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UNCLASSIFIED

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

HAITI

PROJECT PAPER

MANAGEMENT AND PRODUCTIVITY CENTER

Amendment No. 1

AID/LAC/DR/P-433
CR- P-226

Project Number: 521-0183

UNCLASSIFIED

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete)

Amendment Number: 1

DOCUMENT CODE: 3

2. COUNTRY/ENTITY: Haiti

3. PROJECT NUMBER: 521-0183

4. BUREAU/OFFICE: USAID/Haiti 05

5. PROJECT TITLE (maximum 40 characters): Management and Productivity Center

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 02 DD 28 YY 92

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

A. Initial FY 88 B. Quarter 4 C. Final FY 91

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

A. FUNDING SOURCE	FIRST FY B. FX	FIRST FY C. L/C	FIRST FY D. Total	LIFE OF PROJECT E. FX	LIFE OF PROJECT F. L/C	LIFE OF PROJECT G. Total
AID Appropriated Total	317	343	660	2,139	1,961	4,100
(Grant)	(317)	(343)	(660)	(2,139)	(1,961)	(4,100
(Loan)	( )	( )	( )	( )	( )	(
Other U.S. 1. LC from Project Reflows			0		162.7	162.7
Other U.S. 2. Trust Arrangement						
Host Country Fees/Escrow		357	357		1,743	1,743
Other Donor(s)					400	400
TOTALS	317	700	1,017	2,139	4,266.7	6,405.7

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	C. PRIMARY TECH. CODE 2. Loan	D. OBLIGATIONS TO DATE 1. Grant	D. OBLIGATIONS TO DATE 2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	E. AMOUNT APPROVED THIS ACTION 2. Loan	F. LIFE OF PROJECT 1. Grant	F. LIFE OF PROJECT 2. Loan
(1) EHR	660	840		2,300		1,800		4,100	
(2)									
(3)									
(4)									
TOTALS				2,300		2,300		4,100	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 790

11. SECONDARY PURPOSE CODE: 663

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

A. Code	TNG						
B. Amount	4,100						

13. PROJECT PURPOSE (maximum 480 characters)

To create the capability in Haiti, through establishment of the Management and Productivity Center, to provide management training and related services responsive to private sector needs for improved management and entrepreneurial skills.

14. SCHEDULED EVALUATIONS

Interim MM 09 YY 89 MM 10 YY 90 Final MM 11 YY 91

15. SOURCE/ORIGIN OF GOODS AND SERVICES

☐ 000 ☒ 941 ☐ Local ☐ Other (Specify)

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

Amendment No. 1 provides additional funds and extends project life to ensure that the project's institutional development objectives are achieved.

I have reviewed and approved the methods of implementation and financing for this amendment

Charles E. Brooks

Charles E. Brooks, Controller, USAID/Haiti

17. APPROVED BY

Signature: Gerald Zarr Gerald Zarr

Title: Director, USAID/Haiti

Date Signed: MM DD YY

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY

PROJECT AUTHORIZATION AMENDMENT NO. 1

Name of Country: Haiti

Name of Project: Management and Productivity Center

Number of Project: 521-0183

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, the Management and Productivity Center Project for Haiti was authorized on May 7, 1985. That authorization is hereby amended as follows:

   (a) Paragraph 1 of the original Authorization shall be amended by deleting the phrase "not to exceed Two Million Three Hundred Thousand United States Dollars ($2,300,000)" and adding in lieu thereof the phrase "not to exceed Four Million One Hundred Thousand United States Dollars ($4,100,000)".

   (b) Paragraph 1 of the original Authorization shall be amended by deleting the words "five (5) year" and adding in lieu thereof the words "six (6) year and five (5) month".

2. Except as expressly amended hereby, the terms and conditions of the original authorization cited above remain in force.

Gerald Zarr

Gerald Zarr
Mission Director
USAID/Haiti

June 23, 1988
Date

Clearances:

OPE: JVermillion
PPS: RBurns
PPS: AFord
CONT: CBrooks

WANG C:/IWP/DOCS/CMP

MANAGEMENT AND PRODUCTIVITY CENTER
(521-0183)

PROJECT PAPER SUPPLEMENT

Table of Contents

List of Acronyms & Definitions

BBS	:	Business Basics training cycle (ex- Micro-Business)
BIC-PAK	:	Express Delivery Services
CORE	:	Core of training offerings (Seminars, Modulars, Supervisory and Business Basics)
CTO	:	Contribution to Overhead
CMP/MPC	:	Centre de Management et de Productivite
DD	:	Deputy Director
EMAIL	:	Electronic Mail System
FY	:	Fiscal Year
G&A	:	General and Administrative expenses
HDF	:	Haitian Development Foundation
IRD	:	Institute for Resource Development (Westinghouse)
MPC/CMP	:	Management and Productivity Center
Modular	:	A series of training modules
MTU	:	Mobile Training Unit
OPE	:	Office of Private Enterprise
PACD	:	Project Assistance Completion Date
PH	:	Participant Hours (Participants x Hours of training)
PP	:	Project Paper
PROMINEX	:	Export and Investment Promotion Center - Haiti
R&M	:	Repair and Maintenance
TA	:	Technical Assistance
T&P	:	Travel & Per-Diem
V-GTS	:	Video-Graphics Training Systems. An in-house Video training production capability

I. SUMMARY AND RECOMMENDATIONS

A. Recommendations

The Project Committee recommends approval of this supplement to the Management and Productivity Center (521-0183) Project, which will increase the authorized life of project (LOP) funding by $1.8 million to a new LOP total of $4.1 million, in order to permit the project to reach its original institutional development objectives. It is further recommended that the Project Assistance Completion Date of September 30, 1990 be extended to February 28, 1992.

B. Project Amendment Summary

The Mission's strategy to strengthen the private sector is to provide sound foundations for sustained private sector growth and to increase opportunities for gainful employment. The Mission considers that well-managed private institutions are essential components to the strategy. The recently established Management and Productivity Center is such an institution, and is intended to address the problem of scarce business and management skills in Haiti.

The overall objective of the project is to improve management and business skills and practices in Haiti by providing training and related services. The more specific purpose of the project is to create the capability in Haiti, through establishment of the Management and Productivity Center, to provide management training and related services which are responsive to the needs of the private sector for improved management and entrepreneurial skills.

According to the original design, the Management and Productivity Center (MPC) was to become operational and institutionalized in two phases. The first phase was to cover the initial three years (1986, 1987, 1988), during which preliminary operations would be carried out, the viability of the Center would be verified under the management of an outside contractor, and a permanent, locally-recruited management staff would be hired and trained. The Project Paper estimated Phase I costs to be $1.25 million in long and short-term technical assistance and $1.05 million in local salaries and general operating expenses. The training fee income during this period, estimated at $536,000, was to be deposited in a financial institution to be used for operational support during years four and five.

The original Project Paper anticipated that, during the course of the project's third year (called the "transition"), a decision was to be made as to whether to discontinue the project or to proceed to Phase II, the full institutionalization of the Center. The project is now in its "transition" year. Detailed analyses have already shown the Center to be viable in that there is a market for its services, its training programs are in demand, and they have been favorably evaluated by clients. Certain steps have been identified, however, for the Center to reach financial self-sustainability and management independence. The Project Paper stipulated that if a decision was made to proceed with Phase II, the program would be adjusted to reflect evaluation recommendations and the demands imposed by the market. This PP supplement describes activities to be undertaken and funding required to complete Phase II.

The proposed project amendment extends Phase I by four months. Phase II will extend from June 1989 to the rèvised end of the project. The proposed supplemental funding will allow MPC to continue its expanded program of course development and presentation and mount an intensified marketing effort. It will permit the Center to have an autonomous training facility. The Mission will study alternative approaches to providing this facility and the Mission Director will approve the final recommendation of the project committee based on costs and feasibility. Escrow collected to date will be applied to the costs of the project, and revenues for services will be utilized for Center operations.

Financial analysis of costs and revenues through the life of the project has verified the feasibility of achieving financial viability by the end of Phase II, while technical and institutional analyses and evaluation findings verify that the Center should become a strong, consolidated, locally-managed institution within the same period.

C. Authority

USAID/Haiti's intention to amend the Management and Productivity Center Project to increase the LOP funding level by $1.0 million in FY 1988 was indicated in the FY 1988-89 Action Plan. The FY 1988-89 Action Plan guidance cable (STATE 60700) provided A.I.D. Washington concurrence to proceed with USAID project amendment review and approval. Detailed analyses have resulted in a requirement for an estimated $1.8 additional to achieve project objectives.

Delegation of Authority No. 753 redelegates to the Mission Director authority to approve project amendments of this size and scope.

II. BACKGROUND AND RATIONALE

A. Background

As originally designed, the objective of this 5-year project is to improve management and business skills and practices in Haiti by providing training and related services to private sector enterprises. Its stated purpose is to create the capability in Haiti, through establishment of the Management and Productivity Center, to provide management training and related services which are responsive to the needs of the private sector for improved management and entrepreneurial skills. The Center's clients are a wide spectrum of business owners, managers and microbusiness entrepreneurs.

The project was authorized on May 7, 1985 at a level of $2.3 million. As of March 31, 1988, all authorized funds had been obligated and committed, and accrued expenditures totalled $1,967,795. The project's original PACD of September 30, 1990 has not previously been extended.

The underlying rationale for the project, as set forth on pages 8-9 of the Project Paper, was that there was an acute shortage of trained managerial and supervisory personnel in Haiti, and that this shortage was a key factor limiting entrepreneurial growth. At the same time, no existing institutional resources could be identified which would be capable of providing short duration, practical management training for the Haitian private sector. The Center was to be established and provided technical and financial assistance as part of the Mission's broader strategy objectives to increase productivity, to create employment, and to use the private sector as a vehicle to spur economic development. The project was designed to establish an institution which would eventually be self-sufficient, with client fees its primary source of revenue.

The project design calls for establishment of a Management and Productivity Center (MPC) to provide training and consulting services in the following areas:

-- Specific and practically oriented management skills training for executive, middle and supervisory levels of management, especially through short (one to three days) management seminars;

-- Training courses in basic business skills for micro-business entrepreneurs; this component was to be targeted to the micro-business entrepreneur applying to HDF (the Haitian Development Foundation) for a loan to establish and/or improve his/her business operation, but not be limited to this subgroup;

-- Management consulting services by MPC staff, local firms, and U.S. consultants on a fee-on-request basis, related to a variety of management needs, in order to assist managers and entrepreneurs to apply better management principles and production techniques.

