE DEL CITIBANK, N.Y. (FLOTANTE), MAS UN DIFERENCIAL DE 1 A 5 PUNTOS, DEPENDIENDO DEL HISTORIAL CREDITICIO DE CADA CLIENTE Y EL TIPO DE PROYECTO.
- FORMA DE DESEMBOLSO** : DESEMBOLSO A UNA CUENTA RESTRINGIDA EN UN BANCO LOCAL Y RETIROS PARCIALES SUPERVISADOS POR BANFIDEX, DE ACUERDO A NECESIDADES Y AVANCE DE LA OBRA CONTRA PRESENTACIONES DE DOCUMENTOS.
- FORMA DE PAGO** : CAPITAL FIJO MAS INTERESES PREFERENTEMENTE (OTRAS FORMAS DE PAGO DE ACUERDO A LA NECESIDAD DEL PROYECTO Y A LA DISCRECION DEL COMITE).
- GARANTIAS** : COMBINACION DE GARANTIAS HIPOTECARIAS, PRENDARIAS, Y FIDUCIARIAS PREFERENTEMENTE (ESTA PARTE QUEDA TOTALMENTE A DISCRECION DEL COMITE).
- RELACION DEUDA/PATRIMONIO** : MAXIMO 4:1 (80% - 20%).

NOTA:

Toda la información proviene de los convenios FUSADES - AID. Excepto: (1) Tasa de Interés; determinada en Reunión Junta Directiva FUSADES (Acta #121, del Martes 26 de Mayo de 1992). (2) Forma de Desembolso, Forma de Pago, Garantías y Relación Deuda/Patrimonio; determinadas en Manual de Créditos Programa FIDEX, aprobado por AID y presentado a Comité Ejecutivo y Junta Directiva de FUSADES el 21 de Septiembre de 1988.

FUNDACION SALVADOREÑA
PARA EL DESARROLLO ECONOMICO Y SOCIAL



CONDICIONES LINEAS DE CREDITO FUSADES

- ORIGEN DE FONDOS** : USAID LINEA 519-327
- DESTINO** : AGROINDUSTRIA Y ACUACULTURA
- OBJETIVO** : INCREMENTAR LA PRODUCCION Y EXPORTACION DE PRODUCTOS AGRICOLAS Y DE ACUACULTURA NO-TRADICIONALES DENTRO Y FUERA DEL AREA CENTROAMERICANA.
- MONEDA** : US DOLARES, COLONES, O AMBOS. CUANDO SE EXTIENDAN PRESTAMOS EN DOLARES POR MEDIO DEL CITITRUST, SE TIENEN QUE MANTENER LOS PAGOS Y RECUPERACIONES EN DOLARES. AQUELLOS PRESTAMOS DE ESTE FONDO QUE SE DIERON EN COLONES, A TRAVES DEL PROGRAMA FIDEX Y BANFIDEX, Y QUE SE SOLICITARON ORIGINALMENTE PARA PRESTARSE EN COLONES SE MANTIENEN EN COLONES. AL AID SE LE SOLICITARON COLONES CUANDO FUESEN PRESTAMOS EN COLONES Y DOLARES CUANDO FUESEN PRESTAMOS EN DOLARES QUE ADMINISTRARIA EL CITITRUST.
- PRESTATARIOS** : NACIONALES, EXTRANJEROS Y COINVERSIONES.
- DESTINOS FINANCIABLES** : MAQUINARIA Y EQUIPO, EN US DOLARES O COLONES (MEDIANO Y LARGO PLAZO).

CONSTRUCCION, ADQUISICION O INSTALACION DE ACTIVOS, EN US DOLARES O COLONES (MEDIANO Y LARGO PLAZO).

CAPITAL DE TRABAJO, EN US DOLARES O COLONES (CORTO Y MEDIANO PLAZO).

FUNDACION SALVADOREÑA
PARA EL DESARROLLO ECONOMICO Y SOCIAL



**INVERSIONES EN PATRIMONIO POR PARTE
DE FUSADES.**

- ORIGEN DE LA MAQUINARIA** : ESTADOS UNIDOS DE NORTE AMERICA (PREFERIBLEMENTE NUEVA, SIN EMBARGO MAQUINARIA USADA ES PERMITIDA).
- MONTOS DE FINANCIAMIENTO** : MINIMO US \$ 50,000.00
O SU EQUIVALENTE EN COLONES.

MAXIMO US \$ 500,000.00
O SU EQUIVALENTE EN COLONES.
- PROHIBICION** : LOS ULTIMOS \$ 2 MILLONES BAJO ESTA LINEA NI LOS REFLUJOS PODRAN SER OTORGADOS A DIRECTORES DE FUSADES, NI EMPRESAS EN LAS CUALES DIRECTORES DE FUSADES FORMEN PARTE DE ELLAS A TRAVES DE SUS JUNTAS DIRECTIVAS O CARGOS LABORALES.
- ESTRUCTURA DE FINANCIAMIENTO** : 75% FINANCIADO POR FUSADES Y 25% APORTE DE LA EMPRESA (MAXIMO).
- PLAZOS** : CAPITAL DE TRABAJO DE 1 A 4 AÑOS PREFERENTEMENTE (OTROS PLAZOS DE ACUERDO A LA NECESIDAD DEL PROYECTO Y A LA DISCRECION DEL COMITE).

OTROS DESTINOS, MINIMO 4 AÑOS Y MAXIMO 10 AÑOS.

PERIODO DE GRACIA SOBRE CAPITAL 2 AÑOS MAXIMO PREFERENTEMENTE (OTROS PLAZOS DE ACUERDO A LA NECESIDAD DEL PROYECTO Y A LA DISCRECION DEL COMITE).
- TASA DE INTERES** : EN COLONES; COMPETITIVA CON EL MERCADO LOCAL PARA ESTA CLASE DE



FINANCIAMIENTO.

EN US DOLARES; EL U.S. PRIME RATE DEL CITIBANK, N.Y. (FLOTANTE), MAS UN DIFERENCIAL DE 1 A 5 PUNTOS, DEPENDIENDO DEL HISTORIAL CREDITICIO DE CADA CLIENTE Y EL TIPO DE PROYECTO.

FORMA DE DESEMBOLSO

: DESEMBOLSO A UNA CUENTA RESTRINGIDA EN UN BANCO LOCAL Y RETIROS PARCIALES SUPERVISADOS POR BANFIDEX, DE ACUERDO A NECESIDADES Y AVANCE DE LA OBRA CONTRA PRESENTACION DE DOCUMENTOS.

TODOS LOS FONDOS AID EN LAS CUENTAS RESTRINGIDAS DEBERAN DE SER DESEMBOLSADOS ANTES DEL 31 DE MARZO DE 1994.

FORMA DE PAGO

: CAPITAL FIJO MAS INTERESES PREFERENTEMENTE (OTRAS FORMAS DE PAGO DE ACUERDO A LA NECESIDAD DEL PROYECTO Y A LA DISCRECION DEL COMITE).

GARANTIAS

: COMBINACION DE GARANTIAS HIPOTECARIAS, PRENDARIAS Y FIDUCIARIAS PREFERENTEMENTE (ESTA PARTE QUEDA COMPLETAMENTE A DISCRECION DEL COMITE).

RELACION

DEUDA/PATRIMONIO : MAXIMO 4:1 (80% - 20%).

NOTA:

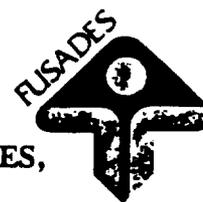
Toda la información proviene de los convenios FUSADES - AID. Excepto: (1) Tasa de Interés; determinada en Reunión Junta Directiva FUSADES (Acta #121, del Martes 26 de Mayo de 1992). (2) Forma de Desembolso, Forma de Pago, Garantías y Relación Deuda/Patrimonio; determinadas en Manual de Créditos Programa FIDEX, aprobado por AID y presentado a Comité Ejecutivo y Junta Directiva de FUSADES el 21 de Septiembre de 1988.



CONDICIONES LINEAS DE CREDITO FUSADES

- ORIGEN DE FONDOS** : FUSADES LINEA 303
- DESTINO** : AGRICULTURA E IRRIGACION
- OBJETIVO** : AGRICULTURA EN GENERAL, PROMOVER EL RIEGO DE PRECISION EN PRODUCTOS AGRICOLAS DE EXPORTACION DENTRO Y FUERA DEL AREA CENTROAMERICANA, ESTABLECIMIENTO DE PLANTAS PROCESADORAS Y EMPACADORAS DE PRODUCTOS AGRICOLAS DE EXPORTACION.
- MONEDA** : COLONES Y US DOLARES (PREFERENTEMENTE EN COLONES). ORIGINALMENTE ESTE CONVENIO SE CREO PARA DAR PRESTAMOS EN COLONES Y/O DOLARES, SE SOLICITARON COLONES AL AID PARA PRESTAR EN COLONES Y DOLARES PARA PRESTAMOS EN DOLARES. ESTOS DOLARES TENIAN QUE SER PAGADOS AL CAMBIO DEL COLON AL DIA, POR LO CUAL AL RECUPERAR COLONES POR PRESTAMOS DADOS ORIGINALMENTE EN DOLARES, EL CAPITAL RECUPERADO SE HA CONVERTIDO EN COLONES Y YA NO EXISTEN DOLARES PARA PRESTAR DE ESTE CONVENIO (UNICAMENTE SI COMPRAMOS DOLARES EN EL MERCADO, CON COLONES.
- PRESTATARIOS** : NACIONALES, EXTRANJEROS Y COINVERSIONES.
- DESTINOS FINANCIABLES** : PUEDEN CAMBIAR
MAQUINARIA Y EQUIPO

FUNDACION SALVADOREÑA
PARA EL DESARROLLO ECONOMICO Y SOCIAL



CONSTRUCCION DE EDIFICACIONES,
INSTALACION DE ACTIVOS.

CAPITAL DE TRABAJO.

INVERSIONES EN PATRIMONIO POR PARTE
DE FUSADES.

**ORIGEN DE LA
MAQUINARIA**

**: CUALQUIER PROCEDENCIA
(PREFERENTEMENTE NUEVA, SIN
EMBARGO MAQUINARIA USADA ES
PERMITIDA).**

**MONTOS DE
FINANCIAMIENTO**

: A DISCRECION DEL COMITE.

**ESTRUCTURA DE
FINANCIAMIENTO**

: A DISCRECION DEL COMITE.

PLAZOS

**: DE ACUERDO A LA NECESIDAD DEL
PROYECTO Y A LA DISCRECION DEL
COMITE.**

TASA DE INTERES

**: EN COLONES; COMPETITIVA CON EL
MERCADO LOCAL PARA ESTE TIPO DE
PROYECTO.**

**EN US DOLARES; EL U.S. PRIME RATE DEL
CITIBANK, N.Y. (FLOTANTE) MAS UN
DIFERENCIAL DE 1 A 5 PUNTOS,
DEPENDIENDO DEL HISTORIAL CREDITICIO
DE CADA CLIENTE Y EL TIPO DE
PROYECTO.**

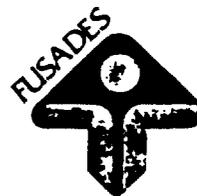
**FORMA DE
DESEMBOLSO**

**: DESEMBOLSO A UNA CUENTA
RESTRINGIDA EN UN BANCO LOCAL Y
RETIROS PARCIALES SUPERVISADOS POR
BANFIDEX, DE ACUERDO A NECESIDADES
Y AVANCE DE LA OBRA CONTRA
PRESENTACION DE DOCUMENTOS.**

FORMA DE PAGO

**: DE ACUERDO A LA NECESIDAD DEL
PROYECTO Y A LA DISCRECION DEL
COMITE.**

FUNDACION SALVADOREÑA
PARA EL DESARROLLO ECONOMICO Y SOCIAL



GARANTIAS : COMBINACION DE GARANTIAS
HIPOTECARIAS, PRENDARIAS Y

FIDUCIARIAS PREFERENTEMENTE (ESTA
PARTE QUEDA COMPLETAMENTE A
DISCRECION DEL COMITE).

RELACION
DEUDA/PATRIMONIO : MAXIMO 4:1 (80% - 20%).

NOTA:

Toda la información proviene de los convenios FUSADES - AID. Excepto: (1) Tasa de Interés; determinada en Reunión Junta Directiva FUSADES (Acta #121, del Martes 26 de Mayo de 1992). (2) Forma de Desembolso, Forma de Pago, Garantías y Relación Deuda/Patrimonio; determinadas en Manual de Créditos Programa FIDEX, aprobado por AID y presentado a Comité Ejecutivo y Junta Directiva de FUSADES el 21 de Septiembre de 1988.

