



AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA A. I. D. MISSION
TO EL SALVADOR
C/O AMERICAN EMBASSY.
SAN SALVADOR, EL SALVADOR, C. A.

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ACTION MEMORANDUM FOR THE MISSION DIRECTOR

FROM: Mary Ott, SO#1 *Mary C. Ott*
SUBJECT: Approval of the new Rural Financial Markets
Activity No. 519-0435, under the Rural Financial
Services Results Package (RP)

I. Action

You are requested to approve the Rural Financial Markets Activity No. 519-0435, at a funding level not to exceed \$15.0 million, for an expected duration of five years, from FY'97 through FY'02.

II. Background

During the process of developing the economic growth strategy (SO#1), USAID held focus group meetings with the rural poor who repeatedly mentioned the lack of access to financial services as being one of their main concerns. The SO#1 Office also organized extended team meetings with its partners to first reconfirm the major constraints to economic growth in the rural sector and later discuss specific issues regarding the Rural Financial Strategy. Several assessments of USAID microfinance activities and of the microenterprise sector in general were analyzed prior to the development of the Mission's general guideline of the Microfinance Strategy. Critical input into the draft Strategy was provided by Liza Valenzuela from the Global Bureau/Economic Growth/Office/Microenterprise Development Division (G/EG/MD), who also recommended specific types of activities to address priority constraints and problems. In addition, the RP contracted a consultant who, together with RP core members, contacted other donors, an important number of Mission's partners in microfinance programs, as well as potential partners, and Government officials in order for SO#1 to be up-dated on the sector's situation (e.g. availability of capital for lending, financial performance of different NGOs, and number of microentrepreneurs assisted). A strong effort was made to identify what other donors are doing in the field of rural finance in order to avoid duplication of effort and identify opportunities for collaboration and coordination.

Based on the above, the Rural Financial Services Results Package Document was approved at a meeting held with the Mission Director on May 9, 1997. The document contained, in addition to RP current activities, a proposed new intervention to assist financial institutions serving the rural microentrepreneurs. The purpose of this new intervention is to expand the access to financial services by the rural poor. After the approval of the RP document, the Rural Financial Services RP, and the SO#1 Team proceeded to develop the New Activity Document for Rural Financial Markets (Competitive Grants).

A series of SO#1 Team meetings were held, and follow-up interviews were carried out with partners and customers (from May 7 through June 10, 1997) who will be key participants in the accomplishment of SO#1, the Intermediate Result, and indicators of success for the new activity for strengthening rural financial institutions and broadening and deepening financial services access to rural microentrepreneurs. (See list of recent interviews in Annex F to New Activity Document.)

III. Discussion

Considering the increasing financial needs of the rural poor, the inaccessible banking system, and the deficient situation of most of the institutions serving microentrepreneurs, the RP proposes the Rural Financial Markets Activity, which will institutionally strengthen financial institutions that are serving our target population, as a means to support the rural poor in their efforts to improve their financial situation.

The Activity will be implemented through the establishment of a competitive grants process. A Grants Management Unit (GMU) will be established by the awardee of the Activity (i.e. Grantee). The GMU will be responsible for the management, administration and oversight of activity operations, the procurement of technical assistance and commodities, and the performance of specific results indicators and reporting requirements. A separate, autonomous Grants Committee will be established for the selection and approval of grants for rural financial services institutions.

The Rural Financial Markets Grantee (the GMU) will be a locally-based, non-profit, international organization that has important experience in the promotion and development of the rural microenterprise sector in-country or in other countries, and on management of funding mechanisms. The GMU will be set up as a small, administratively-streamlined entity, capable of effectively managing all aspects of the competitive grants process, which will take place annually. (See Section IX of the New Activity Document attached, for further information on the GMU's and the Grants Committee's composition and functions).

It is expected that the grants will be for more than one year (with maximum funding up to five years). However, the performance of each grant recipient will be reviewed annually by the GMU, and, if deemed necessary, by the Committee, to approve the subsequent year's funding. Annual performance criteria for each grant recipient will be established as a requirement for the approval of each grant.

To be eligible for USAID assistance under the Rural Financial Markets competitive grants activity, every organization providing financial services to the rural poor must provide a credible commitment to attain full financial sustainability for the medium term, while using USAID assistance to expand the availability of financial services to rural microentrepreneurs who are considered to be part of the poorest sector. The new activity will provide technical assistance to help the organization adopt "best practices" in its operations, including the implementation of an effective management information system (MIS). Where necessary and appropriate, financial support may be provided to help the organization reach a sustainable scale. Organizations that are either unable or unwilling to offer a credible commitment to attain these goals will not be eligible as grant recipients.

Taking into account the large number of players in the microfinance sector, the best approach to achieve "Expanded Equitable Access to Financial [Technological and Marketing] Services by the Rural Poor", is to concentrate Mission's efforts in institutionally strengthening a few selected rural financial services entities, which may include NGOs, S&L cooperatives, credit association/cajas, and other organizations which meet the criteria for rural, poor, microenterprise financial service delivery and sustainability. The RP foresees that the new activity will assist from eight to ten financial institutions. (For details on specific areas of assistance, please see Section V of the New Activity Document attached).

Funds have been programmed for this Activity at \$15.0 million with a PACD through FY 2002. A portion of these funds will be obligated before the end of FY'97 and project implementation is expected to start in FY'98.

Every effort will be made to leverage additional support for the Rural Financial Markets competitive grants activity. Counterpart contributions will come from the microfinance grant recipients (i.e., loan portfolios¹, capital support leveraged from bank savings accounts by grant recipients, as well as other donor assistance). Indeed, ability to provide counterpart will make a given grant proposal more attractive, as more results can be leveraged with scarce USAID resources.

¹ Which source is not from a prior USAID project.

USAID involvement

The new activity will include funding for USAID personnel that will be implementing the Activity and also for training needs of supporting offices staff to the Rural Financial Services Results Package in order to better promote and assure the achievement of expected results. SO#1 will also count on the support of the USAID Global Economic Growth Center, Microenterprise Division, during the life of the activity.

Training activities to address common needs of the sub-grantees staff and those of the microentrepreneurs will be procured directly by USAID, using the SO#1 training buy-in mechanism. USAID will also procure technical studies and specialized technical assistance.

In regards to the Performance Monitoring Plan, please see Section XI of the New Activity Document attached.

IV. Mission Review

On June 27, 1997, the Mission met to review the new Rural Financial Markets Activity No. 519-0435. During the meeting, two issues were discussed and some clarifications were also made. Following is a brief discussion of the issues and specific recommendations for their resolution:

Issue No. 1: Need to expand procurement sources

Discussion: The RP explained that, in order to ensure the achievement of expected results, and taking into account the benefits/advantages that would result from accessing a broader range of technical expertise and experiences, from countries such as Bolivia, Peru, Chile, the Central American region, and Indonesia, for a sound development of the financial institutions that we will be assisting, it is necessary to authorize, at the SOAG level, procurement sources other than Geographic Code 000.

Resolution: After further consultations within the Mission, it has been concluded that procurement sources from Geographic Code 935 is authorized.

Issue No. 2: Possible conflict of interest selecting an international PVO that works directly with microfinance lending institutions.

Discussion: Different situations were discussed in order to avoid a possible conflict of interest. Considering the competitive grant process through which the Rural Financial Markets Activity

will be implemented it was concluded that this would be the appropriate mechanism to have a transparent process for the approval of grants.

Resolution: Even though USAID will not be an active participant of the Committee, since it will only be an observer, it was agreed to emphasize the GMU on the importance of establishing a Grant Committee which is conformed by objective, trustworthy and well known professionals with experience in the microfinance sector, in order to avoid as much as possible the generation of any conflict of interest when approving grants.

Clarifications:

1. Taking into account the new competitive process that will be followed to implement the Rural Financial Markets Activity for the approval of grants, the need to have flexibility to adjust Activity's implementation mechanisms was explained. Caution was recommended to avoid overly frequent adjustments to Activity's planned targets in order to assure expected results.
2. The Mission ratified that the Strategic Objective Grant Agreement (SOAg) is the most expeditious and appropriate mechanism for the obligation of the Rural Financial Markets Activity FY'97 funds.

V. Conditions Precedent and/or Covenants

Only the standard SOAG Conditions Precedent will be employed, including the following: Prior to the disbursement of USAID funds, or the issuance of any documentation pursuant to which disbursement will be made, the implementing agency shall, except as USAID may otherwise agree in writing, establish separate bank accounts for the control of foreign exchange and local cost expenditures.

VI. Authority

Under Delegation of Authority dated April 17, 1996 (ADS 103) you have the authority to negotiate, execute, amend and implement strategic, support and special objective grants, loans, memoranda of understanding, and other implementing and ancillary agreements so long as these actions do not present significant policy issues, require issuance of waivers that may only be approved by the Administrator or Assistant Administrator. None of these constraints apply to this request.

VII. Recommendations

That you approve the Rural Financial Markets Activity No. 519-0435 at a funding level not to exceed \$15 million and for an expected duration of five years (end of FY'97 to FY'02) under the SO1, Expanded Access and Economic Opportunity for El Salvador's Rural Poor, and in support of the Intermediate Result, Expanded Equitable Access to Financial, Technological and Marketing Services by the Rural Poor.

Approved: Kenneth C. Ellis

Disapproved: _____

Date: 20 August, 1997

Attachment: New Activity Document, Rural Financial Markets

Drafted by: RBlanco, RP#3A Team Leader In draft 07.29.97

Cleared by: LTPizarro, OCG
CADams, ACONT
PKranstover, SDO
Mott, SO1
DMcFarland, DDIR

<u>WO</u>	<u>8/7/97</u>
<u>AP</u>	<u>8/14/97</u>
<u>WIT</u>	<u>8-14-97</u>
<u>MCO</u>	<u>8-18-97</u>
<u>DM</u>	<u>8.20.97</u>

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Office of the Comptroller
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fm 8/12/97
 CL117 8/12 DATE



USAID/El Salvador

STRATEGIC OBJECTIVE No.1:
"Expanded Access and Economic Opportunity for
El Salvador's Rural Poor"

RURAL FINANCIAL MARKETS

ACTIVITY No. 519-0435

NEW ACTIVITY DOCUMENT

RESULTS PACKAGE No. 3a
"Rural Financial Services"

June 27, 1997

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Strategic Objective: Expanded Access and Economic Opportunity
for El Salvador's Rural Poor
Results Package: Rural Financial Services
Activity: Rural Financial Markets (Competitive
Grants Program) Activity No. 519-0435

I. INTRODUCTION

The New Activity Document outlines the basic structure and implementation mechanisms for the proposed new activity in support of USAID's Strategic Objective No.1, Expanded Access and Economic Opportunity for El Salvador's Rural Poor, and Intermediate Result, Expanded Equitable Access to Financial, Technological and Marketing Services by the Rural Poor, under the Results Package, Rural Financial Services.