According to the original project design, the MPC was to become operational and institutionalized in two phases. Phase I was anticipated to encompass the project's first three years. During Phase I, the Center would be managed by a

U.S. management consulting firm and AID would fund substantial technical assistance and [illegible]. Phase I was further broken down into a two-year preliminary operations period, followed by a one-year transition period during which AID and MPC were to examine the viability of the institution and evaluate progress toward objectives. The estimated costs in the Project Paper for Phase I were $1.25 million for technical assistance, and $1.05 million for operational costs/local costs.

The project design strategy was to start out small, without institutionalizing the Center until its services were tested and the Center's concept shown to be viable, as evidenced by steady and growing client demand and willingness to pay. If Phase I was evaluated positively, Phase II would proceed for the final two years of the project, 1989 and 1990. During Phase II, outside technical assistance and operational support were to be provided on a declining basis through year 5, the project's final year, with a U.S. institution serving the ancillary role of providing technical support to MPC's permanent local staff. The MPC was to be fully institutionalized by the end of the project.

A grant was provided to MPC on August 15, 1985 for $2,020,000 (with the remainder of project funds to be used for monitoring), in order to "help establish a Management and Productivity Center in Haiti capable of providing management training and technical assistance to business owners, managers and micro-business entrepreneurs in the Haitian private sector." Although a separate contractor undertook micro-enterprise training between September 1985 and December 1986, Phase I is primarily being implemented through a contract with a U.S. firm for technical assistance, using funds from the MPC grant. On November 21, 1985, a contract was awarded to the technical assistance contractor, Westinghouse Institute for Resource Development (IRD), who initiated operations in March 1986. The contractor is responsible for setting up MPC, managing its day to day operations, and administering its budget for three years, as well as progressively transferring management and operational responsibility to the local staff and Board. The total contract level is $1,222,392. Remaining grant funds provide support for MPC's administrative operations, including office staff, Center management, and general/administrative expenses and training program expenses.

The PP estimated that AID financial support to MPC during Phase II would be limited to $[illegible]0,000, to permit continuation of project monitoring. All other Center costs would be covered by a combination of training fee revenues, third party contributions and dues from a paying membership. Training fees collected and escrowed during the first three years would be used to assist in financing Center operations during the remainder of the project and/or be available if and when funding levels were reduced. An estimated $536,000 was to be collected as training fee income during the project's first three years, and an estimated $1,176,800 collected over the life of the project.

Based on calculations of planned level of income from all sources, it was estimated that, with termination of outside technical assistance, the Center would reach financial self-sufficiency and be able to cover its costs by the end of the 5-year project. However, the PP added the caveat that, if, as the project was implemented, it became evident that revenues would be inadequate to meet operating costs, a strategy would be developed and implemented to fund the shortfall. This proposed amendment to the project represents such a strategy, to ensure that the Center reaches financial as well as institutional self-sufficiency by the project end.

B. Project Implementation to Date

1. Summary

The project has progressed well. Over the past two years, the MPC has acquired the reputation of a well-managed and respected private sector institution, capable of delivering a quality product at a reasonable price. The Center has serviced over 1,900 clients, the large majority of which are mid-managers and supervisors. Number of trainees has far exceeded PP plans.

An external evaluation of the project was undertaken in September, 1987. The purpose of the evaluation was to assess MPC's overall performance, gauge the quality and appropriateness of its services, and help determine the validity of the project's institutional model for the Center. Evaluation findings were generally positive regarding contractor performance, organization and staffing of the Center, program planning, course content and market penetration, and client satisfaction. The evaluation established the MPC as a respected but still not fully consolidated institution. A client survey undertaken by the evaluation team, and the team's consultations with Board members and outsiders, showed MPC seminars and training programs to be needed and accepted, but that increased volume, improved penetration of the Haitian business sector, and a continued development of a track record are necessary to fully consolidate the MPC as a long-term member of the community.

Recommendations focussed on ways to help MPC achieve greater credibility and eventual management self-sufficiency. The most salient were that: (1) MPC should expand its marketing efforts and target training services in order to better reach smaller formal sector firms and micro-entrepreneurs; (2) MPC should better integrate the provision of training to microentrepreneurs (business basics) into its organization; (3) MPC should adapt its management training approach to a modular format, with topics broken into individual modules of reduced length, thus providing greater flexibility to participants in terms of content, timing and cost; and (4) the Center's originally planned consulting services should be reduced and comprise only a follow-on activity related to seminars.

MPC has consistently adapted its program as it has better understood the market, and has made progressive changes in course offerings consistent with the evaluation. Nearly all offerings are now in a modular format. The current program of seminars, supervisors training, modular management training, and modular business basics training is a result of adjustments based on lessons learned.

2. Training and Service Activities

The Center began seminar presentation in April 1986 and since that date has provided training and services to approximately 1,970 fee paying clients, exceeding PP projections of 1,300 over the life of project. Of this total, 57% attendees were top and mid-level managers, 36% were supervisors and 7% were micro-entrepreneurs. Four basic types of training, targeted to four levels of managers have been provided:

	Type of Training	Target Group
1)	Seminar	For top and mid-level managers
2)	Modular	For mid-level managers and medium entrepreneurs
3)	Supervisory Training	For supervisors
4)	Business Basics Cycles	For micro-entrepreneurs

The following table summarizes the number of participants who have taken part as paying trainees from April 1986 through March 1988.

Type of Training	Quantity	Hours/Unit	Participants	Participant-Hours(*) (Hours x Participants)
Seminars	28	10	1,077	10,770 PH
Modular	31	4	417	1,668 PH
Supervisory	28	20	404	8,080 PH
Business Basics	10	24	72	1,728 PH
			1,970	22,246 PH

*A modular series involves varying numbers of training sessions (modules) of varying lengths (e.g. 4 hours for management skills modules and 2 hours for business basics modules. A common denominator of measurement is thus "one hour for one participant" or "participant-hour.")

The MPC has been successful in reaching the business community through a top-down penetration strategy. It first convinced top business executives to participate in its seminars, and then attempted to reach smaller companies and the supervisory level of management. The use of foreign seminar leaders was very important at the outset and has contributed to setting MPC's quality image.

For the small enterprise sector, a basic tenet developed during Project Paper design proved unapplicable. At the outset, it was projected that the major source of clients would be the Haitian Development Foundation (HDF), which would send its prospective clients to the Center for micro-business training as a condition for obtaining their loan. However, at the time of the evaluation, less than half of the 72 participant micro-entrepreneurs originated from HDF, and that number represents only about 7% penetration of the target audience in Port au Prince. The Center has taken several steps to better reach this group and increase the participation rate. Fees, which had been set too high for this market sector, were reduced from $300 to $150 for a training cycle. The course model was adjusted. The concept of micro-business training has evolved from a six week training cycle to a smaller, modular program in business basics which cuts across formal and non-formal sector lines. In 1987 an internal review of the definitions of "Micro-Enterprise" and "Management Skills" resulted in a new demarcation based on level of expertise rather than on business size. The renamed "Business Basics", which replaced the previous micro-business training component, is targeted to all individuals in need of basic level business and management skills.

While the Center has done an excellent job in marketing its services to employees of larger companies, improvement is still needed in reaching smaller (less than 50 employees) formal sector firms and micro-enterprises. It has been difficult to find effective marketing tools for a virtually unrecorded segment of the private sector, and one which may not view training as important to productivity. One approach which has shown promise is that of offering no-charge introductory seminars as a precursor to modular seminars. Such an approach calls for street-by-street, door-to-door solicitation. This approach appears to be MPC's best opportunity to market training for the micro-enterprise sector. It is being pursued and will be expanded to include selected PVO's, technical schools, and USAID-supported institutions which share the target population.

The Center has revised its organizational structure to reflect the reduction in resources required for consulting services and overall integration of business basics training. As a result of the unfavorable business environment, there is inadequate demand to support the operations of a management services division (e.g. for loan packaging). This is expected to continue over the short to medium term. Consequently, MPC eliminated the position of the Director of Management Services. However, the Center will continue to offer consulting services as a follow-on as requested by seminar or modular program trainees. Demand for management services such as "project packaging" will be met on an as-needed basis through outside consultants. The Center now splits management responsibility between top management (the Director) and two technical directors, one for management training and one for business basics training.

3. <u>Institutionalization</u>

The Center had its origins with a group of interested business people who assisted in designing the project and who formed the CMP (Centre de Management et de Productivite) Corporation in 1985. Since then, this group has become the Center's Board of Directors and has set policy and reviewed and approved operational and curriculum options presented by the Center's Director. The Director is presently a contracted technical advisor. As originally planned he will progressively transfer management and operational responsibility to the local staff during years three to five. The post of Deputy Director has recently been filled; and, significant progress has been made to integrate the present staff in all administrative and managerial decisions. However, additional time beyond the three years estimated in the Project Paper will be required before it will be appropriate to fully hand over Center management to local staff. In part, this is due to the difficulty of finding suitably qualified and capable personnel willing to serve as the Center's senior management.

The MPC has outgrown its physical facilities. It currently operates out of three locations and rents training space for each offering. The rental arrangement has become more difficult and expensive as the number of offerings has increased. With a greater emphasis on a modular format, the Center is now running more than one training activity per day, instead of the 4 per month originally planned. Management and the Board of Directors have agreed to take steps to develop a self-contained, cost-effective training facility in a single central location, with an adequate number of rooms to accommodate 15-20 participants each, and to facilitate seminars of up to 100 participants: While MPC has established itself and can show adequate demand for its services, and so h[illegible] the institutional targets set forth for Phase I, this has been accomplished at a higher cost than planned in the Project Paper. Drawdown of contract and grant funds has exceeded planned figures. Moreover, the Center's longer term financial viability -- even after external technical assistance is removed -- is far less certain after two years of the Center's implementation. MPC has examined these problems and the reasons for them, and has proposed a mechanism for dealing with them.

Reasons for the gap between projected life-of-project projections of income and costs are as follows:

Contract spending has been at a higher rate than planned, due to unanticipated costs early in the project as a result of personnel turnover; higher costs to recruit seminar instructors; an increased rate of activity as a result of expansion from originally planned training levels; a higher than budgeted contract fee; and, higher travel, transport and equipment expenditures. Actual contract spending has been on the order of $600,000 a year rather than $400,000 a year.