**ANNEX L:
FUNDS AGREEMENT**

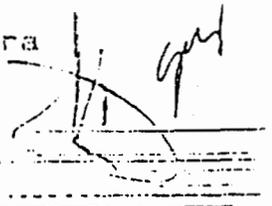
PROTOTROS: FRANCISCO EDUARDO NUÑEZ IRAHETA, con Cédula de Identidad Personal número cuatro-uno-cero dos tres cuatro uno cero, de cuarenta y nueve años de edad, Financiero, del domicilio de Nueva San Salvador, actuando en nombre y representación de la FUNDACION SALVADOREÑA PARA EL DESARROLLO ECONOMICO Y SOCIAL, del domicilio de San Salvador y actualmente de este domicilio, que se denominará FUSADES; y DAVID RAFAEL HUEZO RAMOS, con Cédula de Identidad Personal número uno-uno-veintiseis ochenta y cinco cero dos, de cuarenta y un años de edad, Banquero, del domicilio de San Salvador, actuando en nombre y representación de FIDEX, S.A., Institución de Crédito del domicilio de San Salvador y actualmente de esta plaza, por este medio acordamos celebrar el presente CONTRATO DE ADMINISTRACION DE LAS LINEAS DE CREDITO DE FUSADES Y DE LA CARTERA DE PRESTAMOS, sujeto a las cláusulas siguientes: I. FUSADES es dueño y actual poseedor de una Cartera de Préstamos que ha sido generada de los fondos que maneja: A) En una Cuenta Corriente con el Banco Hipotecario bajo el número diez-doscientos ochenta y cinco-sesenta y seis-ocho, denominada FUSADES/CUENTA FONDO DE CREDITO PARA INVESTIGACION Y DESARROLLO; proveniente de los convenios celebrados entre FUSADES - A.I.D.; y B) del Fideicomiso que administra Cititrust Bahamas Limited. II. FIDEX, S.A. por medio de este contrato está facultado para administrar las siguientes Líneas de Crédito de FUSADES: Línea de Riego colonos convenio 519-0303, diez millones setecientos treinta y cinco mil dólares; Línea Maquila e

ustria Liviana US Dólares convenio 519-0287, quince millones
enta y ocho mil quinientos treinta y siete dólares; Línea
industria US dólares y colones convenio 519-0327, diez millones
dólares), y los contratos de préstamos que de estas se deriven.
tro de la administración de las líneas de créditos, aquí
acionadas, deberá entenderse que FIDEX, S.A. puede realizar además
siguientes facultades : a) Administrar en su totalidad los montos
los créditos ya desembolsados; b) los montos de los créditos ya
orizados pero que aún no han sido desembolsados; c) los montos de
s créditos nuevos que puedan o deban ser desembolsados con
ndos disponibles de las diferentes líneas de crédito dentro de la
gencia del presente convenio, y d) el otorgamiento de nuevos
dígitos con los fondos provenientes de pagos de capital que se
reciban de créditos ya otorgados. Las líneas de crédito de los
onvenios 519-0287 y 519-0327 en dólares estarán reguladas por todos
os términos y condiciones del Fideicomiso suscrito entre FUSADES,
ID y CITITRUST (BAHAMAS) LIMITED y por los términos y condiciones
estipulados en los convenios suscritos entre FUSADES y A.I.D. Las
líneas de créditos 519-0303 en colones y 519-0327, porción en colones
también estarán sujetas a los términos y condiciones estipulados en
el presente contrato y a lo establecido en los convenios suscritos
entre FUSADES y AID; dentro de lo anterior deberá quedar comprendido
en ambos casos. que la preparación de los créditos deberá elaborarse
de acuerdo con los manuales aprobados por AID y se tomará en cuenta

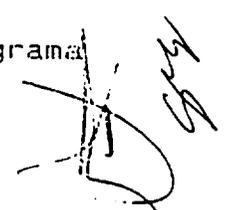


principalmente en los mismos la prohibición del LAC Boureau aplicable a los fondos obligados a FUSADES después del veinticinco de Febrero de mil novecientos ochenta y ocho; siempre y cuando estos fondos todavía se encuentren sujetos a los convenios suscritos por USAID y FUSADES y no sean del patrimonio de la Fundación. Asimismo FIDEX, S.A. deberá sujetarse además a las siguientes condiciones:

- 1) FIDEX, S.A. se sujetará de manera especial a las estipulaciones del presente convenio, a lo dispuesto en lo pertinente, en la Ley de Bancos y Financieras, Código de Comercio y demás instrucciones que al respecto dicte la Superintendencia del Sistema Financiero.
- 2) FIDEX, S.A. llevará registros que indiquen que FUSADES es la propietaria del crédito, la fecha del otorgamiento del mismo, el nombre y dirección del prestatario, el nombre y dirección del actual propietario del inmueble hipotecado, o bienes muebles prendados, la dirección del inmueble hipotecado o del inmueble donde radica la prenda. Deberá también llevar con respecto a cada crédito y de acuerdo a sanas prácticas de contabilidad, Registros que reflejen con exactitud el monto y fecha de todos los pagos efectuados por los deudores.
- 3) FIDEX, S.A. permitirá en cualquier momento el examen por representantes de FUSADES de todos y cada uno de los registros, documentos y cuentas relativas a los créditos que administre; AID previa autorización por escrito de FUSADES, dirigida a FIDEX, S.A. podrá examinar todos y cada uno de los registros, documentos y cuentas relativas a los créditos que FIDEX, S.A. administra

A handwritten signature in black ink is written over a rectangular stamp. The signature appears to be 'G. G. G.' or similar. The stamp contains some illegible text and a date, possibly '11/11/80'. There are horizontal lines below the stamp.

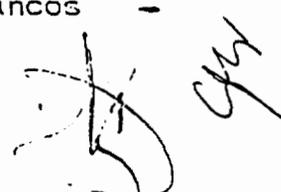
la parte referente a préstamos otorgados con fondos AID; la autorización deberá citar e identificar expresamente a los personeros A.I.D. que realizarán dicha labor. III. Los créditos serán aprobados exclusivamente por el Comité de Créditos de FIDEX, S.A. del cual participarán dos delegados de FUSADES quienes tendrán facultades para vetar tales créditos, cuando en base a políticas fijadas previamente por FUSADES, no se estén cumpliendo con los términos o condiciones de los convenios de cooperación suscritos entre FUSADES y A.I.D. y sus respectivas enmiendas y además cuando FUSADES no sea conveniente aprobarlos. Para efectos de quórum bastará la presencia de uno de los dos delegados. IV. FIDEX, S.A. se compromete a prestar a FUSADES los siguientes servicios : 1) Promover y coordinar las tres líneas de créditos mencionadas en el romano II, incluyendo la porción en colones de la línea 519-0327. 2) En la medida de lo posible promover y coordinar a través de los programas FUSADES, PRIDEX y DIVAGRO, la asistencia crediticia al Sector Agrario a fin de estimular el crecimiento de los sectores que generen exportaciones no tradicionales. 3) Recepción y determinación de la viabilidad de las solicitudes de financiamiento. 4) Análisis financiero de las solicitudes de crédito. 5) Aprobación o negación por el Comité de Créditos de FIDEX, S.A. de las solicitudes de crédito analizadas. 6) Revisar, elaborar y ejecutar la documentación necesaria para proceder a la escrituración de los créditos. 7) Efectuar desembolsos de los créditos escriturados de acuerdo al programa

Handwritten signature and initials in the bottom right corner of the page.

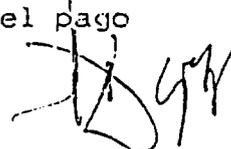
previamente establecido del avance de la obra. 8) Mantener registros de control por los créditos otorgados. 9) Presentar los instrumentos de garantía en las oficinas registrales correspondientes, y gestionar su debida inscripción. 10) Conservar bajo custodia, en nombre de FUSADES, los documentos de crédito y de las garantías a su favor. 11) Efectuar por lo menos una vez al mes, inspecciones en los inmuebles donde se realizarán los proyectos, a fin de constatar si la inversión del crédito se está ejecutando de acuerdo al proyecto y además comprobar la existencia y estado del equipo y maquinaria dados en prenda, e informar a FUSADES de inmediato los resultados de tales inspecciones. 12) Recibir pagos de capital e intereses. Los pagos recibidos por los créditos en US Dólares deberán ser enviados a más tardar el siguiente día al Cititrust Bahamas Limited para que sean contabilizados de acuerdo al fideicomiso suscrito entre FUSADES, A.I.D. y Cititrust Bahamas Limited. Los pagos de capital e intereses percibidos en cada mes de la Cartera de Préstamos Colones, FIDEX, S.A. los depositará diariamente en una cuenta de FUSADES, que ésta designará oportunamente. 13) Realizar la gestión de cobro normal, así como extrajudicial y judicial en su caso, de los créditos morosos. Para lo anterior se deberán mantener los controles necesarios para el cobro puntual de todas las cantidades a cuyo pago se hubieran obligado los deudores de los préstamos que se administran. 14) Entregar a los usuarios de los créditos, cuando éstos sean

[Handwritten signature]
6/24

ados. los documentos de obligación y de garantía, para su
relación. 15) En caso de que FIDEX, S.A. por negligencia grave,
idamente comprobada, incumpla cualquiera de las obligaciones aquí
ipuladas FUSADES, podrá deducirle responsabilidad haciendo uso de
acciones legales correspondientes.- V. FIDEX, S.A. cobrará en
cepto de derechos de trámite, otorgamiento y supervisión de los
ditos, hasta el dos por ciento sobre el monto de cada crédito
orgado, suma que los usuarios de los créditos pagarán en forma
recta a FIDEX, S.A. a la formalización de los mismos. VI. Los
tos notariales y fiscales que causen el otorgamiento y la
scripción de los documentos de crédito y garantía, así como los
stos de cancelación correrán por cuenta de los prestatarios. VII.
ADES pagará mensualmente a FIDEX, S.A. mediante recibo que esta le
esentará y dentro de los primeros cinco días hábiles del mes, en
ncepto de comisión por Administración de la Cartera de Préstamos en
neral, bajo las líneas de crédito relacionadas en la cláusula II)
este convenio, el Dos por ciento anual sobre el saldo promedio de
pital de la cartera total. Para efectos de calcular el saldo
omedio de la cartera total, los criterios a usarse serán los que a
ontinuación se detallan: 1o.- Los saldos en US dólares deben de
nvertirse a colones salvadoreños; 2o.- La referencia base de los
ipos de cambio será el informe que publica el Banco Central de
eserva de El Salvador, correspondiente a la última semana del mes
terior; y 3o.- Se usarán las tasas de cambios de los Bancos -

Handwritten signature and initials in black ink, located at the bottom right of the page.

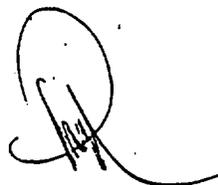
comerciales para la compra y venta de U.S. dólares. En consecuencia, el cálculo para el pago se hará, utilizando el promedio simple de dichas tasas.- VIII. Un crédito problema será sacado de la Cartera en administración cuando FIDEX, S.A. así lo recomiende y FUSADES lo acepte y/o FUSADES a su criterio lo estime conveniente en cualquier momento. Como crédito problema deberá entenderse aquél, cuya mora de capital y/o intereses exceda de noventa días; que se haya entablado juicio para cobro por la vía judicial; y/o cuando por recomendación de la Administración de FIDEX, S.A., con la aprobación de FUSADES, se le califique como tal. Para los efectos del manejo de los créditos por la vía judicial, FUSADES otorgará a favor del Gerente Legal de FIDEX, S.A. los poderes judiciales que sean necesarios. Asimismo, FUSADES, pagará a FIDEX, S.A., todos los gastos relacionados con el manejo de dichos créditos, tales como, timbres, valúos, peritajes, juez ejecutor, abogado, director, etc. mediante la comprobación correspondiente. IX. FIDEX, S.A. rendirá mensualmente informe escrito a FUSADES sobre los créditos formalizados, desembolsos efectuados, la recuperación de los mismos, la mora existente, los intereses ganados no cobrados, la distribución de los intereses percibidos todo en cumplimiento de lo establecido en la cláusula IV. de este contrato, así como cualquier otro informe que FUSADES requiera, ya sea de modo general o de manera especial en relación a uno o más créditos determinados. X. FIDEX, S.A. se obliga a entregar recibo a los clientes por el pago



capital e intereses en el momento de que el cliente lo efectúe y enviar copias de estos comprobantes a FUSADES a más tardar el siguiente día en que el pago haya sido recibido. XI. El presente contrato se celebra para un plazo indefinido, y es de obligatoria permanencia por las partes. Sin embargo, las partes podrán darlo por terminado, en cualquier momento, dando aviso por escrito a la otra parte con treinta días de anticipación, por lo menos. Deberá entenderse que el aviso de terminación fue dado en tiempo, presentando copia de la nota debidamente firmada y sellada por la persona a quien se le dirige.- Si el aviso no fuere dado en la forma y plazo aquí estipulado, Fidex, S.A. reconocerá a Fusades una cantidad de Cien mil colones, en concepto de cláusula penal. No obstante lo indefinido del plazo, del presente convenio, este podrá revisarse en forma anual a petición de cualquiera de las partes, en lo referente al porcentaje de comisión por administración de la artera (cláusula VII) o de cualquier otra condición del mismo después del segundo año de vigencia. XII. Para los efectos de este contrato las partes señalan esta ciudad como su domicilio especial, se someten a la autoridad de los tribunales de la misma. En fe de lo anterior firmamos el presente instrumento en la ciudad de Antigua Guatemala, el día treinta y uno de marzo de mil novecientos noventa y dos.



FIDEX, S. A.



**ANNEX N:
COSTS OF MANAGING FUSADES'
PORTFOLIO**

13 Oct. 94

BANFIDEX, S. A.
Prorrates de Gastos de soporte de centros de costo al 30/09/94
(En miles de colones y porcentajes)

	Dirección	Finanzas	Auditoría	FUSADES Créditos	Legal	Corporat.	Operac.	Rec. Hum.	Adm. Cap.	Total	Gto. Ajust.
Dirección	22.00%	25.00%	20.00%	0.00%	4.73%	7.00%	3.60%	15.00%	2.00%		
Finanzas	20.00%	25.00%	5.00%	0.00%	1.90%	10.00%	24.20%	9.00%	4.00%		
Auditoría	1.00%	0.00%	25.00%	0.00%	0.50%	1.00%	0.70%	9.00%	0.00%		
→ Créditos FUSADES	20.00%	3.00%	10.00%	80.00%	66.67%	15.00%	30.00%	10.00%	4.00%		
Legal	2.00%	0.00%	8.00%	0.00%	19.00%	8.00%	0.70%	9.00%	0.00%		
Corporat.	20.00%	17.00%	5.00%	20.00%	4.80%	47.00%	10.40%	9.00%	12.00%		
Operac.	5.00%	25.00%	20.00%	0.00%	2.40%	10.00%	29.00%	10.00%	18.00%		
Rec. Hum.	5.00%	0.00%	5.00%	0.00%	0.00%	1.00%	0.70%	20.00%	0.00%		
Adm. Cap.	5.00%	5.00%	2.00%	0.00%	0.00%	1.00%	0.70%	9.00%	60.00%		
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%	
	Dirección	Finanzas	Auditoría	Créditos	Legal	Corporat.	Operac.	Rec. Hum.	Adm. Cap.	Total	Gto. Ajust.
Dirección	466	179	91	0	20	51	40	30	6	881	(1,235)
Finanzas	423	179	23	0	8	72	267	18	12	1,002	285
Auditoría	21	0	113	0	2	7	8	18	0	169	(284)
Créditos	423	22	45	748	281	108	331	20	12	1,989	1,055
Legal	42	0	36	0	80	58	8	18	0	242	(179)
→ Corporat.	423	122	23	187	20	339	115	18	35	1,282	560
Operac.	106	179	91	0	10	72	320	20	52	850	(254)
Rec. Hum.	106	0	23	0	0	7	8	39	0	183	(15)
Adm. Cap.	106	36	9	0	0	7	8	18	174	357	67
Total contable	2,116	717	453	935	421	722	1,104	197	290	6,955	0
Gto. soporte	(1,235)	285	(284)	1,055	(179)	560	(254)	(15)	67	0	
Gto. real	881	1,002	169	1,989	242	1,282	850	183	357	6,955	

