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

GUATEMALA

PROJECT PAPER

**FISCAL ADMINISTRATION
AMENDMENT NUMBER 1**

**AID/LAC/P-727
CR-475**

PROJECT NUMBER: 520-0371

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

1. TRANSACTION CODE: A = Add, C = Change, D = Delete
 Amendment Number: 1
 DOCUMENT CODE: 3

2. COUNTRY/ENTITY: GUATEMALA

3. PROJECT NUMBER: 520-0371

4. BUREAU/OFFICE: LAC 05 Fiscal Administration

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM DD YY 1|2|3|1|9|3

7. ESTIMATED DATE OF OBLIGATION (Under "B." below; enter 1, 2, 3, or 4)
 A. Initial FY 9|2 B. Quarter C. Final FY 9|3

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

A. FUNDING SOURCE	FIRST FY <u>92</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	1,500		1,500	12,000		12,000
(Grant)	(1,500)	()	(1,500)	(12,000)	()	(12,000)
(Loan)	()	()	()	()	()	()
Other U.S.						
1.						
2.						
Host Country		1,400	1,400		5,945	5,945
Other Donor(s)						
TOTALS	1,500	1,400	2,900	12,000	5,945	17,945

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) PSEE	659	720		2,400		1,500		3,900	
(2) EHR	659	720		400		-		400	
(3) ESF	659	720		6,200		1,500		7,700	
(4)									
TOTALS				9,000		3,000		12,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)
760 819 930

11. SECONDARY PURPOSE CODE

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

A. Code	B. Amount	BR	BU	EQTY

13. PROJECT PURPOSE (maximum 480 characters)

To assist the Government of Guatemala in a comprehensive modernization of its system of Fiscal Administration.

14. SCHEDULED EVALUATIONS: Interim MM YY MM YY Final MM YY 0|9|9|3

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)
 I certify that the methods of payment and audit plans are in compliance with the payment verification policy.

Gary Byllesby
 Gary Byllesby
 Controller

17. APPROVED BY: Signature Terrence J. Brown Title Mission Director Date Signed MM DD YY 0|3|2|7|9|8

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

FISCAL ADMINISTRATION PROJECT

520-0371

E X T E N S I O N

March 1992

3/10/92

b.

**FISCAL ADMINISTRATION PROJECT PAPER SUPPLEMENT
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PROJECT AUTHORIZATION AMENDMENT No. 1

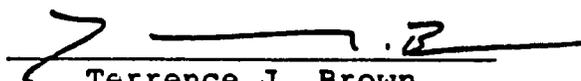
Name of Country : Guatemala
Name of Project : Fiscal Administration
Project Number : 520-0371

1. Pursuant to Sections 105 and 106 of the Foreign Assistance Act of 1961, as amended, the Fiscal Administration Project for Guatemala was authorized on July 17, 1989. That authorization is hereby amended as follows:

Section 1 shall read:

Pursuant to Sections 105, 106 and 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Fiscal Administration Project for Guatemala, involving additional planned obligations of not to exceed \$3,000,000 in grant funds to a new total of planned obligations of not to exceed \$12,000,000 over an additional period of one year from the original PACD of December 31, 1992 or December 31, 1993 the revised PACD. This Project Authorization is approved subject to the availability of funds in accordance with the A.I.D. OYB allotment process, to help in financing foreign exchange costs for the project. The planned life of the project is four and one-half years from the date of initial obligation.

2. The authorization cited above remains in force except as hereby amended.


Terrence J. Brown
Director, USAID/Guatemala

Date 3/27/92

Clearances:

MWilliams, RLA Tequigalpa 4152 3/16
DHoelscher, OEPA [Signature] 3/26/92
DAdams, PRM [Signature] 3/26/92
JMCAvoy, RCO [Signature] 3/26/92
GByllesby, CONT [Signature] 3/17
DBoyd, PDSO [Signature]
SWingert, DDIR [Signature]
(9233C/4)

- d'

ACTION MEMORANDUM TO THE HEAD OF THE CONTRACTING
ACTIVITY (H.C.A)

WAIVER No. 520-92-009

THRU: Stephen C. Wingert *SW*
Competition Advocate

FROM: David S. Hoelscher *DH*
C/OEPA

SUBJECT: Justification for Other Than Full and Open
Competition Fiscal Administration Project (FAP)
Project 520-0371

Action:

Your approval is requested for a waiver for other than full and open competition to negotiate a contract for approximately \$3.4 million with Peat Marwick and Company, to provide the services for the continued implementation of the extension of the Fiscal Administration Project.

Background:

The Government of Guatemala (GOG) through the Ministry of Finance requested in 1989 USAID/Guatemala support for the development and implementation of a fiscal administration project and has recently requested an extension of the technical assistance that has been so valuable to the Ministry to date. The purpose of the Project was the introduction of both administrative and operational improvements in the Guatemalan fiscal system, and the completion of an economic analysis of the existing tax structure.

USAID/Guatemala solicited offers for preparation of a project paper to describe the proposed three year FAP. Contract No. 520-0000-C-00-8610-00 was awarded to Peat Marwick Main and Company, The Policy Economics Group, 2001 M. Street, N.W., Washington, D.C. 20036 on August 26, 1988, in the total amount of \$498,918 for design of the project. USAID/Guatemala subsequently awarded a contract No. 520-0371-C-00-0193 for \$8.5 million to Peat Marwick Main and Company for implementation of the FAP, for the period October 1, 1989 to December 31, 1991 with an option to extend the contract by exercising a one-year, a two-year, or two one-year options. The current contract has been extended to March 31, 1992.

Peat Marwick Main and Company is the responsible source available to fulfill this requirement. While some 50 companies requested the RFP, Peat Marwick was the only firm which fully responded to the solicitation for development of the project paper. All prospective offerors were notified of AID's intention to negotiate a follow-on contract with the successful contractor. The solicitation clearly stated in paragraph 7(1) of the Instructions and Conditions to Offerors, "It is anticipated that only one contract will be awarded as a result of this solicitation. However, the contractor who receives the award under this solicitation may be selected without competition, for negotiation of a contract for implementation of the project." (Underlining included in solicitation.) In order to ensure rapid implementation, the contract for the design phase of the FAP established that the awarded team would implement the project once the Project Agreement had been signed with the GOG.

The Fiscal Administration Project was evaluated during November 1991 and a Project Paper Supplement reviewed in the Mission on January 10, 1992. The evaluation indicated "that the Peat Marwick team administering the FAP provides relevant skills of high quality, and that they fulfilled the original terms of reference for the project as well as could have been done in the Guatemalan context. While the FAP was successful in offering technical assistance, conditions at the MOF did not permit significant institutionalization of administration improvements...The main problem now is tax administration." These results and the recommendations of this evaluation team together with USAID deliberations form the basis of the revised project paper.

The objective of the proposed extension is to complete the institutionalization of the tax modernization package which was fostered by the USAID supported technical assistance team under FAP. The extension will build on the work already completed. The Resident Advisors know the Ministry personnel and the present Minister fully recognizes that the advances made thus far will be in vain unless the technical knowledge of the Resident Advisors is passed to his staff. It is expected that at least five long-term Resident Advisors will continue working during the project extension.

USAID/Guatemala in its deliberations on procurement realized that continuity of the current technical assistance team was not only the best technical solution to attaining the goals of the project extension, but also the most cost effective as well. The cost estimates for the \$3.0 million extension include the costs saved by capitalizing on the \$8.5 million already invested in technical assistance to date. The contracted institutions and individuals involved in the prior work already have acquired unique knowledge concerning the

Guatemalan tax and budgetary system, the Guatemalan organizational structures, the Ministry of Finance personnel, and the tools and methods that will be appropriate in this milieu to accomplish the project extension's objectives.