While MPC has been effective in adjusting its course program to the market, doing so has meant that the program as it now exists is more costly to present. Most of the courses are in a modular format, and this has increased cost per participant (especially as a result of higher facility rental costs). In addition, course development costs were not factored into the original budget. Also, MPC has also had to lower some training fees to be responsive to the market and consistent with client's ability to pay.

MPC has presented more offerings than planned, with all course presentation costs borne by the grant. For example, for the first 16 months of the Center's operation, training expenses and income were well in excess of Project Paper projections. Training costs totalled $534,472, versus a 16-month projection of $386,250. The number of people trained was 300% of projections and direct training expenses were 140% of projections. While this has meant that income from training fees has been forthcoming as anticipated, such income has been unavailable to the Center's operations, since it has been placed in the escrow fund, as required.

The current need for additional funding is partly a result of the increased rate of spending under the technical assistance contract. Far more important to the Center's long term sustainability, however, is that assumptions regarding operational costs (used in the PP financial analysis) have not proven to be correct in the implementation phase. Certain seminar presentation costs and training fee revenues were assumed which do not reflect the current situation. Also, it was assumed that other donors would fund technical assistance and some operational costs after year 3. It now appears extremely unlikely that other outside sources of support will be secured until the Center is in a stronger financial position.

Over the past year, management and the Board of Directors of the Center have analyzed a series of alternative revenue sources consistent with the Project's purpose. They concluded that the Center must have its own facility to reduce rental costs, generate increased revenues, and at the same time meet the urgent need for adequate, centralized training space. Per the original intent of the Project Paper, all seminars and workshops have been offered in rented space during Phase I. However, the Center which is now offering a greatly expanded program finds it difficult to rent adequate training space in Port-au-Prince to mount its program of courses. Moreover, the institutionalization of MPC implies a permanent, self-contained facility.

C. Rationale for Proposed Amendment

The original Project Paper anticipated an initial three year pilot period in which the validity of a sustainable stand-alone private sector management training facility would be tested. During the course of the third year (called the "Transition" in the Project Paper), a decision was to be made as to whether to discontinue the project or to proceed to Phase II, the full institutionalization of the Center. The project is now in its "transition" year.

Detailed analyses have shown the Center to be viable in that there is a market for its services, its training programs are in demand, and they have been favorably evaluated by clients. Certain steps have been identified, however, in order for the Center to reach financial self-sustainability and management independence, and thus full institutionalization as intended in the original project design. The Project Paper stipulated that if a positive decision was made to proceed with Phase II, the Center would be "institutionalized", and "the program...adjusted...to reflect modifications recommended by the evaluation and by the demands imposed by the market" (p. 23 of the Project Paper). There is general agreement within AID and by MPC and its Board of Directors to move ahead with Phase II. This PP Supplement describes activities to be undertaken and funding required during that period.

III. REVISED PROJECT DESCRIPTION

A. Project Strategy

The proposed project amendment will provide supplemental funding ($1.8 million) and extend the project's life by 17 months (to February 28, 1992) in order to ensure that the project's institutional development purpose is achieved. Supplemental funding will allow MPC to continue its expanded program of course development and presentation and mount an intensified marketing effort, so that greater market penetration is achieved. It will also permit the Center to have access to an autonomous facility adequate for all of its training needs and its need for additional income-generating activities.

AID funding will support some of the Center's operating costs (to include local staff, general and administrative, and direct expenses) and curriculum development costs; fund technical assistance beyond year three, but on a declining basis; and fund a suitable training facility. Escrow collected to date will be applied to the costs of the MPC facility, and revenues from training offerings will be treated as a contribution to overhead and utilized for Center operations. It will no longer be deposited in escrow.

MPC has made projections of its costs and revenues through the full life of the amended project, including income from training. These projections show that, by the end of year 6, the Center's financial situation can be at break-even point.

The Center will expand its seminar and workshop offering to a broader group of clients in order to increase its revenue base and to reach heretofore untapped segments of the market. Under the amended project, the Center will increase efforts to reach owners and managers of smaller formal sector firms, and marketing efforts directed at micro-businesses and the micro-entrepreneur. The modular training approach will continue to permit the Center to package material at different levels of complexity and sophistication according to audience experience and preparation. While this strategy is more costly to implement in terms of facility requirements and reduces the participant to facilitator ratio, it is expected that revenues will continue to increase with the expansion in the number of participants and the number of training sessions to be delivered.

Present training facilities and office space will be replaced. All offices and services, including business basics training, will be consolidated under one roof in a facility which will also provide opportunities for development of ancillary business services to contribute to revenues.

Continuation of technical assistance will permit the Center to fully consolidate as an institution under its permanent staff, as well as more fully develop its market strategies. During Phase II, technical assistance will also help develop a membership base as a source of additional community support and assist with the development of a strategy to fund any remaining shortfall in operating expenses through third party contributions. There will be greater use of local seminar leaders and trainers, with the objective to have 90% locally recruited trainers by the end of the project.

B. Goal, Purpose, Outputs and Inputs

As originally stated, the project goal was to "improve business skills in order to stimulate employment, increase productivity, and broaden the management and entrepreneurial base." As a result of changes in the business climate, MPC has had to shift, at least in the short term, from a broad objective of business and employment expansion to one of preserving existing businesses and jobs. As a result, the project's goal has been restated as "to increase productivity and avoid a decline in employment, and broaden the management and entrepreneurial base in the private sector."

The project's purpose has not changed. It is:

> To create the capability in Haiti, through establishment of a Management and Productivity Center, to provide management training and related services to Haitian business owners, managers and micro-business entrepreneurs, which is responsive to the needs of the private sector for improved management and entrepreneurial skills.

Four conditions have been identified which will indicate that the project's institutional development purpose has been achieved, with respect to meeting the needs of different client groups and doing so as an autonomous institution. These end-of-project status conditions are:

> Sustained availability of and demand for basic business skills training for smaller companies and micro-businesses.
>
> Sustained availability of and demand for management skills training for managers and supervisors in medium to large firms.
>
> The Center will be able to manage its affairs independent of outside technical assistance.
>
> The Center's financial viability will be demonstrated.

Project outputs are summarized as follows:

(1) The stand-alone MPC facility will be established and operational;

(2) MPC management and operations will be transferred to a permanent, qualified Haitian staff, who will be hired, trained and functioning according to appropriate position descriptions;

(3) The Center will have an effective training program which is responsive to Haitian business needs, and will have delivered an estimated 142,000 training hours to executives, mid-managers and supervisors, and micro-business clients.

(4) Training will be offered based on an effective client fee system and costs will be reduced by using local personnel to deliver 90% of services.

Training activities planned to be held over the remainder of the project are shown in detail in the section below, "Description of MPC Activities." Inputs required to achieve outputs (technical assistance, facility renovation, operational costs, etc.) are detailed in Section IV, Cost Estimates and Financial Plan.

C. Description of MPC Activities

MPC training activities have been reorganized in response to implementation experience, evaluation findings, and results of marketing efforts. Training is divided into the following categories for planning, budgeting and record-keeping purposes: seminars, supervisory workshop cycles, modular management training and modular business basics. Other Center activities include a new product, V-GTS or Video Graphics Training Systems, and ancillary services. Each type of offering or product is discussed below.

1. The Seminar

The seminar format, in which a single offering is presented over a short (e.g. one-half to one day) period, is used by the Center for two different purposes. Free-standing seminars aim at transferring knowledge on a specific topic, usually discuss state-of-the-art applications, and are primarily targeted toward top managers or owner-managers. On the other hand, "introductory" seminars are used as a point of entry or as a marketing tool for other offerings, and may also be used to test methods of delivery.

Planned seminar outputs and revenues are as follows:

		1988-9*	1989-90	1990-1	1991-2
Offerings		9	12	12	12
Direct expense	($000)	5	6	6	6
Revenues	($000)	17	23	23	23

*MPC planning years run from March to February, however this table and succeeding tables in this section calculate only nine months in the 1988-9 year since amendment funds are needed as of beginning June 1988.

2. Supervisory: The Fixed Cycle Workshop

The type of product, usually of 24-26 hours duration, is designed to help develop communications skills in order to improve human relations and productivity on the shop floor. It brings a firm's managers and supervisors together in highly interactive client-specific workshop sessions. This offering, which was market-instigated, has been v[illegible]ful in terms of both numbers of trainees and income recieved. In the first twelve months it has been in production, 23 cycles exposed over 300 shop-floor supervisors to the first course, "Communications and Human Relations in the Work Place". During Phase II of the project, MPC will expand the array of topics treated, develop curricula, train local trainers and assess impact in such areas as production, preventive maintenance, and labor-management relations.

Offerings and revenues are shown below:

	1988-9	1989-90	1990-1	1991-2
Offerings	36	48	48	48
Direct Expense ($000)	48	74	74	74
Revenues ($000)	86	115	115	115

3. The Modular Series: Management and Business Basics

The introductory seminar generally leads to participation in a modular series, usually of 16 to 60 hours duration. The modular format offers maximum flexibility to the participant in terms of its menu-driven costs, bite-sized scheduling, and repetition of individual modules. Management skills modules are 4 hours in length, cost $25 each, and are repeated at least once in a 12 month period. Management skills modules are offered mainly to middle management in larger firms and owners of smaller formal sector businesses.

Based on experience and field tests to date, modular "Business Basics" training will continue to be developed and offered to the micro-entrepreneur. The total length of a business basics series is approximately two weeks.

In addition, the Center will be participating in USAID/Haiti's efforts to promote business development outside of Port au Prince. It is planned that, in 1988, pilot training activities will be initiated in Cap Haitian, to be followed in 1989 by the expansion of modular training to two other secondary communities. Training content will be based on needs assessments to be undertaken by the planned AID-funded Outreach Advisor.

Planned modular offerings are summarized as follows:

Management Skills	1988-9	1989-90	1990-1	1991-2
Offerings	18	36	36	36
Direct expense ($000)	46	110	100	90
Revenues ($000)	65	130	130	130
Business Basics-general				
Offerings	9	12	12	12
Business Basics-outreach				
Offerings	0	7	12	12
Direct expense ($000)	17	44	55	55
B/Basics Revenues($000)	4	15	19	19

4. V-GTS ("Video-Graphics Training Systems")

V-GTS involves the development and presentation by MPC of audio-visual company-specific training modules, which the client then has for repeated use, if needed. Short footage job-skill training video cassettes are shot on a client's shop floor, using the client's personnel and skilled demonstrators. The film is then edited using computer graphics and desktop publishing techniques to add needed titles, charts and graphics. MPC will also use V-GTS for its own training development.