The proposed new activity, Rural Financial Markets (RFM), is fully supportive of USAID's policy and objectives for microenterprise programs. It is also consistent with the National Commission for Small and Microenterprise (CONAMYPE)'s efforts in supporting the microfinance and microenterprise sectors in the country, as well as with the conclusions and recommendations contained in the White Paper document developed by 12 key public and private sector organizations, and strategies and reports put forth by the international financial institutions.

The Rural Financial Markets (Competitive Grants) new activity will focus on increasing the access of rural poor to financial services (e.g., credit, savings mechanisms, and other financial services), thus providing the means to invest in their farm and off-farm microenterprises. Access to credit will enable the rural poor to have economic alternatives for improving family income. The new activity support is aimed at strengthening the financial viability of rurally-focused financial entities (e.g., NGOs, savings and loan cooperatives, credit associations/cajas, workers' banks, village banks, and other quasi financial organizations) through technical assistance in the development of, and adherence to, sound banking practices which are based on bank/financiera supervisory and regulatory norms and standards. This will be accomplished through support for innovative lending and savings mobilization programs which lower the average cost of capital, improve performance margins and help ensure the longer-term sustainability of financial institutions serving the rural poor. The proposed competitive grants mechanism (with an independent and objective grant selection committee to be comprised of private, public and NGO microfinance experts) will be established to respond to partner and customer needs. Grant support will develop the technical expertise to expand and deepen coverage of financial services to rural microenterprises, and to enable rural financial entities to become financially viable.

II. PROBLEM STATEMENT

Levels of poverty in the rural sector continue to be alarmingly high, while the rural population faces too many obstacles to participation in the economic opportunities of a growing economy. Lack of access to financial services is one important constraint to income generating activities that would contribute to the improvement of the standard of living of the rural poor. As stated in the Mission's Strategy for 1997-2002, the Strategic Objective No. 1 (SO#1) will promote access by the Rural Poor to financial services such as credit and secure savings. For this purpose, the Rural Financial Services Results Package (i.e., Expanded Equitable Access to Financial Services by the Rural poor), and the new activity, Rural Financial Markets (Competitive Grants), have been created under the SO#1.

Rural credit markets in El Salvador are shallow because rural households have limited access to credit services -- less than 12% of rural households received a loan in 1995. Moreover, rural households do not have access to a variety of specialized lenders, as only 0.3% reported debt balances with more than one type of lender.

A combination of factors impede the supply of credit to rural households, and more specifically microenterprises: (i) an underdeveloped institutional infrastructure; (ii) government interventions which have crowded out private lenders by allowing weak public sector institutions to lend with poor recovery and low interest rates; (iii) previous interventions in agricultural marketing that have prevented the development of informal financing sources; and (iv) the recent conflict and resulting insecurity in rural areas.

It has been shown through recent studies that most microfinance programs reach the urban poor more successfully than the rural poor. Moreover, credit for agriculture is a particularly difficult area. Current surveys in El Salvador show that approximately one-third of all rural households have some access to financial services -- but the main challenge is to reach the two-thirds who do not. This group tends to include the poorest households and those located in the more remote rural areas.

Access to financial services by the poor remains an important constraint in rural areas, notwithstanding the fact that the commercial banking system has a presence in most municipal areas. The lack of interest by formal financial institutions in serving small clients continues to be a constraint to microenterprise development. In addition, the majority of microfinance lending institutions reflect financial/administrative performance problems, such as: high delinquency rates and low capital ratios, high administrative costs, inappropriate interest rate policies,

There are few programs that attempt to promote, capture and utilize savings accounts for rural sectors. One such effort is through rural savings and loan cooperatives that channel credit derived primarily from mobilized savings to its co-op members. NGOs and FEDECREDITO/Cajas are prohibited from mobilizing savings. NGOs are not supervised by the Superintendency of the Financial System since they are not considered formal financial institutions (i.e. they do not have in place all the financial disciplines required for that status). FEDECREDITO and the Cajas have Superintendency supervision, but are not yet allowed to capture savings from the public¹.

There is a strong need within the NGO and non-bank/financiera sector for the incorporation of sound banking practices similar to those of banks and financieras, in order that they can lower their cost of capital by accessing commercial bank lines of credit. For institutions willing and able to fully formalize--namely take the steps to become a bank-- there is the added dimension of mobilizing client savings. In order to be considered serious candidates for formal supervision by the GOES financial system regulatory body (or possibly by a supervisory unit for small non-bank/financiera financial intermediaries, as CONAMYPE and many NGOs have expressed would be desirable), NGOs and other microfinance organizations must move rapidly toward formalization of their operations and establishment of sound banking practices.

III. PURPOSE STATEMENT

The purpose of the new activity is to provide technical assistance to rurally-focused financial institutions, serving the microenterprise sector, to help them attain self-sustainability by improving their financial performance, and to expand and deepen coverage of financial services to rural, poverty level microentrepreneurs.

The new activity will institutionally strengthen approximately eight to ten rural financial services entities, which may include NGOs, S&L cooperatives, credit association/cajas, banks, and other organizations which meet the criteria for rural, poor, microenterprise financial service delivery and sustainability. Funds have been programmed for this Activity (No. 519-0435) at \$15.0 million with a PACD through FY 2002. A portion of these funds will be obligated before the end of FY'97 and project implementation is expected to start in FY'98.

¹ Modifications to the FEDECREDITO and Workers Banks law is currently in revision at the National Assembly to authorize the cajas to capture savings from the public (the Workers Banks are already authorized).

IV. RELATIONSHIP TO USAID\EL SALVADOR'S STRATEGY

The Rural Financial Markets (Competitive Grants) Activity will contribute to the Mission's Strategic Objective No. 1 "Expanded Access and Economic Opportunity for El Salvador's Rural Poor" through the Intermediate Result "Expanded Equitable Access to Financial, Technological and Marketing Services by the Rural Poor".

The new activity will support the institutional strengthening needs of microenterprise lending institutions to improve their financial performance, and in some cases will also provide capital for lending, as a means to increase services to microentrepreneurs in the rural areas. Some microfinance grant recipients may eventually become formal "financieras", while most are expected to significantly improve their financial norms and practices, staff expertise, and diversify their sources of capital by accessing BMI and other commercial credit sources and, where legally permissible, capturing local savings. As a first step toward sustainability, access to technical expertise and potential fresh capital funds will permit rural financial institutions to increase their clientele, contributing to the achievement of the RP goal of increased access to financial services by the rural poor. More importantly, by becoming formal financial institutions, NGO and other lenders can offer savings services and other credit resources, thus helping ensure microenterprise sustainability and the provision of financial services in rural areas. Through this approach, the new activity expects to expand access to financial services for our target group, the rural poor, and thus achieve the RP's Intermediate Result.

V. PROPOSED INTERVENTION

Activity Management

The Activity will be implemented through the establishment of a competitive grants process for financial institutions serving the microenterprise sector presenting proposals to expand services in rural areas. A Grants Management Unit (GMU) will be established by the awardee of the grant for the Rural Financial Markets Activity (i.e., Grantee). The GMU will be responsible for the management, administration and oversight of activity operations, the procurement of technical assistance and commodities, and the performance of specific results indicators and reporting requirements. A separate, autonomous Grants Committee (i.e., the Committee), which it is foreseen will be formed by the GMU

Manager, a representative of the Salvadoran private sector², one or two representatives from the public sector (e.g. BMI and CONAMYPE), and one international expert in the microenterprise sector, for the purpose of final review of proposals and selection and approval of grants for rural financial services institutions.

The Activity

Considering the increasing financial needs of the rural poor, the inaccessible banking system for this sector, and the deficient situation of most of the institutions serving the microentrepreneurs, the Rural Financial Markets Activity will institutionally strengthen NGOs and other institutions providing financial services to the rural poor serving our target population, as a means of increasing their efforts to improve their financial situation.

To be eligible for USAID assistance under the Rural Financial Markets Activity (competitive grants), every organization providing financial services to the rural poor must provide a credible commitment to attain full financial sustainability for the medium term, while using USAID assistance to expand the availability of financial services to rural households who are considered to be part of the poorest sector. Attaining financial sustainability will require reaching a significant scale of program outreach, and will in turn provide the basis for continued growth in outreach. The new activity will provide technical assistance to help the organization adopt "best practices" in its operations, including the implementation of an effective management information system (MIS). Where necessary and appropriate, financial support may be provided to help the organization reach a sustainable scale. Organizations that are either unable or unwilling to offer a credible commitment to attain these goals will not be eligible as grant recipients.

A rural microfinance program may be "mixed", whereby service to the poor stratum is blended with service to a somewhat higher stratum of microenterprises. As smaller loan sizes tend to involve higher costs per client, it is more difficult to achieve financial self-sufficiency while serving the rural poor. Programs that exclusively target the very poor must seek creative methodologies and often must charge higher interest rates and fees. While programs that serve a broad spectrum of microenterprises can spread their costs across loans of larger

² i.e. a professional with an important knowledge and experience in the microfinance sector, who may be on the staff of an NGO, a private company, or international donor, but who is not in any way associated with a potential grant recipient.

average size, and thus have more leeway in reaching financial viability.

The new activity will strengthen two types of rural financial entities: 1) organizations specifically created to provide financial services to microentrepreneurs, including some that are NGOs, with assistance designed to help these programs grow through the pursuit of financial sustainability -- and building on their willingness to reach the poor; and, 2) existing financial services organizations which are looking to establish windows or branches to pursue the microenterprise market, targeting the rural sector. For this second category, the challenge lies in finding cost-effective, market-based, and sustainable means to encourage a focus on rural microenterprises.

Taking into account the large number of players in the microfinance sector, the best approach to achieve "Expanded Equitable Access to Financial [Technological and Marketing] Services by the Rural Poor", is to concentrate efforts on supporting a few select NGOs, co-ops, credit unions and other financial entities that meet the following selection criteria:

- Demonstrated potential to increase the access of the rural poor to financial services, which could be, but not limited to, through the creation of branch offices, agencies and other outreach activities.
- Willingness of the potential implementing institution to work directly with USAID's customers (i.e., rural, poor, microentrepreneurs). Provision of financial services to microentrepreneurs living in the Model Municipalities³ selected by USAID will be pursued.
- Willingness to implement proven financial disciplines towards the attainment of sustainability;
- Flexibility to modify methodologies and procedures to better address specific situations in the field;
- Potential to sustain activities beyond the termination of assistance;
- Audited Financial Statements from the previous calendar year by a recognized independent audit firm. (If the Auditor's Opinion is qualified or negative, corrective actions must be accomplished in the short-term.)