If the mission had chosen to seek out another institutional contractor to perform the follow-on work, it would have obviously translated into more time for the contractor to become acquainted with the situation, entailed additional moving and transitional costs and required a higher level of effort to accomplish these tasks. These additional costs could easily have increased total costs by over \$1.0 million. Perhaps worse, changing contractors at this juncture would cause damaging discontinuities in the background analyses for the current Guatemalan Congressional deliberations on the fiscal modernization legislative package, and set backs in the institutionalization of policy aspects and the beginning administrative reforms.

In light of the need for continuity of technical assistance through the phases of design of the fiscal modernization program, its debate and deliberation in Congress and administration reform of existing and new laws, given the excellent performance to date by Peat Marwick Main & Company, and in light of the cost effectiveness of a follow on acquisition with the original group that has designed and implemented this project to date, it is recommended to recontract with this company for the services needed under the 18 to 24 month project extension.

Discussion:

The Peat Marwick Main team is highly experienced in political and economic analyses of public sector operations and has broad experience in the development, design, and implementation of projects to improve fiscal administration. The Ministry of Finance is giving highest priority to the implementation of the Fiscal Administration Project because the project will result in permanent improvements in the Ministry's ability to administer efficiently the nation's fiscal affairs.

Given the highly sensitive nature of the subject matter of this project and the support that the present Minister gives to it, it is important that the project implementation not be jeopardized by discontinuities. In this way the Minister of Finance can instruct all levels of the Ministry to provide the consultants with the access and cooperation necessary to achieve the goals and objectives of the project which is a prerequisite to realization of Guatemala's broader development objectives. Given the urgency of improvements to be undertaken and the opportunities for public debate and political decision-making, the rapid implementation schedule proposed is critical.

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USAID/Guatemala intends to negotiate a cost reimbursement technical assistance contract with Peat Marwick Main and Company pursuant to the authority of Federal Acquisition Regulation (FAR) 6.302-1 and 41USC 253(c)(1) which permit negotiation when there is "only one responsible source and no other supplies or services will satisfy agency requirements."

Related to his issue, the Contract Office has publicized the proposed sole source negotiation with Peat Marwick Main and Company in the "Commerce Business Daily" in accordance with FAR subpart 5.2 as required by FAR 6.302-1 (C) (2). The CDB announced the situation of the contracting in the following manner:

"USAID/Guatemala anticipates negotiating with Peat Marwick Main and Co., 2001 M. Street, N. W., Washington, D.C. 20036, for professional technical services in the implementation of the 24 month Fiscal Administration Project in Guatemala. As a result of RFP GUATEMALA 88-031 which solicited proposals for design of the Fiscal Administration Project Peat Marwick was awarded Contract No. 520-0000-C-00-8610-00 on August 26, 1988 in the amount of DLRS 498,918.00. The contractor then implemented the project under a USDOLS 8.5 million contract 520-0371-C-00-0193-00 signed January 17, 1991. USAID/Guatemala anticipates negotiating a follow-on contract for the continuation of Technical Assistance in Fiscal Administration negotiations will be on a sole source basis pursuant to FAR 6.302-1. No RFP is available."

To date there has been no response to this announcement from other firms.

It is anticipated that the awarded contract price will be fair and reasonable, price and other factors considered. Due to the dollar amount of the acquisition, a cost proposal and certified current cost and pricing data will be requested. All payments under a cost reimbursement contract are provisional, and all costs incurred will be subject to audit.

Authority: Per FAR 6.304-(3) the Head of the Contracting Agency is authorized to approve justifications for other than full and open competition in excess of \$1,000,000 but not more than \$10,000,000.

h.

LIST OF ACRONYMS

BID/CIAT	Banco Interamericano de Desarrollo/Centro Interamericano para la Administración Tributaria (Inter-American Development Bank/Inter-American Center for Tax Administration)
CBD	Commerce Business Daily
CPS	Conditions Precedent
DGRI	Dirección General de Rentas Internas (Internal Revenue Directorate)
DTP	Dirección Técnica del Presupuesto (Technical Budget Directorate)
FAP	Fiscal Administration Project
FAU	Fiscal Analysis Unit
GDP	Gross Domestic Product
GOG	Government of Guatemala
IEE	Initial Environmental Examination
MIS	Management Information System
MOF	Ministry of Finance
OEPA	Office of Economic Policy & Analysis
SIDUNEA	Sistema Automatizado del Despacho Aduanero (Automatic System for Customs Data)
TA	Technical Assistance
USAID	U.S. Agency for International Development
VAT	Value Added Tax

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USAID/Guatemala
FISCAL ADMINISTRATION PROJECT EXTENSION
(PROJECT 520-0371)

I. PROJECT SUMMARY AND RECOMMENDATIONS

A. Recommendation:

The Project Committee recommends that the USAID/Guatemala Mission Director approve the 12-month project extension of the Fiscal Administration Project, authorize grant funding in the amount of \$3,000,000, and continue the current institutional contract for technical assistance. The Grantee will be the Government of Guatemala, as represented by the Ministry of Finance.

B. Project Summary Description and Budget

The Fiscal Administration Project extension will assist the Ministry of Finance improve the administration of the fiscal system. This effort is particularly important given the substantial reform of the tax system developed under the initial phase of the Project. The extension also will support creation of a policy analysis unit in the Ministry. The creation of such a unit is an important next step in the comprehensive fiscal reform program now underway in the Ministry of Finance.

Activities included in this extension are based on recommendations made by an evaluation of the Fiscal Administration Project, carried out in November 1991. Although the complete report will not be presented until January 1992, final chapters on the difficulties encountered by the Project and areas that could be included in the extension were provided in December. Although this extension does not incorporate all of the recommendations--the evaluation team suggested a larger technical team than the Project Managers are willing to recommend to Management--the proposals made in this extension also were made by the evaluation team. The proposed extension includes the following components:

- o The establishment of the Fiscal Analysis Unit, which is considered to be one of the most important aspects of the extension. Once in place, the staff of the Unit will carry out the policy work presently done by the Resident Advisors.

- o the implementation component, which will focus on increasing tax collections, tax audits and budget evaluation. The Resident Advisors will undertake on-the-job training and staff development in these areas.
- o critically needed training will be provided by short term consultants to the staff of the Ministry.
- o an expert in information management systems will develop a data management system for the Ministry. The lack of an adequate database system has proven to be a substantial bottleneck in the implementation of the present tax system.

The summary project budget for Phase I and the extension appears on the following pages (Table 1). The Project Committee has reviewed the technical, financial and institutional aspects of the extension and recommends the authorization of the extension for \$3,000,000 in grant funds.

The Project meets all applicable statutory criteria. The Project will not have a detrimental impact on the environment and a categorical exclusion was granted by IEE.

C. Resolution of Committee Issues

1. Should the extension be approved before Congress approves the tax modernization bill?

A number of steps need to be taken before improvements in the implementation of any Guatemalan tax legislation can begin. Waiting until the passage of the tax bill will impede rapid response once the details of the bill are available. Furthermore, the Project will lose valuable personnel if the Project technical assistance is allowed to lapse in March. Under such circumstances, it is proposed that the extension be approved now. Although this procedure could be seen as risky, those risks are minimized by the substantial steps being taken by the Minister of Finance before final approval of the extension (see Chapter VII).

2. What assurance does the Mission have that the counterpart requirements will be met?

As part of the prior conditions to approval of the extension, the Minister of Finance will have to ensure that

the Advisors have Ministerial staff counterparts identified, as well as an approved training plan for the Ministry staff. The Minister also has approved the purchase of computer hardware, needed by the project advisors, and the appointment of a Director and staff of the Fiscal Analysis Unit as part of the counterpart requirement. Counterpart provided by the Ministry under this extension is estimated at \$2.8 million, bringing total counterpart to \$5.9 million or 33.1 percent of total Project cost.

D. Project Committee

The members of the USAID Project Committee for the Fiscal Administration Project were:

David Hoelscher, Chief, Office of Economic Policy & Analysis
William Goodwin, Deputy Chief, Office of Economic Policy & Analysis
Ana Vilma Pocasangre, Project Officer, Office of Economic Policy & Analysis
Donald Boyd, Chief, Project Development and Support Office
Michael Alban, Project Development and Support Office
Hugo Valle, Controller's Office

II. PROJECT EXTENSION BACKGROUND AND RATIONALE

A. Introduction

Background.

