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UNITED STATES
INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL OFFICE FOR CENTRAL AMERICAN PROGRAMS
GUATEMALA CITY, GUATEMALA, C. A.

8 de septiembre de 1987

September 8, 1987

Señor Edwin Méndez Mata
Presidente
FEDEPRICAP
a/c CINDE
Apartado 7170-1000
San José, Costa Rica

Mr. Edwin Méndez Mata
Presidente
FEDEPRICAP
a/c CINDE
Apartado 7170-1000
San José, Costa Rica

Asunto: Donación No.
596-0000-G-SS-7367-00

Subject: Grant No.
596-0000-G-SS-7367-00

Estimado Señor Méndez:

Dear Mr. Méndez:

De conformidad con la autoridad contenida en la Ley de Asistencia Externa de 1961 y sus enmiendas, la Agencia para el Desarrollo Internacional (A.I.D.), actuando a través de la Oficina Regional para Programas Centroamericanos (ROCAP) (de ahora en adelante llamada "Donante"), por este medio enmienda el convenio de donación original con la Federación de Empresas Privadas de Centro América y Panamá (FEDEPRICAP)

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (A.I.D.), acting through the Regional Office for Central American Programs (ROCAP) (hereinafter referred to as "Grantor") hereby amends the original grant agreement to the Federation of Private Enterprise of Central American and Panama (FEDEPRICAP) (hereby referred to

(de ahora en adelante llamada "Donatario"), al agregar la cantidad de Ciento Cincuenta Mil Dólares Estadounidenses (US\$150,000) para dar apoyo a las actividades de la federación regional de empresas privadas de Centroamérica, según se describe en el Adjunto 1, denominado "Horario", y el Adjunto 2, denominado "Descripción del Proyecto" de esta enmienda de convenio de donación.

El total de fondos obligados a la fecha bajo este convenio de donación asciende a Doscientos Cuarenta Mil Dólares Estadounidenses.

Esta enmienda al Convenio entra en vigor y se obliga a partir de la fecha de esta carta y se aplicará a los compromisos hechos por el Donatario de acuerdo a los objetivos del programa durante el período que se inicia en esta fecha y finaliza un año después, el 7 de septiembre de 1988.

Se hace esta enmienda al convenio de FEDEPRICAP bajo la condición de que los fondos serán administrados de acuerdo con los términos y condiciones que se indican en el Adjunto 1; Adjunto 2; Adjunto 3 denominado "Presupuesto del Proyecto"; y Adjunto 4 del convenio de donación original denominado "Disposiciones Generales", los cuales han sido aceptados por el donatario.

as "Grantee"), by adding the sum of One Hundred and Fifty Thousand United States Dollars (\$150,000) to provide support for regional Central American business federation activities, as described in the amended Attachment 1, entitled "Schedule", and Attachment 2 entitled "Program Description" of this grant amendment.

Total funds obligated to date under this grant agreement are Two Hundred Forty Thousand United States Dollars (\$240,000).

The grant amendment is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Grantee in furtherance of program objectives during the period beginning with the effective date and ending one year later, September 7, 1988.

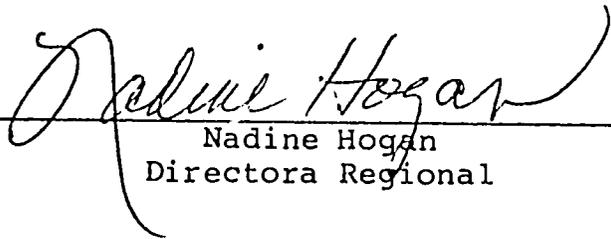
This grant amendment is made to FEDEPRICAP, on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1; Attachment 2; Attachment 3 entitled "Project Budget"; and Attachment 4 of the original grant agreement entitled "Standard Provisions" which have been agreed to by the Grantor.

Sírvase firmar el original y siete (7) copias de esta carta para acusar recibo de este convenio de donación, y devolver el original y seis copias a la Oficina de Contratos de ROCAP/AID.

Please sign the original and seven (7) copies of this letter to acknowledge your receipt of the grant amendment, and return the original and six (6) copies to the ROCAP Office of Contracts Management.

