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LOAN COMPLETION REVIEW: A.I.D. Loan 519-L-014 - Education Reform -
ITV Expansion. 519-22-690-071

I. Achievement of Loan Purpose

A.I.D. Loan No. 519-L-014 (the Loan) to the Government of El Salvador (the Borrower) was executed on February 16, 1971. The Loan was made to assist in financing equipment, materials, and services necessary for conducting the Borrower's education reform program.

The original Terminal Commitment and Disbursement Dates were June 30, 1973 and December 31, 1973, respectively. However, these dates were extended to June 30, 1974 and December 31, 1975. The authorized Loan amount was \$8,200,000. However, total disbursement amounted to \$8,025,427.56 and \$174,572.44 was deobligated on 3/19/76.

One of the purposes of the A.I.D. education program in El Salvador is to assist the Borrower in providing basic education and skills training to an increasing proportion of the population. Specifically, the purpose of the Loan was to expand the Borrower's educational reform program of the public education system of El Salvador by assisting the Ministry of Education with curriculum reform and upgrading of teacher and supervisory training for public school grades 1-12, and the development of a country-wide instructional television system to be used solely for educational purposes consistent with the official school curriculum of El Salvador.

In an attempt to assess the achievement of its purpose, a final audit (No. 1-519-76-45 dated 6/11/76) of the Project was undertaken. This audit found that given the nature of the Project's goals, their achievement and thus the impact of the Loan on the goals were difficult to measure. However, the audit determined that considerable progress had been made in achieving one of the measurable objectives, the development of ITV for grades 1-9. Although ITV had not yet reached all areas of the country, there were already 240,000 students being instructed via TV by 12/31/75. The audit concluded that the Mission's program was consistent with the Agency's mandate of redirecting its resources towards assisting the poor majority and that A.I.D.'s inputs in fact "had some impact upon the achievement of Government of El Salvador educational objectives, although this impact cannot readily be measured".

II. Eliminated Conditions and Covenants

Upon termination of the Project, the following conditions and covenants, which were written into the Loan Agreement to insure completion according to A.I.D. criteria, became unnecessary and are to be eliminated from the Mission's monitoring scope:

A. Under Article III, Conditions Precedent to Disbursement, all sections including:

- i) Section 3.01 Conditions Precedent to Initial Disbursement, including sub-sections (a), (b), and (c);
- ii) Section 3.02 Conditions Precedent to Disbursement for Services;
- iii) Section 3.03 Conditions Precedent to Disbursement for Construction of Any Particular School, including sub-sections (a), (b), and (c); and
- iv) Section 3.04 Conditions Precedent to Disbursement for Financing Certain Construction, including sub-sections (a), (b), and (c).

The Borrower fulfilled the requirements of Sections 3.01 and 3.03 as stated in Implementation Letters No. 5 and 6 and Section 3.04 as stated in Implementation Letter No. 52. Section 3.02 was satisfied as stated in various Implementation Letters including, inter alia, Nos. 15, 16, 23, 36, 37, and 39.

B. Under Article IV, General Covenants and Warranties, the following covenants and sections:

- i) Section 4.01 Execution of the Project;
- ii) Section 4.03 Consultation, including (a) and (b) but not the general introductory paragraph;
- iii) Section 4.04 Management; and
- iv) Section 4.07 Utilization of Goods and Services, including (a) and (b).

The Borrower has complied with the terms of the above sections of the Loan Agreement.

C. Under Article V, Procurement, all covenants and sections including:

- i) Section 5.01 Procurement from the Free World Countries,
- ii) Section 5.02 Procurement from the Central American Common Market;
- iii) Section 5.03 Eligibility Date;
- iv) Section 5.04 Implementation of Procurement Requirements;

- v) Section 5.05 Plans, Specifications and Contracts, including (a), (b), and (c);
- vi) Section 5.06 Reasonable Price;
- vii) Section 5.07 Employment of non-Western Hemisphere Nationals Under Construction Contracts;
- viii) Section 5.08 Shipping and Insurance, including (a), (b), (c), and (d);
- ix) Section 5.09 Notification to Potential Suppliers;
- x) Section 5.10 U.S. Government-Owned Excess Property; and
- xi) Section 5.11 Information and Marking.

The above covenants and sections are to be eliminated since all Project-related procurement has been completed.

III. Monitored Covenants

The Mission will continue to monitor the following covenants to ensure that the execution of the Project continues in an acceptable fashion:

- A. Section 4.02 Funds and Other Resources to be Provided by Borrower. The Borrower shall provide all other resources required for the punctual and effective carrying out of the maintenance, repair, and operation of the Project, in accordance with a program mutually agreed upon, and for supplying and staffing the schools in El Salvador financed by A.I.D. under previous programs. Monitoring of these provisions will be continued by the Mission's Education Office.
- B. Section 4.05 Operation and Maintenance. The Borrower shall operate, maintain, and repair the physical aspects of the Project in conformity with sound engineering, financial, administrative, and technical practices and in such a manner as to insure the continuing and successful achievement of the purposes of the Project. Monitoring of this provision will be continued by the Mission's Education Office.

- C. Section 4.06 Taxation. The Loan, both principal and interest, is exempted from any taxation or fees ordinarily imposed by Salvadoran law. The Office of the Controller will ensure that no taxes or fees have been or will be applied.
- D. Section 4.08 Disclosure of Material Facts and Circumstances. The Borrower shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might materially affect, or that is reasonable to believe might materially affect, the Project or the discharge of the Borrower's obligations under this agreement. Reports in response to this covenant will be monitored by the Office of the Controller when received by the Mission.
- E. Section 4.09 Commissions, Fees and Other Payments. The Borrower (a) has not or will not make any payments with respect to the Loan Agreement except as regular compensation to the Borrower's full time officers and employees or for bona fide professional and/or technical services; and (b) has not or will not receive payments in connection with the procurement of goods and services financed hereunder except those legally established in El Salvador. Reports generated in response to this covenant will be monitored by the Office of the Controller if received by the Mission.

IV. Other Retained Covenants

The remaining covenants grant rights to A.I.D. and will therefore be retained. However, they require no specific monitoring by the Mission. These covenants include the following:

- A. Section 4.03 Consultation. The Borrower and A.I.D. agree to cooperate fully to insure that the purpose of the Loan will be fulfilled. This part of the covenant is maintained in the eventuality that future discussions between the Borrower and A.I.D. regarding the Project are necessary.
- B. Section 4.10 Maintenance and Audit of Records. The Borrower will maintain books and records relating to the Project for five years after the date of the last Loan disbursement (i.e. until 3/1/81) or until all sums due A.I.D. are paid, whichever shall first occur.

- C. Section 4.11 Reports. The Borrower will submit to AID beginning in 1971, an Annual Report including detailed financial and operating statements.
- D. Section 4.12 Inspections. A.I.D. has the right to inspect the Project and all records, documents, goods and services associated with it.