In July 1989 the US Government and the Government of Guatemala signed an \$9.0 million Agreement to help the GOG improve the efficiency of the national expenditure and tax system. The Fiscal Administration Project (FAP) focused on three areas: budgetary management, tax structure analysis and tax administration. In the area of budget management, the FAP provided the technical assistance necessary to improve the Ministry of Finance's capacity to plan, execute, track and finance public sector expenditures. The Project also developed technical assistance within the Ministry of Finance in tax design and income and revenue modeling. Finally, technical assistance was provided in tax administration methods, computerization and training.

The FAP successfully assisted the Ministry of Finance to design a tax modernization reform and complete the analytical work necessary to explain the tax reform to Congress and to the public. However, the Project recognizes that, to be successful, it must leave behind a capacity to implement the new tax package and to maintain and update the analytical inputs used to design the Fiscal Reform proposal.

B. Progress to Date

The Project has made important contributions in assisting the work on fiscal policy and tax administration. Much has been accomplished since the Project started. A comprehensive fiscal reform program was designed, its legislation has been written and presented to the National Congress for its approval. Improvements in tax administration, customs administration and budgeting have begun. The Project also has helped the MOF design economic policy through the development of analytical models to track the behavior of the main taxes and to track the expenditure system of the GOG. The Project also streamlined the format of the National Budget, making that document a more useful policy tool and helped reorganize the Technical Budget Directorate (DTP). DTP now plays a more active role in the monitoring of budget execution.

The Project also was requested to assist the MOF in a number of emergency activities. It assisted in the development of emergency revenue generating instruments such as a tax amnesty (useful in clearing out past overdue accounts), an emergency bonds program and one-time tax to generate immediate short-term revenue needs. Some improvements in administration have occurred, increasing compliance and collection.

C. Current Status of Fiscal Reform

On August 30, 1991, the MOF presented to the Congress a comprehensive Fiscal Reform Package. This package modifies five basic taxes--individual income tax, corporate income tax, the value-added tax (VAT), the stamp tax, and tariffs. In addition, petroleum derivatives were incorporated into the tax system.

The package proposed by the GOG to the Congress is ambitious in terms of the extent of structural change in both the tax base and tax rates. The proposed reform creates a legal and administrative structure that will allow the government to increase tax collections by broadening the tax base and improving compliance through better administrative systems.

The Ministry has complemented the tax reform with a series of administrative reforms to enhance the revenue performance of the GOG in 1992 and into the future. These measures have already produced Government revenues equivalent to 5.8 percent of GDP during Jan-August 1991 compared with 4.9 percent for the same period in 1990.

D. Rationale for Extension

As initially designed, the Fiscal Administration Project recognized that the successful implementation of any tax system depended on efficient administration. For that reason, considerable emphasis was placed on the identification of counterparts, on training and on the creation of a policy based unit. The objective of that unit was to institutionalize the analytical abilities brought to the MOF by the extensive technical assistance team financed through the Project.

While the development of the tax reform program was successful, the institutionalization of the analytical capacities

of the program was weak. A number of factors explain that deficiency. Delays in the original design of the Project resulted in the bulk of the Project being implemented during the election year 1990. Not only did the policy framework of the GOG weaken but considerable instability in government personnel occurred. Project Advisors worked with five different Ministers of Finance and innumerable staff members. With each change in Minister the Project Advisors had to educate the Minister, explain that the Project was non-political and that tax reform benefits all political parties. Although the Advisors were relatively successful in maintaining interest in tax reform at the ministerial level, the identification of counterparts in the Ministry and the establishment of an effective training plan greatly suffered.

The new government that took office in early 1991 was extremely interested in moving the Project quickly ahead. However, the present Minister of Finance believed that the first task was the completion of the tax reform package and the presentation of a complete comprehensive fiscal reform package to Congress. Progress in the institutionalization of the analytical capabilities of the Project and the administrative reforms was delayed. Accordingly, the proposed Project extension will emphasize factors needed to ensure that the final fiscal reform package is successfully implemented, that trained staff remain in the MOF, and that the MOF develops a strong analytical base to continue policy dialogue and administrative refinements.

III. PROJECT EXTENSION DESCRIPTION

A. Objective

The objective of the initial Project was to support efforts to strengthen the Ministry of Finance and assist in the design of a fiscal modernization package. The tax package, described above, will change the structure of the government's revenues. The tax system will be made both more progressive and simpler to administer. The changes in the budget system, particularly the improvements in the Technical Department of the Budget (DTP) has made the budget a viable tool for policy implementation. DTP has also begun to monitor budget execution, providing an effective tool to the Minister of Finance for the implementation of fiscal policy.

While the design of the tax package was complex, the institutionalization of the Project was, by far, the more difficult task. This aspect of the Project was, however, hampered by the political climate within which the Project was carried out and by the frequent changes in the Minister. The Resident Advisors spent much of their efforts explaining to each Minister the importance of tax reform and educating them in both the basic areas requiring modification and in the design of the tax package.

The objective of this proposed extension is to complete the institutionalization of the tax modernization package. The extension will build on the work already completed. The tax reform package is known, the Resident Advisors know the Ministry personnel and the present Minister fully recognizes that the advances made thus far will be in vain unless the technical knowledge of the Resident Advisors is passed to his staff.

B. Conditionality

Inadequate trained and poorly paid personnel is a key factor in the weak institutionalization of the Project; a lack of focus by the Minister on this problem is another. If the extension of the Project is to be successful, the Minister must be committed to introducing serious and wide-ranging reforms. To ensure that such commitment exists, the Mission will receive assurances in a number of areas before the extension is begun. The commitments

can be grouped into two categories: conditions precedent to the signing of the contract extension with Peat Marwick and conditions that will be put into place during project implementation (project covenants).

Conditions precedent to the signing of the contract extension include the following:

1. The Minister of Finance will inform the Mission by letter of the counterparts assigned to work with each Resident Advisors. The counterparts should be designated by position rather than by individual.
2. The Minister of Finance will inform the Mission by letter of the appointment of a high-ranking member of the Ministry--probably the Vice-Minister of Revenue--as counterpart for the project.
3. The Minister of Finance will inform the Mission by letter of steps taken to institutionalize a fiscal policy analysis unit in the Ministry. The letter will contain:
 - o a description of the activities of the unit;
 - o the number of staff to be assigned, and
 - o plans on ensuring that the staff remain in the unit.

Solution of the implementation difficulties of the Project cannot be resolved exclusively by implementing the conditions precedent. The Ministry must continue to meet performance benchmarks. The following covenants will be included in the Project:

1. The Minister of Finance and the Mission Director will meet on a frequent basis--at least every quarter--to evaluate the overall economic situation and progress in implementing the government's tax policy. The evaluation will treat explicitly the legal environment surrounding the implementation of tax policy and steps being undertaken to ensure that the objectives of the fiscal modernization program are being met.
2. For the Project to have a lasting impact on public finance, the personnel system of the

Ministry of Finance must be strengthened. By mid-1992, the Minister will provide the Mission with a plan to implement a career path and a compensation package to improve the staff of the Ministry. That plan will contain implementation benchmarks, which also will be reviewed during the Ministry of Finance/AID meeting.

C. Project Elements

The activities included in the present extension will focus on policy analysis, implementation, training and a computerization component.

1. Policy Analysis

An important focus of the Project over the past two years has been the detailed examination of Guatemala's fiscal system. Analytical tools have been developed that permit the accurate projection of the impact on GOG revenues of modifications in Guatemala's tax legislation. This capacity must now be institutionalized within the Ministry. Although the original Project contemplated the creation of a Fiscal Analysis Unit (FAU), frequent changes in personnel and instability at the technical level prevented its successful creation.