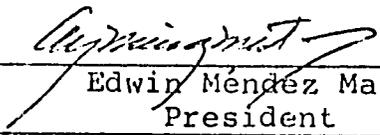
Atentamente,

Sincerely yours,



Nadine Hogan
Directora Regional

RECIBIDO CONFORME - ACKNOWLEDGED:

By: 

Edwin Méndez Mata
President
Title: _____
Date: September 8, 1987

Adjuntos:

1. Horario
2. Descripción del Programa
3. Presupuesto del Proyecto

Attachments:

1. Schedule
2. Program Description
3. Project Budget

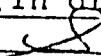
FISCAL DATA:

Appropriation: 72-1171021
Budget Plan Code: LDSA8725596KG13
PIO/T No. 596-0000.6-3-70030 (P700635)
Project No. 596-0000.6
Total Estimated Amount: \$150,000
Total Obligated Amount: \$150,000
Funding Source: PD&S
AID/W: _____ USAID: X

Drafted by: APPD: M Lofstrom
Cleared by: CONT: J Hill
DD: W Schoux



(in draft)



SCHEDULE

A. Purpose of Grant Amendment

The purpose of the Grant amendment is the same as the original grant: i.e. to provide support for the Federation of Private Enterprise of Central America and Panama (FEDEPRICAP), as more specifically described in Attachment 2 to the Grant amendment.

B. Period of Grant Amendment

The effective date of the Grant amendment is September 8, 1987. The expiration date of this Grant amendment is September 7, 1988.

C. Amount of Grant Amendment

1. An additional amount of US\$150,000 is hereby obligated under the Grant Amendment for the specific purposes set forth in the new Section 5 of the Scope of Work as amended in Attachment 2.
2. Payment shall be made to the Grantee in accordance with procedures set forth in the Standard Provisions Section, entitled "Periodic Advances".

D. Financial Plan

Same.

E. Procurement Plan

Same.

PROJECT DESCRIPTION

Background

The scope of the original grant contemplated that FEDEPRICAP would design or catalyze major research and/or operational projects on a range of issues described under separate headings in Section 2 of the original Scope of Work. While \$10,000 of the grant funds were earmarked to support research or seminars in pursuit of this mandate, it was recognized that this amount, even combined with the \$20,000 in FEDEPRICAP counterpart funds from private sources, would enable the organization to only undertake activities designed to clarify the issues of research, identify potential donor sources, cover coordinating expenses and to commission relatively narrow and short-term research papers and pre-feasibility studies. It was contemplated that the costs of conducting major academic or engineering studies, or of establishing operating entities like the referenced investment company or trading company, would be covered ultimately -- if the project were brought to that stage -- in one of several ways:

- o persuading local affiliates or private companies, as may be appropriate, to undertake the activity directly, with their own resources, with FEDEPRICAP encouragement and coordination;
- o persuading other regional (SIECA, CABEI, INCAE, etc.) or region-serving (IDB, PADF, etc.) institutions to undertake or commission the major research or operating program involved; or
- o approach aid donors (EEC, IDB, bilateral programs like Canada, UK, etc.) to make specific project grants to FEDEPRICAP to execute the major research involved. AID/ROCAP did not intend to exclude itself from the range of funding sources which FEDEPRICAP might develop out of the initial work covered in Section 2 of the Scope of Work.

In the short period of time since this Grant has been in effect, FEDEPRICAP has already demonstrated its competence and seriousness of purpose in implementing the agreement. The staffing, organizing and physical equipping of the organization, which account for nearly half the grant, have already been substantially implemented. The board is fully functioning under ratified bylaws, and meetings and information dissemination appear to be carried out with model regularity.

The executive director has moved with great expeditiousness to consolidate working relationships both with the affiliate entities and with regional and extra-regional institutions.

As a result, the contemplated leveraging of grant funds is already taking place. Negotiations are in process with major third-party donors for at least three of the major research projects described in Section 2. In the case of several others--notably transportation strategy development, small enterprise forums, policy recommendation studies, CBI-related studies, and trade policy development -- FEDEPRICAP has been able to catalyze or support research and seminar activity being pursued at the national affiliate level without taxing the FEDEPRICAP budget beyond its core administrative staff and travel expenses.