³

As of June 1997, Model Municipalities selected by USAID are Corinto, Jiquilisco, San Francisco Menéndez and Berlín.

- Microfinance institutions with an emphasis in the provision of loans of \$300 or less will be highly considered as candidates for grants.

Expected areas of assistance:

The following are some of the areas where the new activity will institutionally strengthen eligible financial institutions serving the microenterprise sector:

- 1) Training staff for improving their credit analysis capacity; more appropriate calculations of delinquency rates and reserve requirements; improved accounting systems; improved reporting systems and loan recovery procedures;
- 2) Advice on sound financial practices (i.e., creation of capital and reserves; appropriate interest rate policies; reduction of administrative costs; and financial specialization).
- 3) Revision and improvement of credit methodologies (e.g., village banks, solidarity groups, credit unions, individual loans) to address more appropriately customers' needs and assure loan repayment. Credit diversification will be recommended to minimize risk and have greater potential for expansion into rural areas.
- 4) Assistance to new, quasi "financieras" to comply with Superintendency regulatory requirements for internal procedures and financial policies (audits, classifying loan defaults; operational expenses vs. assets; capital requirements; information systems). NGO efforts to improve their regulatory environment will be supported in order for them to gain access to commercial banking system funds (e.g., BMI credit lines), and once authorized as "financieras", capture savings.
- 5) Keeping in mind the goal of these institutions of becoming complete financial entities, assist them in setting up savings programs, including adherence to legal and financial requirements to become eligible to capture and manage savings from the public.
- 6) Assistance may include the additional capitalization requirements of NGOs and other financial entities as a means to achieve sustainability and to support them in their efforts to become full service financieras. This assistance will be granted based on financial performance, and will most likely be reserved for the latter-years of a grant recipient, once the more urgent technical and training needs have been met.

- 7) Assistance will be provided for the procurement of fixed assets for a microfinance entity for the improvement of their current financial services installations and for the establishment of a branch finance office or agency within proximity to the rural, microenterprise market. This assistance will be evaluated on a case by case basis, and may include rental space, vehicles, vaults, banking computer equipment, management information systems, operational costs, arrangements for local transportation, and in few cases may include lines of credit.

Assistance may also include training sessions for local microentrepreneurs who comprise the target market of a particular microfinance grant recipient. It is anticipated that specialized training may be appropriate to stimulate the microenterprise sector and provide viable clientele for credit and savings services provided by local microfinance institutions. Training activities will be implemented directly by USAID, coordinated by the GMU with the sub-grantees, through the buy-in training mechanism to be implemented within the SO#1.

VI. ANALYTICAL/CONSULTATION PROCESS

Assumptions that may impair/enhance the attainment of results and challenges/constraints to doing so:

Legal/Regulatory constraints: The ability of microfinance grant recipients to formalize their operations and join the banking/financiera regulatory system, for the purpose of adherence to sound banking practices that will enable them to mobilize savings, establish appropriate reserve requirements, and meet key banking ratios (e.g., capital requirements, loan/deposit ratios, loan loss and default criteria) would contribute to USAID's achievement of results in the new activity.

NGOs have argued that they should be supervised by the Superintendency of Banks, but with a less stringent capital requirements and reserve policies. USAID's position in this debate is that the more pressing need is to up-grade these institutions' performance so that they comply with generally accepted banking system disciplines for them to access other sources of funding. It is first necessary to make such institutions supervisable. When there is a group of supervisable NGOs, the question of actual supervision becomes more relevant.

Geographic remoteness of NGOs, co-ops, and other microfinance entities⁴: The urban location of microfinance grant recipients, and/or their respective branch offices or agencies, should not be a problem for inclusion as viable candidates for support under the Rural Financial Markets competitive grants activity.

SSO organizations: It is assumed that several of the SSO NGOs are well capitalized and may be capable of advancing their lending programs in a sustainable way toward expanding and deepening the coverage of financial services to rural poor, microentrepreneurs. The idea of whether these SSO organizations may be appropriate for "docking" or mergers with the rural finance new activity, will be addressed on a case by case basis and in accordance with the eligibility criteria of the competitive grants mechanism.

Financial Sustainability: An underlying assumption is that the proposed new activity -- Rural Financial Markets Competitive Grants -- will make it possible that certain NGOs, co-ops, banks and other financial entities which meet the selection criteria, will become financially sound, sustainable organizations that can increase coverage in financial services to the USAID beneficiary sector (i.e. rural poor, microentrepreneurs) and are capable of achieving and maintaining the bank/financiera regulatory standards.

Consultation Process

During the process of developing the economic growth strategy (SO#1), USAID held focus group meetings with the rural poor who repeatedly mentioned the lack of access to financial services as being one of their main concerns. The SO#1 Office also organized extended team meetings with its partners to first reconfirm the major constraints to economic growth in the rural sector and later discuss specific issues regarding the Rural Financial Strategy. Several assessments of the microfinance sector were carried out prior to the development of the Rural Financial Services Results Package document. Critical input into the draft Strategy was provided by Liza Valenzuela from the Global Bureau/Economic Growth/Office/Microenterprise Development Division (G/EG/MD), who also recommended specific types of activities to address priority constraints and problems. In addition, the RP contracted a consultant who, together with RP core members, contacted other donors, an important number of Mission's partners in microfinance programs, as well as potential

⁴ Mission's definition of rural areas is seen as a constraint for the achievement of greater results.

partners, and Government officials in order for SO#1 to be updated on the sector's situation (e.g., availability of capital for lending, financial performance of different NGOs, and number of microentrepreneurs assisted). A strong effort was made to identify what other donors are doing in the field of rural finance in order to avoid duplication of effort and identify opportunities for collaboration and coordination.

A very important nation-wide effort was recently carried out by 12 local private NGOs, the BMI and donor organizations, which included the participation of USAID. A diagnosis was made of the microfinance and microenterprise sectors, to present proposals for the development of the legal and regulatory framework for the sector. This work is contained in the document called the "White Book for Microenterprise". The thorough analysis provided by this document, has helped the RP identify areas of major constraints for the development of the sector and has confirmed that the proposed new activity will contribute to overcome an important part of those constraints, achieving at the same time the RP's Intermediate Result "Expanded Equitable Access to Financial Services by the Rural Poor".

The Mission review of the Rural Financial Services Results Package meeting, held on May 9, 1997, concluded with the Mission Director's approval of the Rural Financial Services RP, and the SO#1 Team proceeding to the development of the New Activity Document for Rural Financial Markets (Competitive Grants).

A series of SO#1 Team meetings were held, and follow-up interviews were carried out with partners and customers who will be key participants in the accomplishment of SO#1, the Intermediate Result, and indicators of success for the new activity for strengthening rural financial institutions and broadening and deepening financial services access to rural microentrepreneurs. (See list of recent interviews in Annex F).

For information on USAID/Washington, other donor and GOES activities that will contribute to the achievement of expected results for this new activity, please see detailed information in the Rural Financial Services Results Package Document.

VII. CONDITIONS PRECEDENT AND/OR COVENANTS

Only the standard SOAG Conditions Precedent will be employed, including the following: Prior to the disbursement of USAID funds, or the issuance of any documentation pursuant to which disbursement will be made, the implementing agency shall, except as USAID may otherwise agree in writing, establish separate bank accounts for the control of foreign exchange and local cost expenditures.

VIII. CUSTOMER SERVICE PLAN

Consultation with potential partners and the donor community has been carried out through periodic meetings to address specific issues/concerns identified through ongoing activities. Feedback has been obtained from other donors and partners in periodic meetings. The consultation system with our customers will be accomplished through continued direct field appraisals and focus group meetings.

The GMU will develop a management information system (MIS), which will be also installed and operated by each grant recipient microfinance entity. The MIS will provide direct feedback to USAID on partners' and customers' needs or perceptions of desired services and suggestions for improvement. This service will be provided by a local contractor, to be contracted by the GMU.

IX. HUMAN CAPACITY DEVELOPMENT STRATEGY

The human capacity development strategy for this activity will focus on institutional strengthening in order to increase coverage of sustainable financial institutions in rural areas. The activity plans to strengthen the institutional performance of eight to ten financial services entities, or other institutions which may include NGOs, S&L cooperatives, credit associations/cajas which deliver financial services to rural poor of El Salvador. The training to achieve these results will be in the areas such as: business plans, sustainability, portfolio management, accounting and portfolio monitoring, and community banking methodology. Training seminars will take place in-country for an estimated total of 170-200 key personnel of the targeted rural financial institutions. The need for financial institution personnel to attend a customized training program in the United States will be considered and examined at a strategic point in the life of Activity.

The activity will also contribute to training a large number of rural poor end-customers. The numbers and geographic location of these customers will be assessed and specified during Fiscal Year 1998. Every effort will be made to benefit rural men as well as women (50% each) from customized training interventions to empower them to make use of credit and savings to upgrade their living standards. Typically, such training is given in a short session at the moment the new NGO client receives a loan and is led by the financial institution staff.

The Global Training for Development (GTD) contractor and its local sub-contractors will be used for purposes of human capacity development for a total LOP estimated amount of \$500,000 from the Rural Financial Services Results Package generally. Some funding, as necessary, will be taken from the LOP amount shown for this Activity. Other training may be channelled through the Microenterprise Innovation Project.

Projections of funding to be used for training under Rural Financial Markets Activity follow:

FY' 97	\$ 23,000
FY' 98	\$ 51,450
FY' 99	\$132,300
FY' 00	\$159,600
FY' 01	\$102,952
FY' 02	<u>\$ 30,698</u>
TOTAL	<u>\$500,000</u>

Additional in-country training will be provided to customers/partners of the activity from the new Human Capacity Development (HCD) Activity (519-0432) core funds in cross-cutting topics such as leadership, empowerment skills, NGO strengthening, conflict resolution, self-esteem, strategic planning, total quality management, customer service, and sustainability approaches. On the other hand, both technical training and cross-cutting topics seminars will closely follow the reengineering training guidelines which include: (a) agreements with stakeholders, (b) change agent concept (leadership, training of trainers, action planning), (c) training needs assessment for annual training plan, (d) critical mass approach, (e) multi-level training, and (f) group dynamics.