The present Minister is committed to develop a policy-based unit. Before the signing of the extension, the Minister will have created the unit and designated a high-ranking technician as Director to manage the unit. He will also begin the recruitment of qualified personnel both from within the Ministry and from outside to act as staff. A training plan will also be developed whereby Ministry of Finance technicians will be sent for advanced training with the understanding that they will return to the Ministry upon completion of their degree work.

The Project will install the analytical models described in Chapter V in the unit and train the staff to operate them. Following the installation of the models, specialized training will be provided to the unit's staff in the design and development of fiscal policy. The databases will be updated and revised projections based on the final form of the tax legislation approved by Congress will be run. The updating exercise will be used to develop procedures for periodic database updating. Once institutionalized, the unit's personnel will be capable of carrying out this exercise, providing the MOF with improved fiscal projections and monitoring of the fiscal modernization process.

The Project personnel will conduct workshops and seminars for the staff on economics, public finance, fiscal analysis and other related topics. These seminars will be used to examine how the revenue models fit into the broader context of fiscal policy.

The unit also will carry out additional policy analysis with the help of the Project Director and other Project personnel. While no one can be sure what will be the final form of fiscal modernization package that Congress will approve, additional policy work may prove to be necessary. The new package of laws will have to be analyzed, resulting in recommendations to the Minister, and both legislation and administrative considerations will have to be developed. In addition, it is expected that this unit will be instrumental in improving the level of analysis with other donors such as the World Bank and IMF, leading to better agreements in the future with these institutions.

2. Implementation

Implementation of the tax laws in Guatemala has been historically poor. The directorates charged with the implementation of the tax code are poorly staffed and have an inadequate data base. The changes in the tax legislation could only aggravate these weaknesses. Activities aimed at improving the implementation of the tax legislation will focus on collection and auditing. While these difficulties affect all areas of the Ministry, the extension will focus on the offices charged with implementing the VAT, income tax and customs.

Efforts to improve collections of the three principal offices in the Ministry will focus on (1) improvements in personnel, (2) completion and extension of pilot programs already in place, (3) organizational changes necessary to implement the new changes and (4) establishment of legal units capable of applying uniform criteria for audit and analysis.

One of the greatest problems for the Ministry is personnel policy. Salaries are set by the Civil Service Law and their steadily diminishing real levels over the past 15 years have generated a shift of qualified staff to the private sector. This low compensation increases the incentives for corruption. Personnel policy must be strengthened to ensure adequate implementation of tax policy. The Minister will begin the

development of a compensation package that provides career path options for qualified staff similar to that provided by such agencies as the Bank of Guatemala. While considerable opposition may develop, sustainability of the achievements depends on a Ministry commitment to assign qualified and motivated staff. The Project Advisors will assist in this process by analyzing work flow, revising staffing needs, and examining the organizational structure of the relevant directorates.

A second activity aimed at improving collections is the completion and the extension of pilot collection programs developed by the Resident Advisors. Such program have been completed only recently and have not been exploited. There exists a pilot audit program for VAT that combines information from the BID/CIAT program. That program should be extended to identify stop-filers and non-filers and then be linked to the audit activities of the Ministry. In the area of customs, the automated vehicle appraisal system has been developed and installed in some pilot test offices. That system needs to be established and installed in all customs offices. A plan used for tracking goods in transit--a major source of corruption--has been established with great success between Santo Tomas and Guatemala City. That tracking program needs to be installed throughout the country.

A third activity to improve collections are organizational changes in the Ministry itself. While major revision is not suggested--organizational changes under present conditions would not address the fundamental problems of the Ministry--some significant adjustments are necessary. When the new tax package is approved by Congress, its elements will have to be incorporated into a relevant set of new rules and regulations. The staff will have to be trained and the operating procedures of the directorate will have to be modified. The Resident Advisors can provide critical inputs into this reorganization.

A fourth activity to improve collections is the establishment of legal systems to resolve disputes over the interpretation of the legislation. For example a legal unit will be established in the department for the value-added tax that will interpret the VAT legislation and provide information on the legal obligations of the wide range of taxpayers.

The second aspect of the implementation component will be to assist in the implementation of audit functions. Audit

capabilities within the Ministry are extremely weak, reflecting the combination of poor training, virtually non-existent monitoring, lack of accurate audit manuals and deficient databases. The Resident Advisors have already identified procedures that need to be put in place and changes in the information flow. The directorates for income tax administration have in place a complex computer system for monitoring the status of income tax audits in the Ministry. That system is now being used exclusively to estimate revenue gains from audits. However, it should be used to manage the entire audit process. This task is now easier given the tax amnesty that effectively reduced the backlog of tax returns to be audited. The Resident Advisor charged with value added tax administration will assist in the development of control programs for non-filers, cash register machine programs and credit control for IVA rebates. The Customs Advisor will assist in the development of an internal audit office and in the establishment of a permanent audit program. In 1989, the Integrated Audit Department was created which is supposed to audit both income and VAT taxes. Unfortunately, auditing responsibility continues to occur in two departments, resulting in inefficient auditing and duplication of efforts. All auditing functions should be centralized. The Advisors will attempt to ensure that appropriate training and database development occurs in the reinforced audit office.

3. Training

Much of the implementation efforts include training for the Ministry staff. Those efforts will be complemented by a formal training program designed to strengthen the staff in procedures as well as providing broad knowledge about the implementation of fiscal policy.

Areas of particular importance include the staffs of the income tax directorate and the directorate of value added tax. Courses will be developed for top-level and mid-level managers, supervisory staff, and auditors on a variety of topics including income tax law and regulations, consumption tax law and audit techniques. The Directorate for Value Added Tax is also in need of additional specialized training. The value added tax was approved in the mid-1980s. The staff of the directorate, however, is unfamiliar with the most basic concepts of this form of taxation. As a result, they are unable to respond to unexpected developments or unusual situations. As a result, training in VAT law and regulations and well as audit and accounting techniques to implement the VAT will be instituted.

Similarly, the customs advisors will provide training to counterparts in that area of the Ministry.

Whereas training for the directorates of income tax, IVA and customs will focus on understanding and applying regulations, the resident Budget Advisor will focus on the development of a system for program and project evaluation. The budget section of the Ministry has benefitted from a streamlining of the budget preparation and monitoring of budget implementation. The next step is to prioritize investment proposals through the implementation of a complete evaluation process. The Budget Advisor will also work with the staff of the fiscal policy unit to assist in the institutionalization of fiscal analysis.

4. Computerization

One of the principal bottlenecks to an effective implementation of fiscal policy is the lack of a Management Information System (MIS). Up-to-date information on tax collections is not available and any request for information entails a complete reprogramming exercise. The technical staff cannot retrieve information on compliance, enforcement or audit results. Under such conditions, policy is made in the absence of essential information.

The Project does not envision the purchase of hardware or software. The Ministry is providing such infrastructure in partial compliance of its counterpart obligation. The Project Advisors, however, will help the Ministry design, develop and implement the MIS. A conversion program will be developed for transferring selected tax and financial data into database formats, and procedures will be developed to allow easy access to critical information. Requirements will be identified for control of IVA, for business income tax compliance control and for personal income tax control.

Training will be provided both for (1) the application of the computer systems for monitoring the implementation of the tax program, and for (2) the specialized software needed to run and maintain the system (Unix, Informix, CASE Tools and other applications.)

D. End of Project Status

The specific components that will be developed and implemented during the life of the project are divided into three general areas:

1. The GOG will have an efficient and income-elastic tax system. Overall tax revenue is expected to increase from 8.0 percent of GDP in 1991 to the range of 10-12 percent of GDP in 1995. Subsequently, tax collections will increase in line with GDP.