The Scope of Work is therefore being amended to include a new Section 5, covering four specific projects which AID and FEDEPRICAP agree are important to the development objectives of the region's private sector and of ROCAP's private sector strategy, and which FEDEPRICAP has demonstrated the capacity to effectively execute.

SCOPE OF WORK

Section 5, Specific Major Project Programs:

Major programs of an extended, detailed, specific and fairly extensive nature will be undertaken in the following four areas:

a) Transportation Policy Strategy and Follow-up

-- Administrative coordination (full-time professional staff person at \$30,000; intra-regional travel \$10,000; overhead \$10,000.

The Transportation Coordinator, for whom at least one well qualified candidate has already been identified, will carry out the following functions:

- 1) Catalyze local affiliates to organize national transportation strategy conferences, to be held in October 1987.
- 2) Organize and do preparatory research for a regional transportation conference to be held in November 1987.

- 3) Design a program of work in transportation follow-up, based on the conclusions of the conference.
- 4) Organize and supervise technical commissions, made up of volunteer members from the affiliate groups, organized on a multinational basis around specific transportation sub-topics such as port utilization. These bodies would be charged with keeping up with transportation changes requiring policy reassessments, making recommendations to public sector authorities, and cooperating with public sector agencies on implementation.
- 5) Hiring short-term consultants for small, specific studies.
- 6) Coordinating with other staff and external entities in carrying out the international linkage program (below).

-- Research Consultancies: commissioning of major research studies on the contract of carriage mechanism, and design of model contract, as recommended in the Parsons Brinckerhoff regional transportation study, to be subcontracted to a qualified Central American, \$15,000.

Commissioning of small, immediate research projects to Central American consultants, on matters for which the Coordinator or the Technical Commissions identify a need, \$5,000 total.

-- Extra-regional Linkages: C/CAA transportation workshops in New Orleans and Miami \$4,000; C/CAA representative to attend FEDEPRICAP regional conference, \$2,000.

A subcontract will be let to C/CAA to organize a transportation workshop in Miami, to be held subsequent to the local and regional conferences by FEDEPRICAP, and which will involve bringing Central American participants together with members of the C/CAA Transportation Task Force and other carriers and related firms in South Florida. Discussions will focus on the agenda developed at the FEDEPRICAP conference; also, to develop and coordinate on-going linkages between the Central American transportation group and the U.S. counterparts (total both C/CAA tasks, \$4,000).

Overseas representation and/or research follow-up: FEDEPRICAP staff will identify on the basis of the earlier

phases of its transportation work whether to target this follow-up effort in the direction of additional commissioned research, additional overseas staff/affiliate travel, or posting a staff representative in the U.S. (or other appropriate use). The function to be performed in either event is to follow-up on the type of on-site monitoring and promotion recommended by the PB study, to coordinate with C/CAA and other entities engaged in overseas linkage work for FEDEPRICAP, and to explore the most effective means to recommend to affiliate entities and companies in pursuing trade and transportation interest in the international arena (\$15,000).

b) Trading Company Analysis

-- Consulting Study: Subcontract to a Central American consultant the task of preparing a detailed proposal reviewing the IDB/Bladex study and other existing material and analyses of trading companies, making specific applications to the Central America private sector in the initial start-up phase, identifying appropriate prospective investors and/or companies from Central American countries, and examining related matters such as the regional investment company concept as studied by Arthur Young and recommended in the NBCCA report (\$15,000).

-- Coordination of interim and start-up mechanism: Under this heading the Executive Director or other FEDEPRICAP staff will promote the concept and obtain feedback from the affiliates, recruit participating companies, explore international linkages, and develop interim reports leading up to specific feasibility studies, such as export/import inter-port scheduling and coordination.

c) Debt-equity Exploratory Process

-- Organizing a program segment or collateral event on Debt-equity Swaps at the proposed conference on debt, being organized by Costa Rica for Central American finance ministers and private-sector counterparts. The segment on debt-equity will be an exploration of the nature of the concept, its advantages and disadvantages, and will include speakers both pro and con. (\$5,000 covering organizational expenses, but primarily for fees and travel of consultants requiring round trips from Chile and Mexico).