All training activities will be coordinated/channelled through the HCD Activity and with Mission's Training Unit by developing and submitting annual training plans responsive to Rural Financial Markets (Competitive Grants Program) Activity No. 519-0435. The annual contributions for specific training activities will be facilitated through MAARDs/Delivery Orders for implementation of customized training activities for each Fiscal Year. Moreover, the activity will take advantage of cross-cutting topic seminars offered by the HCD Activity and with its core funding to improve/advance human capacity building of key institutional personnel as well as rural end-customers.

The result of all these training activities will be significant contributions to Intermediate Result "Expanded Equitable Access to Financial, Technological and Marketing Services by the Rural Poor", Sub-Intermediate Results "Increased Coverage of Sustainable Financial Institutions in Rural Areas" and "Improved Financial Performance of Microfinance Institutions Serving the Rural Poor."

X. IMPLEMENTATION/MANAGEMENT PLAN

A. Activity Management

The Rural Financial Markets Grantee, the GMU, will be a locally-based, non-profit, international organization that has important experience in the promotion and development of the rural microenterprise sector in-country or in other countries, and on management of funding mechanisms. The Grantee will administer the activity grant funds and make disbursements to selected sub-grantees. The GMU will be set-up as a small, administratively-streamlined entity, capable of effectively managing all aspects of the competitive grants mechanism, including initial review and ranking of proposals, tracking and reporting of activity indicators, providing guidance and assistance to financial entities submitting proposals, contracting local and off-shore technical assistance, procuring commodities for the sub-grantees, contracting auditing services as necessary, and maintaining close communication with all parties.

The composition of the GMU will be determined by the grantee. For budgeting purposes, the design group has assumed that the GMU will be composed of an Activity Manager; a financial analyst; a microenterprise technical specialist; two proposal technical review specialists; one procurement specialist; two administrative assistants (one for accounting and the other secretarial support); and a driver. Funding will be provided for the procurement of a vehicle, office space and related office operational expenses. The GMU will annually submit an Action Plan for USAID's approval.

The activity Grantee will be selected based on a short list of local international PVO/public and non-profit organizations. The preferred grant mechanism will be a Cooperative Agreement, with a Letter of Credit disbursement method.

B. Implementation mechanisms

• The Grants Committee.

The Committee for the final review and approval of grant proposals for institutional strengthening and/or capital for lending under the Rural Financial Markets competitive grants activity, will be determined by the GMU, but would include membership along the following lines:

- The Manager of the Grants Management Unit
- Two microfinance experts from the Government (e.g., an official of the BMI and possibly a representative from CONAMYPE)

- A microfinance expert of the Salvadoran private sector (with important experience and knowledge of the microfinance sector, who may be a representative of an NGO, a private company, or international donor, but who is not in any way associated with a potential grant recipient)
- An international expert in microenterprise who would be contracted by the GMU.

As a means of including within the Committee a person with specific bank supervisory and regulatory experience and who is capable of providing expert guidance on this aspect of the grantee selection process, an additional representative could be identified and placed on the Committee with Observer Status only. It is anticipated that either a representative from a regulatory body, e.g. the Superintendency of the financial system, or a local bank auditing firm could be asked to participate on the Committee. It is anticipated that a USAID representative could also participate in the Committee as an observer.

The recommended process for annual proposal review and grant approval will be based on a two-phase system, to take place annually at a convenient time (see Time Line, Annex D). A technical team, composed of the GMU and USAID, will first screen proposals for new grants and will evaluate performance of institutions that have been given grants the prior year to recommend the Grant Committee the approval of new grants or the approval of a second year action plan, respectively. The Grant Committee is expected to meet once a year.

Phase I.

- 3/2/98: Call for proposals (which could be for two, three, or up to five years): initiated by a bidders conference to be carried out by the GMU, at which time the grant eligibility criteria and the proposal format, to be prepared by the GMU, are described in detail.
- After the bidders conference, 45 days are allowed for the delivery of proposals, with no proposals accepted after the closing deadline (up to 4/16/98). Bidders who do not meet the proposal deadline will be encouraged to submit their proposals the following year.
- All proposals⁵ will be reviewed initially by the GMU technical team and USAID representatives as appropriate (e.g., SO#1 microfinance Team leader and activity liaison professional),

⁵ Which should also include a first-year Action Plan (e.g. June/98 - June/99).

within a period of approximately two weeks. Proposals are first screened for compliance with criteria as stated in the bid document (up to 4/30/98). If a proposal is considered qualified by the technical team, but lacks specific information, the eligible bidder will then be allowed one additional week to comply with all grant criteria (up to 5/8/98).

- After all proposals have been reviewed and screened by the technical committee, they are grouped into two categories: 1) proposals recommended for grant assistance; and 2) proposals which need to meet certain conditions before they can be recommended for grant assistance. The two categories of proposals are then summarized and presented to the grant Committee (approximately on 5/15/98)⁶.

Phase II.

- The Grant Committee is convened for review and approval of the most qualified category 1 proposals (5/26/98); and grant assistance is authorized, grants are signed and disbursements are made shortly thereafter (estimated to be within a 30 day period).
- If the Committee concurs with the technical team's assessment of category 2 proposals and the conditioned requirements, (or those category 1 proposals that are not approved by the Committee in the first round), then these proposals will be automatically approved by the Committee subject to compliance by the bidders with the stated conditions. Bidders will be allowed one week to meet the stated conditions. During this time, the GMU technical team will maintain close contact with the bidders in category 2 to verify that conditions have been met. Once conditions are met, then grant assistance will be approved. If a category 2 proposal is not in position to meet the required conditions, then the proposal will be denied grant assistance.
- As mentioned above, it is expected that approved grants will typically be for more than one year (with maximum funding up to five years). However, the performance of each grant recipient will be reviewed annually by the GMU, and, if deemed necessary, by the Committee, to approve the subsequent year's funding. Annual performance criteria for each grant recipient will be established as a requirement for the approval of each grant disbursement.

⁶ Recommended proposals are sent to Grant Committee members a week before the meeting that will be held to approve the grants.

- During the life of the Rural Financial Markets Activity the same competitive grants process will start approximately by March of each year⁷.

- **Procurement of technical assistance by the GMU**

The Grantee/GMU will be responsible for the procurement of off-shore technical assistance⁸ and of part of local technical assistance. It is anticipated that several local firms specializing in the banking/financiera management policies and practices, and microfinance programs in rural areas, will be contracted by the GMU as necessary to assist the sub-grantees in activity design and implementation. Some of the local procurement can also be done by the sub-grantees. In addition, a separate local contract is anticipated for a management information system (MIS) for tracking and monitoring results indicators at both the microfinance grantee level and for the GMU.

It is recommendable that the Activity geographic source/origin code should allow the activity to draw upon technical specialists from other Latin American countries in addition to the host country and the United States.

- **Procurement of commodities by the GMU and sub-grantees**

The GMU will be responsible for the procurement of major commodities anticipated under each microfinance grant. Among these procurement would be some fixed assets (vehicles, equipment, computers and software). Grant recipients will be authorized to procure commodities desks, chairs, file cabinets and other commodities at the discretion of the GMU. The GMU will provide procurement information and procedures to grant recipients.

- **Training activities by USAID**

Training sessions will be carried out to address common needs of the sub-grantees staff and those of the microentrepreneurs as explained in Section IX. These training activities will be procured directly by USAID. The RP will use the training buy-in mechanism within SO#1 to contract out local and off-shore training for identified needs.

⁷ The date for the annual Grant Committee meeting for the evaluation of new proposal will be adjusted to concur with the yearly evaluation date of prior sub-grantees' performance (in the month of June).

⁸ If deem necessary USAID could procure directly some off-shore technical assistance, but is expected that almost all of it be procured by the GMU with sub-grantees' funds.

- **Other implementation activities by USAID**

USAID will have under its budget, funds to contract out for technical studies, specialized technical assistance and for evaluations. The annual audit requirements of the Cooperative Agreement will be carried out in accordance with "Automated Directives System, (ADS) Chapter 591.5.1. Audits of U.S. Non-Profit Organizations", or in the case of a Public International Organization, ADS Chapter 308.5.15j, which indicates that the Grantee will be subject to an independent audit in accordance with the Grantee's auditing procedures, and agrees to furnish copies of these audit reports to USAID. In addition, the GMU will be responsible for audit coverage of beneficiary organizations.

- **USAID Management**

USAID personnel funded under the RP through its SOAG will include two professionals from the SO#1 team, and one secretarial position. In addition to salary costs of these personnel, additional funds will be included to cover training requirements and limited administrative and equipment support costs. Furthermore, funding for training needs of supporting offices staff to the Rural Financial Services Results Package will be also included. SO#1 will also count on the support of the USAID Global Economic Growth, Microenterprise Division, during the life of the activity.

- **USAID partners and customers**

GOES partners could include the BMI and CONAMYPE (both possible sources of individuals to serve on the Grants Selection Committee), the Superintendency of the banking system (to be represented as an official observer on the Grants Selection Committee), and other GOES entities as appropriate.

It is anticipated that a few selected FEDECACES co-op organizations, credit associations/cajas and Workers Banks of the FEDECREDITO system; financially-oriented NGOs which currently or have plans to work in rural, poor areas with microentrepreneurs (including CRS and CARE assisted NGOs, as well as FOMMI assisted NGOs); CAM and other community banking organizations such as those proposed under the CRS Microenterprise 2000 financiera, will be the most eligible candidates for grant assistance under this activity.

- **Methods of financing**

Two methods of financing are foreseen: Federal Reserve Letter of Credit for GMU operating expenses and sub-grantees, and Direct Payment for USAID procurement.

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METHODS OF IMPLEMENTATION AND FINANCING

Activity Components	Method of Implementation	Method of Financing	Total Cost
Grants Funds	PVO Coop. Agr.	FRLC	\$ 9,891.3
Grants Mgmt. Unit (GMU)	PVO Coop. Agr.	FRLC	\$ 3,313.0
Training	Direct Procurement	Direct Payment	\$ 500.0
Technical Studies & Eval.	Direc Procurement	Direct Payment	\$ 467.3
USAID Mgmt. Costs	Direct Procurement	Direct Payment	\$ 828.4
TOTAL			\$ 15,000.0

- **Plans for monitoring, measuring and reporting**

As mentioned above, the GMU will develop a management information system (MIS), for every grant recipient. This system will permit the GMU and, consequently, USAID to access information on a periodic basis (probably on a quarterly basis) to be able to report on Activity's performance to the Mission for the SAR and R4 exercises and directly to USAID/Washington when required.