RENTABILIDAD DE CARTERA EN ADMINISTRACION FUSADES/USAID AL 30/09/94

INGRESOS (I)	Septbre. Acumul.	Comisión 2%	Comisión 1.75%	Comisión 1.50%	Comisión 1.25%	Comisión 1.00%
		Septbre. Anualiz.	Septbre. Anualiz.	Septbre. Anualiz.	Septbre. Anualiz.	Septbre. Anualiz.
Comisión por tramite de ptmos. FUSADES <i>1% - calculo / por crédito</i>	381	508	508	508	508	508
Comisión por administración de cartera FUSADES	2,390	3,187	2,770	2,374	1,979	1,583
Total Ingresos	2,771	3,695	3,278	2,882	2,487	2,091
COSTOS DE OPERACION (II)	1,989	2,652	2,652	2,652	2,652	2,652
Utilidad (pérdida) (III) = (I)-(II)	782	1,042	626	230	(166)	(562)
Cartera en administración Promedio anual (IV)		158,288	158,288	158,288	158,288	158,288

officer's signature

**ANNEX O:
LIST OF SHAREHOLDERS OF
BANFIDEX**

LISTADO DE MIEMBROS FUNDADORES. PUBLICO Y EMPLEADOS QUE COMPRARON
ACCIONES DE FIDEX. SA
AL 25 MARZO DE 1994

No.	NOMBRE DEL SOCIO	RECIBO		No. ACC PAGADAS	MONTO PAGADO
		No.	FECHA		
1	FUSADES			7.500	7.500.000

MIEMBROS A TITULO INDIVIDUAL

2	CARLOS ABRAHAM RODRIGUEZ			1	1.000
3	PEDRO LUIS APOSTOLO			1	1.000
4	JORGE ZABLAH TOUCHE			1	1.000
5	MARIO LUIS VELASCO			1	1.000
6	FRANCISCO EDUARDO NUNEZ I			1	1.000
7	CARLOS LEONEL MEJIA CABRERA			1	1.000
8	ROBERTO HENDERSON MURRAY M			1	1.000
9	JUAN VICENTE MALDONADO			1	1.000
10	ARCHIE BALDOCCHI			1	1.000
11	FRANCISCO EDUARDO MENENDEZ			1	1.000
12	JEANNETTE PAGGI			1	1.000
13	RICARDO DAMIAN HILL			1	1.000
14	JOSE LUIS ANDREU RUIZ			1	1.000
15	SALVADOR JOSE SIMAN			1	1.000

TOTAL DE 14 MIEMBROS A TITULO INDIVIDUAL

14 14.000

MIEMBROS FUNDADORES

16	ABRAHAM RODRIGUEZ	482	180393	500	500.000
17	ALBERTO A. DAVIS	478	"	100	100.000
18	ALEJANDRO RODRIGUEZ BURGOS	376	090393	50	50.000
19	ALFREDO ORTIZ MANCIA	331	050393	50	50.000
20	CARLOS AVILES PACAS	313	040393	50	50.000
21	EDUARDO A ZABLAH	1832	190493	500	500.000
22	ENRIQUE GARCIA PRIETO	1840	190493	1.000	1.000.000
23	ERNESTO REGALADO O'SULLIVAN	522	190393	100	500.000
		1836	190493	400	
24	GUILLERMO DE LA GUARDIA	329	050393	50	50.000
25	JORGE ZABLAH TOUCHE	1790	150493	500	1.000.000
		1834	190493	500	
26	JOSE CARLOS LIEVANO	601	240393	500	600.000
		1845	190493	100	
27	JOSE DOMINGO CALL KERRINKX (1)	456	170393	250	500.000
		508	190393	150	
		718	050493	100	
28	JOSE LUIS ZABLAH	1833	190493	1.000	1.000.000
29	LUIS ALVAREZ PRUNERA	521	190393	100	500.000
		1839	190493	400	

No.	NOMBRE DEL SOCIO	RECIBO		No. ACC PAGADAS	MONTO PAGADO
		No.	FECHA		
30	MARIO VALLE	518	190393	250	600.000
		1846	190493	350	
31	MAURICE CHOussy	1844	190493	550	750.000
		1847	190493	200	
32	MIGUEL ANGEL SALAVERRIA	1841	190493	1.000	1.000.000
33	MIGUEL GASTEAZORO	385	100393	50	50.000
34	NASSIN YARHI	464	180393	1.000	1.000.000
35	OSCAR ALFREDO SANTAMARIA	476	180393	100	100.000
36	RAFAEL ALVAREZ VILANOVA	360	080393	100	100.000
37	RICARDO HILL ARGUELLO	487	180393	500	1.000.000
		679	010493	500	
38	ROBERTO ABREGO	519	190393	100	350.000
		1843	190493	250	
39	ROBERTO F SIMAN SIRI	722	050493	250	250.000
40	ROBERTO JOSE SIMAN JACIR	723	"	250	250.000
41	ROBERTO MATHIES	523	190393	200	1.000.000
		1837	190493	800	
42	ROBERTO MATHIES HILL	520	190393	200	1.000.000
		1838	190493	800	

TOTAL DE 27 MIEMBROS FUNDADORES

13.850 13.850.000

AL PUBLICO - VIA OMNI. SA

43	ALBERTO JOSE SIMAN DADA (2)	2149	190593	40	41.400
44	CARLOS ANTONIO RODRIGUEZ M	2138	130593	1.000	1.035.000
45	CARMEN ELENA SIMAN D DE JAAR (5)	2157	190593	40	41.400
46	CAYRO. SA DE CV	2154	190593	200	207.000
47	COINVER. SA DE CV	2143	140593	250	258.750
48	COMERCIAL EDIFICADORA. SA	2158	190593	250	258.750
49	JOSE DOMINGO CALL KERRICKX (1)	2146	170593	500	517.500
50	JULIO CESAR DIAZ CANAS	2142	130593	400	414.000
51	MARTA EUGENIA SIMAN DE MIGUEL	2159	250593	40	41.400
52	MIGUEL ARTURO DUENAS	2140	130593	1.000	1.035.000
53	NUEVOS INVERSIONISTAS, SA	2139	130593	1.000	1.035.000
54	OSCAR FILIBERTO DIAZ CANAS	2141	130593	1.000	1.035.000
55	PATRICIA. SA DE CV	2151	190593	100	103.500
56	RICARDO DAMIAN HILL ARGUELLO	2144	140593	250	258.750
57	SACOS SINTETICOS. SA DE CV	2145	170593	1.000	1.035.000
58	SALVADOR JOSE J SIMAN DADA (4)	2156	190593	40	41.400
59	SILVIA INES SIMAN DADA (3)	2152	190593	40	41.400

TOTAL DE 17 PERSONAS PUBLICO VIA OMNI

7.150 7.400.250

No.	NOMBRE DEL SOCIO	RECIBO		No. ACC PAGADAS	MONTO PAGADO
		No.	FECHA		
<u>AL PUBLICO - VIA FUSADES</u>					
60	ALBERTO JOSE SIMAN DADA (2)	2162	010693	10	10.350
61	CARMEN ELENA SIMAN DE JAAR (5)	2358	010693	10	10.350
62	EMILIA SIMAN JACIR	2353	010693	13	13.455
63	EUGENIA SIMAN DE DABDUB	2355	010693	12	12.420
64	LOS NOGALES. SAS DE CV	2160	250593	50	51.750
		2161	260593	50	51.750
65	MARIA EUGENIA DABDUB SIMAN	2357	010693	10	10.350
66	ROSA MARIA SIMAN DE SACA	2356	010693	25	25.875
67	SALVADOR JOSE J SIMAN DADA (4)	2351	010693	10	10.350
68	SILVIA INES SIMAN DADA (3)	2354	010693	10	10.350
<u>TOTAL DE 9 PERSONAS PUBLICO VIA FUSADES</u>				200	207.000

AL PUBLICO - VIA BOLSA VALORES

69	OMNI. SA DE CV	2366	010693	18	18.566
----	----------------	------	--------	----	--------

EMPLEADOS FUSADES

70	ALONSO DE JESUS FIGUEROA M	Cuscatlán		50	50.000
71	ANA CRISTINA LOPEZ CRAIK	Efectivo		1	1.000
72	ANNEL SUSANA A DE CHAHIN	Agrícola		5	5.000
73	CARLOS MARCELINO CASTRO R	Efectivo/Agrícola		10	10.000
74	CONCEPCION CHAVEZ DE CANALES	Cuscatlán		6	6.000
75	EDITH MAIRA FUNES AGUIRRE	Cuscatlán	(*)	10	10.000
76	ERNESTO MARTIN MARTINEZ C	Cuscatlán		5	5.000
77	GUILLERMO ANTONIO REYNADO	Cuscatlán		15	15.000
78	GUILLERMO DE LA GUARDIA	Agrícola		50	50.000
79	JOSE ANTONIO CASTILLO	Cuscatlán	(*)	15	15.000
80	JOSE ORLANDO ALTAMIRANO PERLA	Cuscatlán		25	25.000
81	JULIA ELIZABETH BARRAZA N	Agrícola		30	30.000
82	LILIAN NAVARRETE A DE AYALA	Agrícola		10	10.000
83	LUIS ALFONSO LOPEZ PORTILLO	Agrícola		20	20.000
84	LUIS FERNANDO CANALES PORTILLO	Efectivo/Cuscatlán		8	8.000
85	LUIS HEYMANS MEARDI	Cuscatlán	(*)	5	5.000
		Efectivo		5	5.000
86	LUIS MARIO APARICIO GUZMAN	Cuscatlán		5	5.000
87	LUIS ROBERTO FLORES JURADO	Cuscatlán		15	15.000
88	MANUEL ANTONIO BRUYEROS V	Agrícola		5	5.000
89	MARINA CAROLINA ALFARO M	Cuscatlán	(*)	10	10.000
90	MIGUEL SALVADOR ZAVALA MULLER	Cuscatlán	(*)	15	15.000
91	NICOLAS ERNESTO G GUILLÉN A	Agrícola		3	3.000
92	RICARDO ANTONIO MOLINS H	Efectivo/Cuscatlán		50	50.000
93	ROBERTO ENRIQUE ARBIZU MATA	Cuscatlán		10	10.000
94	ROMEO ESCOBAR RIVERA	Cuscatlán		5	5.000
95	SANDRA REBECA V DE BARRAZA	Cuscatlán		25	25.000

No.	NOMBRE DEL SOCIO	RECIBO		No. ACC PAGADAS	MONTO PAGADO
		No.	FECHA		
96	SILVIA CAROLINA LUNA VELASQUEZ	Agrícola		2	2.000
97	WILLIAN ENRIQUE GUZMAN B	Cuscatlán		4	4.000
TOTAL DE 28 EMPLEADOS DE FUSADES				419	419.000

EMPLEADOS FIDEX

99	AGUSTIN BLANCO HERNANDEZ	Contado	(*)	20	20.000
100	ALICIA ELENA GARCIA G	Cuscatlán		15	15.000
101	ANA MARIBEL DE RIVERA	Contado	(*)	50	50.000
102	CARLOS ERNESTO GUTIERREZ	Cuscatlán		5	5.000
103	WALTER ALFREDO SCHONBORN	Contado		64	64.000
104	ISAAC GUERRA	Contador	(*)	5	5.000
105	JENNY DE COTO	Agrícola		100	100.000
106	JUAN CARLOS GUARDADO GARCIA	Cuscatlán		5	5.000
107	Leonel del la O	Contado	(*)	2	2.000
108	LUIS ARMANDO LEMUS	Cuscatlán		2	2.000
109	MARIA TERESA DE SERRANO	Contado	(*)	30	30.000
110	MARILYN CRUZ	Efectivo		0	0.000
111	MELADY JANET MARQUEZ	Cuscatlán	(*)	3	3.000
112	PATRICIA AVILES PAREDES	Cuscatlán		30	30.000
113	PATRICIA BOJORQUEZ DE HERNAND	Contado	(*)	20	20.000
114	PATRICIA DE MURGA	Contado	(*)	5	5.000
115	PEDRO MELENDEZ	Cuscatlán		50	50.000
116	RAFAEL ANTONIO MEJIA	Agrícola		5	5.000
117	SILVIA DE HENRIQUEZ	Contado	(*)	5	5.000
118	SILVIA HAIDE FLAMENCO	Cuscatlán		5	5.000
119	WILLIAM CABRERA	Agrícola		5	5.000
120	WILSON A ROMERO	Cuscatlán		2	2.000

**TOTAL DE 22 EMPLEADOS DE FIDEX
GRAN TOTAL VENDIDO**

431	431.000
29.582	29.839.816

RESUMEN:	ACCIONISTAS	ACCIONES	VALORES
FUSADES	1	7,500	7,500.000
MIEMBROS A TITULO INDIVIDUAL	14	14	14.000
MIEMBROS FUNDADORES	27	13,850	13,850.000
PUBLICO VIA OMNI, SA	18	7,150	7,400.250
PUBLICO VIA FUSADES	9	200	207.000
PUBLICO VIA BOLSA VALORES	1	18	18.566
EMPLEADOS FUSADES	29	419	419.000
EMPLEADOS FIDEX	22	431	431.000
	121	29,582	29,839,816

RESUMEN DE ACCIONES:			
TOTAL VENDIDO		29,582	29,839,816
Vendidas por medio Bolsa de Valores	(Dn Alfredo)	411	411.000
PENDIENTE DE VENDER		7	7.000
TOTAL DE ACCIONES		30.000	30.257.816

**ANNEX P:
BANFIDEX BALANCE SHEET**

BANFIDEX, S. A.