2. The policy analysis unit will be able to carry out the following activities:

- a. evaluate the revenue impact of changes in tax legislation;
- b. provide projections of revenue collections for both the present year and for the following year;
- c. provide expenditure projections for both the present year and the upcoming year;
- d. provide substantive input into the budget formulation process, based on points a-c, above;
- e. identify policy objectives, provide policy recommendations to achieve those objectives and quantify the impact of those policy recommendations for the Minister of Finance;
- f. analyze the macroeconomic situation of the country;
- g. maintain an updated data base of the key relevant macroeconomic variables; and
- h. provide the Minister with written reports on the economic situation both for internal use and for distribution to other parts of the public sector and the private sector.

3. Units will exist within the Ministry charged with monitoring collections of personal income tax, corporate income tax, value added tax and customs. Those units will be able to identify changes in procedures and regulations necessary both to ensure full compliance with the law and to resolve differences of interpretation of the law.

4. The Ministry will have a training program including both short-term and long-term training for Ministry personnel.

5. The Ministry will have a personnel policy that provides incentives (both monetary and non-monetary) for staff to remain in the Ministry. These incentives will be part of a modernized civil service system.

6. The Ministry will have trained auditors with more effective information sources from both within and outside the Ministry that cannot only increase the number of audits, but also raise significant additional revenues through more effective audit plans and collections.

IV. REVISED COST ESTIMATE AND FINANCIAL PLAN

A. Revised Project Budget and Financial Plan

In order to meet the goals outlined above, the Project extension proposes the continuation of long term and short term technical assistance working closely with Ministry of Finance personnel. The long term residents will emphasize the institutionalization and internalization of fiscal and administrative reforms, while the short term technical assistance will be primarily oriented toward transferring computer models, training modules and policy analyses to Guatemala staff. This technical assistance team will work under the existing institutional contract and subcontract. The field personnel will be supported by a leaner administrative backstop effort from the US and enhanced local support from the GOG.

The total resources needed for the project extension have been determined to be \$5.8 million, of which \$3.0 million will be from USAID grant funds (52% of total new financing) and approximately \$2.8 million (48% of total new financing) will originate from the GOG -- see section below on counterpart. This additional financing by both governments will bring the total life of project costs to approximately \$17.9 million, including \$12.0 million (67 percent of total LOP costs) for the USAID supported activities and an estimated \$5.9 million in GOG counterpart contributions (approximately 33 percent of LOP total cost). The additional financing amounts have been determined as a result of a recent technical evaluation and USAID review of level of effort, financial and budgetary needs.

It is expected that the activities financed under the project extension will shift from a primary emphasis on diagnostic, analytical and policy analysis to:

Institutionalization of policy process, and the creation of a policy-based unit within the Ministry of Finance. A substantive effort of high level GOG personnel will be required to establish and to staff the unit--approximately 26 person years over the year and a half period. This staff will require additional working space, office equipment and computer access, other operating and support staff expenses. USAID will provide extensive short term technical assistance (approximately 26 person months) for training and transfer of computer modeling technologies, but does not envision a long term resident advisor.

The creation of new administrative systems and organizational structures for managing the new fiscal modernization packages (both for reformed taxes and revised budget), is at the core of the current design. The proposed inputs will consist of 4 full time resident advisors in the areas of income, value added, customs taxes and organization and management, for a total of 6.0 person years. Their efforts will be supplemented by approximately 30 person months of short term TA. It is expected that U.S. technical assistance will work with an estimated 8 to 12 counterparts at the administrative level.

Much of the proposed fiscal and administrative reforms will involve a comprehensive training program to upgrade the skills of current staff and to provide additional capacity for new tasks to be performed, and to generate a sense of staff professional development as an inducement to career path mobility. The realization of the training plan will be one of the high priorities of the second phase. It is expected that over forty percent of the USAID sponsored technical assistance effort and GOG counterpart professional time will be dedicated to training.

The appropriate computerization and systematization of information for revenue and expenditure functions to increase efficiency and effectiveness of operation. A full time resident advisor complemented by qualified local hire experts will continue the initial highly successful efforts in this area. The focus will be on design of effective computer systems and program applications, rather than hardware commodities. The purchase of computer equipment, the provision of computer time, and the upkeep and maintenance of this system will be the primary responsibility of the GOG.

The cost estimates for these activities together with the level of effort and expected GOG counterpart contributions are reflected in Table 2 and 3. This activity budget is based on the technical recommendations of the recent evaluation and internal deliberations focusing on the areas of highest return. The level of effort figures have been multiplied by estimates of "total burdened costs" which represent the total amount of funds required to fully support the particular type of technical assistance -- including not only salaries and benefits, but also overhead, allowances, travel, equipment, local and home offices, and other direct costs.

These individual cost items or inputs are considered in Table 4 for both USAID and GOG funds. These figures and calculations are based on the historical relationships between salary and level of effort with the other cost items mentioned above and expected related costs. Together the following tables provide a summary picture of the activity costs and the required input cost structure needed to accomplish the objectives stated above. In addition, the methods of financing and implementation are presented.

B. GOG Contribution

As stated previously, the FAP extension is predicated on an increased GOG role and contribution -- in terms of counterpart professional and support personnel and related funding -- and that continued USAID assistance and essential internalization of FAP activities would be conditioned upon this increased commitment. These precepts are reflected in the budgets presented for the project extension. The increased role of the Ministry of Finance in institutionalizing reforms include:

Appointed a high ranking member of the Ministry, probably one of the Viceministers to be the principal counterpart for the Project Manager and the team leader of the Project.

This person will be in charge of coordinating the activities related with the Fiscal Administration Project. This designation will ensure that all the needs and difficulties arising in the implementation of the extension are quickly resolved.

Increased counterpart personnel, the GOG is expected to more than double the degree to which personnel are assigned to work with FAP related activities. Each person month of US technical assistance is expected to be matched with 8 to 12 person months of Ministry of Finance and other GOG institutions. The total level of effort for this whole activity is 2,000 in person months. The areas that will be covered are fiscal policy, income tax administration, value added tax, customs administration, budget administration and computerization.

The establishment of fiscal policy unit, is a concrete organizational addition which will be expected to use roughly twenty percent of the total personal resources from

GOG counterpart, much of this senior policy level personnel. The level of effort for this activity will represent 476 person months. It will take time to develop the training for this personnel. The training will include: database gathering, database updating, implementation and interpretation of models, and fiscal analysis.

Extensive in-country and overseas training, is expected to involve approximately one-third of the GOG personnel resources, and be embodied in the computer technologies being transferred by the FAP technical assistance team. The overseas training will cover the trips, tuition, board and meals for three national professionals. These persons will be identified and recruited by the Minister.

Improved administrative systems will be the primary focus of the MOF during this second phase. This will entail not only increased levels of trained personnel to operate the new, more efficient administrative systems, but also increased funding for logistical support systems and automation, much of which will be born by the GOG in the project extension. The level of effort related with these activities will be of 1,250 person months, including the on job training, seminars and day to day training activities.

The **purchase of commodities, especially computers** will be a major contribution for the second phase. While FAP technical assistance will facilitate the design and applications functions, the purchase of hardware will be funded by the GOG. This should be over \$0.9 million, not including computer time valuations.

C. Audits

Funds have been provided for an audit of the technical assistance contract to be conducted under an IQC arrangement for non-Federal audits controlled by the Inspector General's office.

D. Recurrent Costs

Successful continuation of FAP activities depends on the willingness and financial capability of the Ministry of Finance to continue with its own resources the activities resulting from the fiscal reform and the technical assistance and training provided.

It is assumed that, with the additional revenues generated by the tax reform and the savings forthcoming from a more efficient budgetary process, supplementary funding will be available to meet the demands of the new administrative systems and continued policy analysis, dialogue and refinements to the legal system.

Chapter V Implementation Plan for the Extension

A. Detailed Implementation Plan

Once the Ministry of Finance (MOF) has met all prior conditions to the signing of the extension agreement, Project personnel will develop a detailed implementation plan including the steps that the MOF and the team will follow in carrying out the necessary tasks and the development of the plan for training. The workplan must include activities to be developed, time and support needed. Also, the workplan must clearly specify the support needed from the GOG counterpart and the number of persons to be trained on each of the areas. That plan must be presented and discussed with the Director of each of the areas and a final approval must be obtained from the Minister.