XI. PERFORMANCE MONITORING PLAN

The performance monitoring plan, to be developed jointly by the SO#1 team and the GMU, should describe clearly the activity performance indicators that will allow the SO/RP to measure progress toward the achievement of the intermediate result to be attained by the activity.

Monitoring, measuring and reporting

The GMU will be responsible for:

- Establishment of baseline data for the results indicators to be applied to the recipients of grants under the Rural Financial Markets activity.

- Technical assistance to institute a results indicator tracking and monitoring information system within each financial entity grant recipient.
- Follow-up technical assistance will be required on a regular basis to assist the microfinance grant recipients in fine-tuning their respective information systems so that regular feedback on their progress can be acted upon by management to continue to improve performance.
- Regular reporting of results indicators will be done by both the grant recipients and GMU. The GMU will provide quarterly reports on results indicators to USAID.

The Rural Financial Services Results Package Team will consider that the Rural Financial Markets Activity has been successful if at the end of the Activity we have been able to achieve the following:

1. Increase the microenterprise clientele in the rural, poor sector, who are accessing financial services through activity-funded institutions; and
2. Improve the capability of the grant recipients in the provision of financial services to rural households, up to the point that these institutions are self-sustainable⁹, have accessed additional sources of capital through savings accounts, where legally possible, or other credit lines; or are capable of providing additional financial services.

Number 1 above will be measured through the following indicators:

Planned Targets

- No. of Active borrowers (women/rural)	20,000
- No. of Depositors (women/rural)	4,000
- No. of Clients (women/rural)	20,000

⁹ Definition of sustainability follows in same Section.

Number 2 above will be measured through the following indicators:

Planned Targets

- | | |
|--|---|
| - No. of Financially Sustainable institutions | 8 |
| - No. of Branches/Agencies serving rural clients | 7 |

Through the incorporation of sound banking practices and financial performance improvement, grants recipients progress towards sustainability will be measured by the following RP lower level indicators:

Planned Targets

- | | |
|---|-----------|
| - No. of Institutions which are Operationally Sustainable | 10 |
| - % of Delinquent Portfolio more than 30 days past due | 10% |
| - Growth in Savings Accounts (in U.S. Dollars) | \$400,000 |
| - No. of NGOs obtaining commercial bank funds | 5 |
| - No. of secure savings institutions offering services to rural clients | 6 |
| - No. of improved statutes of financial institutions | 6 |

- Sustainability (e.g. sound banking practices; lower cost of capital through savings and other credit lines and financial services; increased rural market and loan volume to the microentrepreneurs classified as poor)

A financially sustainable microfinance program is defined as one that collects sufficient revenues to cover the full opportunity cost of its activities. Such a program can continue operating indefinitely at a stable or growing scale, without further support from governments, donor agencies, or charitable organizations. Growth in the program's lending and/or other

services can be funded on a commercial basis: i.e. reinvestment of profits, loans from commercial banks, equity from private investors, or -- in the case of licensed financial institutions - through the mobilization of deposits.

For a microfinance program, financial sustainability requires that income from interest and fees charged to borrowers cover (1) the program's operational costs, including salaries and other costs of administration (whether paid by the microfinance entity or received as a donation), depreciation of fixed assets, and losses due to default and (2) its financial costs, including both the costs of raising funds through deposits or commercial loans and the opportunity cost (including inflation) of any grants or low-interest loans previously provided by donors. A microfinance program whose revenues cover its operational costs but not its financial costs has attained *operational self-sufficiency*, which will be used as an interim standard of financial performance.

Before the grant Committee will approve activity grant assistance to a microfinance entity, the management of the institution must provide a credible written commitment to: (1) attain full financial sustainability on the organization's financial services activities within a period to be determined on a case by case basis; and (2) use the activity grant assistance to expand the availability of financial services to rural microentrepreneurs and other poor people. The commitment must be accompanied by a plan outlining the major steps to be undertaken in the process of achieving this goal, including a realistic timetable for undertaking those steps, and defining periodic benchmarks by which progress toward the goal can be determined.

The process of achieving financial sustainability will be monitored and periodically assessed by the GMU. It is envisioned that the following stages of rural microfinance organizational development will take place:

Stage 1: The microfinance entity develops a set of financial services that clients demand; develops and fine-tunes methods for delivering those services at minimum cost, including both administrative/operational costs and those due to default and/or delayed repayment; and sets interest rates that cover its full expected long-run costs.

Stage 2: The microfinance entity focuses on scaling up its program, and develops the management tools necessary to do so, in areas such as financial management, staff recruitment, training, and information flows. As it progresses through this stage, the microfinance entity may increasingly gain access to commercial bank loans (or other sources of credit) to fund the expansion of its loan portfolio.

Stage 3: The microfinance entity's financial performance improves to the point where it can fully rely upon private sector sources -- savings deposits, loans from commercial banks or other financial intermediaries, or both -- to support further expansion of its lending activities. To achieve this status, it is anticipated that the microfinance entity must qualify as a licensed small bank/financiera in order to begin mobilizing deposits.

XII. FINANCIAL PLAN

An obligation plan by fiscal year for the new activity follows:

FISCAL YEAR BUDGET FOR THE RURAL FINANCIAL MARKETS NEW ACTIVITY

Activity Components	FY'97	FY'98	FY'99	FY'00	FY'01	FY'02	TOTALS
Grant Fund (*)	1,505.4	2,198.8	2,603.6	2,367.1	1,173.9	42.5	9,891.3
Grants Management Unit							
Operational Exp.	499.8	537.8	522.5	538.7	557.4	443.3	3,099.5
MIS & Monitoring	30.0	33.5	40.0	40.0	40.0	30.0	213.5
Training (buy-in)	23.0	51.5	132.3	159.6	102.9	30.7	500.0
Technical Studies and Evaluations (**)	36.8	47.2	57.8	147.0	73.5	105.0	467.3
USAID-RP Management Costs	105.0	131.2	143.8	147.6	152.3	148.5	828.4
TOTALS	2,200.0	3,000.0	3,500.0	3,400.0	2,100.0	800.0	15,000.0

(*) e.g. off-shore and local technical assistance (to be procured mainly by the GMU), equipment, start-up costs and credit lines.

(**) It will be procured by USAID

SUMMARY COST ESTIMATES AND FINANCIAL PLAN
In US\$ '000)

Activity Components	USAID		TOTAL USAID	COUNTER PART	ACTIVITY TOTAL
	LC	FX			
GRANT FUNDS	7,341.3	2,550.0	9,891.3	3,700.0	13,591.3
GRANTS MANAGEMENT UNIT (GMU)	1,403.3	1,909.7	3,313.0		3,313.0
TRAINING	260.0	240.0	500.0	50.0	550.0
TECHNICAL STUDIES & EVALUATIONS	287.3	180.0	467.3		467.3
USAID MANAGEMENT COSTS	728.4	100.0	828.4		828.4
	10,020.3	4,979.7	15,000.0	3,750.0	18,750.0
			80.00%	20.00%	100.00%

Other funding that will contribute to achievement of results

Other donors and partners are providing approximately \$90.3 million in related activities. Among other donors it can be mentioned: the International Development Bank (IDB), the Deutsche Gesellschaft fur Technische Zusammenarbeit (GTZ), the European Union, the United Nations Development Program (UNDP), and the Central American Bank for Economic Integration (CABEI). These institutions are not directly financing RP activities, but have complementary programs that will contribute to the achievement of expected results from this new activity.

Counterpart Contributions

With regards to counterpart contributions, it is the policy of the Mission to negotiate and try to obtain as much counterpart contribution as possible to obtain maximum impact from the assistance, subject to the minimum of 25% mandated by law or USAID regulations. This requirement is not applicable, as a matter of law, to non-profit organizations or to Economic Support Funds (ESF). However, USAID/El Salvador has administratively determined to apply this requirement whenever possible.

Every effort will be made to leverage additional support for the Rural Financial Markets competitive grants activity. Counterpart contribution will come from the microfinance grant recipients (i.e. loan portfolio¹⁰, capital support leveraged from bank savings accounts by grant recipients, as well as other donor assistance). Indeed, ability to provide counterpart will make a given grant proposal more attractive, as more results can be leveraged with scarce USAID resources.

It is not possible to provide specific information on the prospective counterparts at this time, but it will be obtained once the Grant Awardee is selected. The RP team recommends waiving the need to obtain a formal written counterpart agreement as part of authorizing the new Rural Financial Markets Activity. However, despite this waiver, the Cooperative Agreement would include a clause that requires counterpart funds to be estimated and tracked by the implementing entity.

¹⁰ Which source is not from a prior USAID project.

USAID Management Costs

As indicated in the table above, the total USAID management costs dedicated to this new activity are estimated to be US\$828,400 for the life of the project. This estimated figure includes salaries for three RP core members (two activity managers and one secretary) and also training for RP members from supporting offices.

Recurrent costs

Since the Rural Financial Markets Activity will support microenterprise programs/institutions to improve their financial performance in order to be financially sustainable; we do not foresee a need to take other actions to address the issue of recurrent costs.