The Center has already had the assistance of outside experts to develop its own expertise to produce V-GTS, and to conduct a market survey of Haitian companies. Response to the survey was highly favorable, which is not surprising given Haiti's high illiteracy rate. MPC has developed an implementation plan and marketing strategy for V-GTS. Financial projections suggest that V-GTS will be an important contributor to MPC's long-term viability.

V-GTS production and returns are conservatively projected as follows:

	1988-9	1989-90	1990-1	1991-2
Productions	119	220	270	270
Direct Costs ($000)	56	107	113	113
Revenues ($000)	78	136	150	150

5. Beneficiaries

The Center will be providing its four principal training services to a total of almost 10,000 beneficiaries over the next 45 months. The number of participants breaks down in the following manner:

	Event/ Cycles	Avg Prt't	Hours/ Event	Prt't Total	Prt't Hours	Of Which	Benefi-ciaries
Seminars	45	25	10	1,125	11,250 PH	2/3 are new	754
Modules	810	10	4	8,100	32,400 PH	4/5 are new	6,480
Supervisory	180	15	20	2,700	54,000 PH	2/3 are new	1,809
Business Basics	76	12	24	912	21,888 PH	all are new	912
				12,837	119,538 PH		9,955

Additional beneficiaries will be those who will be trained through the production of MPC's Video-Graphics Training Systems (V-GTS). Although projections have been made on the number of short video training films produced, only rough estimates can be made regarding the number of times a video will be shown and to how broad an audience. The following are based on conservative assumptions for clients not taking other MPC courses:

Total number of training videos	272	6 min. films
Number of showings over life of film	4	
Number of trainee per showing	12	
Total number of participants	13,056	

An additional 431 video training shorts will be developed by the MPC for its own modules, whose beneficiaries have already been taken into account in the preceding table.

The above projections of activity levels are based upon the premise that MPC will have its own training facility. All calculations are based on not having to rent outside space, which will result in direct expenses savings of over $200,000 over the life of the project. With continued use of rental space, offerings would have to be reduced 40% to 50% from above planned levels due to the limited supply of available training space in Port au Prince.

IV. COST ESTIMATE AND FINANCIAL PLAN

This section discusses total project costs and sources of funding (AID and non-AID) and source and use of AID funds, and compares original PP costs estimates with current assumptions for the amended Project. Further elaboration of projected MPC costs and revenues is provided in the revised Financial Analysis (Section VI. A.).

A. Overall Budget

Overall costs of fully institutionalizing the center through Phase II of the project -- from project inception through its end -- are estimated at $6,405,700. This includes $2.3 million in AID funds provided to date to cover all of MPC's operational costs as well as technical assistance, and an additional $3,943,000 to finance activities between FY 88 through FY 91. Included in funds required for FY 88-91 are $1,800,000 in AID funds, to be provided through this amendment, plus $200,000 to be contributed from MPC's escrow account, $400,000 from other donor contribution, and an estimated $1,543,000 in income and fees.

The following table summarizes project costs for FY 88-91 required by the center to undertake the activities described in Section III.C., above. These activities include training program expansion, construction/conversion to provide a permanent facility, and ancillary services whose income will contribute to the Center's self-sufficiency. Net cost of operations per element and application of funds are summarized as follows:

($000)

	AID	Escrow	Fees	Other Contributions	Total
Curriculum Development	135				135
Operational Costs	526		1,543	335	2,604
Permanent Facility	250	200			450
Technical Assistance	614				614
Project Monitoring	165				165
Audits/Evaluation	110				110
Procurement (Vehicles)				15	15
Outreach				50	50
Total	$1,800	$200	$1,543	$400	$3,943

B. Source and Use of AID Funds

This amendment will provide an estimated $1.8 million in Development Assistance grant funds to be incrementally funded over the period FY 88-91 as follows:

FY 88	$660,000
FY 89	$700,000
FY 90	$300,000
FY 91	$140,000

Given that the obligation to date for this project is $2,300,000, this amendment brings total life-of-project AID funding to $4.1 million.

Amendment AID funds will be allocated as follows: operational costs and curriculum development ($661,000); building conversion costs for a permanent facility ($250,000); technical assistance ($614,000); project monitoring ($165,000); and audits and evaluation ($110,000). (Curriculum development has been broken out as a new line item for accounting purposes.)

The uses of AID funds provided by this Amendment are shown in more detail in the following expenditures table:

($000)

	FY 88	FY 89	FY 90	FY 91	Total
-- Curriculum Development	20	55	50	10	135
-- Operational Costs	68	248	110	100	526
-- Building Conversion	250	-0-	-0-	-0-	250
-- Technical Assistance	317	247	50	-0-	614
-- Audits/Evaluation	5	40	35	30	110
-- Project Monitoring	-0-	110	55	-0-	165
Total	$660	$700	$300	$140	$1,800

Operational costs include local staff support, general and administrative expenses and other costs. MPC local staff includes a newly hired Deputy Director and a Micro-Business Coordinator, as well as phase-in of a permanent Director as of 2nd Q FY 89 (year 4 of the Center's operations). Costs of building renovations for the permanent facility are discussed in detail in Annex 5.

A planned $614,000 will be added to the current technical assistance contract, to cover the continuation of the positions of expatriate Center Director and Director of Management Training through the 2nd Quarter of FY 90, and other support (curriculum development, search for seminar leaders, staff training) through the 2nd quarter of FY 91.

A comparison between AID funding for this Amendment and funding originally proposed in the Project Paper demonstrates clearly the total AID funds required for the project, by category. The following tables show expenditure and source of funds as set forth in the Project Paper and as proposed for the project's Amendment phase (years 3-6, or FY 88 - FY 91).

According to the Project Paper, AID was to fully fund the first three years of MPC, and the Center's income was to be escrowed to fund years four and five. AID was to finance only the AID monitor during years four and five. Technical assistance, budgeted at $349,999 for year four (FY 89) and $206,000 for year 5 (FY 90), was to be financed by cash flow and the accumulated funds in escrow.

Project Paper ($000)

	Year 1 FY 86	Year 2 FY 87	Year 3 FY 88	Year 4 FY 89	Year 5 FY 90	Total
Elements						
Technical Assistance	332	310	328	349	206	1,525
Project Monitor	62	53	55	55	55	280
Operations	292	377	381	459	480	1,989
Total						3,794
Source of Funds						
AID						
TA	332	310	328	0	0	970
Project Monitor	62	53	55	55	55	280
Operations	292	377	381	0	0	1,050
Income/Fees/Donors	0	0	0	982	540	1,522
						3,822*

*PP projected $28,000 net income after 5 years

Under the project paper amendment, AID will fund technical assistance through year four and five, and the A[illegible] [illegible]itor through year five. In addition, AID will fund a part of converting MPC's permanent facility in year 3, part of operational costs through year 5, and audits and evaluation throughout the life of project.

Amendment - Additional $000

	Year 3 FY 88	Year 4 FY 89	Year 5 FY 90	Year 6 FY 91	Total
Elements					
Technical Assistance	317	247	50	0	614
Project Monitor	0	110	55	0	165
Operations/Procurement/Curr Development	426	689	753	711	2,579
Building Conversion	450	0	0	0	450
Outreach	0	50	0	0	50
Audit/Evaluation	5	40	35	30	110
	1,198	1,136	893	741	3,968
Source of Funds					
AID					
TA	317	247	50	0	614
Project Monitor	0	110	55	0	165
Operation/Conversions	343	343	195	140	1,021
Income/Fees/Donors/Cash	251	518	587	587	1,943
Escrow	200	0	0	0	200
Sub-Total	1,111	1,218	887	727	3,943
+ Cash on Hand Beginning	135	-48	130	124	135
Sub-Total	1,246	1,266	1,017	915	4,078
- Cash on Hand Ending	48	130	124	110	110
Total Cost					3,968*
Less reduction in COH:					-25
					3,943

*Supplement projects $18,000 net income after 4 years.

It was projected that AID would provide $940,000 for technical assistance to MPC; in fact, a total of $1,222,392 has been provided to the prime technical assistance contractor and $85,000 to the micro-business contractor. An additional $614,000 is to be provided for technical assistance under this amendment. A total of $ 1,050,000 was budgeted for operational cost support in the original project; $892,860 has been provided under original project funding. An additional $1,021,000 of AID funding is estimated to be required under the amendment for operational and building conversion costs.

The following two tables summarize the project's financial plan. Table I summarizes cash-flow projection; Table II is a summary profit and loss projection for the next four years of MPC operation.