The detailed implementation plan will cover three areas: (1) how the contractor staff will organize themselves within the MOF to carry out their work (organizational arrangements), (2) the steps they will follow in carrying out the necessary tasks (technical assistance approach), and (3) the plan for training.

This section outlines that plan by work areas. The terms of reference will be described, technical assistance required will be identified and the ministry support required to implement the project in the MOF will be outlined.

1. Policy Unit

For the extension of the Project, the MOF will establish the Policy unit with an advisory council, a Director and an initial staff of 4 persons. The training for the personnel will focus on the design, development, operation and application of the analytical models and broad fiscal analyses. Seminars and workshops will be given on conceptual issues as well as "hands-on" work with the models. The workshops will also include a number of exercises whereby the participants simulate alternative tax policies and then undertake to analyze the results of each of the alternative policies.

The MOF and the FAP team will examine the possibilities of GOG financing of graduate training for MOF employees in economics or business administration. Those employees would then return to the MOF and form the core of a technical staff for the policy unit and the Ministry in general.

Terms of Reference

- a. Implement the following models in the policy unit of the Ministry of Finance:
 - Personal Income Tax Model
 - Business Income Tax Model
 - Indirect Tax Model
 - Receipts Forecasting and Tracking Model
 - Outlay Forecasting Model, and
 - Computable General Equilibrium Model
- b. Provide technical descriptions and user manuals for each of the models.
- c. Conduct workshops for the staff of the unit in the operation, application and maintenance of each of these models.
- d. Evaluate the final tax reform package approved by Congress.
- e. Provide general policy analysis for the Minister concerning fiscal policy design and implementation.
- f. Conduct a series of seminars on economics, public finance, fiscal analysis, revenue estimating and other relevant topics for the staff of the fiscal analysis unit.

Technical Assistance

- o Short-term consultants in public finance, tax analysis, revenue estimation, and instructional aids to support development of the staff (20 months).

Ministry Support

- o Appoint a Director and staff for the unit.
- o Provide office space, furnishing and supplies for unit.
- o Continued participation of the Minister, the Vice Ministers and special advisors in seminars.
- o Funding for unit staff to attend special training and seminars on Public Finance in the United States.

2. Income Tax Administration

During the extension the project will focus its efforts on implementing administrative reforms to strengthen collection and enhance audit functions of the Internal Revenue Directorate (DGRI). Those efforts will include provision of training in several areas to the tax administration staff.

Terms of Reference

- o Assist in the development of plan for the implementation of administrative reform, especially for personnel evaluation, tax collections and audit.
- o Assist in developing work-flow analysis, staffing needs, systems and organizational structure for each department.
- o Develop and implement training courses for:
 - Top-level and mid-level managers
 - Supervisory development
 - Income tax law and regulations
 - Value added tax law and regulations
 - Audit techniques
 - Planning techniques
 - Instructor training
- o Assist in developing procedures for effective personnel evaluation.
- o Assist in the organization of a technical staff (job description, skills requirements and types of rulings and procedures to be drafted and published).

Technical Assistance

- o Tax administration Advisor/ Chief of Party (18 months)
- o Training and collection advisors (5 months)

Ministry Support

- o Make available Ministry counterparts to work with Resident Tax Administration Advisor.
- o Create a senior-level committee composed of the Minister or designated Vice-Minister, the Director General and the two Deputy Directors of Internal Revenues, responsible for planning and implementing all changes in administration.
- o Establish an effective group of qualified personnel to review laws, regulations and rulings.
- o Create within each major department task forces or work groups responsible for identifying and devising solutions to problems that are preventing the department from effectively performing its duties.
- o Reorganize the three key operational departments: collections, computer and audit.
- o Provide adequate full-time staff for these departments that will be reorganized (collections, computerization and audit).

3. Value-Added Tax Administration

The extension will assist the Ministry of Finance in the implementation of the new tax. Both a new organizational structure for the VAT department and a training program for its personnel will be developed. The Project's technical advisor will also assist the Ministry of Finance in developing taxpayer control programs and a taxpayer registry, improving field audits, establishing a legal unit in the department and implementing a massive VAT public education campaign.

Terms of Reference

- o Develop an organizational reform plan and assist the Ministry in its implementation.
- o Develop and implement training courses in:
 - VAT law and regulations and
 - Accounting and audit techniques
- o Assist the Ministry in developing taxpayer control programs for:
 - Non-filers
 - Cash-Register Machines and permanent credit positions
- o Develop Audit manuals
- o Assist the Ministry in improving audits and instituting a program of periodic visits to establishments
- o Assist the Ministry in developing an updated taxpayer registry

Technical Assistance

- o VAT general administrator (18 months)
- o VAT training experts (5 months)

Ministry Support

- o Make available Ministry counterparts to work with Resident VAT Administrator Advisor
- o Implement training program and provide employment stability for trained personnel
- o Implement comprehensive organizational reform of VAT department

4. Customs Administration

Given the current working relationship between the Resident Advisor and Customs officials, the Project anticipates the successful implementation of several additional administrative changes in customs. Specifically, the Resident Advisor will work with Customs officials in extending the existing pilot projects for valuation and transport to all customs administrations; develop additional automated systems for control of merchandise, control of fiscal incentives and for a valuation database; and assist the Director General in developing an audit office and in reforming the organizational structure of Customs.

The continuation of the current working relationship in this area is necessary for the overall success of the project's technical assistance in Customs. In order to safeguard the institutionalization of the Project efforts, the several pilot projects implemented to date must be extended to every customs administration, designed programs must be implemented, and permanent training programs must be developed.

The development of permanent training programs will be a key component of the extension period. In this area, the Project will need the assistance of the Ministry in developing employment stability. A training program will not be successful if, for example, an employee trained in classification techniques is reassigned to a different area.

Terms of Reference

- o Finalize implementation of the Santo Tomas Merchandize In Transit Pilot Plan and extend the plan to all customs administrations.
- o Develop automated systems for the control of merchandize in transit.
- o Assist in the development of an internal audit office and in the establishment of permanent audit programs.
- o Expand and monitor the program of customs agents.
- o Extend the automated vehicle clearing system to all customs and coordinate its functions with the SIDUNEA system.
- o Link the SIDUNEA project with the values database.
- o Assist in the implementation of the existing plan for an organizational restructuring of Customs.
- o Develop a comprehensive and permanent Customs training program.

Technical Assistance

- o Customs Computerization Advisor (18 months).
- o Customs training advisors (5 months).

Ministry Support

- o Provide customs counterpart to work with the Resident Customs Advisor.
- o Provide FAX machines for the Merchandize In Transit Pilot Programs.
- o Finish the construction of the container terminal.
- o Provide adequate personnel to run the Merchandize In Transit Pilot Programs.
- o Provide adequate personnel for the new audit unit.
- o Provide prompt decisions and authorization for reforms suggested by Technical Advisors.
- o Training
 - Make formal decision to develop permanent training program.
 - Involve the Technical Advisors in the selection of personnel for training.
- o Provide employment stability for personnel and institutionalize the career path for customs officials

5. Budgeting

The Project will scale back the budgeting effort to focus more heavily on program and project evaluation during the Project extension. This capability is essential to enable the Ministry to properly plan and execute the public investment program and will assist the Government in its interaction with external donors.

Terms of Reference

- o Train personnel in program and project evaluation techniques.

Technical Assistance

- o Project Evaluation Advisors (2 months)

Ministry Support

- o Formally approve (in writing) the workplan of the training in the budget area.

6. Organization and Management

With major reforms in the legal structure of the fiscal system, and given some of the antiquated administrative systems currently used by the Ministry in its operations, the Project will provide Resident Advisors to support requests from the MOF for assistance in reorganization and creation of new management systems. These activities will be closely linked with the computerization of the administrative systems being developed by Resident Advisors in tax administration and computerization.