-- Organizing a series of informal workshop/briefings in countries which FEDEPRICAP affiliates decide (after considering the value of the Costa Rica collateral) to have such a briefing. At the briefings, a U.S. consultant team (1 or 2

legal/financial experts) will present an educational, non-promotional presentation on small country/small bank adaptations of the debt-equity concept. The same subcontractor entity will prepare the presentation after sending an observer to the Costa Rica collateral and exploring interest in Central American investments on the part of smaller U.S. banks in the Miami area and elsewhere. The subcontract will cover travel to the Costa Rica event (\$1,000), travel to the region for the briefing series ad seriatim (\$2,000 for 2), and a fee (\$2,000) for the preparation and presentation of the briefing.

-- Organizing a regional study for FEDEPRICAP affiliates to examine the conclusions, political sensitivities, and possible recommendations that they have gleaned from the discussions at the Costa Rica event and the briefings. (Organizing expenses covered by FEDEPRICAP core administrative and staff budget).

-- Co-sponsoring with C/CAA a follow-up meeting in Miami, in which interested Central American companies and affiliate representatives can explore issues and options with interested U.S. bankers and other appropriate participants. Coordination of the Miami event and recruitment/liaison with the technical contractor (above), will be subcontracted to C/CAA (\$4,000). Travel expenses for Central Americans in the delegation will be self-financed, except for 2 FEDEPRICAP delegates (\$2,000).

d) Education Process on CBI-related Issues

-- Educational Seminars in Central America--including a regional seminar sponsored by FUSADES and held in conjunction with the FEDEPRICAP meeting in El Salvador in October, and several low-key follow-up briefings in countries in which FEDEPRICAP affiliates find them desirable. The purpose will be to acquaint the Central American private sector with enacted or pending Congressional legislation affecting the CBI, so they will be better positioned to avoid pitfalls in their trade practices and take full advantage of new CBI opportunities. A travel allowance (\$3,000) will enable FEDEPRICAP to bring in useful outside participants (e.g. a legislative staffer, a C/CAA representative, one or more CAIC representatives) to the major meeting in El Salvador. In addition, a subcontract to Manchester Associates will cover travel for 2 to the El Salvador event (\$2,000), travel for 1 to the briefing series (\$1,000 assuming a continuing ticket), and fees (\$3,000).

-- FEDEPRICAP-sponsored Central American business delegations to the U.S. in order to deepen the educational

process on issues involving in maximizing the effectiveness of the CBI and participation by Central Americans. (\$7,000 will allow FEDEPRICAP to fund 5-10 round-trips, or partially subsidize a larger number).

-- Linkages with the Eastern Caribbean and Puerto Rico -- a supplementary travel allowance (\$4,000) will permit FEDEPRICAP to send a representative to the Caribbean, or bring Caribbean representatives to Central America on several occasions not otherwise covered by the travel budget and related to conferences and other events.

-- C/CAA subcontract--under which C/CAA would be responsible for organizational and coordination activities related to all three subcomponents above (organizing educational programs in the region, organizing on-site programs for Central American delegations to the U.S., and organizing Central American/Caribbean interchanges, as well as preparing policy briefing materials. C/CAA subcontract will be for \$4,000.

Funding for the new Section 5 work program will break down according to component as follows: Transportation \$95,000; Trading Company \$15,000; Debt-Equity Assessment \$16,000; U.S. Trade Legislation Educational Process and CBI-related issues, \$24,000.

The same \$150,000 breaks down accordingly to the ultimate recipient as follows:

\$ 92,000	--	to be expanded directly by FEDEPRICAP;
\$ 35,000	--	to be subcontracted to Central American consultants;
\$ 12,000	--	to be subcontracted to C/CAA;
\$ 11,000	--	to be subcontracted to U.S. technical-expert consultants.

\$150,000

(It is to be noted that certain travel funds intended to cover C/CAA representation at FEDEPRICAP events are included as part of the FEDEPRICAP invitational travel budget rather than included in the C/CAA subcontracts. This will enable FEDEPRICAP to apply these funds to other persons in the event that C/CAA personnel are already in the region on other FEDEPRICAP related business).