TABLE I

Management and Productivity Center

CASH FLOW PROJECTIONS ($000)

	FY 88	FY 89	FY 90	FY 91
USES				
Syllabus Dev.	20	55	50	10
Building procurement	450	-0-	-0-	-0-
Procurement (vehicles)	-0-	15	-0-	-0-
Net Cost of Operations	155	201	266	264
T.A. Contract	242	247	50	-0-
T.A. Pipeline (1)	75	-0-	-0-	-0-
Audit/Evaluation	5	40	35	30
Project Monitor	-0-	110	55	-0-
Outreach	-0-	50	-0-	-0-
Total Use of Funds	947	718	456	304
SOURCES				
Cash on hand at beginning of year (2)	135	48	130	124
Escrow Reserves	200	-0-	-0-	-0-
Corporate Contribution/Donnors	-0-	100	150	150
AID Grant Funding	660	700	300	140
Total Income	995	848	580	478
Net Cash Flow (Funds available at end of year)	48	130	124	110

(1) TA contract's rate revision retroactive to 1986 but not provided in original contract

(2) Balance of original grant funds

TABLE II

Management and Productivity Center

Profit and Loss Projections ($000)
Amendment 1988

		FY 88	FY 89	FY 90	FY 91
I.	Revenues				
	Gross				
	Core	251	418	437	437
II	Less Direct Costs	173	311	329	329
III	Gross Operating Margins	78	107	108	108
IV	Less G&A				
	Personnel				
	Director	0	0	(64)	(64)
	DD & Mgt Tr.	(40)	(53)	(53)	(53)
	Dir BBS	(30)	(41)	(41)	(41)
	Support Staff	(79)	(106)	(106)	(106)
	Utilities, Services, Rent	(45)	(15)	(15)	(15)
	Printing/Newsletter	(8)	(24)	(24)	(24)
	Tel/Tx/Post/Cour	(8)	(11)	(11)	(11)
	Travel & Per diem	(1)	(4)	(4)	(4)
	Auto/Maint	(2)	(3)	(5)	(5)
	Dues, Ins, Prof Serv.	(5)	(11)	(11)	(11)
	Training	(2)	(12)	(12)	(12)
	Misc/Promo/Cont	(13)	(28)	(28)	(26)
	Total G&A	(233)	(308)	(374)	(372)
V	Net Profit (loss)	(155)	(201)	(266)	(264)
VI	Less Grant Expenses				
	Bldg. Procurement	(450)	(15)	0	0
	TA/Project Monitor	(317)	(357)	(105)	0
	Audit/Evaluation	(5)	(40)	(35)	(30)
	Curriculum Developement	(20)	(55)	(50)	(10)
	Oureach	0	(50)	0	0
	Total Shortfall	(947)	(718)	(456)	(304)
VII	Plus				
	Donations	0	100	150	150
	Escrow	200	0	0	0
	COH	135	48	130	124
	Budget support	660	700	300	140
VII	Project Profit (loss)	48	130	124	110

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ORIGINAL PROJECT:	AID Contribution	Trust Fund	Other Donors	Escrow	Fees	Total Other	Original Project Totals
Operations/Curric Devel	1,020.0	154.7	0.0	0.0	0.0	154.7	1,174.7
Facility Modification	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Technical Assistance	970.0	0.0	0.0	0.0	0.0	0.0	970.0
Project Monitoring	280.0	0.0	0.0	0.0	0.0	0.0	280.0
Audit/Evaluation	30.0	0.0	0.0	0.0	0.0	0.0	30.0
Procurement	0.0	8.0	0.0	0.0	0.0	8.0	8.0
Outreach	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Totals	2,300.0	162.7	0.0	0.0	0.0	162.7	2,462.7

THIS MODIFICATION:	AID Contribution	Trust Fund	Other Donors	Escrow	Fees	Total Other	Modification Totals
Operations/Curric Devel	661.0	0.0	335.0	0.0	1,543.0	1,878.0	2,539.0
Facility Modification	250.0	0.0	0.0	200.0	0.0	200.0	450.0
Technical Assistance	614.0	0.0	0.0	0.0	0.0	0.0	614.0
Project Monitoring	165.0	0.0	0.0	0.0	0.0	0.0	165.0
Audit/Evaluation	110.0	0.0	0.0	0.0	0.0	0.0	110.0
Procurement	0.0	0.0	15.0	0.0	0.0	15.0	15.0
Outreach	0.0	0.0	50.0	0.0	0.0	50.0	50.0
Totals	1,800.0	0.0	400.0	200.0	1,543.0	2,143.0	3,943.0

PROJECT TOTALS:	AID Contribution	Trust Fund	Other Donors	Escrow	Fees	Total Other	Project Totals
Operations/Curric Devel	1,681.0	154.7	335.0	0.0	1,543.0	2,032.7	3,713.7
Facility Modification	250.0	0.0	0.0	200.0	0.0	200.0	450.0
Technical Assistance	1,584.0	0.0	0.0	0.0	0.0	0.0	1,584.0
Project Monitoring	445.0	0.0	0.0	0.0	0.0	0.0	445.0
Audit/Evaluation	140.0	0.0	0.0	0.0	0.0	0.0	140.0
Procurement	0.0	8.0	15.0	0.0	0.0	23.0	23.0
Outreach	0.0	0.0	50.0	0.0	0.0	50.0	50.0
Totals	4,100.0	162.7	400.0	200.0	1,543.0	2,305.7	6,405.7

V. REVISED IMPLEMENTATION PLAN

A. Implementation Schedule

Following authorization of this PP supplement, the grant to MPC and the contract for technical assistance support with Westinghouse/IRD will be amended. Training activities will continue as described through the life of the project. Following completion of construction modifications, the MPC facility will be providing ancillary business services on a continuous basis.

The following schedule shows key implementation events:

Item	Date	Action
Amend MPC Grant	Jul 1988	AID
Amend Contract	Jul 1988	AID
Select Facility Option	Aug 1987	AID
Determine Modifications Needed	Aug 1987	AID
Request Bids for Facility Modification	Sep 1988	MPC
Facility Modification Contract Awarded	Oct 1988	MPC
Permanent Director Hired	Feb 1989	MPC
Facility Modification Completed	Apr 1989	MPC
Internal Evaluation	Sep 1989	AID, MPC
One TA Advisor Departs	Sep 1989	Contractor
Second TA Advisor Departs	Feb 1990	Contractor
Internal Evaluation	Oct 1990	AID, MPC
Contract Termination	Feb 1991	AID,Contractor
Final Evaluation	Nov 1991	AID, MPC
PACD	Feb 1992	AID, MPC

B. Procurement Procedures

As with the original project, goods and services financed by AID shall have their source and origin in countries in AID geographic code 941 or in Haiti, except as AID may otherwise agree in writing.

Technical assistance to MPC will continue during Phase II through an amendment to the existing AID Direct Contract with Westinghouse/IRD, based on receipt of a successful proposal. The amendment will, consistant with the terms of the original "Request for Proposals", increase estimated cost and level of effort and extend the contract completion date. This is consistent with the existing contract which states that "USAID reserves the right, should the project be successful, to require the contractor to submit a proposal for Phase II." The contractor will continue to provide two long term resident personnel, short term technical assistance, recruitment of seminar leaders, curriculum development assistance, and some short term training for MPC staff.

Approximately $50,000 has been budgeted for commodity procurement during the amendment. Commodities to be procured with AID funds are office and computer equipment, including all items required to equip the MPC facility to provide ancillary business services. The Center will undertake all local procurement and some offshore procurement; in cases where the contractor can procure an offshore item more cheaply, the contractor will undertake the procurement. It is estimated that the Center will undertake approximately 80% of commodity procurement under the amendment. No waivers are anticipated to be required.

Procurement of a facility will be according to the following provisions:

(a) The Center will furnish to AID complete analyses for each procurement option to be considered. These will be reviewed by the project committee and the project committee will forward its recommendations to the Mission Director who will make the final decision. Each recommendation will be reviewed with respect to all associated costs and feasibility of the option.

(b) The Center will furnish to AID, upon preparation, any plans, specifications, procurement or construction schedule contracts or other documentation relating to goods or services to be financed by AID, including documentation and selection of contractors and the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished to AID upon preparation;

(c) Documents related to the prequalifications of contractors, and to the solicitation of bids or proposals for goods and services financed by AID will be approved by AID in writing prior to their issuance, and their terms will include United States standards and measurements;

(d) Contracts and contractors financed by AID for engineering and other professional services, for construction services, and for such other services, equipment or materials as may be specified in Project Implementation Letters, will be approved by AID in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by AID prior to execution.

(e) No more than reasonable prices will be paid for any goods and services financed by AID. Such items will be procured on a fair and, to the maximum extent practicable, competitive basis.

C. Project Monitoring and Management

USAID/Haiti's Office of Private Enterprise (OPE) will continue to have primary project management responsibility. The USAID project monitor, a U.S.-hire Personal Services Contractor through November 1988 and subsequently a Haitian PSC, will be involved in project management and monitoring activities on a day-to-day basis. Project implementation experience shows this management arrangement to have been adequate, and no problems are foreseen with its continuation. The project monitor will work on a full-time basis through the life of the project.

Responsibility for day-to-day operations of the Center will continue to be that of the person on the contractor's technical assistance team serving as the Center's Director. This person reports directly to the AID project monitor. As soon as MPC hires a permanent Director, the expatriate Director will shift to a full time Advisor and serve in this capacity until his departure. During the period of transition to local management, all respons[illegible] will be transferred to the new Center Director and the Board. The expatriate Advisor is scheduled to depart in February 1990.

Regular reporting from MPC management to AID and the Board of Directors will continue. Included are quarterly reports on operations, financial position and activities projected for the next quarter, and annual status reports. The annual reports include income and financial statements and include funding and personnel requirements for the coming year and proposed revisions in operations or administration. In addition, the Center will continue to maintain several data systems on its program and participants, including (1) a list of registered businesses; (2) all trainees by type of training, size of business, age and gender, and the number of employees in each business who have been trained; (3) all seminars and training offerings by size, category, client base, costs and income generated. In addition, beginning this year there will be an annual survey of user firms to include questions on client satisfaction, usefulness and application of skills learned, and impact of training on each firm.

D. Evaluation and Audit

A mid-term evaluation was conducted in 1987. Funds have been budgeted for a second external interim project evaluation, but it should be conducted only if and when significant implementation/management concerns exist which warrant a formal effort. Two internal evaluations are planned, which will focus on progress in and need for implementation adjustments to further promote (1) achievements under project components (training programs, ancillary business services), (2) attainment of financial self-sufficiency, and (3) transfer of MPC management to MPC regular staff. If a formal, external evaluation is undertaken, it will substitute for one of the internal evaluations. A final evaluation will be held approximately four months before the PACD.

Annual external financial audits will be performed and are scheduled for July 1988, July 1989, July 1990 and July 1991. A final audit will be conducted in February 1992.

E. Conditions/Covenants and Negotiating Status

This supplement has been developed in close consultation with MPC staff and its Board of Directors, who have concurred in the planned program of activities. A request from the Center for the additional support to be provided by this supplement is included as an Annex to this PP Supplement.

The project paper (p. 59) contained a Condition Precedent to Disbursement for Phase II activities requiring (a) an evaluation of Phase I activities to determine the feasibility of pursuing the institutionalization of the Management and Productivity Center under Phase II of the Project; and (b) a detailed, time-phased implementation plan for Phase II, including a financial plan for utilizing the income accrued from fees during Phase I. The project amendment described in this PP Supplement supports implementation of Phase II of the Center's operations, as broadly laid out in the PP. The recently conducted mid-term evaluation, along with analyses conducted by the design team for this supplement, have shown the feasibility and advisability of moving ahead into Phase II (a, above), while a detailed financial plan incorporating uses of fee income is included in the financial analysis for this supplement (b, above). Thus, this condition precedent should be considered met with approval of this PP Supplement.