Balance Comparativo Mensual al 30 de Noviembre de 1994

(Saldos en miles de colones)

	Octubre	Noviembre	Variación
Activos			
Disponibilidades	55,426	21,660	(33,765)
Caja General	896	1,126	230
Banco Central	20,526	16,054	(4,472)
Fondos en Compensación	34,003	4,480	(29,523)
Divisas	26,344	7,357	(18,986)
Inversiones	101,721	114,751	13,030
Títulos Públicos	50,631	61,161	10,530
Títulos Privados	51,090	53,590	2,500
Préstamos (Netos)	126,538	127,573	1,035
Fondos Propios	93,708	94,899	1,191
Banco Central	32,830	32,674	(156)
Bienes Muebles e Inmuebles	1,324	1,315	(9)
Otros Activos	5,509	5,770	261
Gastos pagados por Anticipado	586	640	54
Productos por cobrar	3,159	3,515	356
Cuentas por cobrar	490	530	39
Amortizaciones	1,196	1,022	(174)
Otros	78	64	(15)
Total Activos	318,862	278,427	(38,435)
Pasivos			
Depósitos	103,440	85,784	(17,656)
A la Vista	4,104	3,533	(572)
Ahorros	55,429	51,277	(4,153)
A Plazo	25,148	24,786	(362)
Dólares	18,759	6,189	(12,570)
Depósitos en Garantía Cartas de Crédito	0	0	0
Reportes Emplidos	47,837	63,480	15,644
Créditos	55,756	56,478	722
Préstamos del BCR	32,830	32,674	(156)
Préstamos con recursos Externos	22,925	23,803	878
Otros Pasivos	73,453	36,088	(37,365)
Intereses por pagar	1,528	1,928	400
Cheques de Caja	33,729	12,955	(20,774)
Cuentas por Pagar	1,214	738	(477)
Créditos con Otras Instituciones del País	36,500	19,962	(16,538)
Provisiones	411	433	23
Otros	71	72	0
Total Pasivos	280,486	241,830	(38,656)
Patrimonio			
Capital Pagado	30,000	30,000	0
Reservas	269	269	0
Superávit no Distribuable	1,430	1,430	0
Resultados por Aplicar	813	813	0
Ganancia	3,866	4,086	221
Total Patrimonio	36,377	36,597	221
Total Pasivo y Patrimonio	318,862	278,427	(38,435)
Valor por Acción (En colones)	1,213	1,220	7

BANFIDEX, S.A.**Estado de Resultados**
(Cifras en Miles de Colones)

	Acumulado 1994	Estruct Porcent
I. Productos		
A). Financieros		
1. Intereses		
a. Préstamos	14,050	43%
b. Inversiones	13,798	42%
d. Otros	519	2%
Sub-total intereses	28,367	86%
2. Comisiones		
a. Trámite Ptmos. Fond. Prop.	514	2%
b. Com. Trámite prést. FUSADES	559	2%
c. Comisiones por Cartas de Crédito	87	0%
d. Comisiones por Fianzas	131	0%
d. Comisiones Otras	25	0%
Sub-total Comisiones	1,316	4%
3. Ajustes Cambiarios	265	1%
Sub-Total Productos Financieros	29,948	91%
B). Administración de Cartera Terceros	3,019	9%
C). Regularización de Ejercicios Anteriores	27	0%
D). Otros	10	0%
Total productos	33,003	100%
II. Gastos		
A). Financieros		
1. Intereses		
a. Depósitos de Ahorros	3,545	12%
b. Depósitos a Plazo	3,097	11%
c. B.C.R.	2,947	10%
d. Otras Instituciones Nacionales	2,701	9%
e. Otras Instituciones Extranjeras	1,766	6%
f. Reportos	5,020	17%
g. Otros	233	1%
h. Prov. pago Servicios FUSADES	1,034	4%
Sub-total Intereses	20,343	70%
2. Ajustes Cambiarios	399	1%
Sub-Total Gastos Financieros	20,742	71%
B). Administrativos	6,009	28%
C). Regularización de Ejercicios Anteriores	245	1%
D). Gasto por Reservas de Saneamiento	25	0%
Total Gastos	29,020	100%
III. Utilidad antes de Impuesto	3,983	
Prov. Imp. sobre Renta y Patr.	0	
IV. Utilidad Neta	3,983	

**ANNEX Q:
IMPACT DATA ON 287 LOANS**

224

PRIDEX

RESULTADOS LOGROS DE EMPRESAS

EMPRESA	(1984-1994)			(1993)		
	EMPLEOS	DIVISAS	INVERSION	EMPLEOS	DIVISAS	INVERSION
INDUSTRIAS FLORENCI PRIMO	843	\$2,098,250	\$2,185,000	0	\$120,100	\$0
MOLINA HERMANOS	1,147	\$11,102,814	\$3,012,893	139	\$4,533,300	\$117,100
SPECIALTY PRODUCTS	159	\$359,844	\$1,083,652	0	\$18,000	\$15,700
ANGELITOS	572	\$9,111,943	\$2,287,413	0	\$0	\$0
SALEX	619	\$6,089,877	\$190,238	0	\$0	\$0
INDUSTRIAS MERLET	282	\$1,108,468	\$163,716	0	\$0	\$0
MANUFACTURAS Y CONFECCIONE	1,129	\$2,775,899	\$1,758,800	56	\$177,300	\$352,000
INDUSTRIAS LAINEZ	324	\$1,378,387	\$284,101	11	\$579,500	\$11,300
DATA ENTRY DE EL SALVADOR	1,278	\$3,728,292	\$947,163	190	\$1,357,100	\$0
SATELLITE INTERNATIONAL	5	\$5,500	\$1,300	0	\$0	\$0
FELI INDUSTRIES	1,392	\$9,502,588	\$1,997,651	197	\$5,347,900	\$128,400
BROOKLYN MANUFACTURING	537	\$3,235,030	\$395,705	63	\$1,258,100	\$5,000
SEER INTERNATIONAL	1,289	\$4,430,928	\$1,002,731	188	\$1,135,900	\$0
CORPACK	250	\$125,000	\$2,495,000	0	\$0	\$0
KNITS	29	\$2,415,800	\$3,800	0	\$0	\$0
CONFECCIONES SAMOUR BAHAI	110	\$272,500	\$220,800	65	\$238,500	\$120,800
TEXPORT	591	\$5,220,382	\$869,528	0	\$0	\$0
INDUSTRIAS ORION	46	\$8,988,716	\$510,000	0	\$0	\$0
CHARTER	187	\$370,000	\$150,000	187	\$150,000	\$150,000
MAQUILADORA AMERICANA	797	\$3,827,388	\$216,390	554	\$1,787,700	\$51,200
	0	\$0	\$0	0	\$0	\$0
	11,584	\$76,119,182	\$19,773,879	1,650	\$16,879,400	\$951,500

* NOTA= EN EL TOTAL DE LOS EMPLEOS DE LAS EMPRESAS NO ESTA REFLEJADO LOS EMPLEOS DADOS DE BAJA, (RETIRADOS).

**ANNEX R:
FRAMEWORK OF EXPORT AND
INVESTMENT PROMOTION PROGRAMS**

922

**EVOLUCION DEL MARCO LEGAL DE FOMENTO
DE LAS EXPORTACIONES E INVERSIONES**

LEYES	AÑOS	MECANISMO DE FOMENTO	INSTRUMENTOS MECANICOS DE APOYO
LEY DE FOMENTO DE LAS EXPORTACIONES	1970	Beneficios e incentivos a: - Ind. de export. neta. - Industrias Mixtas. - Emp. comer.de export.	
LEY DE FOMENTO DE LAS EXPORTACIONES	1974	Mayores beneficios e incentivos fiscales (mismo tipo de empresas)	Crea: - El COMACE - El ISCE - Fdo.de Gtfa.para Créd. de Exportación - Seguro de Crédito a las exportaciones. - Certif.de Compensac.Tributaria (CCI). - Régimen de Z.F.Ind. y Comer.de Export.
LEY DE FOMENTO DE LAS EXPORTACIONES (NICE creado a principios de los 80's)	1986	Beneficios e incentivos fiscales para un mayor número de productos y tipos de Empresas (incluye para Zonas Francas Privadas)	* Deroga el COMACE y el ISCE. * Crea: - El CENTREX - El Registro e Exportadores - Modifica el Régimen de Z. F.(Admite la Prop. o Admón Privada de Zona Franca). - Amplía el concepto del CCT y crea el certificado de descuento tributario
LEY DE FOMENTO Y GARANTIA DE LA INVERSION EXTRANJERA 1a. REFORMA 2a. REFORMA	1988 01/89 12/89	Beneficios y garantías para la inversión extranjera (toda clase de transferencia de capital a El Salvador)	* Establece el Registro de Inversión Extranjera (Bajo control del NICE/y luego, en Ministerio de Economía).
LEY DE REACTIVACION DE LAS EXPORTACIONES	1990	. Simplifica la categoría de Bienes y Empresas que gozarán de los beneficios (Todas las empresas que exporten bienes o servicios, excepto café, azúcar y algodón). . Simplifica la estructura de beneficios e incentivos fiscales que otorga la ley.	. Deroga la ley de 1986. . Establece el mecanismo de DRAW-BACK. . Establece el Régimen de Admisión Temporal para la Importación de Bienes
LEY DEL REGIMEN DE ZONAS FRANCA Y RECINTOS FISCALES	1990	. Beneficios e incentivos específicos para empresas ubicadas dentro de Zonas Francas: 1. Desarrollista de Zonas Francas. 2. Administradores de Zonas Francas. 3. Usuarios de Zonas Francas	. Establece un detallado Régimen Aduanero para información de artículos necesarios en Zonas Francas o Recintos Fiscales; . Establece un Régimen de Exportación Temporal. . Ministerio de Economía, como responsable del establecimiento, administración y funcionamiento de Zonas Francas y Recintos Fiscales. . Ministerio de Hacienda, responsable de la vigilancia y control del régimen fiscal.

122

DE FOMENTO DE LAS EXPORTACIONES

AÑO	ORGANO CREADO	ALCANCE	ESTRUCTURA	NIVEL TECNICO/ OPERATIVO
1974	CONSEJO NACIONAL DE COMERCIO EXTERIOR - CONCAE	NORMATIVO/DECISORIO	MINISTROS: - DE ECONOMIA - DE HACIENDA - DE RELACIONES EXTERIORES - DE AGRICULTURA Y GANADERIA - SECRETARIA EJECUTIVO DE CONAPLAN.	INSTITUTO SALVADOREÑO DE COMERCIO EXTERIOR (ISCE) (SECRETARIA TECNICA DEL CONSEJO)
1980	MINISTERIO DE COMERCIO EXTERIOR -NICE-	NACIONALIZACION DEL COMERCIO EXTERIOR		NICE/DIRECCIONES: - PROMOCION DE EXPORTACIONES - PROMOCION DE INVERSIONES Y ADMINISTRACION DE ZONAS FRANCAS - OPERACIONES DE COMERCIO EXTERIOR. - CENTRO DE TRAMITES DE EXPORTACIONES E INVERSIONES (CENTREX). - CENTRO DE INFORMACION COMERCIAL INCAFE E INAZUCAR
1986	COMISION DE DESARROLLO DE LAS EXPORTACIONES - CODEXI-	CONSULTA (ASESORIA APOYO)	GOBIERNO/MINISTROS: - DE COMERCIO EXTERIOR - DE ECONOMIA - DE HACIENDA - Y VICEMINISTRO DE PLANIFICACION - PRESIDENTE DEL B.C.R. SECTOR PRIVADO - SR. MASSIM YARHI(SIGMA) - SR. R. MURRAY (LA CONSTANCIA) - SR. R. PALOMO (ADOC) - FUSADES, COEXPORT. CCIS, ASI.	MINISTERIO DE COMERCIO EXTERIOR (NICE)
1989	COMISION NACIONAL DE FOMENTO A LAS EXPORTACIONES E INVERSIONES-CONAEXI-	SUPERVISION, COORDINACION Y SEGUIMIENTO. (FACILITADOR DE LA IMPLEMENTACION DE LA ESTRATEGIA NACIONAL)	GOBIERNO/MINISTRO: - DE ECONOMIA - DE AGRICULTURA Y GANADERIA. SECTOR PRIVADO - REPRESENTANTES DE GRENIALES - ASI, COEXPORT, CCIS. - FUSADES (DIR. EJECUTIVO) - REPRESENTANTES SECTOR AGRICOLA	MINISTERIO DE ECONOMIA (MINEC)
1993	COMISION NACIONAL DE FOMENTO DE LAS EXPORTACIONES -FOMEX-	- COORDINACION Y COMUNICACION (ENTRE SECTOR PRIVADO, EXPORTADORES Y EL ESTADO) - SEGUIMIENTO	GOBIERNO: - DESIGNADO DEL PRESIDENTE DE LA REPUBLICA MINISTROS: - DE ECONOMIA - DE AGRICULTURA Y GANADERIA - PRESIDENTE DEL B.C.R. SECTOR PRIVADO: - PRESIDENTE DE ASI - PRESIDENTE CCIS - PRESIDENTE COEXPORT - PRESIDENTE FUSADES	DIRECCION EJECUTIVA (SECRETARIA TECNICA DE LA COMISION)

SCOPE OF WORK

ATTACHMENT 1

I. ACTIVITY TO BE EVALUATED

Project 519-0287 - Industrial Stabilization and Recovery - was designed in the early 1980's to help El Salvador achieve broadly based, sustainable growth and to encourage a vigorous response by the private sector to an improved policy environment. The Project, which was authorized on 9/17/84 with an amended PACD through 9/30/94, consists of two components: **a private sector component**, currently implemented by the Salvadoran Foundation for Economic and Social Development (FUSADES); and **a public sector component**, implemented until 1991 by the Ministry of Economy (former Ministry of Foreign Trade). The Project is scheduled to terminate on 9/30/94.

The 519-0327 Agribusiness Development and the 519-0303 Water Management Projects, both implemented by FUSADES, sought to assist Salvadoran private sector entrepreneurs enter into non-traditional agriculture export activities. Both Projects fund credit credit components which are managed by FIDEX/FUSADES.

Project 519-0336- Private Sector Initiatives was designed in 1987 to provide technical and financial assistance, training, and other services to Salvadoran business associations, and to support the economic, social and policy research, analysis and dissemination activities of FUSADES, thereby contributing to improving private/public sector relations and the Salvadoran public's perception of the private sector. The Project terminated on December 31, 1991.

The evaluators will perform an end-of-project evaluation for the Industrial Stabilization and Recovery Project which will cover three main activities: 1) Private Sector Component institutional development of FUSADES and its programs funded under the 519-0287 Project; 2) Industrial Credit funded under the 519-0287 Project; and 3) Public Sector Component development of non-traditional exports funded under the 519-0287 Project.

In addition, the evaluators will 4) examine Agroindustrial credit funded by the Agribusiness Development 519-0327 and the Water Management 519-0303 Projects. Last, 5) a final evaluation for the Private Sector Initiatives support of business associations, funded under the 519-0336 Project will be carried out.

208

Activity 1: PRIVATE SECTOR COMPONENT- FUSADES

The private sector component has funded activities for different units of FUSADES, namely PRIDEX (Export and Investment Promotion unit), CENTER OF STUDIES/DEES (Department of Economic and Social Studies), FIDEX (Export and Investment Development Fund), the FUSADES administration, and FORTAS (Association Strengthening Activities Program). Within each of these units the evaluators will examine USAID financed impact under Project 519-0287.

ACTIVITY 2: FIDEX INDUSTRIAL PORTFOLIO

In evaluating the FIDEX unit of FUSADES, the consultants will examine the industrial portfolio (funded under Project 519-0287 Industrial Stabilization and Recovery).

ACTIVITY 3: PUBLIC SECTOR COMPONENT GOES- MINISTRY OF ECONOMY

The public sector component (now terminated) of the 519-0287 Project, implemented by the Ministry of Economy, will be evaluated based upon Project documentation only.

ACTIVITY 4: FIDEX AGROINDUSTRIAL PORTFOLIO

The consultants will examine the agroindustrial portfolio (funded under Projects 519-0303 Water Management and 519-0327 Agribusiness Development).

ACTIVITY 5: PROJECT 519-0336- PRIVATE SECTOR INITIATIVES

Another Project implemented by FUSADES, the 519-0336 Private Sector Initiatives, was authorized on 8/23/87 and its PACD amended to 12/31/91. The evaluators will prepare an expanded Project Assistance Completion Report (PACR) for the Project, which will fill the Mission requirement for an end-of-Project evaluation.