DETAILED PROJECT BUDGET BY CONTRIBUTOR
For the period June 1987 - May 1988 (Figures in US Dollars)

<u>LINE ITEM</u>	<u>ROCAP</u>	<u>FEDEPRICAP</u>	<u>OTHER DONORS</u>	<u>TOTAL</u>
<u>PERSONNEL EXPENSES</u>				
Executive Director	7,400	24,000		31,400
Secretary	5,400	0		5,400
Legal Advisor (part time)	5,600	0		5,600
Asst for Public Relations (part time)	2,300	0		2,300
Janitor	3,200	0		3,200
Overtime	1,000	0		1,000
Other Technical Services (contracts)	0	800		800
Fringe Benefits	1,000	0		1,000
Salary Increases (from Jan 88)	600	0		600
Sub-total	26,500	24,800	0	51,300
<u>ORGANIZATION EXPENSES</u>				
Electric Installations	200	0		200
Decoration and fixture	1,300	300		1,600
MiniComputer (hardware & Software)	3,000	300		3,300
Photocopier Machine	1,600	400		2,000
Office Equipment (see procurement plan)	5,100	600		5,700
Other Equipment (as approved)	700	300		1,000
Legal Expenses (Fees)	800	0		800
Deposit for Rent	0	700		700
Other Authorized Expenses (5%)	600	100		700
Sub-total	13,300	2,700	0	16,000
<u>OPERATING EXPENSES</u>				
Account. services & Compt. assistance	1,600	300		1,900
Representational Expenses	0	2,700		2,700
Equipment Maintenance	300	200		500
Rent	6,200	2,200		8,400
Utilities	1,100	200		1,300
Switchboard Rent	2,300	500		2,800
Office Materials and Supplies	2,600	1,800		4,400
Telephone, Telex & Communications	11,000	2,200		13,200
Publicity and Promotion	3,000	9,600	7,000	19,600
Publications	4,000	6,000		10,000
Travel and Perdiem	6,000	3,000		9,000
Subscriptions (magazines, books, etc)	300	100		400
Audit (end of the year)	0	1,200		1,200
Other Authorized Expenses (5%)	1,800	1,500		3,300
Sub-total	40,200	31,500	7,000	78,700
Research and Seminars	10,000	20,000		30,000
TOTALS \$	90,000	79,000	7,000	176,000
%	51%	45%	4%	100%

Exchange Rate: Colones 64.00 = US Dollar 1.00

W

B U D G E T
(By Component and Contract)
For the period September 8, 1987 - September 7, 1988

<u>PROGRAM EXPENSE ITEM</u>	<u>Direct FEDEPRICAP</u>	<u>CA SUB CONTRACT</u>	<u>C/CAA</u>	<u>US SUB CONTRACT</u>
<u>a) Transportation Program</u>				
Administrative coordination	50,000			
Research consultancies				
Contract model study		15,000		
Other research		5,000		
Extra-regional linkages				
North & Southbound travel	6,000			
C/CAA organizing New Orleans			no cost	
C/CAA organizing Miami event and ongoing Task Force linkages			4,000	
Overseas projection through research, travel, or staff presence by FEDEPRICAP, to be determined	15,000			
<u>b) Trading Company</u>				
		15,000		
<u>c) Debt-Equity Exploratory Process</u>				
Organize Costa Rica collateral	5,000			
Expert presentation at briefings (travel and fee)				5,000
Organization of Miami follow-on session, coordination of expert consultants, and overall coor. assistance			4,000	
FEDEPRICAP travel to Miami Mtg.	2,000			
<u>d) CBI Educational Process</u>				
Seminar and briefings in region				6,000
Manchester travel and fees				
Travel for CAIC/C/CA legis.	3,000			
Central American travel to U.S.	7,000			
Cross-Caribbean Travel	4,000			
C/CAA coordination and materials			4,000	
Sub - Totals	\$92,000	\$35,000	\$12,000	\$11,000
TOTAL	\$150,000			

BUDGET SUMMARY

June 1987 - May 1988 (US\$)

Personnel Expenses	\$26,500	
Organization Expenses	13,300	
Operating Expenses	40,200	
Research and Seminars	<u>10,000</u>	90,000

September 8, 1987 - September 7, 1988

Transportation Program	95,000	
Trading Company	15,000	
Debt Equity Exploratory Process	16,000	
CBI Educational Process	<u>24,000</u>	<u>150,000</u>

Grand Total		\$240,000
		=====