Conditions Precedent and Covenants to be added at this time include:

(1) Condition Precedent to Disbursement for Procurement or Modification MPC Facility:

Prior to any disbursement of AID funds for any construction or building renovation for the MPC facility the following must be provided to AID, in form and substance satisfactory to AID:

a) complete analyses for each facility option considered, including for each preliminary cost projections, sources of funds, preliminary design sketches and preliminary feasibility determination, and a recommendation from the MPC board of the option selected;

b) a reasonably firm estimate of all costs of acquisition and renovation related to the option recommended and a detailed allocation showing that all of the required funds are available, including firm commitments for those funds to be obtained from outside sources;

c) detailed architectural drawings and plans for the option selected;

d) all necessary documents related to prequalification bids for contracting services.

(2) Condition Precedent to Disbursement for FY 89 Funds:

Except as AID may otherwise agree in writing, prior to disbursement under the Grant or the issuance by AID of documentation pursuant to which disbursements will be made to finance operations, the Grantee shall furnish to AID, in form and substance satisfactory to AID:

a. A financial report of the last four quarters detailing expenses as a percentage of gross income for each quarter;

b. A report in English detailing steps taken by management, the contractor and the Board of Directors during the preceding twelve months to recruit corporate contributions, dues and other donor support for the MPC. The report must also include the donor sources identified and sets out a plan to show how the Center will raise the necessary contributions to meet budgetary shortfalls.

(3) Condition Precedent to Disbursement for FY 90 Funds:

Except as AID may otherwise agree in writing, prior to disbursement under the Grant or the issuance by AID of documentation pursuant to which disbursements will be made to finance operations, the Grantee shall furnish to AID, in form and substance satisfactory to AID:

a. A financial report of the last four quarters detailing expenses as a percentage of gross income for each quarter;

b. A report in English detailing steps taken by management, the contractor and the Board of Directors during the preceding twelve months to recruit corporate contributions, dues and other donor support for the MPC. The report must also include the donor sources identified and sets out a plan to show how the Center will raise the necessary contributions to meet budgetary shortfalls.

(4) Condition Precedent to Disbursement for FY 91 Funds:

Except as AID may otherwise agree in writing, prior to disbursement under the Grant or the issuance by AID of documentation pursuant to which disbursements will be made to finance operations, the Grantee shall furnish to AID, in form and substance satisfactory to AID:

a. A financial report of the last four quarters detailing expenses as a percentage of gross income for each quarter;

b. A report in English detailing steps taken by management, the contractor and the Board of Directors during the preceding twelve months to recruit corporate contributions, dues and other donor support for the MPC. The report must also include the donor sources identified and sets out a plan to show how the Center will raise the necessary contributions to meet budgetary shortfalls.

(5) Covenants

The MPC shall agree that throughout AID funding for the project, it will comply with the following covenants:

(a) That MPC will develop a membership base to include broad participation and support of MPC activities;

(b) That MPC will continue to actively pursue ways and means of incorporating MPC's activities in the OPE outreach project;

(c) That MPC will pursue means to mobilize the business community to support the Center from the point of view of enlightened self-interest;

(d) That the ratio of MPC expenses to total revenues will continue to decrease progressively through the life of the project.

VI. REVISED ANALYSES

A. Financial Analysis

1. Selection of Option

Project Paper design recommended that for the first three years of MPC (Phase I), user fees from its core of training activities would be escrowed into a separate account and used to help finance years four and five if Phase I was successful. It was projected that $295,000 would be accumulated by the end of year two. As of March 30, 1988, $208,000 has been accumulated in the escrow account. The concept was adequate for the test phase of the project which focused on determining if training needs would translate into paying clients. The next phase of the project is for the MPC to make the transition to an operation managed as a business, where expenses are a function of income flows.

The MPC has also adopted a more conventional profit and loss accounting practice which permits better financial control. Using a conventional method of profit and loss accounting has permitted the MPC to make realistic projections of revenues based on performance to date. Selection of the final option will be based on a complete cost-benefit analysis to be submitted to the project committee and the Mission Director for a final decision.

During the last twelve month the Center explored the following options to obtain permanent faciltiies:

a. A search of other suitable rentable space in Port-au-Prince in existing hotels. This may resolve the space problem, but the two hotels with large facilities have high rental costs and inadequate parking.

b. A search for suitable office space in existing commercial buildings. Costs varied from $6.32 to $8.84 per sq. ft per year ($5 - $7 per square meter per month). In addition to the high cost, no site has yet been found with adequate parking for up to 50 cars.

c. A plan may be negotiated with XEROX whereby the MPC would build its owned stand-alone facility on XEROX's property immediately adjacent to the present site. This had the advantage of building a training center to specification in return for free rent for 10 years. However, after 10 years, the building would revert to XEROX.

d. Another plan was explored with a developer, who agreed to build an MPC complex in the airport road area. The structure would be built gradually as funds were available and it would house not only the MPC facilities but could have rental space for additional income generating property. This plan has high cost and the nature of the bulding (six story tower) might not be in the image of MPC. It could be difficult to attract micro-business people to such a setting. In addition, the structure would take 18 months to complete and would cost approximately $50,000 more per year than the next option.

e. The renovation of an existing factory shell was explored where parking was ample, rental cost was down to approximately $2.10 per square foot per year and where rent was indexed and would not rise over a ten year period. Negotiation were initiated with the owner whereby a ten year lease could be signed with an option to buy (30,000 sq. ft of building and 25,000 sq. ft of parking) within two years providing rental payments were credited towards the purchase price.

f. Purchase of a large villa with adequate office space and contiguous space for parking.

Analyses presented in Tables I and II of Section IV show the financial viability of MPC assuming that one of the above options for a permanent site has been selected.

2. <u>Income Projections</u>

Since the original project was designed, there has been evolution in the market and MPC has learned to adapt to market changes. Original project paper projections anticipated $180,000 income from upper, middle and supervisory manager training for the first two years. Demand for such training proved greater, and actual income was 9% above target.

On the other hand, income from micro-business training was estimated at $88,000 for years one and two. As a result of actual number of cycles offered, trainee participation rate and fees, MPC's income from micro-business training was 80% below projections. The Management Services Division, which was to generate $27,000 of revenue, was discontinued due to lack of demand.

In addition to the procurement of a facility, [illegible] ement will permit the MPC to concentrate on offerings which were the most profitable, diversify its training, and expand its productivity oriented activities. In its core activities it will increase the number of seminars targeted to top management (companies employing more than 50 employees), and expand supervisory training for shop level supervisors. Projections of offerings contained in this PP Supplement are based on the past two year performance. Additionally the MPC will introduce video-graphics training as a result of strong demand shown for the product during a recent market survey. Video-graphics training (V-GTS) is targeted to all segments of the MPC client base.

The redesigned "Business Basics" series, targeted to business entrants and micro-enterprises, will continue to be offered "at cost" in Port-au-Prince, and will form the basis for the Center's outreach program in the provinces. Income projections for these activities are based on the following caculations:

(1) Top management will pay $75 per day on the average for a quality executive level seminar offered by local seminar leaders. Rates increase with expatriate trainers, but costs increase correspondingly. The Center has been averaging 25 participants per offering, and will offer 45 such seminars if a generally stable and favorable environment exists over the project life.

(2) Modular workshops are calculated by unit and grouped by module series. For example if a workshop has six four-hour modules and a person signs up for all six the participant count will be six units. Modules generally last four hours for management and two hours for business basics, and cost $25 per module for the former and $5 per module for the latter.

(3) Cycles for supervisory personnel are most successful when they last 20 hours stretched over one to two weeks. The employer pays an average of $8 per trainee per hour.

(4) V-GTS income is based on the sale of five to six minute films which sell on the market at $100 to $200 per minute depending on the complexity of the production.

(5) Business Basics is calculated in the same manner as mid-management modules (2, above). However, cost of a two hour module is $5; the Center projects 15 participants per module.

Projected Gross Income

1988/89 (9 months)	No. of Events	No. of Participants Per Unit	Average Cost	Total
Core				
Seminars	5	25	75	9,375
Modules	375	4500p/m	25	74,035
Supervisory 24 hours	42	13	8	90,000
Business Basics				
Urban & Provinces	138	13	5	9,000
V-GTS	121	7.3 min	571	69,100
		Sub-Total		251,510
Projected 1989/90 (12 months)				418,000
Projected 1990/91 (12 months)				437,000
Projected 1991/92 (12 months)				437,000
		Total		1,543,510

B. Technical

1. Design and Delivery Principles

The original Project Paper set forth a series of seminar design and delivery criteria essential to MPC's success, most of which have proven to be accurate and determinant to the project's achievements to date.

Among the training principles which have proven to apply to MPC operations are: that offerings should be of short duration with locally adapted material sensitive to Haitian business and social services; that each seminar should have a printed material component, and the learning/teaching format should be balanced between lectures, discussions and applications through case studies; that three languages would be used depending on the level of the client addressed; that seminars were to have a strictly practical flavor and a participatory style; and that the leadership qualities of the selected trainers would have to be exceptionally strong. It was assumed that, consistent with Haitian social practices, offerings should be targeted to groups as homogenous as possible, in terms of business rank, education and experience. However, the Center provides many of its seminars to a more heterogeneous group uniting several business and education ranks, thus leading to cross-fertilization and communication between social groups.

It was assumed that U.S.-based seminar leaders would be required during MPC's early phase, but that locally-based seminar leaders could be phased in gradually. While this has proven to be the case to a certain extent, with the Center taking steps to local seminar leaders and trainers for mid- and lower-management training, expatriate seminar leaders continue to be necessary to attract more senior clientele. This will probably be the case for an indefinite period of time, due to the prevailing attitude in Haiti's business community that it is necessary to look to the U.S. and to Europe for state of the art applications.

The original analysis also distinguished between two program modes for training: the public mode and the in-company mode. It was maintained that, where ten or more people from the same company could attend a seminar held in the company itself, there would be benefits to the company as well as cost-reducing benefits to MPC. While this has not proven to be a feasible or effective delivery mode for most of MPC's seminars and modular management series, it has proven to be very effective for supervisory training. Post training assessments have shown skills application by supervisors to be highest when (1) curriculum is tailor-made based on interviews with both senior management and supervisors, and (2) senior management attends in-company sessions along with the company's supervisors. These principles have helped make supervisory training a strong offering for MPC in terms of continued demand and revenue generation.