ANNEX A

ASSISTANCE CHECKLIST

Listed below are criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to: (A) both DA and ESF assistance; (B) DA only; or (C) ESF only.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE? Yes
Approved & updated
as of 12/12/96

A. DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND

1. Congressional Notification

a. **General Requirement** (FY 1997 Appropriations Act Sec.515; FAA Sec. 634A): If the obligation has not eviously justified to Congress, or is for an amount in excess of the amount previously justified to Congress, has a Congressional Notification been made? Yes

b. **Special Notification Requirement** (FY 1997 Appropriations Act, "Burma" and "NIS" Title II headings and Sec. 520): For obligations for NIS countries, Burma, Colombia, Guatemala (except development assistance), Dominican Republic, Haiti, Liberia, has a Congressional Notification been submitted, regardless of any justification in the Congressional Presentation? N/A

c. **Notice of Account Transfer** (FY 1997 Appropriations Act Sec. 509): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees? N/A

d. **Cash Transfers and Nonproject Sector Assistance** (FY 1997 Appropriations Act Sec. 531(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted? N/A

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

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3. **Legislative Action** (FAA Sec. 611(a)(2)): If the obligation is in excess of \$500,000 and requires legislative action within the recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? Yes
4. **Water Resources** (FAA Sec. 611(b)): If the assistance is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? N/A
5. **Cash Transfer/Nonproject Sector Assistance Requirements** (FY 1997 Appropriations Act Sec. 531). If assistance is in the form of a cash transfer or nonproject sector assistance: N/A
- a. **Separate Account:** Are all such cash payments to be maintained by the country in a separate account and not commingled with any other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)? N/A
- b. **Local Currencies:** If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies: N/A
- (1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account? N/A
- (2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government? N/A
- (3) Has A.I.D. taken all necessary steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes? N/A

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

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

7. **Local Currencies**

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

b. **US-Owned Foreign Currencies**

(1) **Use of Currencies** (FAA Secs. 612(b), 636(h)): Are steps being taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services. N/A

(2) **Release of Currencies** (FAA Sec. 612(d)): Does the U.S. own non-PL 480 excess foreign currency of the country and, if so, has the agency endeavored to obtain agreement for its release in an amount equivalent to the dollar amount of the assistance? N/A

8. **Trade Restrictions - Surplus Commodities** (FY 1997 Appropriations Act Sec. 513(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? N/A

9. **Environmental Considerations** (FAA Sec. 117; USAID Regulation 16, 22 CFR Part 216): Have the environmental procedures of USAID Regulation 16 been met? Yes

10. PVO Assistance

a. **Auditing** (FY 1997 Appropriations Act Sec. 550): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of USAID? Yes

b. **Funding Sources** (FY 1997 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? If not, has the requirement been waived? Yes

11. **Agreement Documentation** (Case-Zablocki Act, 1 U.S.C. Sec. 112b, 22 C.F.R. Part 181): For any bilateral agreement over \$25 million, has the date of signing and the amount involved been cabled to State L/T immediately upon signing and has the full text of the agreement been pouched to State/L within 20 days of signing? N/A

12. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage? Yes

13. **Abortions** (FAA Sec. 104(f); FY 1997 Appropriations Act, Title II, under heading "Development Assistance" and Sec. 518): N/A

- a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? (Note that the term "motivate" does not include the provision, consistent with local law, of information or counseling about all pregnancy options.) No
- b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? No
- c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? No
- d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? (As a legal matter, DA only.) No
- e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? (As a legal matter, DA only.) No
- f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? No
- g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? No
- 14. Procurement**
- a. **Source, Origin and Nationality** (FAA Sec. 604(a): Will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section? Yes

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

c. **Insurance** (FY 1997 Appropriations Act Sec. 528A): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. insurance companies have a fair opportunity to bid for insurance when such insurance is necessary or appropriate? Yes

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

e. **Construction or Engineering Services** (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) N/A

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

g. **Technical Assistance** (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes
No

h. **U.S. Air Carriers** (Fly America Act, 49 U.S.C. Sec. 1517): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes

i. **Consulting Services** (FY 1997 Appropriations Act Sec. 549): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? Yes

j. **Notice Requirement** (FY 1997 Appropriations Act Sec. 561): Will agreements or contracts contain notice consistent with FAA section 604(a) and with the sense of Congress that to the greatest extent practicable equipment and products purchased with appropriated funds should be American-made? Yes

15. **Construction**

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

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

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

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

18. **Narcotics**

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

- b. Assistance to Narcotics Traffickers (FAA Sec. 487):** Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? Yes
- 19. Expropriation and Land Reform (FAA Sec. 620(g)):** Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? N/A
- 20. Police and Prisons (FAA Sec. 660):** Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? N/A
- 21. CIA Activities (FAA Sec. 662):** Will assistance preclude use of financing for CIA activities? N/A
- 22. Motor Vehicles (FAA Sec. 636(i)):** Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes
- 23. Export of Nuclear Resources (FY 1995 Appropriations Act Sec. 506):** Will assistance preclude use of financing to finance, except for purposes of nuclear safety, the export of nuclear equipment, fuel, or technology? N/A
- 24. Publicity, Propaganda and Lobbying (FY 1997 Appropriations Act Sec. 546; Anti-Lobbying Act, 18 U.S.C. § 1913; Sec. 109(1) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989, P.L. 100-204):** Will assistance be used to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? No

25. **Commitment of Funds** (FAA Sec. 635(h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement? No

26. **Impact on U.S. Jobs** (FY 1997 Appropriations Act, Sec. 538):

a. Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business? No

b. Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.? No

c. Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country, or will assistance be for the informal sector, micro or small-scale enterprise, or smallholder agriculture? No

B. DEVELOPMENT ASSISTANCE ONLY

1. **Agricultural Exports (Bumpers Amendment)** (FY 1997 Appropriations Act Sec. 513(b)), as interpreted by the conference report for the original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers? No

2. **Recipient Country Contribution** (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the activity with respect to which the assistance is to be furnished or is this cost-sharing requirement being waived for a "relatively least developed" country? No
3. **Forest Degradation** (FAA Sec. 118):
- a. Will assistance be used for the procurement or use of logging equipment? If so, does the an environmental assessment indicate that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems? No
- b. Will assistance be used for: (1) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (2) activities which would result in the conversion of forest lands to the rearing of livestock; (3) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (4) the colonization of forest lands; or (5) the construction of dams or other water control structures which flood relatively undergraded forest lands? If so, does the environmental assessment indicate that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development? No
4. **Deobligation/Reobligation** (FY 1997 Appropriations Act Sec. 510): If deob/reob authority is sought to be exercised under section 510 in the provision of DA assistance, are the funds being obligated for the same general purpose and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified? [Note: Compare to no-year authority under section 511.] No
5. **Capital Assistance** (Jobs Through Export Act of 1992, Secs. 303 and 306(d)): If assistance is being provided for a capital activity, is the activity developmentally sound and will it measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the Yes

community level?

6. Loans

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

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

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

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

7. **Planning and Design Considerations.** Has agency guidance or the planning and design documentation for the specific activity taken into account the following, as applicable?

a. **Economic Development.** FAA Sec. 101(a) requires that the activity give reasonable promise of contributing to the development of economic resources or to the increase of productive capacities and self-sustaining economic growth. Yes

b. **Special Development Emphases.** FAA Secs. 102(b), 113, 281(a) require that assistance: (1) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (2) encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of

women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries. Yes

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

d. **Agriculture, Rural Development and Nutrition, and Agricultural Research.** FAA Secs. 103 and 103A require that: (1) **Rural poor and small farmers:** assistance for agriculture, rural development or nutrition be specifically designed to increase productivity and income of rural poor; and assistance for agricultural research take into account the needs of small farmers and make extensive use of field testing to adapt basic research to local conditions; (2) **Nutrition:** assistance be used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people; (3) **Food security:** assistance increase national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and N/A

improving food distribution.

e. Population and Health. FAA Secs. 104(b) and (c) require that assistance for population or health activities emphasize low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

N/A

f. Education and Human Resources Development. FAA Sec. 105 requires that assistance for education, public administration, or human resource development (1) strengthen nonformal education, make formal education more relevant, especially for rural families and urban poor, and strengthen management capability of institutions enabling the poor to participate in development; and (2) provide advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

N/A

g. Energy, Private Voluntary Organizations, and Selected Development Activities. FAA Sec. 106 requires that assistance for energy, private voluntary organizations, and selected development problems may be used for (1) data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment; (2) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development organizations; (3) research into, and evaluation of, economic development processes and techniques; (4) reconstruction after natural or manmade disaster and programs of disaster preparedness; (5) special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance; (6) urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

N/A

h. **Appropriate Technology.** FAA Sec. 107 requires that assistance emphasize use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor. Yes

i. **Tropical Forests.** FAA Sec. 118 and FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act) require that: N/A

(1) **Conservation:** assistance place a high priority on conservation and sustainable management of tropical forests and specifically: (i) stress the importance of conserving and sustainably managing forest resources; (ii) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (iii) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (iv) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (v) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (vi) conserve forested watersheds and rehabilitate those which have been deforested; (vii) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (viii) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (ix) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (x) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (xi) utilize the resources and abilities of all relevant U.S. government agencies; (xii) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (xiii) take full account of the environmental impacts of the proposed activities on N/A

biological diversity.

(2) **Sustainable Forestry:** assistance relating to tropical forests assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry. N/A

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

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

l. **Indigenous Needs and Resources.** FAA Sec. 281(b) requires that an activity recognize the particular needs, desires, and capacities of the people of the country; utilize the country's intellectual resources to encourage institutional development; and support civic education and training in skills required for effective participation in governmental and political processes essential to self-government. Yes

m. **Energy.** FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act) requires that assistance relating to energy focus on: (1) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (2) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases. N/A

n. **Debt-for-Nature Exchange.** FAA Sec. 463 requires that assistance which will finance a debt-for-nature exchange (1) support protection of the world's oceans and atmosphere, animal and plant

species, or parks and reserves; or (2) promote natural resource management, local conservation programs, conservation training programs, public commitment to conservation, land and ecosystem management, or regenerative approaches in farming, forestry, fishing, and watershed management. N/A

C. ECONOMIC SUPPORT FUND ONLY

1. Economic and Political Stability (FAA Sec. 531(a)):

Does the design and planning documentation demonstrate that the assistance will promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA? N/A

2. Military Purposes (FAA Sec. 531(e)): Will this assistance be used for military or paramilitary purposes? N/A

3. Commodity Grants/Separate Accounts (FAA Sec. 609): If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1997, this provision is superseded by the separate account requirements of FY 1997 Appropriations Act Sec. 532(a), see Sec. 532(a)(5).) N/A

4. Generation and Use of Local Currencies (FAA Sec. 531(d)): Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1997, this provision is superseded by the separate account requirements of FY 1997 Appropriations Act Sec. 532(a), see Sec. 532(a)(5).) N/A

5. Capital Activities (Sec. 306, Jobs Through Exports Act of 1992, P.L. 102-549, 22 U.S.C. 2241a): If assistance is being provided for a capital project, will the project be developmentally-sound and sustainable, i.e., one that is (a) environmentally sustainable, (b) within the financial capacity of the government or recipient to maintain from its own resources, and (c) responsive to a significant development priority initiated by the country to which assistance is being provided. N/A

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ADS SUPPLEMENTARY REFERENCE 202.6.3

COUNTRY CHECKLIST FOR EL SALVADOR

A. DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND

1. Narcotics Certification (FAA Sec. 490): If the recipient is a "major illicit drug producing country" (defined as a country in which during a year at least 1,000 hectares of illicit opium poppy is cultivated or harvested, or at least 1,000 hectares of illicit coca is cultivated or harvested, or at least 5,000 hectares of illicit ~~cannabis~~ is cultivated or harvested) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

a. Has the President in the March International Narcotics Control Strategy Report (INCSR) determined and certified to the Congress (without Congressional enactment, within 90 calendar days, of a resolution disapproving such a certification), that (1) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals and objectives established by the U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or that (2) the vital national interests of the United States require the provision of such assistance?

b. With regard to a major illicit drug producing or drug-transit country in which the President has not certified on March 1, has the President determined and certified to Congress on any other date (with enactment by Congress of a resolution approving such

NA: El Salvador is not a major illicit drug producing or major drug transit country

NA

NA

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certification] that the vital national interests of the United States require the provision of assistance, and has also certified that (a) the country has undergone a fundamental change in government, or (b) there has been a fundamental change in the conditions that were the reason why the President had not made a "fully cooperating" certification.