II. OBJECTIVE

The purposes of this end-of-Project evaluation are:

- 1) To review the overall impact of FUSADES programs funded under the Industrial Stabilization and Recovery Project, in terms of the original objectives established in each of the programs it is implementing, as well as FUSADES institutional, managerial, financial and technical strengths and weaknesses;

2) To examine the FIDEX Program of FUSADES, focusing on the industrial portfolio funded by Project 519-0287, in order to assess its contribution to the development of non-traditional export activities in El Salvador;

3) To assess the impact of the public sector component of the 519-0287 Project, under the former Ministry of Foreign Trade (now Ministry of Economy), in stimulating growth in the non-traditional export sector of El Salvador, through its support to the implementation of a national overall export and investment strategy;

4) To assess the impact of the agroindustrial portfolio of FUSADES funded by Projects 519-0327 (Agribusiness Development) and 519-0303 (Water Management), in order to assess its contribution to the development of non-traditional export activities in El Salvador.

5) To assess the impact of the FORTAS/FUSADES program, funded under the Private Sector Initiatives Project, in improving the capacity of the private sector associations and their contribution to an improved public's perception of the private sector in El Salvador.

III. SCOPE OF WORK

519-0287 Project- INDUSTRIAL STABILIZATION AND RECOVERY

A. ACTIVITY 1: Private Sector Component

The TEAM LEADER will analyze FUSADES' general capability to implement Project activities. Specifically the TEAM LEADER will:

1) Assess the impact of the various activities conducted by FUSADES' units (CENTER OF STUDIES/DEES, PRIDEX, FIDEX, FORTAS) within the Mission's strategic framework.

2) Examine the issue of gender impact on Project effectiveness.

3) Assess the management capabilities of FUSADES and the full time staff of its implementing units (CENTER OF STUDIES/DEES, PRIDEX and FIDEX) to implement programs.

4) Assess FUSADES' organizational structure, policies, leadership and overall management in order to evaluate the Project's investment in institutionally strengthening the organization.

5) Indicate what other sources of funding have been identified by FUSADES for PRIDEX and the CENTER OF STUDIES/DEES Project activities.

6) Assess whether the institutional arrangement for Project implementation has strengthened or hampered the possibilities of sustained Project activities for the CENTER OF STUDIES/DEES and PRIDEX.

The INTERNATIONAL TRADE SPECIALIST will:

1) Discuss the constraints faced by PRIDEX to achieving its objectives, eg. the Salvadoran business environment, institutional constraints, extra-regional constraints, production and marketing constraints specific to El Salvador and legal constraints derived from the enforcement of Section 599 to the Foreign Assistance Appropriations Act of FY 1993 (relating to relocation of US businesses, assistance to export processing zones and internationally recognized workers' rights). Specifically determine how the constraints affected the Project outcomes.

2) Determine the relationship between increases in foreign exchange earnings, employment and investment and the PRIDEX program activities, if any.

3) Assess the investment promotion activities of PRIDEX and its adaptation to changing conditions, particularly as a result of the enforcement of Section 599 legislation.

4) Assess the impact of PRIDEX technical assistance sub-projects that have been completed, on the apparel/textiles, electronics, light industry and handcrafts export sectors.

5) Determine what FUSADES expects from PRIDEX following the PACD and compare this vision to PRIDEX's current deployment of resources and strategy.

6) Assess the viability of the PRIDEX Program independently and within the overall management structure of FUSADES.

7) Assess whether Project activities for PRIDEX are being conducted in a cost-effective manner (i.e. cost per unit, cost per beneficiary analysis).

8) Determine what revenues will be needed to sustain these activities.

The ECONOMIST will:

- 1) Assess the capability of the CENTER OF STUDIES/DEES to provide the analytical basis for policy recommendations to the GOES.
- 2) Assess the appropriateness of the CENTER OF STUDIES/DEES criteria for determining its areas of study, and influencing government policy formulation.
- 3) Assess the success/failure of the CENTER OF STUDIES/DEES in influencing government policy formulation.
- 4) Assess the success/failure of the DEES in influencing private sector thinking on the benefits of the free-enterprise model.
- 5) Examine the relationship of CENTER OF STUDIES/DEES activities to other divisions/activities of FUSADES and recommend, where appropriate, any restructuring of programs and responsibilities which could improve the effectiveness of DEES and FUSADES as a whole.
- 6) Determine what FUSADES expects from the CENTER OF STUDIES/DEES following the PACD and compare this vision to DEES' current deployment of resources and strategy.
- 7) Assess the viability of the CENTER OF STUDIES/DEES program independently and within the overall management structure of FUSADES.
- 8) Assess whether Project activities for the CENTER OF STUDIES/DEES are being conducted in a cost-effective manner (i.e. cost per unit, cost per beneficiary analysis).
- 9) Determine what revenues will be needed to sustain these activities.
- 10) Assess seminars, publications, training and technical assistance provided by DEES and how these activities relate to Project goals.
- 11) Assess the CENTER OF STUDIES/DEES/FUSADES receptiveness/collaboration in joining efforts with other local/foreign institutions/associations for carrying out specific activities/programs.

B. ACTIVITY 2: FIDEX Industrial Portfolio

The INDUSTRIAL CREDIT SPECIALIST:

- 1) Indicate which sub-projects have been financed since the creation of the industrial credit fund under the 519-0287 Project, including those that already paid their debt.
- 2) Assess the impact of the loans provided by FUSADES/FIDEX/BANFIDEX, especially in the creation of new investment, labor and foreign exchange generated by the credit.
- 3) Assess the accessibility of FIDEX as a source of developmental credit for non-traditional industrial export activities.
- 4) Determine the relationship of FIDEX's loan policies and portfolio to the Project objectives.
- 5) Estimate the amount of direct and indirect employment generated by the sub-projects financed under each of the FIDEX credit lines.
- 6) Indicate the actual status of each of the sub-projects financed under the Project.
- 7) Assess the adequacy of the funds management agreement signed between BANFIDEX and FUSADES.
- 8) Assess the transparency of the FUSADES sale of FIDEX S.A.'s stock to the public, particularly to non-FUSADES members, to divest the former's participation to 25% , as mandated by the Cooperative Agreement for Project 519-0287.

C. ACTIVITY 3: Public sector component

The INTERNATIONAL TRADE SPECIALIST will:

- 1) Discuss the constraints faced by the Ministry of Economy (GOES priorities, GOES and private sector attitudes, institutional constraints, extra-regional constraints and others) in the implementation of the National Export Strategy.
- 2) Assess the Ministry of Economy's contribution, during the Life of the Project, to the passage of appropriate legislation to support non-traditional export and investment development.
- 3) Assess the Ministry of Economy's contribution, during the

LOP, to the development of physical and institutional infrastructure needed to facilitate investment and exports.

4) Assess the Ministry of Economy's initiative in supporting activities that complemented the export and investment promotion efforts of the private sector, such as the collection of data relevant to foreign investors, dissemination of information on laws and regulations, elimination of red-tape for foreign investment, etc.

510-0327 AGRIBUSINESS DEVELOPMENT AND 510-0303 WATER MANAGEMENT PROJECTS

D. ACTIVITY 4: FIDEX Agroindustrial Portfolio:

The AGROINDUSTRIAL CREDIT SPECIALIST will:

1) Indicate which sub-projects have been financed since the creation of the funds under the 519-0327 Agribusiness Development and 519-0303 Water Management Projects, including those that already paid their debt.

2) Assess the impact of the loans provided by FUSADES/FIDEX/BANFIDEX, especially in the creation of new investment, labor and foreign exchange generated by the credit.

3) Assess the accessibility of FIDEX as a source of developmental credit for non-traditional agroindustrial export activities.

4) Determine the relationship of FIDEX's loan policies and portfolio to the Project objectives, as well as to determine the impact and payback of loaned capital.

5) Estimate the amount of direct and indirect employment generated by the sub-projects financed under each of the FIDEX credit lines.

7) Indicate the actual status of each of the sub-projects financed under each of the USAID Projects.

8) Indicate how the overall business environment has changed since the inception of the USAID Water Management and Agribusiness Development Projects.

9) Indicates the characteristics of the agribusiness sector before credit was made available from the 519-0303 Water Management Project and 519-0327 Agribusiness Development Project lines, in terms of total assets, equipment, size of

sales (exports and local market), employment, source of raw materials, etc.

10) Recommended future actions considering that the Water Management Project (519-0303) has ended and the Agribusiness Development Project (519-0327) is planned to terminate on March 31, 1995.

11) Assess the role of DIVAGRO in a) promoting the 519-0327 Project, b) technically assisting it, c) any other support provided by DIVAGRO. Has this support been critical for the success or failure of the Project?

519-0336 Project- PRIVATE SECTOR INITIATIVES

E. ACTIVITY 5: Support to Business Associations

The TEAM LEADER will:

- 1) Assess in what ways and to what extent the business associations have increased their self-sufficiency through FORTAS support.
- 2) Assess in what ways and to what extent the FORTAS program has led to a redefinition of the associations' roles and objectives.
- 3) Evaluate the extent to which the FORTAS program enabled its members to promote the export initiative or to carry out export-oriented activities.
- 4) Assess the increase in membership within associations under the FORTAS component.
- 5) Assess the impact of the associations assisted by FORTAS in promoting the free-enterprise system.
- 6) Assess the impact of the associations' activities in strengthening the private sector's image before the public and demonstrating its involvement in El Salvador's economic and social problems.
- 7) Recommend future actions for FUSADES to undertake with business associations, ONGs, other institutions, to maintain private sector unity and collaboration.

235

IV. METHODOLOGY

In its proposal to the Mission, the contractor will define the methodology suggested for the evaluation of each of the five activities presented in Section III Scope of Work, to include statistical analysis of data, revision of national account figures, trade data, etc.

Field work , including the preparation of a draft report and exit conference will take place in El Salvador. The work of the selected team will be coordinated by a team leader who will remain in-country for the entire duration of the evaluation. Consultants are authorized 1 round trip US-El Salvador.

The team will work under the general policy guidance of the USAID/El Salvador Mission Director and under the direct supervision of a Mission Evaluation Committee (MEC) composed of the Deputy Mission Director or Programs and Projects Development Office (PPD) Director, the Project Manager, the Mission Evaluation Officer, Backstop officers from PPD, Controller's Office (CONT), Contracts Office (CO) and the Economic Planning and Analysis Office (ECON). FUSADES and the Ministry of Economy will designate a liaison officer for the purpose of facilitating the Contractor's execution of the scope of work.

The Consultants research will include:

- Review of FUSADES, PRIDEX, and DEES documentation, such as the Industrial Stabilization and Recovery Project Papers and subsequent amendments; the Grant agreement and subsequent amendments; the Mission semiannual reports; the 1988 FUSADES Evaluation prepared by Development Associates, Inc. in 1988; the 1987 RIG Audit of FUSADES, the PRIDEX Strategy documents prepared by CARANA in 1990, the self-sufficiency document prepared for FUSADES by Interamericas Group Inc. in early 1994, the self-sufficiency plan for PRIDEX prepared by Washton-Brown Associates in 1993.
- For the FIDEX evaluation, the contractors will review at a minimum the Water Management Project Paper, the Agribusiness Development Project Paper, as amended, the Water Management and Agribusiness Development Evaluation reports, the Industrial Stabilization and Recovery Project Paper Amendment No. 1 which created the investment fund, the evaluation reports of FIDEX (July 1989) and the Mooney-Laport Assessment of 1989; the loan reports from BANFIDEX, the semiannual reports of the

Water Management, Agribusiness Development and Industrial Stabilization and Recovery Projects, the client files in BANFIDEX related to credit applications and supervision under these three USAID funded programs, the Funds Management Agreement between BANFIDEX and FUSADES.

- For the GOES component, the contractors will review at least, the Industrial Stabilization and Recovery Project Paper and subsequent amendments, the Grant Agreement with the Ministry of Economy (former Ministry of Foreign Trade) and subsequent amendments, Project Implementation Letters, the National Export Development Strategy prepared in July 1990, the Mission semiannual reports, Ministry of Foreign Trade annual action plans (1985-1990), Project correspondence, CODEXI, CONAEXI documentation.
- With respect to the 519-0336 development of an expanded version of the PACR, the evaluators will review the Private Sector Initiatives Cooperative Agreement with FUSADES dated 8/31/87, its subsequent amendments and Project Implementation Letters; the Mission semiannual reports; the 1988 FUSADES evaluation prepared by Development Associates, Inc. in 1988. There is no Project Paper for this activity.

The evaluators will review the same documentation for the 519-0316 Project, Association Strengthening Activities, authorized on 7/19/1985. This is due to the fact that FORTAS was originally funded under the 519-0316 Project. There is no Project Paper for this activity.

The evaluators will also employ primary and secondary data gathering techniques including:

interviews with FORTAS/FUSADES personnel, business association members, business association directors, FORTAS Commission members and USAID staff;.

interviews with FUSADES, PRIDEX, FIDEX and CENTER OF STUDIES/DEES staff, and whatever others may be deemed appropriate.

- interviews with recipients/participants of FUSADES programs to include actual and potential exporters, importers and investors, credit users, etc.
- interviews with government officials in the fields of international trade and investment and macroeconomic policy formulation.
- review documents and secondary literature of the GOES component for evaluation.

V. REPORTING REQUIREMENTS

- ✓ a) Within three days from the day of arrival, the team will submit to the Mission Evaluation Committee a detailed workplan, including intended site visits, for USAID and FUSADES approval.
- ✓ b) The evaluation team will participate in entrance, mid-point and exit briefings for the Mission Evaluation Committee (MEC), as well as in weekly briefings for the Mission Evaluation Officer and the Project Manager, as will be laid out in the entrance briefing.
- ✓ c) Seven working days before leaving El Salvador, the chief of party shall give the USAID 5 copies in English of a draft report. The contractor will participate in a MEC review of this draft three days after the submission of the draft. The evaluator will use comments, both written and oral, from this meeting to revise the draft. The contractor shall incorporate the suggested comments and recommendations into a final acceptable draft to be left with the USAID prior to departure. USAID will have 10 working days to review this final draft before returning it to the Contractor, and to share it with FUSADES and the Ministry of Economy.
- d) Within four weeks of receipt of USAID comments, the contractor shall incorporate drafting and substantive changes and send to the USAID ten copies of the final report: 10 in English and 10 in Spanish.

The evaluation report will include the following sections:

missing

- Executive summary: including purposes of the evaluation, methodology used, findings, conclusions and recommendations. It will also include comments on development impact and lessons learned. It should be complete enough so that the reader can understand the evaluation without having to read the entire document. The summary should be a self-contained document.

missing

- Scope of work and methodology: a copy of the initial scope of work and a detailed outline of methodology used will be included. Any deviation from the scope will be explained.