The proposed operations and management activities will focus on the organizational restructuring of major Ministry Directorates, providing assist in the creation of task forces and committees for planning and monitoring new administrative activities, the development of work-flow requirements and staffing needs, and be closely linked with the training activities. These capabilities are essential to enable the Ministry to properly plan and execute the administrative reforms necessary for the implementation of the structural reforms envisioned un the Tax Modernization Program.

Terms of Reference

- o Assist in the development of plans for the implementation of administrative reforms, based upon the new Tax Modernization Program, and needed reforms in the existing fiscal system.
- o Make recommendations for the organizational restructuring of the major income tax collection agencies, currently under the DGRI. Assist the Ministry in reorganizing the budget operations of the current DTP, if deemed necessary by the MOF.
- o Assist the Ministry's top-level committees and/or task forces to plan and monitor the new administrative activities, especially the computerization of procedures.
- o Assist in developing work-flow analysis, staffing needs, systems and organizational structure for each department.
- o Assist in the development of job descriptions, skills requirements, personnel evaluations, and training plans.

Technical Assistance

- o Two Resident Operations and Management Advisors (36 months)
- o Technical Assistance Advisors (4 months)

Ministry Support

- o Create top-level committees responsible for planning and implementing the needed administrative reforms.
- o Establish a technical staff group to review new laws, regulations and rulings of the new Fiscal Modernization Laws.
- o Reorganize the key operational departments for tax collections, audits and computerization.

7. Computerization

Will be developed across all the above mentioned activities, where appropriate to increase the efficiency of Ministry implementation of the fiscal and administrative reform.

Technical Assistance

- o Resident computer expert (18 months)
- o Technical Assistance Advisors (6 months)

Ministry Support

- o Provide necessary computer hardware.
- o Provide sufficient programs to implement Ministry-wide database system.

B. Project Management

As with the initial project, the overall supervision of the extension will be the responsibility of the Project Director. That Director will be in Georgia State University's Policy Research Program. The day-to-day supervision will be the responsibility of the Resident Chief of Party. Each Component will be coordinated by one of the Resident Advisors. The Resident Advisors will report to the Resident Chief of Party.

The Director of the technical assistance team will:

- o prepare all terms of reference and schedule all trips;
- o review the regular working reports of all technical assistance experts residing in Guatemala, and alter the workplan as necessary;
- o maintain liaison with the Minister of Finance and other counterparts, or committees, that he may designate;
- o prepare the final report of the project;
- o prepare all financial reports for the project;
- o maintain liaison with the USAID Mission and prepare regular quarterly reports;

The responsibilities of the Resident Chief of Party will include:

- o management of the Guatemala project office within the Ministry of Finance;
- o day-to day liaison with the Minister of Finance or his designate;
- o coordination of the work program of the resident advisors;

C. Timetable

Prior to the signing of the Fiscal Administration Project extension, the GOG will meet the CPs described in Chapter III.

Once the Project extension agreement is signed, The Fiscal Administration Project Extension will have a 18- month life, during the first 14 months of which nearly all of the project activities will be completed.

The Project will be implemented in two phases. Phase I involves the development of the Policy Analysis Unit and the implementation of the workplan designed for each of the components of the extension. These activities will be implemented by the Chief of Party, technical assistance from Peat Marwick/Washington and the Resident Advisors. The type of changes to fiscal administration and operations to be introduced during Phase I are basic and are necessary to undertake the structural reforms to the fiscal system when the new fiscal package is approved by the Congress.

Phase II will continue with the implementation of the reform program and a continuation of the operational and training

programs begun in the first phase of the extension. This phase of the project will continue for the duration of the extension

D. Procurement Plan

Procurement under the extension of the FAP will consist of a continuation of the current institutional contract for both technical assistance and some minor supplies and commodities procurement. It is expected that either the current contract will be extended under its current conditions (which allow for an extension of 1 to 2 years) or a new contract awarded non competitively, based upon the excellent technical performance to date and the need to provide continuity with key resident advisors.

1. Procurement of Technical Assistance Services

Technical assistance personnel will be contracted for the extension of the project, and it is expected that continuity of key experts will be provided. Two options are being considered for contracting this technical assistance, under the existing contract or a new contract, awarded non-competitively:

a. Extention of the existing AID Direct Contract. Because the original contract was fully competed, and clearly stated USAID/Guatemala's intention to award an extension to the contractor selected for design and implementation, no waiver of competition is needed in this case. Since the amount of this contract would exceed \$10 million, AID/Washington authority would be required.

b. New contract would be established on a non-competitive basis after a notice is placed in the Commerce Business Daily (CBD). This contract would be for the remainder of the extended project, for an amount of approximately \$3.0 to \$3.5 million. The justification for non-competition would be based upon the original intent to compete both the design and implementation phases and envisioned a single contractor, as well as the need for continuity of the already contracted technical assistance to ensure the accomplishment of the projects objectives in the given time and with the resources available.

An illustrative list of short-and long-term technical assistance to be provided under the contract is provided in Table 2.

USAID/Guatemala will directly contract the services necessary to undertake the evaluation of the extension.

2. Commodity Procurement

The extension of the project requires very limited purchase of commodities. Commodity procurement will amount to approximately \$50,000 during the project extension period. The commodities could include supplies and technical materials.

Commodities will be procured directly by Peat Marwick in Washington for their use in contract performance.

E. Training Plan

The training plan to be implemented during the extension of the Project, has already been designed and is pending the approval of the Directors. The Training Plan will be carried out by the Resident Advisors and, in consultation with the Minister of Finance and the Project Director, they will design the program of classroom and on-the-job training. The training plan will focus on income tax, value-added tax, customs and budgeting.

The Project Resident Chief of Party will take responsibility for coordination of the project training program and for liaison with the Ministry training office.

VI. MONITORING AND EVALUATION PLAN

A. Project Monitoring

All consultants will report to the Resident Chief of Party and to the Director of the Technical Assistance Team of the Project, and all GOG counterparts to the consultants report through the Ministry of Finance hierarchy to the Minister of Finance. This organizational scheme was devised to ensure GOG ownership of the project. The scheme continues the working relationship established in the original Project design.

It will be important during the Project extension that the Ministry of Finance continue its active role in guiding the work of the consultants. Only in this way will it be assured that the Project is genuinely Guatemalan and that the reforms and modifications it introduces are of Guatemalan origin and reflect Guatemalan priorities. Nonetheless, there are still three parties to this project--USAID/Guatemala, the Government of Guatemala (through the Ministry of Finance) and the Technical Assistance Team.

USAID/Guatemala will contract with the Technical Assistance team to serve the Government of Guatemala in the implementation and institutionalization of the reform program. USAID will also enter into a Project Agreement Amendment with the GOG. Thus, an important stewardship responsibility falls on USAID/Guatemala, and includes the necessity of monitoring the Project's execution. The purpose of monitoring will be to assure that the conditions of both the contract with the consultants and the Project Agreement with the Government are honored in terms of the quality and timeliness of performance and of responsible financial administration.

The OEPA Project Officer will have responsibility for day-to-day monitoring of the Project workplan, schedule and budget. This officer will receive monthly reports from the technical assistance team and quarterly report from Peat Marwick/Washington on implementation progress and will maintain updated computerized data on the physical and financial implementation of the Project's activities. The Project Officer reports to the Chief of OEPA.

-Office of Economic Policy Analysis (OEPA)

OEPA will continue serving as a professional liaison group with the consultant economists and other technical assistance providers as well as with professional counterparts of the

Ministry of Finance as requested by the Minister. To the extent useful to the Minister of Finance and his economic team, they may draw on this resource.

-The Technical Assistance Consultant Team

The technical assistance consultants are conformed by a team whose Director and Chief of Party are approved by the Minister of Finance and USAID/Guatemala. The Project Director and Chief of Party counterpart's are the Minister of Finance and one of the Viceministers. The TA team will receive assignments from the Minister of Finance within the limits described in the Project Paper Extension, and will report to him through personal contact and working papers. However, the quarterly activity reports, put together jointly by the TA team and the Ministry of Finance, will be delivered to the USAID/Guatemala Project Officer.