A criterion for technical effectiveness which was not sufficiently discussed in the PP, but which has consumed considerable resources and time on the part of the Center, is effective marketing of the training products MPC provides. This is especially true for micro-business training, where MPC has had the most difficulty in effectively marketing its product. The MPC has tried a variety of marketing techniques including media promotion (written, radio and television), canvassing of potential clients, and the use of free introductory presentations to micro-entrepreneurs . The latter has proven to be the most cost efficient and successful in terms of attracting a large number of potential clients. The assumption that mass media promotion alone could sell MPC services proved faulty and it will be discontinued for all categories of training. MPC will continue to market the micro-business training, as well as other modular training, through free and low-cost introductory seminars balanced with limited media reminder announcements and personal contacts.

During the Project extension period, MPC will also undertake training activities outside of Port-au-Prince, primarily its microbusiness offerings. this is consistent with the Mission's private enterprise outreach strategy and will build on other Mission private sector initiatives outside of Port-au-Prince No direct AID contribution is budgeted for these activities; rather support from other donors in programmed to support them.

2. V-GTS

MPC has recently added Video Graphics Training Systems (V-GTS) to its program, as an adjunct to its core training activities. The decision to go ahead was based on a survey of firms in Haiti and feasibility projections conducted by a U.S. consulting firm.

V-GTS will provide MPC with the capacity to offer state-of-the-art, locally developed and culturally sensitive audio-visual materials at a much lower cost than conventional client-specific audio-visual materials. Production of individual 5-8 minute cassettes involves camcorder shooting of the raw footage on specific topics at the client's plant, using the client's personnel. This approach is of particular value in Haiti with its high rate of adult illiteracy.

Once it has the capability to produce V-GTS, the Center will be able to use it in a number of productive and income-generating ways. These include production of generic films on various industrial topics (e.g. labor rights and obligations, work scheduling, salesmanship); as a marketing tool for the Haitian export industry; and as a general training tool to permit role playing and trainee auto-critique.

C. Institutional

The three-stage institutional development process proposed in the PP for the Center has proven to be valid in its overall outline, but has had to be adjusted in terms of timing and external funding required for the Center to complete the third stage.

According to the Project Paper, an initial pilot period lasting 2 years was to test the basic tenets of a private sector management training institution. This period began in February 1986 with arrival of technical assistance under the contract for Center management. During these pilot years, there was to be no investment in a permanent institution, including property, major equipment or key professional staff. In this way, if the initial assumption of the existence of a strong unmet demand for services to be provided by a new management training institution proved incorrect, the trial institution could be closed with little negative impact and minimum damage to private sector expectations.

The second step in the institutional development process, called the "transition," was to take place during the third year of MPC opertions. (This step and the initial pilot years constitute Phase I of the Center). During the transition year, a determination was to be made to either terminate the project or continue into Phase II, as based on project evaluation, a Board of Directors request, and USAID concurrence. If the determination was positive, responsibility for operating the Center would begin to be transferred from the overseas management firm to the local staff, and concrete steps would be taken to recruit Haitian management.

The third stage in the institutionalization process would be Phase II, in which the Center would be operated as an autonomous institution, moving towards self-sufficiency, with the overseas management team assuming an advisory role with decreasing presence.

The transition year began in February 1988 as the overseas firm responsible for overseeing MPC operations, Westinghouse Institute for Resource Development, entered its third year of activity. The Center recruited and hired a Deputy Director who assumed responsibility May 1, 1988, coinciding with the third year of training operations. (The Westinghouse team arrived three months prior to the first organized seminar). The evaluation conducted in 1987, and analyses conducted by AID and MPC in preparation for this project amendment, justify the decision to move into Phase II.

However, the transition stage will be extended by four months, to June 1989, in order to compensate for business slow-downs during the civil disburbances of 1986 and 1987, and to permit MPC's permanent facility to be completed and operational. Phase II will extend from June 1989 to the end of the Project (February 28, 1992, the project's revised PACD). This extension -- with Phase II ending 6 instead of 5 years after the beginning of Phase I -- is necessary to provide adequate time for the Center to recruit and train all local management, and establish financial self-sufficiency, before termination of AID support. (A permanent Director is scheduled to assume the position in the second quarter of FY 89.)

With reference to other sources of funding for the Center, from corporate and institutional donations, the levels projected in the PP will not be forthcoming in the time frame originally proposed. The contractor has initiated a survey of potential institutional donors, a list of 12 possible donors has been developed, and grant eligibility requirements are being documented. As for corporate donors, initial inquiries suggest that, almost without exception, large companies tend to contribute overseas only within countries where they already operate. The contractor will be contacting representatives of such firms in Haiti. The projected level of outside support has been more conservatively estimated as $100,000 in 1989-90, $150,000 in 1990-91, and $150,000 in 1992.

D. Social

The Social Analysis in the Project Paper remains valid, and no additional analysis is required for this Amendment.

However, it is worth reviewing the emphasis placed in the Social Analysis on the need to emphasize certain aspects of contemporary management models -- adapted to the Haitian cultural milieu -- in order to ensure greater production and efficiency on the part of the Haitian private sector. These aspects include the need to delegate authority on the part of higher level managers, the need for improved communications within enterprises, the need to instill initiative among lower and middle level employees, and the need for a greater sense of responsibility for organizational goals among all employees. The PP analysis maintained that an effective MPC would not only transfer management techniques, but would also help to slowly change attitudes of managers and entrepreneurs toward their work, and their concepts of responsibility, power, trust and communications among people. Certain positive attitude changes were noted in the client survey conducted by the project evaluation team in 1987, including increased willingness to take resonsibility and diminished importance of paternalism. Positive attitude change should continue to be a part of the "skills" transferred by MPC as long as the Center maintains an emphasis on these behavioral aspects of management.

Another topic which bears further discussion at this time is the participation of women in the Center's training programs. The PP stated that the MPC can be a catalyst to broaden the advancement of women in the private sector. This is likely to be the case over [illegible] ining records show that MPC is taking important steps to encourage women's training, and levels are significant and increasing.

Up to the time of the detailed studies conducted by the evaluation team (to June 1987, encompassing 16 months of training), 25% of MPC's participants had been women. Broken down by category of position, women comprised 27% of senior and middle-level managers, 18% of supervisors and 29% of micro-entrepreneurs receiving training. Given that the Haitian woman carries a disproportionate workload and financial responsiblities, compared to her male counterpart, and given that she often finds herself with less time than men to take training courses, the 25% overall participation rate is encouraging.

MPC is aiming for a modest increase in overall women's participation by another 5%, to 30%, over the next two years, but this figure could easily be exceeded. Continuation of the flexible, modular approach to training (including evening courses and repeated offerings) will continue to contribute to women's participation. In its mandate to target small enterprises, MPC will direct marketing efforts toward women and develop course content geared to women in this category.

ANNEX 1

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 85 to FY 92
Total U.S. Funding: $4.1 million
Date Prepared: April 25, 1988

Project Title & Number: Management and Productivity Center (521-0183) PP Supplement

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes		Measures of Goal Achievement:	Assumptions for achieving goal targets:
To increase productivity and avoid a decline in employment, and broader the management and entrepreneurial base in the private sector.	Target group beneficiaries maintain or expand operations and experience productivity increases.	Annual Survey of user firms covering employment data, changes in management attitudes, and productivity.	- The socio-economic and political situation will not continue to deteriorate substantially. - Better trained managers and entrepreneurs will impact positively on employment and productivity.
Project Purpose:	Conditions that will indicate purpose has been achieved: End of project status		Assumptions for achieving purpose:
To create the capability in Haiti, through establishment of a Management and Productivity Center, to provide management training and related services to Haitian business owners, managers and micro-business entrepreneurs.	Sustained availability of and demand for basic business skills training for smaller companies and micro-businesses. Sustained availability of and demand for management skills training for managers and supervisors in medium to large firms. MPC able to manage its affairs independent of technical assistance. Financial viability of MPC demonstrated.	Systematic follow-through assessments upon completion of each training module/seminar/course. Internal and external evaluations. MPC financial records.	- Local institution can continue to attract local participation, competing successfully with overseas facilities. - Demand exists within private sector for management training. - Need for small business training is transformed into demand and willingness to pay for it.
Outputs:	Magnitude of Outputs:		Assumptions for achieving outputs:
MPC facility. MPC management and operations transferred to permanent, qualified Haitian staff. Effective training program responsive to Haitian business needs. Effective client fee system. Other business services provided in response to client demand.	Facility established and operational Staff hired trained and functioning according to position descriptions. 90% of services delivered by local personnel Income covers all costs by EOP. 11,000 executives, mid managers and supervisors, and 1,000 micro-business clients trained.	MPC and contractor monitoring reports. Internal and external evaluations. MPC client records.	Adequate local human resources. Demand for ancillary services at MPC facility. Managers and entrepreneurs continue to support and pay for Center's services.
Inputs:			Assumptions for providing inputs:
(see below)		AID reports. MPC financial records and reports.	Other donor corporate contributions forthcoming as planned. Client demand at planned levels brings in planned income.

Inputs:

AID

		Original	Supplement	Total
1. Technical Assistance	1.	970	614	1,584
2. Facility Renovation	2.	-0-	250	250
3. Operations curriculum Development.	3.	1,020	661	1,681
4. Project Monitoring	4.	280	165	445
5. Evaluation, Audit	5.	30	110	140
		2,300	1,800	4,100

OTHER

	Original	Supplement	Total
Client Fees/Escrow Services	-0-	1543	1543
Other Donors	-0-	400	400

MEMORANDUM TO THE FILE

FROM: James E. Vermillion, OPE

DATE: June 9, 1988

SUBJECT: Minutes of Management and Productivity Center (521-0183) Project Committee Meeting

The Project Committee met for the full Mission review of the Project Paper (PP) Supplement which proposes to add $1.8 million to the MPC project and to extend the PACD from September 30, 1990 to February 28, 1992. The issues paper for the meeting identified four issues which had been raised in the preliminary project review and for which modifications had been made in the PP Supplement prior to the full Mission review.