- OK - Evaluation team: a complete list of evaluation team members, including host country personnel, their field of expertise and the role they played on the team.
- Evaluation findings, conclusions and recommendations: in a separate section of the report if possible. Recommendations should be priority actions that can be taken by the USAID and implementing entities.
- Previous evaluations should be discussed. This will include a brief description of conclusions and recommendations made in the earlier report. The evaluator will discuss briefly what use was made of previous evaluations in the present review of the project.
- Lessons learned. this section should describe the causal relationship factors that proved critical to project success or failure, including political, policy, economic social and bureaucratic preconditions within the host country and USAID.
- OK - Paginated table of contents
- USAID Evaluation summary: USAID will provide forms and appropriate guidance for the submission of a draft of this formal summary.
- A Project Assistance Completion Report (PACR), in accordance with the attached format for the 519-0287 Project public and private sector components, and for the 519-0287 Project.

VI. LEVEL OF EFFORT

It is anticipated that performance of the Scope of Work will require the services of five individuals with the below mentioned qualifications for the respective number of work-days enumerated. A six-day work week is authorized.

Team leader (FUSADES management and FORTAS): This individual will be required to provide overall guidance and management and to consolidate the evaluation efforts. Prior experience in the preparation of USAID project papers, evaluations and/or related documents for similar activities is desirable. A degree in management, or an organizational development specialization is recommended, and background in private sector foundations. This person would evaluate FUSADES management and the FORTAS section. The LOE recommended is approximately 36 days and the individual will be required to

remain in country for the entire duration of the evaluation.
He/she would be the primary contact with USAID.

International trade specialist (PRIDEX and GOES): This individual should have at least 3 years working experience in international trade and development and be familiar with trade and investment policy in the CBI region. Substantial experience in the attraction of investment, export promotion and trade in Latin America is recommended. This team member would be responsible for PRIDEX and for the GOES component of Project 519-0287. A LOE of approximately 36 days is estimated.

Finance/credit specialists (FIDEX): Two individuals are needed for this purpose. One should have a minimum of 5 years of experience as a development banker with expertise in agroindustrial portfolios and the other a minimum of 3 years experience in industrial portfolios. Both must have professional qualifications in management, financial systems and accounting and credit operations. Qualifications should include at a minimum a graduate degree in business administration, banking and finance, accounting or other field related to the tasks. A good knowledge of the industrial and agroindustrial business environments in El Salvador is highly desirable. An LOE of approximately 30 days is estimated for each of the evaluators.

Economist (DEES): The individual should be an economist with a specialization in economic development. He should have at least 5 years practical experience working in development programs in Latin American countries. This person would evaluate the DEES. A LOE of approximately 36 days is estimated.

It is planned that each of the above mentioned team members will concentrate on specific areas of assignment and that the efforts of each will be coordinated by the Team Leader. The final report will satisfy the requirements of this SOW and will contain individual sections on each of the above mentioned programs, overall FUSADES management, credit operations, export and investment promotion activities, economic and social policy analysis, and FUSADES financial structure and viability. The final report will also recommend alternatives for increasing the development impact in each of FUSADES program areas.

ATTACHMENT 2
DETAILED BUDGET ESTIMATE

A. Professional Services 2/		\$72,500.00	3/
Team Leader (36 person/days at \$331.92)	\$11,949.12		
Intl. Trade Sp. (36 person/days at \$331.92)	\$11,949.12		
Ind. Cred. Spec. (30 person/days at \$331.92)	\$9,957.60		
Agroind. Cred. Sp. (30 person/days at \$331.92)	\$9,957.60		
Economist (36 person/days at \$331.92)	\$11,949.12		
	\$55,762.56		
Fringe benefits (30% of Base Salary)	\$16,728.77		
SUBTOTAL		\$72,491.33	
B. Local Per Diem		\$25,680.00	
Team Leader (42 day E.S. at \$131/day)	\$5,502.00		
Intl. Trade Sp. (42 day E.S. at \$131/day)	\$5,502.00		
Ind. Cred. Sp. (35 person/days at \$131/day)	\$4,585.00		
Agroind. Cred. Sp. (35 person/days at \$131/day)	\$4,585.00		
Economist (42 person/days at \$131/day)	\$5,502.00		
SUBTOTAL	\$25,676.00		
C. Airfare		\$5,000.00	
Team Leader (2 round trips Miami-ES)			
Intl. Trade Sp. (2 round trips)			
Ind. Cred. Sp. (1 round trip)			
Agroind. Cred. Sp. (1 round trip)			
Economist (2 round trips Guat-ES)			
D. Miscellaneous		\$10,000.00	
(Communications, secretarial services, reproduction, other support costs)			
E. Contingency		\$10,000.00	
E. Overhead		\$18,120.00	
(25% of base salary and fringe benefits)			
TOTAL		\$141,300.00	

1/ A fifteen (15%) flexibility between line items budget is hereby authorized except for salaries.

2/ A six day work week is authorized.

3/ All totals in this column are rounded to the nearest \$10.

BACKGROUND SECTION

Project 519-0287 - Industrial Stabilization and Recovery

The 519-0287 Project consists of technical and financial support to develop the capacity of El Salvador's private and public sectors to provide policy support and technical assistance, technology transfer, and training services to exporters of non-traditional products to extraregional markets. The Project goal is to generate employment, income, and foreign exchange for El Salvador. The Project purpose is to develop the capacity of the private and public sectors to provide policy support and technical assistance, technology transfer, and training services to Salvadoran exporters of non-traditional products. Through policy development and technical and financial assistance, the Project is intended to support the Government of El Salvador's (GOES) effort to develop a strategy for export and investment promotion and activities related to the implementation of that strategy.

The justification for the Project was that El Salvador's economy was badly shaken by a variety of internal and external political and economic factors which included an armed conflict, acts of terrorism, a world-wide recession, contraction of the demand for exports within the Central American Common Market, increased price of imports and an overvalued exchange rate. Together these forces drained El Salvador's international reserves, reduced fiscal revenues, constrained bank credit and devastated the productive sectors.

Traditionally, El Salvador's economy has been dependent on a few subsistence and commodity crops. The formation of the Central American Common Market (CACM) in 1960 stimulated the creation of manufacturing enterprises based on import substitution through attracting investment with protective tariffs and other subsidies and rapid expansion was seen through the 1970s. Real GDP increased an average of 5.4% per year between 1960 and 1978 while savings grew rapidly. However, this growth masked fundamental structural problems, such as dependence on a few traditional commodities, diminished opportunities in agriculture due to El Salvador's competitive disadvantage in the quantity of land, and the development of inefficient industries dependent on subsidies and protection. Due to the maturation of these structural difficulties, increasing political violence and decrease in worldwide demand through recession, GDP per capita fell 25 % between 1979 and 1983.

Current thinking assumes that growth in El Salvador will be based, in part, on expanding exports. Due to the limited success of the CACM, export markets outside the region had to be more aggressively pursued. The Project's approach was to support the development of El Salvador's private and public sector strategy for growth in non-traditional exports. The private sector portion of the Project intended to develop a new capability within FUSADES to strengthen and link Salvadoran firms with foreign markets. Within this concept, a long-term goal to attract foreign investment was implemented through FUSADES.

The original Project Paper for the 519-0287 Project with a planned obligation of \$9.46 million for the public and private sector components was amended in 1986 to increase funding by \$20 million for FUSADES, part of which went to the establishment of a \$15 million investment fund (FIDEX) in an offshore financial institution, to make available hard currency credit to local and foreign exporters of non-traditional industrial products. At this time such a fund was, in part, justified by an inappropriate foreign exchange regime. FUSADES was made responsible for the sound management of this fund, which was intended to play a leading role in encouraging new Salvadoran business and stimulation of foreign investor interest. It should be mentioned at this point that a similar fund was created under the Agribusiness Development Project signed with FUSADES to make available credit to exporters of non-traditional agricultural products.

In 1991, the Project Paper was amended for a second time, increasing the total planned obligation to \$47.9 million for technical and financial support to private and public sector efforts to stimulate growth in the country's non-traditional export sectors, as a means of promoting economic growth and diversification of the economy. The resources added were expected to contribute to the Life of Project totals of approximately 40,000 new jobs, \$135 million in new investment in export-oriented industries, and \$139 million in additional foreign exchange earnings.

FUSADES

The Salvadoran Foundation for Economic and Social Development (FUSADES) is a private sector foundation, established in 1983, in response to the economic, political and social crisis which prevailed in El Salvador in the early 1980s. It was created as a private, non-profit and non partisan organization to play a leading role in the formulation and implementation of economic development strategies led by private sector investment. Its activities are financed by contributions from USAID, its own members and private corporations and

218

institutions. USAID is the principal supporter of FUSADES, with approximately \$115 million authorized under various grants. FUSADES' main objective is to develop activities which are designed to promote the physical, intellectual, social and economic well-being of the Salvadoran people within a framework of economic and social freedom.

A brief rundown of FUSADES implementing units and programs follows:

PRIDEX, the Export and Investment Promotion Program for non-traditional, non-agricultural products, carries out the export and investment promotion efforts of FUSADES. It supported domestic firms with export potential, focusing on a small number of industrial sectors, i.e. apparel/textiles, electronics, light industry, handcrafts, selected on the basis of their potential for increased exports and job creation. In addition, it actively promoted El Salvador abroad, seeking direct foreign investment, co-investment and long-term subcontracting opportunities through the use of overseas promoters.

In 1993, Final Guidance on Section 599 to the Foreign Assistance Appropriations Act of FY 1993 (relating to relocation of US businesses, assistance to export processing zones, and internationally recognized workers' rights) was presented to FUSADES, and PRIDEX activities were redefined accordingly. In compliance with Section 599, FUSADES closed PRIDEX promotional offices in the US in November 1993.

FIDEX, the Export and Investment Development Fund, was established in 1986 as the credit arm of FUSADES. The credit funds made available to FIDEX/FUSADES by USAID came from 3 sources: \$15.0 million from the 519-0287 Industrial Stabilization and Recovery Project for industrial credit; \$5.6 million from the 519-0327 Agribusiness Development Project for agroindustrial loans, and \$10.735 million from the 519-0303 Water Management Project for irrigation projects. The first two funds were placed in a trust set up offshore with a US bank which administers them.

In 1992, FIDEX was approved as a private financial institution, BANFIDEX. It is now a diversified financial institution which deepens the financial sector by providing development financing for non-traditional activities. As an independent bank, it manages FUSADES credit funds.

DIVAGRO, the agricultural diversification program, currently funded under the Agribusiness Development Project 519-0327, was designed to assist Salvadoran private sector entrepreneurs enter into non-traditional agriculture and agribusiness export activities through technological improvements, training, trial

294

demonstration and variety plots, and general informational support.

DEES, the Department of Economic and Social Studies, is a unit within FUSADES which conducts an active program of economic, social and legal research, policy analysis, and dissemination activities in support of FUSADES free enterprise, private sector led growth model. It reports on economic and social trends in El Salvador, conducts analysis of macroeconomic policy and advocates reforms consistent with free market concepts. It also maintains a library and technical papers on diverse economic topics, open to the community and publishes important studies and journals, having a regional reputation as a high quality think tank. In January, 1992, the DEES unit was combined with the Legislation Department of FUSADES to create the Center of Studies.

FORTAS, the Association Strengthening Activities Program, was initially funded in 1985 under the Association Strengthening Activities Project 519-0316 and subsequently under the Private Sector Initiatives Project 519-0336 beginning in 1987 and terminating in 1991. FORTAS was designed to strengthen Salvadoran business associations to improve their capacity to offer information and training to their members to raise awareness on the importance of developing non-traditional exports. It subsequently became apparent that the associations needed considerable organization, managerial and administrative strengthening, which was provided to them through the Program prior to actively implementing the FORTAS plan.

At present, FORTAS endeavors to institutionally strengthen Salvadoran business associations and private sector foundations (PRODICOS), with the objective of increasing the private sector's participation in El Salvador's economic and social development. This activity however, is not funded by USAID.

PROPEMI, the small and micro-enterprise promotion program, initially funded under the Small and Microenterprise Project 519-0304 from (8/85 to 8/91), and subsequently under the Small Enterprise Support Project (9/93 to 9/96), offers training, technical assistance and credit to small and micro entrepreneurs throughout the country.

Public sector Component

The public sector component implemented by the Ministry of Economy (formerly Ministry of Foreign Trade) consisted of a \$2.56 million grant to finance activities designed to improve

245

the legal, policy, and institutional framework in support of private sector efforts to increase non-traditional exports to non-CACM markets, and to improve facilities and operations at the GOES free zone at San Bartolo.

The original Project, authorized in 1984, called for support for public sector activities in the following areas: Export and Investment Strategy Formulation and Policy Analysis, Strategy Support Mechanisms, and Free Zone Development.

Project Paper Amendment Number 2 to the 519-0287 Project, dated April 1991, provided support, additional to the above mentioned activities, for the newly created National Export and Investment Commission (CONAEXI) which was tasked with coordinating and facilitating efforts to increase Salvadoran exports under the National Export Strategy prepared in 1990.

It was envisioned that it would be a statutory body reporting directly to the President of El Salvador. The Commission would aggressively coordinate, monitor, and mobilize support committees for specific investment and export promotion activities, and advocate specific actions to improve the policy and regulatory framework, infrastructure and their activities to allow for successful implementation of the National Export Strategy.

Experience with other USAID funded Programs in the region had indicated that export and investment promotion programs in developing countries lacked a viable relationship between trade promotional activities carried out by either or both the private and public sectors and an overall strategy. The proposed new approach for the public sector program of activities was consistent with the above analysis. The public sector component was restructured around CONAEXI and the implementation of the National Export Strategy. No additional funding was provided, as remaining funds were adequate to cover the technical assistance needs of CONAEXI.

At the end of the Project in 1994, the Project resources were expected to have contributed to improvements in El Salvador's export and investment climate, and improved public/private sector coordination in support of exports.

Project 519-0336 - Private Sector Initiatives

At its start, the 519-0287 Project, private sector component implemented by FUSADES, funded not only the Export and Investment Promotion Unit (PRIDEX), and the FUSADES incipient administration, but also the Department of Economic and Social Studies (DEES) and the Association Strengthening Activities

Program (FORTAS). On July 19, 1985 FORTAS became an independent program and its funding was hifted to Project 519-0316, Association Strengthening Activities. DEES remained under the original 519-0287 Project. Upon termination of the 519-0316 Project in 1987, a new Agreement was signed with FUSADES to fund the FORTAS and DEES units under the newly created Private Sector Initiatives Project 519-0336. FORTAS and DEES were funded under this Project until its termination in April, 1991. At that time, A.I.D. support for FORTAS ended and support to DEES was resumed under the Second Amendment to the 519-0287 Project Paper.

Earlier Evaluations-

In May, 1988, Development Associates, Inc. conducted an evaluation of all of the FUSADES Programs funded by USAID. The purpose of the evaluation was to review the overall impact of FUSADES' Programs in terms of the original objectives established in each of the programs. In addition, it assessed FUSADES' institutional, managerial, financial and technical strengths and weaknesses.