2. Indebtedness to U.S. Citizens (FAA Sec. 620(c)): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not paid or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

We are not aware of any debts the Government of El Salvador owes to any U.S. citizen for goods or services that meet the criteria set forth in this section.

3. Seizure of U.S. Property (Foreign Nations Authorization Act, Fiscal Years 1994 and 1995, Sec. 527): If assistance is to a government, has it (including any government agencies or instrumentalities) taken any action on or after January 1, 1956 which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them (during the period specified in section (c) of this section) either (a) returning the property, providing prompt and effective compensation for the property, offering a domestic dispute providing prompt, adequate, and effective compensation for the property, or submitting the dispute to international arbitration? If the answer of the government would otherwise prohibit assistance, has the President waived this prohibition and so notified Congress that it was in the national interest to do so?

No.

4. Communist and Other Countries (FAA Sec. 620(a), 620(f), 620D; FY 1997)

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Appropriations Act Secs. 507, 523): Will assistance be provided: (a) to China, Cuba, North Korea, Tibet, Vietnam or another Communist country; (b) directly to Cuba, Iraq, Libya, North Korea, Iran, Sudan or Syria; or (c) indirectly to China, Cuba, Iran, Iraq, Libya, North Korea, or Syria? If so, has the President made the necessary determinations to allow assistance to be provided?

No. El Salvador is not a communist country.

5. Mob Action (FAA Sec. 620(j)): Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? [Reference may be made to the "Taking into Consideration" memo.]

No.

6. OPIC Investment Guaranty (FAA Sec. 620(i)): Has the country failed to enter into an investment guaranty agreement with OPIC? [Reference may be made to the annual "Taking into Consideration" memo.]

No.

7. Seizure of U.S. Fishing Vessels (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5): (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? [Reference may be made to the annual "Taking into Consideration" memo.]

No.

8. Loan Default (FAA Sec. 620(g); FY 1995 Appropriations Act Sec. 512 (Brooke Amendment)): (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1995 Appropriations Act appropriates funds?

No.

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9. Military Equipment (FAA Sec. 620(s)): Is contemplated assistance in development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? [Reference may be made to the annual "Taking Into Consideration" memo.]

Yes. Taken into account by the Administrator at the time of approval of the FY 1997 OYB.

10. Diplomatic Relations with U.S. (FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No.

11. U.N. Obligations (FAA Sec. 620(u)): What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? [Reference may be made to the annual "Taking Into Consideration" memo.]

El Salvador's U.N. arrearages, both in general and for purposes of Article 19 of the U.N. Charter, were taken into account by the Administrator at the time of approval of the FY 1997 OYB.

12. International Terrorism

a. Sanctuary and Support (FY 1997 Appropriations Act Sec. 527A; FAA Sec. 620): Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed acts of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

No.

b. Compliance with UN Sanctions (FY 1997 Appropriations Act Sec. 534): Is assistance being provided to a country not in compliance with UN sanctions against Iraq, Serbia, or Kosovo. If so, has the President

No.

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made the necessary determinations to allow assistance to be provided?

c. Governments That Aid Terrorist States. (FAA Section 620G, added by section 325 of the Antiterrorism and Effective Death Penalty Act of 1996, P.L. 104-132, April 24, 1996): Is assistance being provided to a government which provides assistance to a country the government of which is a terrorist government under section 620A of the FAA? If so, has the President made the necessary determinations to allow assistance to be provided?

No.

d. Export of Lethal Military Equipment (1997 Appropriations Act Sec. 552; P.L. 105-271, added by section 326 of the Antiterrorism and Effective Death Penalty Act of 1996, P.L. 104-132, April 24, 1996): Is assistance being made available to a government which provides lethal military equipment to a country the government of which is a terrorist government under sections 620A of the FAA (50 U.S.C. App. 2405(j)) or 40(d) of the Arms Export Control Act? If so, has the President made the necessary determinations to allow assistance to be provided?

No.

e. Discrimination (FAA Sec. 666(b)): Is the country object, on the basis of religion, national origin or sex, the presence of any officer or employee of the U.S. who is present in a country to carry out economic development programs under the FAA?

No.

f. Nuclear Technology (Arms Export Control Act Secs. 101, 102): Has the country, after August 3, 1977, delivered to any other country or received nuclear equipment or reprocessing equipment, materials, or technology, without agreed arrangements or safeguards, without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon

No.

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state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? [FAA Sec. 520E(d) permits a special waiver of Sec. 101 for Pakistan.]

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K. Algiers Meeting (ISDCA of 1981, Sec. 720): Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to dissociate itself from the communique issued? If so, has the President taken this account? [Reference may be made to the "Taking into Consideration" section.]

No.

L. Military Coup (FY 1997 Appropriations Act Sec. 508): Has the elected Head of Government of the country been deposed by military coup or ~~assassination~~? If assistance has been requested, has the President notified Congress that a democratically elected government has taken office prior to the provision of assistance?

No.

M. Exploitation of Children (FAA Sec. 504): Does the recipient government fail to take appropriate and adequate means, within its means, to protect children from exploitation, abuse or conscription into military or military services?

No.

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N. Parking Fines (FY 1997 Appropriations Act Sec. 552): Has the recipient assistance allocation of funds in a country taken into account the payments of this section to reduce the amount by 110 percent of the amount

FY 1997 obligations will be reduced by 110% of the amount of any unpaid parking fines owed to the District of

of unpaid parking fines owed to the District of Columbia as of the date of enactment of the FY 1997 Appropriations Act, September 30, 1996?

Country Checklist
Columbia as determined by N/D.

20. Delivery of Humanitarian Assistance (FIM Sec. 5201, added by FY 1997 Appropriations Act Sec. 559 562): Has the government prohibited or otherwise restricted, directly or indirectly the transport or delivery of United States humanitarian assistance? If so, has the President made the necessary determination to allow assistance to be provided?

No.

21. Nuclear Power Plant in Cuba (Sec. 111 of the LIBERTAD Act, P.L. 104-114, March 12, 1996): Has the country or any entity in the country provided on after the dates of enactment of the FY 1996 Appropriations Act, January 27, 1996, or the LIBERTAD Act, March 12, 1996, assistance or credits in support of the Cuban nuclear facility at Juragua, Cuba. If so, has the overall assistance allocation of funds for that country taken into account the requirements of this section to withhold assistance equal to the sum of any such assistance or credits?

no.

22. Harboring War Criminals (FY 1997 Appropriations Act Sec. 568): Has the government knowingly granted sanctuary to persons in its territory for the purpose of evading prosecution, where such persons--

No.

a. have been indicted by the International Criminal Tribunal for the former Yugoslavia, the International Criminal Tribunal for Rwanda, or any other international tribunal with similar standing under international law or

No.

b. have been indicted for war crimes or crimes against humanity committed during the period beginning May 23, 1933, and ending on May 8,

REST AVAILABLE COPY

Country Checklist

1945 under the direction of, or in association with (1) the Nazi government of Germany; (2) any government in any area occupied by the military forces of the Nazi government of Germany; (3) any government which was established with the assistance or cooperation of the Nazi government; or (4) any government which was an ally of the Nazi government of Germany?

B. DEVELOPMENT ASSISTANCE ONLY

Human Rights Violations (FAA Sec. 116):
Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

No.

C. ECONOMIC SUPPORT FUND ONLY

Human Rights Violations (FAA Sec. 502B):
Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

No.

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LAC/CEN:KSmith/cklist.esn/11/12/96-7-5535

Clearances:

Clearance	Date
LAC/CEN:LAvalle	
LAC/SAN:TKeldermana <i>TK</i>	12/4/96
LAC/SPM:JWeber <i>JW</i>	12/4/96
LAC/DPB:RJordan <i>RJ</i>	11/8/96
LAC/GC:SAllen <i>SA</i>	12/12/96
ARA/CEN:JFeeley <i>JF</i>	10/6/96
State/IO/S/A:DLais <i>DL</i>	12/5/96
State/INL/P:EBryson <i>EB</i>	11/2/96
State/DRL/AAA:PLahey <i>PL</i>	0/5/96
State/M/OPM/VTC:JCintron <i>JC</i>	0/5/96

John F. ...
Date: 11/2/96
Date: 11/2/96

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
ACTIVITY DATA SHEET**

PROGRAM: El Salvador

CP 81-05 (4-85)

TITLE Rural Financial Markets (Competitive Grants)		FUNDING SOURCE Development Assistance	PROPOSED OBLIGATION (In thousands of dollars) \$2,200,000			
			FY 1997	LIFE OF PROJECT (Auth.) \$15,000,000		
NUMBER GRANT <input checked="" type="checkbox"/>	LOAN <input type="checkbox"/>	NEW <input checked="" type="checkbox"/> CONTINUING <input type="checkbox"/>	PRIOR REFERENCE FY 97 CP	INITIAL OBLIGATION FY 97	ESTIMATED FINAL OBLIGATION FY 2002	ESTIMATED COMPLETION DATE OF PROJECT FY 2002

Purpose: To improve the financial sustainability of microfinance institutions providing services to rural poor customers, and thereby expand access to financial services for rural poor households and rural microentrepreneurs.

Background: Despite recent strong economic growth and progress in improving urban living standards, rural poverty in El Salvador remains high. The limited access to economic activities in rural areas accounts for much of this disparity. Lack of access to financial services, including both credit and secure savings, is one of the principal constraints to development of income-generating activities and reduction of rural poverty. Most microfinance institutions tend to emphasize urban clients and suffer from internal weaknesses that limit their ability to channel services to rural poor residents.

Activity Description: This Activity will strengthen approximately ten rural financial service institutions. The institutions will be selected through a competitive grant process by a selection committee comprised of USAID, GOES and private sector representatives supported by a Grant Management Unit (GMU). Depending on their needs, the selected institutions will receive technical assistance, training, and in some cases working capital and equipment, to assist them to become financially viable and sustainable. Institutions eligible to apply for a grant will include local NGOs, savings and loan cooperatives, credit associations, village banks and others that meet criteria related to the delivery of financial services to the rural poor. The GMU will be established by an international PVO with a local presence. The GMU will be responsible for the management, administration and oversight of the grants process and for achieving specific results and indicator targets.