The first question which was raised in the review was whether AID/W needs to approve the change from the initially notified $1.0 million project amendment to the present level of $1.8 million. Further it was questioned whether notification to AID/W included proposal to find a facility for MPC. PPS representative indicated that Mission Director has authority to approve with LAC concurrence. It was pointed out that last year's Action Plan included the intent to include the facility. Further, Patty Buckles of AID/W visited a proposed facility and was involved in the design including the acquisition of a new facility. When she was involved in the design, the funding level was $1.6 million. The 89-90 Action Plan included the $1.8 million figure for the project amendment.

The issues raised in the issues paper were then addressed. First was the question of adequate monitoring. The PP Supplement includes $165K for hiring an FSNPSC to carry out monitoring activities on a full-time basis. It was noted that the Mission would need to follow required procedures for recruitment and hiring to fill this position.

The question of other donor funding was then raised. CPs have been added to the PP Supplement to require MPC to actively seek other donor funding. It was noted that CPs and Covenants need to be separated in the document.

The issue of inclusion of outreach activities was discussed. This is now addressed in the document in the technical discussion and in the section on business basics. The budget now reflects these activities, rather than purchase of a vehicle as in the earlier version.

The final discussion centered around the options for acquiring a permanent facility for MPC. The PP Supplement has been modified to not include a final decision of the option to be pursued, rather it includes a procedure to be followed, including a final decision to be made by the Mission Director, with a review and recommendation by the Project Committee. While this project is not primarily a capital project, the question was raised as to whether the 611(a) criteria for reasonably firm estimates of costs to the USG were met. There was discussion of using a modified FAR arrangement for financing any construction work, but this was ruled out since MPC is not like a government entity which could come up with outside funds to meet any potential shortfalls on construction activities. It was decided that to minimize risk to the USG, we would need to know the bottom line on all proposed options before disbursing any of our money for acquisition/renovation of the proposed MPC facility.

While the PP Supplement presently contains two sets of CPs, it was decided that a third set would be needed related to physical work and modification of facilities. The bullets on p. 21 of the present document would be a part of this CP to ensure coverage under 611(a), but also contracting assurances would need to be added. It was suggested that the work already done on the Mariech option might be added as an annex to the PP Supplement to indicate the type of approach which should be followed for each option. Suggested wording for the CP is that:

> Prior to any disbursement of AID funds for any construction or building renovation for the MPC facility the following must be provided to AID, in form and substance satisfactory to AID:
>
> a) complete analyses for each facility option considered, including for each preliminary cost projections, sources of funds, preliminary design sketches and preliminary feasibility determination, and a recommendation from the MPC board of the option selected;
>
> b) a reasonably firm estimate of all costs of acquisition and renovation related to the option recommended and a detailed allocation showing that all of the required funds are available, including firm commitments for those funds to be obtained from outside sources;
>
> c) detailed architectural drawings and plans for the option selected;
>
> d) all necessary documents related to prequalification bids for contracting services.

Considerable discussion followed regarding contributions to be expected from other donors and how these would relate to construction/modification costs. It was suggested that AID contribute to an option only if MPC presented clear data on the option, including costs and evidence that full funding for the option is available. The MPC board can make the final decision, but it must present to AID more than projections related to funding for the option selected. Since there are potential problems if other donors don't meet overruns in building cost projections, this could lead to problems in cash flow for MPC. If the board wants to pursue an ambitious option, the board must get corporate sponsors including dues, memberships and other donor funding. The board must come up with a package, including firm commitments, for financing any option presented. If the board wants to present a low-cost option which can be covered fully in the funding existing in the project, then it can follow the existing CPs for best efforts and reports on these efforts related to other donor funding. If it wants to pursue a high-cost option, then the board must provide supporting evidence for the bottom line costs with firm commitments included. The final decision will rest with the board, but it must produce the required evidence for AID to contribute financing.

AID indicated that microbusiness activities are a priority and that they must get priority attention for continued AID support. Dropping microbusiness activities to meet a budgetary shortfall is not acceptable to AID.

The Project Committee made the following decisions:

1) That the Project Authorization should be amended to add $1.8 million and extend the PACD as recommended without further reference to AID/W;

2) That the CPs and Covenants should be separated;

3) That an additional CP, as described above, related to selection and funding of the MPC facility should be added;

4) That these decisions cover the protections required by AID on the issues discussed.

The timeframe for these activities include approval of the Project Authorization amendment and PP Supplement next week, PIO/T for amendment to the grant beginning processing next week, including the negotiation of the additional CP, and the development of the PIO/T for the amendment to the IRD/Westinghouse contract beginning next week, with the Contract Officer signing the amendment in mid to late July.

Clearances: OPE: CJuliard CJ
OPE: SKissinger SK
OPE: JHorton JH
PPS: RBurns
PPS: GCaprio gc
CONT: CBrooks CB
DIR: GZarr ___

MEMORANDUM

TO: Management and Productivity Center (MPC) Project (521-0183)
Project Committee

FROM: James E. Vermillion, OPE Jim Vermillion

DATE: June 6, 1988

SUBJECT: Review of PP Supplement Thursday, June 9, 1988 at 1:00 PM.

Attached is the subject PP Supplement for the amendment to the Management and Productivity Project for review on Thursday, June 9, 1988. The meeting will take place at 1:00 PM in the main conference room.

If you are unable to attend or send a representative to the meeting, please provide comments separately by COB June 8th.

DISTRIBUTION:

DIR:	G. Zarr
D/Dir:	L. Morse
PPS:	R. Burns
	E. Paultre
	G. Caprio
	D. Cesar
CONT:	C. Brooks
HRO:	M. White
OPE:	J. Vermillion
	C. Juliard
	J. Horton

MEMORANDUM

TO: Project Committee, Management and Productivity Center Project (521-0183)

FROM: James E. Vermillion, OPE

DATE: June 9, 1988

SUBJECT: Issues Paper for Project Paper Supplement and Project Authorization Amendment Review

Based on discussions from the initial Project Committee Review on May 19, 1988, the following issues were identified. The resolution of these issues has been included in the revised Project Paper Supplement and a summary of their resolution follows.

ISSUE: Adequate project monitoring within OPE.

RESOLUTION: The present project budget has fully-funded a USPSC for project monitoring through November 1988. The PP Supplement budget includes $165,000 for project monitoring. OPE will engage an FSNPSC full-time to monitor the project beginning in November 1988 through the PACD.

ISSUE: More emphasis on actions to be taken to secure other donor support.

RESOLUTION: The PP Supplement contains specific conditions precedent to disbursement for each year of continued project activity requiring a status report on funding obtained from other donors and steps being followed to obtain support from other donors.

ISSUE: MPC support for outreach activities should be better explained.

RESOLUTION: Outreach activities, to be supported from other donor funds, have been identified more fully and the budget line item for $55,000 for an outreach vehicle has been replaced with budget support for general outreach activities.

ISSUE: Discussion of options for the MPC permanent facility should identify all options under consideration. OPE will re-examine the viability/non-viability of MPC purchasing the Mareich facility.

RESOLUTION: The PP Supplement now spells out all options which will be examined in selecting the type of facility to be pursued for MPC. While purchase of the Mareich facility is not possible at this time, the PP Supplement outlines an approach for comparison of options, with full cost/benefit data and feasibility determinations. The final selection of the facility and approach to be followed will be made by the Mission Director at a later date, based on recommendations of the project committee.

UNITED STATES GOVERNMENT

memorandum

DATE: May 19, 1988

REPLY TO ATTN OF: Rosalie Fanale, Project Developmet Officer, PPS RF

SUBJECT: Management and Productivity Center (MPC)
PP Supplement (523-0183) Agenda for Review

TO: Project Committee

The following are points for discussion at the review meeting this morning.

1. Project Monitoring: Is the amount budgeted too low?

2. MPC Costs and Revenue Structure. Is salary structure, G&A rate too high? Fee structure too low? What about vehicles?

3. MPC - Demand for Services. What assurances do we have that the market for MPC services is not saturated or will not become so during the project, thus rendering all projections unreliable?

4. Other Sources of Funds. What justifies assumptions made about level and timing of other donor funding? What steps should AID require of MPC, if any, to demonstrate the availability of such funds?

5. Escrow. Does the committee agree on planned use of the escrow fund and that it no longer be maintained separately?

6. New Facility - Options. The analysis of options includes only two: remain as is, or go with the planned new facility as set forth in the paper. Should other options have been examined?

7. Contracting

Committee members should feel free to bring up additional questions or issues which they might have.

May 19, 1988

Note to: Jim Vermillion, OPE

From: Rosalie Fanale, PPS

Subject: MPC PP Supplement -- Schedule for Authorization

Based on the outcome of today's Project Committee Review, agreement to aim for a mid-June authorization and to try to hold the Mission Review during the week of June 6, when Criss Juliard will be in Haiti. Since I will be gone during June, I have written this note to review the issues to be resolved and steps to be taken prior to authorization.

1. The following are issues to be resolved and areas for clarification in the final PP Supplement draft:

--Adequate project monitoring within OPE.

--More emphasis on actions to be taken to secure other donor support, including more strongly worded CP's to Disbursement for FY89 and FY90 funds. Specifically, each year a report summarizing actions undertaken to date and planned actions should be submitted; in the FY 90 CP we may want to specify levels of other donor funding to be identified (if not actually secured).

--MPC support for outreach activities should be better explained, and the $55,000 (non-AID funds) identified for vehicles should be changed to general support for pilot outreach activities.

--Discussion in the Financial Analysis section (VI.A.) of options considered for the MPC facility should include a background paragraph (e.g. at the top of p. 27) which discusses the many other options that were considered prior to the final analysis, and the reasons why they were rejected. OPE will also re-examine the viability/non-viability of MPC purchasing the Mareich facility.

Also, the timing for departure of the two TA advisors and hiring of the local Director should be re-checked to ensure that overlap of advisors with local management is adequate -- but not more than is needed.

2. The final draft should incorporate comments from Richard Burns and Claire Johnson. Claire is leaving shortly, and may not be able to give much time to it, but she should be given the option to do so. Richard might be asked to provide comments by COB next week.

3. The final draft should be circulated 3 days prior to the Mission Review. An Issues Memo will have to be drafted for that review -- please check with Burns on who should draft it.

4. An authorization package can be circulated after any issues resulting from the Mission review are resolved, and must include an Action Memorandum, Authorization Amendment, and the final PP Supplement. Please collaborate with Burns on this.

CC: RBurns