This evaluation found that the results achieved by FUSADES from 1984 to 1988 had been exceptional; it had grown from a staff of 14 to a well managed corporate structure with six major programs employing 133 people. Credit operations had been centralized within FIDEX for all DIVAGRO/RIEGO and PRIDEX loan operations. Export and investment activities at the time were ahead of schedule; projections of USAID funding to FUSADES from 1988 through 1992 indicated a strong potential for institutional viability when other sources of income generated from the loan portfolio were included. Last, it concluded that the management team of FUSADES, at this stage of development, had been able to cope with the rigorous demand for effective leadership.

During the first quarter of 1994, FUSADES hired the Intermericas Group Inc. to facilitate the development of a workplan and budget to support transition from USAID funding to self-sufficiency. FUSADES addressed a number of critical issues associated with sustainability in order to balance the organization's mission and objectives with its resooources and capabilities. These issues included organizational structure, fund-raising, marketing and communications, and re-examination of alternative strategies for investment promotion and export development.

PACK

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.

BINDER

January 8, 1991

MEMORANDUM TO THE DIRECTOR

FROM: Deborah Kennedy, PRJ *DKennedy*

SUBJECT: Project Assistance Completion Report - Technical Assistance to Business, Cooperative Agreement No. 519-0302.

I. SUMMARY OF THE PROJECT

The Agency for International Development (A.I.D.) entered into a Cooperative Agreement with the International Executive Service Corps (IESC/El Salvador), on March 18, 1985. The total amount of funds obligated was \$500,000. The initial Project Assistance Completion Date (PACD) was January 31, 1988. The PACD was extended on two separate occasions; the last extension was thru March 31, 1989.

II. PURPOSE AND OBJECTIVES OF THE PROJECT

A. Purpose

The purpose of the Project was to provide technical assistance to private sector enterprises and organizations, in support of the Caribbean Basin Initiative and A.I.D. funded private sector support programs in El Salvador, and to assist in the economic reactivation of El Salvador.

B. Objectives

The objectives of the Project were:

- Employment generation;
- Increased export capability;
- Selective import substitution;
- Expansion of the enterprise; and
- Continuation of operations, i.e. helping firms stay in business.

248

III. PROJECT ACCOMPLISHMENTS

The Project had two major components:

A. A fund to help pay recruitment, travel and per diem costs for volunteer executives, on behalf of enterprises unable to pay all of the counterpart contribution; and

B. Local IESC operating costs of carrying out the technical assistance.

Under the fund, IESC assisted in the economic reactivation of El Salvador by offering the technical expertise of retired executives or technicians on a one-to-one basis to Salvadoran private enterprises. IESC's system of technical assistance and training sought to achieve transference of skills by carrying out a workplan mutually agreed upon between the retired executive and the client.

The type of assistance rendered under the Project was varied. Specific examples included: evaluation of production standards, recommendations for improving production schedules, quality control, training methods, assistance in reduction of production costs, evaluation of existing production facilities to identify other products that could be manufactured, establishment of contacts with U.S. suppliers and clients, etc.

Specific accomplishments are as follows:

- Firms with increased export capacity	9
- Number of jobs generated	115
- Firms with increased productivity of 10-20%	10
- Firms with increased productivity of 21-35%	9

A total of 41 private enterprises received technical assistance under this project. While, it was expected that at least 50 firms were to benefit, during the first two years of the Project it was difficult for IESC to recruit volunteers to come to El Salvador because of the country's political unrest and the adverse media reporting on the Salvadoran situation. However, this impasse was overcome by utilizing positive references given to potential volunteers by returning executives, and the fact that IESC/Stamford added 15 recruiters to handle its worldwide workload.

IV. SUMMARY OF LESSONS LEARNED

From the implementation of the IESC project, we can conclude that there is a critical need for providing technical assistance to Salvadoran industry, not only in export-oriented areas.

Approximately 41 companies have benefited from this Project in different ways, such as improving productivity, enhancing market outreach, etc.

It should be noted that at times a very specific capacity is required to provide assistance for a specific purpose i.e., privatization experts were required by the GOES to privatize nationalized firms; specific capacity is required by the Salvadoran Industrialists Association to determine the potential of and to provide general guidelines on industrial conversion for Salvadoran Industry, etc. Therefore it is important to have the capacity to provide such specific services in a country where local technical assistance is hard to obtain.

Last, in programming a new Project, the Mission should look more deeply into how AID Project contributes to support the whole IESC operation in El Salvador, which is independent from the Mission subsidized program, in order to make the most of the IESC contribution. During the LOP, the Mission had only very limited information regarding AID central funding for IESC, and as a result, may have lost opportunities for "leveraging" these resources. In negotiating the follow-on project, the Mission consulted extensively with AID/W on the eligible uses of central funding and will be kept informed of these activities.

V. CONTINUING AID POST PROJECT MONITORING RESPONSIBILITIES

As stated in the original agreement, it was the responsibility of IESC's Country Director to conduct a review of the project accomplishments a year after the technical assistance has been carried out. A report of the review will be sent to A.I.D.

A new Cooperative Agreement (No. 519-0371) was signed with IESC on July 17, 1989 to continue with the Technical Assistance to Businesses activities.

Drafted by:	<u>SNovellino, PRJ (draft)</u>	Date	<u>01-29-90</u>
Cleared by:	<u>MSDugan, PRJ (draft)</u>	Date	<u>11-15-90</u>
	<u>TMcKee, DPP (draft)</u>	Date	<u>11-28-90</u>
	<u>JStephenson, PRE (draft)</u>	Date	<u>12-03-90</u>
	<u>DSFranklin, CONT (draft)</u>	Date	<u>12-10-90</u>
	<u>JHeard, AMDO (draft)</u>	Date	<u>12-12-90</u>
	<u>JLovaas, DDIR (draft)</u>	Date	<u>01-04-91</u>

OJO
→ Clearances tienen que estar en el original y no puede ir nadie (draft)

VI. FINANCIAL STATUS REPORT

REPORT ID: MXAMP19
 OPTION NO: 0
 REPORT DATE: 04/07/89

USAID / EL SALVADOR
 PROJECT FINANCIAL STATUS REPORT
 AS OF: 03/31/89

REPORT PAGE NO: 156
 MISSION PAGE NO: 156

PROJECT INFORMATION SUMMARY

PROJECT NO. : 5193302.03
 OFFICE CODE : 700
 LOAN NO. :
 ORIG ASR DATE: 03/13/85
 H. C. CONTRIB:

PROJECT TITLE : TECHNICAL ASST TO BUSINESS-DPS
 PROJECT OFFICER: ANA DE GUTH
 IMPL AGENCY : IESC
 PACD : ORIG 01/31/88 CURRENT 03/31/89
 : NO OF REVISIONS 02
 TERM DISB DATE : 12/31/89

LOP FUNDING :
 LOP AUTHORIZED:
 AMT. ALLOWED :
 AMT. OBLIGATED:
 ACCRUED EXP. :
 PIPELINE/UNLIQ:

GRANT	LOAN
0	0
500,000	0
500,000	0
500,000	0
467,173	0
32,827	0

PROJECT SUMMARY BY BUDGET PLAN CODE

BPC	BUDGET ALLOWANCE	OBLIGATED	EARMARKED/ RESERVED	COMMITTED/ RESERVED	ACCRUED EXPENDITURES	PIPELINE UNLIQUIDATED	ADVANCES
LDA465255190313	500,000	500,000	500,000	500,000	467,173	32,827	0
GRANT TOTAL	500,000	500,000	500,000	500,000	467,173	32,827	0
PROJECT TOTAL	500,000	500,000	500,000	500,000	467,173	32,827	0

257

REPORT ID: 144414
 SECTION NO: 0
 REPORT DATE: 04/07/89

USAID / EL SALVADOR
 PROJECT FINANCIAL STATUS REPORT
 AS OF: 03/31/89

REPORT PAGE NO: 157
 MISSION PAGE NO: 157

PROJECT NO : 5170302-00 PROJECT TITLE : TECHNICAL ASST TO BUSINESS-OPS PROJECT OFFICER : ANN DE GUTH

PROJECT ELEMENT NO. GRANT OR LOAN EARTHAK DOCUMENT NO. COMMIT. DOCUMENT NO. COMMIT. END DATE	PROJECT ELEMENT DESCRIPTION EARTHAK DESCRIPTION COMMIT. DESCRIPTION AGENT/CONTRACTOR	OBLIGATION(O) EAR. RESV.(ER) EARTHAK (E) COMMITMENT(C) COM. RESV.(CR)	DISBURSEMENTS	ACCRUALS	PIPELINE / UNLIQUIDATED	ADVANCES
ELEMENT NO : 1	TECHNICAL ASSISTANCE	500,000 (O)	316,707	150,466	32,827	0
GRANT:						
-5170302-A-00520500	PROV TECH ASS.TO PR SECT 3CRGY	495,000 (E)				
GA-5170302-A-00520500 013136	PROV TECH ASS.TO PR SECT 3CRG INTERNL EXEC SERV CORP (IESC)	495,000 (C)	316,707	150,466	17,827	0
PIL-519-0302-2	PURCHASE OF VEH LOC DIR OPER Y	15,000 (E)				
PIL-519-0302-2 013168	PURCHASE OF VEH LOC DIR OPER INTERNL EXEC SERV CORP (IESC)	15,000 (C)	0	0	15,000	0
ELEMENT TOTAL:GRANT		500,000 (O)	316,707	150,466	32,827	0
PROJECT TOTALS:						
GRANT TOTALS		500,000 (O)	316,707	150,466	32,827	0
LOAN TOTALS		0 (O)	0	0	0	0
PROJECT TOTAL		500,000 (O)	316,707	150,466	32,827	0

25A

PROJECT ASSISTANCE COMPLETION REPORT
PROJECT 519-0287
INDUSTRIAL STABILIZATION AND RECOVERY

I. SUMMARY OF THE PROJECT

The Project has two components: Private Sector component and Public Sector component. The Project's private sector component was implemented by the Salvadoran Foundation for Economic and Social Development, FUSADES, a non-profit, apolitical Salvadoran private voluntary organization. The Public Sector component was implemented by the Ministry of Foreign Trade (now Ministry of Economy).

A. Private Sector Component:

The Agency for International Development (USAID) entered into a Cooperative Agreement with FUSADES on September 24, 1984, with a \$6.9 million funding to be expended over a period of 3 years. The life of project funding, however, was increased to \$47.9 million in 1991, and reduced in the end to \$43.0 million. The initial Project Assistance Completion Date was September 30, 1987 but was extended to 9/30/94.

The FUSADES component has provided support for export and investment promotion, economic and social research, association strengthening and general FUSADES administration. In 1986 the Project Paper was amended to add a credit activity in response to the lack of long-term financing and access to dollars for light-industrial assembly export operations.

B. Public Sector Component:

USAID entered into a Grant Agreement with the Ministry of Foreign Trade (now Ministry of Economy) in September, 1984, which consisted of a \$2.56 million grant, subsequently reduced to \$1.53 million. The initial Project Assistance Completion Date was 9/30/87, which was subsequently extended to 9/30/94.

II. GOAL AND PURPOSE OF THE PROJECT

A. Goal

The goal of the Project was to accelerate economic growth and diversify the economy to attain higher levels of economic well being.

B. Purpose

B.1. Private Sector Component: The purpose was to stimulate growth in the non-traditional export sectors of El Salvador, resulting in increased levels of employment, investment and foreign exchange earnings.

B.2 Public Sector Component: The purpose of the Project was to support the formulation of a strategy for nontraditional exports and investment promotion and the development and implementation of activities related to carrying out that strategy.

III. PROJECT SUB-COMPONENTS

A. Private Sector Component: Under this Project, financing was provided for the following FUSADES Programs: the Trade and Investment Promotion Services (later renamed the Export and Investment Promotion Program-PRIDEX), the Association Strengthening Program (ASA), the Department of Economic and Social Studies DEES, and FIDEX, the Investment Development Fund. In addition the majority of the Foundation's overhead to date has been covered by this Project.

ASA: the Association Strengthening Activities Program delivered information and training to potential exporters through business associations. This program was designed to provide short term technical assistance and training materials to Salvadoran business associations to improve the associations' ability to offer their members services to upgrade management and production skills and establish the bases for future export of their products. It subsequently became apparent that the associations needed considerable organization, managerial, and administrative strengthening prior to actively engaging in export related activities. Therefore this Program has been financed since 1985 under separate Projects, The Association Strengthening Activities Project and later the Private Sector Initiatives Project.

PRIDEX: the Export and Investment Promotion Program was originally established as a Trade and Investment Promotion Service within FUSADES, to provide technical assistance at the enterprise level to specific export projects. By learning from experience and adjusting to changing circumstances in El Salvador, PRIDEX has evolved through distinct phases.

The first phase which lasted until August, 1987, involved the promotion of direct US investment, with heavy reliance on an outside contractor (Arthur Young) to carry out studies of opportunities and to promote follow-up. Support for export development by Salvadoran firms was given second priority. Because of the political situation, however, results in terms of jobs, investment and foreign exchange were disappointing and the program was reoriented.

The second phase focused on promoting exports from existing local companies, with considerably less emphasis on promoting direct foreign investment. The second phase also stressed the institutional development and upgrading of PRIDEX staff to reduce dependence on outside contractors.

This second phase involved the following elements: sector studies to analyze market potential, the country's overall competitiveness and the export prospects/limitations of specific firms; orientation, education and information services, including support for travel to trade fairs, visits by PRIDEX staff and assistance in preparing export plans for local companies; intensive planning, marketing and production services for companies and facilitation of export expansion for companies already exporting.

254

A third phase focused on all of the activities described in phase two and on the establishment of one overseas office in Miami and one in New York, aimed at interesting US companies in contract production, direct investment or joint ventures in El Salvador; and the promotion of free enterprise zones including the financing of feasibility studies and seminars.

FIDEX: Investment Development Fund: The Fund was established under the Project to make available investment credit and/or equity support to domestic and/or foreign investors for the purpose of stimulating or supporting the establishment of new, expanded industrial "maquila" operations or of light manufacturing/assembly enterprises in El Salvador exporting to markets outside the Central American Common Market (CACM).

The fund is structured as an investment Trust account, managed by FUSADES and administered by a US financial institution with offshore operations (presently Cititrust Bahamas).

DEES: Center of Studies (Department of Economic and Social Studies) and Legislation Department) Funding under this sub component enabled FUSADES to promote an active program of economic and social research, policy analysis and dissemination activities in support of its free enterprise, private sector-led growth model.

The main activities of the DEES were to report on economic and social trends in El Salvador and to analyze economic policies and advocate reforms consistent with the free market concepts. The DEES presents its analysis in publications, seminars, and public and private discussions. DEES' primary focus has been on economic policy issues but has also focused on the analysis of social issues to develop proposals for attacking problems in housing, education, health care, etc. The main objective of the DEES workshops is to mobilize actions on specific issues, in part through the participation of high level government officials. The DEES has a library of over 2000 volumes and technical papers on diverse economic topics. In sum, the DEES is a high quality think tank, researching, analyzing and publishing studies on important economic and social issues.