Relationship of Activity to USAID Strategy: The Rural Financial Markets Competitive Grants Activity will contribute to the Mission's Strategic Objective No. 1 "Expanded Access and Economic Opportunity for El Salvador's Rural Poor" through the Intermediate Result "Expanded Equitable Access to Financial, Technological and Marketing Services by the Rural Poor".

Beneficiaries: Poor rural households with limited access to financial services.

Host Country and Other Donors: Both the Government of El Salvador (through the Banco Multisectorial) and other donors (such as the Inter-American Development Bank), offer programs to support microenterprise credit. Much of the available assistance for credit lines; USAID intends to complement such programs with competitive grants to strengthen microfinance institutions and to expand their outreach to poor rural customers. USAID participates in CONAMYPE, a coordinating body for microenterprise programs whose members include donors (Germany, European Union, UNDP), government institutions, and international institutions (UNDP, Inter-American Development Bank). Government of El Salvador's major players in microfinance activities are: the Multisectoral Investment Bank (BMI); FEDECCREDITO, FIGAPE, National Secretariat for the Family (SNF), and National Secretariat for Reconstruction (SRN).

Results: By the end of the Activity, ten rural financial institutions will have been strengthened, serving at least 20,000 active borrowers, 4,000 depositors, and 20,000 active clients in rural areas. In similar programs, borrowers receiving credit have increased their income by 38% in selected areas; employment too has increased by 30%.

U.S. FINANCING (In thousands of dollars)				PRINCIPAL CONTRACTORS OR AGENCIES
	Obligations	Expenditures	Unliquidated	
Through September 30, 1996	0	0	0	One locally-based international PVO (To be determined)
Estimated Fiscal Year 1997	2,200,000	500,000		
Estimated Through September 30, 1997	2,200,000	500,000	0	
		Future Year Obligations	Estimated Total Cost	
Proposed Fiscal Year 1998	2,900,000	9,900,000	15,000,000	



Agency for International Development
United States of America A.I.D.
c/o American Embassy
San Salvador, El Salvador, C.A.

ANNEX C

Environment Office

CATEGORICAL EXCLUSION OF INITIAL ENVIRONMENTAL EXAMINATION

Activity Location:	El Salvador
Activity title:	Rural Financial Markets
Project Number:	519-0435
Funding:	\$15,000,000 (LOP)
PACD:	September 30, 2002
IEE Prepared BY:	Peter H. Gore Environmental Officer USAID/El Salvador
Recommended Threshold Decision:	Categorical Exclusion
Mission Threshold Decision:	Concur with Recommendation
Date Prepared:	June 23, 1997


 Kenneth C. Ellis
 Mission Director
 31 July, 1997
 Date

CATEGORICAL EXCLUSION OF INITIAL ENVIRONMENTAL EXAMINATION

RURAL FINANCIAL MARKETS

(519-0435)

I. Activity Description

The purpose of the new activity is to provide technical assistance to rurally-focused financial institutions to help them attain self-sustainability by improving their financial performance, and to expand and deepen coverage of financial services to rural, poverty level microentrepreneurs.

The new activity will institutionally strengthen approximately eight to ten rural financial services entities, which may include NGOs, S&L cooperatives, credit association/cajas, and other organizations which meet the criteria for rural, poor, microenterprise financial service delivery and sustainability.

The Activity will be implemented through the establishment of a competitive grants process for financial institutions serving the microenterprise sector presenting proposals to expand services in rural areas. A Grants Management Unit (GMU) will be established by the awardee of the grant for the Rural Financial Markets activity (i.e. Grantee). The GMU will be responsible for the management, administration and oversight of activity operations, the procurement of technical assistance and commodities, and the performance of specific results indicators and reporting requirements.

A separate, autonomous Grants Committee will be formed by the GMU Manager, a representative of the Salvadoran private sector, one or two representatives from the public sector (e.g. BMI and CONAMYPE), and one international expert in the microenterprise sector, for the purpose of final review of proposals and selection and approval of grants for rural financial services institutions.

The Rural Financial Markets Grantee will be a locally-based, non-profit, international organization that has important experience in the promotion and development of the rural microenterprise sector in-country or in other countries, and on management of funding mechanisms. It will be a small, administratively-streamlined entity, capable of effectively managing all aspects of the competitive grants mechanism, including initial review and ranking of proposals, tracking and reporting of activity indicators, providing guidance and assistance to financial entities submitting proposals, contracting local and off-shore

technical assistance, procuring of commodities for the sub-grantees, contracting auditing services as necessary, and maintaining close communication with all parties.

II. Recommendation

Since the actions contemplated under this activity will not have an effect on the natural or physical environment, this activity qualifies for a Categorical Exclusion of Initial Environmental Examination under Section 216.2(c)(2)(i), "Education, technical assistance, or training programs", and Section 216.2(c)(2)(x), "Support for intermediate credit institutions when the objective is to assist in the capitalization of the institution or part thereof and when such support does not involve reservation of the right to review and approve individual loans made by the institution." of 22CFR.

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ANNEX D

Time Line of Key Events
Rural Financial Markets New Activity

- SOAG1 signed by the Ministry of Foreign Affairs. Activity funding allocated for FY '97 (\$2.2 million). (8/97)
- RFA sent to a short-list of 4 international PVO institutions (10/97)
- Grantee for the Rural Financial Markets Activity selected. (12/31/97)
- Cooperative Agreement signed between USAID and selected Grantee. (1/98)
- GMU established and Grants approval Committee selected (2/28/98)
- Call for proposals at a workshop held by the GMU for all potential bidders to explain Rural Financial Markets Activity and competitive mechanism (3/98)
- Receipt and closure of proposal bid process, Yr. 1 (4/16/98)
- Screening and review of proposals, and adherence to grant criteria will be carried out by the technical team, i.e. Phase I (4/30/98)
- Starts reviewing process of recommended proposals by Grants Committee, i.e. Phase I (5/15/98)
- Selection of grantees (5/26/98), and disbursement of funds to category 1 proposals (6/30/98). If category 2 proposals meet conditioned requirements disbursements will follow.
- Identification of local and offshore technical assistance (6/98)
- Local TA procured for tracking and monitoring of activity indicators, and establishment of MIS for grantees and GMU (6/98)
- Procurement of offshore TA for assisting grantees in meeting banking norms and practices, developing savings mechanisms, and reaching rural-based microentrepreneurs with financial services (7/98)

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ANNEX E

ANALYSES

1. Briones, Carlos. Problemas y Perspectivas de la Microempresa. San Salvador, May 1996.
2. Briones, Carlos. Red de Programas de Apoyo a la Micro y Pequeña Empresa. San Salvador, March 1996.
3. Checchi and Company Consulting Inc. Evaluation of Program for Small and Microentrepreneurs (PROPEMI). Washington, D.C., February 1992.
4. Cooperación Técnica Alemana (GTZ), Programa Intermediación Financiera para la Micro y Pequeña Empresa. El Servicio Crediticio - Reseña Institucional. San Salvador, 1995.
5. Catholic Relief Service (CRS)/El Salvador. OPG Reconciliation: Credit and Income Generation, Final Evaluation Report.
6. Fundación Salvadoreña para el Desarrollo y Asistencia Rural (FUSADAR). Diagnóstico General de la Microempresa en la Zona Oriental. San Salvador, June 1995.
7. Hairston, James (Chemonics International Consulting Division). Rural Finance in El Salvador: Technical Paper. San Salvador, November 1994.
8. Secretaría de Reconstrucción Nacional, Dirección de Programación y Evaluación. Diagnóstico de los Componentes de Crédito a Microempresas Otorgados a Desmovilizados de la FAES, Ex-Combatientes del FMLN y Población Civil Financiados a Través del Proyecto 519-0394 y Moneda Local. San Salvador, July 1996.
9. Tucker, William R. and Rubén Mejía. Análisis Financiero de las ONGs. San Salvador 1996.
10. Tucker, William R. Financial Assessment of Micro-Finance Institutions in El Salvador. San Salvador, May 1996.
11. Vega, Claudio González. Microfinanzas en El Salvador: Lecciones y Perspectivas. San Salvador, 1995.
12. Alberti, Amalia M. Recommendations to Incorporate Gender Concerns into SO No.1: Expanding Access and Economic Opportunity for El Salvador's Poor Rural Families. San Salvador, May 1996.
13. Daniel Carr and Associates. Impact Survey of National Reconstruction Program Outcome No.1, Strategic Objective No.1. San Salvador

14. Tucker, William R. The Institutional Viability of the Centro de Apoyo a la Microempresa. San Salvador, 1995.
15. Tucker, William R. Microenterprise Development Strategy - Key Issues and Approaches. San Salvador, June 1996.
16. Tucker, William R. Propemi - Análisis de Viabilidad. San Salvador, February 1996
17. UNDP. Apoyo al Programa de Fomento y Desarrollo de la Micro y Pequeña Empresa. San Salvador, January 1994.

Annex F

List of Interviews with Partners and Customers
held during the period of May 7 through June 10, 1997

- Banco Multisectorial de Inversiones - Dr. Nicola Angelucci and Mr. Jesús Peña
- Interamerican Institute for Cooperation for Agriculture (IICA) Dr. Cornelius Hugo
- PROPEMI/FUSADES - Mr. Alvaro Guatemala
- Desarrollo, Investigación y Consultoría (DEICO) - Mr. Héctor Maldonado
- Pan American Development Foundation (PADF) - Mrs. Carolina de Dreikorn
- FEDECACES - Mr. Héctor Córdova
- Catholic Relief Services (CRS) - Mr. Walter Blake
- Centro de Apoyo a la Microempresa (CAM) - Mrs. Ingrid de Segovia
- CRECER - Mr. Rick Clark and Mr. Oscar de León
- CARE/El Salvador - Mr. Rafael Callejas
- FEDECREDITO - Mr. Guillermo Funes Araujo
- Superintendency of the Financial System - Mr. Rafael Lemus
- Banco de Cooperación Financiera de los Trabajadores (BANCOFIT) - Ms. Mercedes Letona
- European Union - Mr. Franco Raddi
- Microenterprise Development Program in Poverty Areas (FOMMI) - Mrs. Haydeé de Trigueros
- Interamerican Development Bank (IDB) - Mr. Rafael Rivera
- Financiera Calpiá & GTZ - Ms. Silke Muffelmann
- Central American Bank for Economic Integration (CABEI) - Mr. Rolando Castaneda
- CONAMYPE - Dr. Hugo Leonel Pineda