Program Coordination and Management: Grant funds under this program were provided to FUSADES to cover management and administrative costs associated with the program of activities including the operating costs of the offices of the Executive Director, Planning and Development, Administration and Finance, and Marketing and Communications. This funding covered the costs of personnel, technical assistance, equipment and supplies, invitational travel, program support (advertising and publications and seminars and conferences), and overhead expenses.

In April 1991 an overhead rate was established for each of FUSADES accounting periods during the term of the Cooperative Agreement, which covered the operational costs of the staff offices mentioned above.

B. Public Sector Component: The Public Sector component did not have sub-components.

255

III. FINANCIAL STATUS (as of 4/30/95).

Ele No	Element Description	Obligations	Commitments	Expenditures	Pipeline
01	LT Technical Assistance	2,785,000	2,785,000	2,785,000	0
02	ST Technical Assistance	1,394,000	1,394,000	1,394,000	0
03	Personnel Costs	6,977,931	6,977,931	6,977,931	0
04	Equipment & Materials	1,112,767	1,112,767	1,112,766	0
05	Invitational. Travel/Training	2,148,220	2,148,220	2,148,220	0
06	Assistance to Associations.	206,462	206,462	206,462	0
07	Program Logistic Support	1,437,400	1,437,400	1,437,400	0
08	Overhead	3,492,774	3,492,774	3,439,811	52,964
09	Contingency	86,575	86,575	86,575	0
10	Technical Assistance	5,029,852	5,029,852	5,029,852	0
12	Investment Fund	15,023,548	15,023,548	15,023,548	0
13	FUSADES Building	800,000	800,000	800,000	0
14	Seminars and Conferences	164,761	164,761	164,761	0
15	Communications /Disseminations	617,248	617,248	617,248	0
16	Overseas Promotion Offices	997,795	997,795	997,795	0
17	A.I.D. Project Management	265,590	265,590	232,574	33,016
18	Audit	71,872	71,872	68,872	3,000
19	Evaluation	156,391	156,391	152,456	3,935
TOTAL:		42,768,186	42,768,186	42,675,271	92,915

IV. PROJECT ACCOMPLISHMENTS

A. Private Sector Component

A. Planned EOPS Progress to date

37,500 jobs in export enterprises	47,635
\$139 million in FX earnings	\$272.2
\$135 million new invest. in exp. enterp.	\$ 86.4

B. Major outputs Accomplished

\$15.0 million in invest. fund disbursm.	\$14.7
300 sub-projects identified by PRIDEX	532
Investing companies assisted	312

Under the credit component, a major achievement was the spinning off of FIDEX and the establishment of the first private financial development institution in El Salvador, currently BANFIDEX, S.A. which deepens the financial sector providing development financing for non-traditional activities. It will provide products and services in keeping with the market and Salvadoran law.

DEES is well established as a high quality think tank, researching, analyzing and publishing studies on important economic and social issues. The DEES major contribution was

256

the contracting of high level experts for the development of a major structural adjustment program which was adopted by the GOES in 1989 and which served to put El Salvador's economy back on track. Former DEES personnel were appointed to the highest policy-making positions in the Cristiani administration.

The DEES has significantly improved the availability and analysis of economic statistics in El Salvador, and is in the process of doing the same with social statistics to support recommendations for reforms in social areas.

Last, as a result of the technical assistance, seminars and conferences, travel/training, communications/dissemination, supplies and equipment, personnel and overseas promotion that collectively make up the program, PRIDEX has emerged under this Project as a well established, successful export and investment capacity in El Salvador.

B. Public Sector Component

The GOES grant financed activities in three interrelated areas: Export and Investment Strategy Formulation and Policy Analysis; Strategy Support Mechanisms; and Free Zone Development.

In the Export and Investment Strategy Formulation and Policy Analysis area, the Project supported a high level Export and Investment Development Committee (CODEXI), formed of public and private sector leaders. During the period 1986-1989, CODEXI itself was an achievement given the tense relationship between the public and private sectors. CODEXI meetings provided a forum for dialogue between the sectors, and led to the solution of several problems which at the time affected exporters. For example, CODEXI contributed to the passage/adoption of the Export Promotion Law and its six implementing regulations, the Foreign Investment Guarantee Law and the Free Zones and Bonded Warehouses Law.

In the Strategy Support Mechanisms area, funding was provided to the GOES to design CENTREX, the one-stop export documentation center. Assistance was also provided for an automation needs assessment of the Ministry of Foreign Trade (MICE) which was used to acquire the software and hardware necessary to improve activities and services to the public. Training and technical assistance was provided to MICE personnel in foreign trade-related areas to upgrade their capabilities and services. Studies were also funded to streamline the investment registration procedures.

In the Free Zone Development area, assistance was provided to conduct studies of the San Bartolo Free Zone which have led to an improved administration and the decision by the GOES to privatize (divest) San Bartolo. GOES counterpart resources under the Project were utilized to finance, among other things, the construction of an additional 24,000 square meters of under-roof industrial space at the San Bartolo Free Zone, which is now fully leased out to exporting companies. Complementary works at the SBFZ that were also financed with counterpart ESF local currency generations include: leveling of terrain for future construction of two new internal roads, construction of additional space for administration/security quarters, the

main gate, and the entrance control post and provision of additional sewage and lighting facilities.

In spite of the accomplishments described above, the public sector component showed less than dynamic progress. The reasons for initial implementation delays included: the political nature of the Ministry, frequent changes of Ministers, the general managerial and technical weaknesses of Ministry staff, and the pronounced lack of commitment on the part of the GOES to support export and investment initiatives.

In June of 1989, this component underwent additional changes when the Cristiani administration absorbed the functions of MICE within the Ministry of Economy. Even though activities slowed down, further improvements in CENTREX were carried out to make it fully operational; concrete steps were taken towards the privatization of the San Bartolo Free Zone, and a National Export Strategy was developed.

In March of 1990, a group of key private and public sector representatives, assisted by project-financed technical assistance, began to work on the development of a National Export Strategy. The process evolved and ultimately a national private-public consensus was achieved on export development as the primary vehicle for economic revitalization and growth. The process also led to the conclusion that CODEXI was not the appropriate vehicle to aggressively coordinate and monitor the implementation of the Strategy. An alternative was recommended: a top level commission, chaired by an influential person appointed by the President and reporting directly to him. As a result, the National Commission for Export and Investment (CONAEXI) was created. The public sector component of the 519-0287 Project was restructured around CONAEXI and the implementation of a National Export Strategy.

CONAEXI was a statutory body headed by a Board of Directors that had representatives in equal numbers from the GOES and from El Salvador's manufacturing and trade associations and chamber of commerce. In spite of USAID financed consultants' efforts, no agreement was reached between the public and private sectors on the structure of the Commission. In accordance with Project Paper Amendment No. 2, if the Export Commission was not formed by March 31, 1992, funds available for its operation would be de obligated and re obligated with FUSADES. After a final consultation with the GOES, this action was taken and the GOES was informed in writing about the termination of the assistance.

In light of the political and economic environment in which the Project operated, considerable success was achieved.

V. SUMMARY OF LESSONS LEARNED

A. Private and Public Sector Components

1. USAID's Project Managers should have their primary offices in their counterpart NGO or PVO, rather than at USAID itself. This ensures their control, knowledge and ability to stay in touch with their tasks.

258

2. The "suitability" of a country for a specific project should be carefully assessed and reviewed prior to committing economical, financial and personnel resources to it. Some would argue that El Salvador was a less-than-ideal candidate for non-traditional agricultural projects when compared to some of their Central American neighbors. In terms of fostering industrial projects, the country fared better, as a survey of prospects might have shown prior to project start.

3. Obliging policy change from outside through linking release of ESF dollars to internal policy change is rarely effective unless the host government is itself convinced that such change is needed. Otherwise, "lip service" will be given and empty promises made in order to secure release of the assistance. Thus, support for building internal capacity for analyzing economic policy and educating the populace about the benefits of proposed changes, while time consuming, is the most effective manner to assure that policy change will be forthcoming and that assistance funds make a lasting impact. By instilling a desired for true policy change at higher levels, opportunity, education and improvement of populace at all levels is also encouraged.

4. USAID priorities in foreign assistance often change so quickly that positive results are in danger of being short lived. To go from a level of assistance whereby USAID was supplying, through FUSADES, the vast majority of funds to DEES up through 1994, to a complete cut off in 1995, puts undue strain on an organization that is expected to continue to function in an effective manner. USAID assistance should be phased out gradually. At the same time, USAID should work closely with the client in helping it secure alternative funding sources during such transitional periods to ensure sustainability in a timely and proactive manner.

5. To assure continued funding for a foundation such as FUSADES, USAID should consider devoting a portion of its yearly budget to building an endowment. This has been done in the case of the Luso American Development Foundation in Portugal, and was considered by USAID in a business support project in Thailand. This would likely have been feasible in El Salvador, considering the huge influx of U.S. foreign assistance during the 1980s. Total dependency on USAID funding by any institution is dangerous, assuming it is the intention of that institution to continue once that USAID support has ended. FUSADES is now in a very difficult situation because of this circumstance and is gambling on the success of one project, La Colina, in order to survive.

VI. PROJECT EVALUATIONS AND AUDITS

1. Evaluations

There have been two Evaluations during the Life of the Project. The first evaluation (Mid-term evaluation) was conducted in June 1988 by Development Associates, Inc., and the second evaluation (Final evaluation) was conducted by Management and Business Associates in December 1994.

Mid-term evaluation

The purpose of the first evaluation was to review the impact of each program in terms of its original objective. Furthermore, FUSADES' managerial, financial and technical strength and weakness were identified in order to determine the institution's viability for sound stewardship

over USAID resources. It revealed that in light of the prevailing political, social and economical environment, the results achieved by FUSADES to the date of the report were outstanding.

Five recommendations offered by the team of the first evaluation are:

1. Implement a formal strategic planning exercise before action plans are prepared.
2. Increase the base support from other segments of the private sector in order to broaden the incentives for other potential clients to become involved. Increase small and micro representation on a special membership category
3. Increase the support for PROPEMI as a dynamic program with an emphasis on the development of the five outreach centers within the poorer section of the city. Continue to provide Technical Assistance to the micro and small entrepreneurs regardless of their loan status. Support applied research projects in collaboration with PROPEMI and DEES.
4. Develop a fund raising plan now for implementation in the future when USAID funds decrease.
5. Formalize annual management retreats with senior program staff for strategic planning and creative problem solving.

End-of-Project evaluation:

The private sector component of the Project successfully closed on 9/30/94. The PACD was extended for a period of three months for the sole purpose of completing an on-going end-of-project evaluation. The evaluation was carried out by Management and Business Associates, Inc. to examine three activities: Private Sector Component - FUSADES, Public Sector Component GOES Ministry of Economy, and FIDEX Industrial Portfolio. The purposes of the evaluation were: 1) to review the overall impact of FUSADES' programs funded under the Project, in terms of the original objectives established in each of the programs it is implementing, as well as FUSADES institutional, managerial, financial and technical strengths and weaknesses; 2) to examine the FIDEX Program of FUSADES, focusing on the industrial portfolio funded by the Project; 3) to assess the impact of the public sector component of the Project, under the former Ministry of Foreign Trade (now Ministry of Economy), in stimulating the non-traditional exports sector of El Salvador, through its support to the implementation of a national overall export and investment strategy. Principal recommendations are:

A. Private Sector Component

1. It is very clear that much of the frustration felt by USAID could have been avoided by having the formal agreements acknowledge that USAID project managers would have their primary offices in their FUSADES project office. Many of the other issues with respect to control would have been avoided with this simple measure.
2. DEES should continue to pursue its commendable efforts to replicate the success it achieved with the Cristiani paradigm, and to expand its dialog with the current crop of thinkers in power. As emphasis on achieving economic parity accross all levels in El

Salvador becomes more intense, DEES should design creative analytical models that are appropriate to the specifics of the salvadorean setting. DEES should approach the government with formal proposals to conduct studies and provide consulting advice. This would increase DEES' impact on government and ease its dependence on income from FUSADES.

3. PRIDEX must not only consider the profit centers and focus on income flows recommended in its sustainability plan, but it must also develop a strategy for cost reduction. PRIDEX' only hope for long term program and institutional survival lies in developing a long term strategic alliance with the Ministry of Economy for financial support. Somehow PRIDEX must communicate to the government that without such strategic alliance, El Salvador will lose foreign direct investment to countries now competing aggressively in this arena. PRIDEX should continue to pursue direct foreign investment as its primary mission. Export promotion is correctly a secondary objective, since El Salvador's historical excess production capacity now appears fully utilized and since trade associations and chambers of commerce have staffed up to meet those needs.

4. There should be increased recognition of the continued need to support development banks as long as strategic objectives are more important than giving absolute priority to debt recovery. The current arrangement by BANFIDEX is working well and any reasons for modifying the current arrangement for portfolio management should be scrutinized and well reasoned before considering any changes.

5. FUSADES should prepare a statement for inclusion in its personnel manual and distribute it widely, to the effect that it makes it a policy not to discriminate among its staff or intending employee with regard to sex, race, religion or political affiliation.

B. Public Sector Components

1. USAID might want to re-visit the sustained results of the GOES public sector component. For example, CONAEXI and the one stop export CENTREX office are still functioning and USAID may find potential development activities in these areas.

2. Audits

2.1. 1994 Recipient-contracted audit

KPMG has just completed the external audit for FUSADES activities for the period beginning 1/1/94 and ending 12/31/94. The following is a summary of the report:

Opinion on the Fund Accountability Statement:	Qualified
Questionable Costs:	¢1,835,956
Internal Control Weaknesses and Recommendations:	6 Non-material
Instances of Non-compliances and Recommendations:	4 Material
Follow-up on Prior Audit's Recommendations (1993):	<u>0</u>
Total Recommendations:	10

Opinion on Counterpart Contribution Schedule:
Opinion on Indirect Cost Rate Computation:

Qualified
Unqualified

The Mission needs to follow up on the findings and recommendations to this activity.

VII. COUNTERPART CONTRIBUTIONS

The final report on counterpart funding for the 519-0287 Project has been submitted by FUSADES to USAID and sent by PRO to CONT for review. The 1994 audit of FUSADES called for an end-of-project review of counterpart funding. In addition, CONT needs to establish actual counterpart contribution considering the rate of exchange effective at the time the Project Agreement was signed. The planned level of Counterpart Contribution was \$8,465,000.00. The actual Counterpart Contribution (cash and in-kind) was estimated to be \$13,560,000.00.

VIII. CONTINUING AID POST PROJECT MONITORING RESPONSIBILITIES

The Project successfully closed on 31/12/95. At the time FUSADES had an active program providing assistance to non-traditional exports, and BANFIDEX was actively seeking investment clients with dollar and colon loans. The Government policies toward foreign direct investment had become positive.