-The Office of the Minister of Finance

Due to the special characteristics of this Project, the Office of the Minister of Finance will continue serving as the GOG's Project implementation unit. The authority of the Office of the Minister will assure entry, access and cooperation at all levels. The main functions of this unit will be to assure that:

- o changes proposed are compatible with overall economic conditions peculiar to Guatemala;
- o MOF resources are made available as and where needed to assure project success;
- o Guatemala counterparts are full participants in the implementation and institutionalization of changes adopted in the fiscal administration system.

B. Reporting

All technical working papers will be submitted directly to the Minister, and will be reviewed with him or his designees. All Project team members will be responsible to the Minister and all workplans will be continuously reviewed by him. The regular activity reports of the Resident Advisors will be reviewed and evaluated first by the Resident Chief of Party, then by the Project Director and ultimately by the Minister.

Administrative reporting to USAID on the Project's progress will be done monthly by the TA team and quarterly by Peat Marwick/Washington. Each report will summarize the period's

major activities. Also, the reports will include a summary of expenditures by Project component. A GOG counterpart quarterly report will be presented to USAID. This quarterly report will include: level of effort, numbers of persons trained and expenditures.

C. Evaluation Arrangements

A final evaluation is planned at the end of the extension. The evaluation will focus on achievements to date in the implementation and running of the fiscal operations and also in the implementation of the administrative reforms. The Mission will contract independently for the evaluation with funds that have been reserved in the budget for this purpose.

D. Conditions and Covenants

The proposed extension has been designed from its inception with the full participation and collaboration of the Ministry of Finance and Minister of Finance himself. Notwithstanding the day-to-day involvement of the Minister, there are some obstacles to the project that have to be removed. These conditions, described as the prior conditions to the approval of the extension are outlined in section III.

LOGICAL FRAMEWORK**Fiscal Administration Project (FAP) # 520-0371**

Page 1 of 4

NARRATIVE:	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Goal:</u></p> <p>To support the Government of Guatemala's efforts to stimulate economic growth within a structure reflecting broad participation and optimal utilization of Guatemala's resource endowments.</p>	<ol style="list-style-type: none"> 1. More equitable distribution of tax burdens and expenditure benefits across Income groups. 2. GOG continues to meet the fiscal targets of its economic programs. 3. Reduction of poverty and income disparities within the country. 	<ol style="list-style-type: none"> 1. Analysis of application and enforcement of fiscal measures using models developed under the project. 2. Ministry of Finance and Bank of Guatemala statistics on fiscal and macroeconomic accounts. 3. National Household and Expenditure Surveys. 	<ol style="list-style-type: none"> 1. GOG continues to monitor the impacts of its fiscal programs and makes appropriate adjustments to achieve its goals. 2. GOG continues its commitment to giving priority in its investment budget to those activities that promote more equitable distribution of the benefits of social and economic development. 3. USG and other donors provide timely and appropriate assistance to Guatemala.

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NARRATIVE:	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Purpose:</u></p> <p>To assist the Government of Guatemala in a comprehensive modernization of its fiscal administration.</p>	<ol style="list-style-type: none"> 1. Fiscal reform measures are enacted that reduce vertical and horizontal inequities. 2. The MOF Fiscal Analysis Institute becomes a key factor in tax and expenditure policy formulation. 3. Tax administration is improved through: <ol style="list-style-type: none"> 3.1 Improved productivity of tax auditors. 3.2 Improved quality of tax audit work. 3.3 Larger tax collections from delinquent tax payers. 3.4 Decreased incidents of tax nonfilers and stop-filers. 4. Improved budget planning and expenditure administration systems. <ol style="list-style-type: none"> 4.1 The budget is based on criteria of program analyses. 4.2 The budget process is better integrated with longer-term public sector planning. 	<ol style="list-style-type: none"> 1. Passage of new legislation. 2. Analysis of new tax laws using models developed under project. 3. Institutional analysis of fiscal policy decision-making within the GOG. 4. Statistics on completed audits, tax collections, nonfilers, stop-filers and appeals rejection rates. 5. Budget execution rates and other budget statistics. 	<ol style="list-style-type: none"> 1. GOG continues its commitment to promote growth with equity even with political changes. 2. GOG increasingly relies on objective criteria and analysis in making fiscal policy decisions. 3. GOG and private sector are able to develop a constructive working relationship. 4. Other donor or GOG financing is provided to develop and install automated payroll and accounting systems.

NARRATIVE:	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<u>Outputs:</u>	1. Analytic models developed and applied to Guatemala.	1. Project monitoring and evaluation system.	1. Appropriate resident advisors are recruited on a timely basis.
1. Policy analysis infrastructure installed and running within MOF.	1.1 Microsimulation 1.2 Forecasting 1.3 Marginal Effective Tax rates. 1.4 Computable General Equilibrium Model.	2. Observations of members of technical assistance and evaluation teams.	2. Qualified Guatemalan counterparts are assigned to the project.
2. Specific analyses performed on high priority fiscal issues in Guatemala.	2. Specific analyses completed. 2.1 Fiscal reform concept paper. 2.2 Fiscal incentives. 2.3 Tax burdens and benefits.	3. MOF project-related reports.	3. GOG maintains its commitment to improve fiscal administration.
3. Improved operational and administrative effectiveness of MOF fiscal administration.	3. Administrative changes implemented in: 3.1 Income taxation. 3.2 Value-added tax & other indirect taxes. 3.3 Customs. 3.4 Budgeting and expenditure systems.	4. Press releases and Congressional records.	
3.1 Income Tax. 3.2 Value-added tax and other indirect taxes. 3.3 Customs. 3.4 Budget planning and execution.			
4. Fiscal Policy Analysis Unit institutionalized within MOF.	4. Fiscal Policy Analysis Unit formally incorporated into MOF structure.		
5. New, modernized legislative framework for fiscal matters.	5. Legislation submitted by MOF to Guatemalan Congress and subsequent laws passed.		

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<u>Inputs:</u> (US\$ 000's)	<u>USAID</u>	<u>GOG</u>	<u>TOTAL</u>		
1. Technical assistance	11,640		11,640	1. USAID Controller records.	1. GOG counterpart funds or in-kind contributions are provided in a timely manner.
2. Operational/training		3,935	3,935	2. Technical assistance contract reports.	
3. Commodities	50	1,045	1,095		
4. Other Costs	25	825	850		
5. Contingency /inflation	110	140	250	3. MOF budget allotments and expenditure reports.	2. USAID technical assistance funding provided in sufficient and timely amounts.
6. Audit/Evaluation	<u>175</u>		<u>175</u>		
T O T A L	<u>12,000</u>	<u>5,945</u>	<u>17,945</u>		

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TABLE 1
Fiscal Administration Project (FAP) Extension
Original, Extension and Life of Project Budget
for USAID Supported Costs and GOG Counterpart

Funding Source	Original Project LOP \$US 000	Proposed Extension \$US 000	Revised LOP Budget \$US 000	Percent of Revised LOP Budget
USAID Grant Funding	9,000	3,000	12,000	66.9%
GOG Counterpart	3,145	2,800	5,945	33.1%
TOTAL	<u>12,145</u>	<u>5,800</u>	<u>17,945</u>	<u>100.0%</u>

Note: approximately \$400,000 of AID funds will be carried over from original appropriations for Project Extension.

FAPLOP1.wk1
3/9/92

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TABLE 2. Summary Estimated Financial Plan
Fiscal Administration Project (FAP) Extension
by Level of Effort and Funding by Activity
USAID and GOG Estimated Funding Levels

Activity Personnel/Commodities PM = Person Month	TOTAL for 18 month extension		
	Level of Effort PM	Funding USAID \$000	Funding GOG LC \$000
I. FISCAL ANALYSIS		345	137
Fiscal Analysis Unit			
Long Term TA	0	0	
Short Term TA	12	197	
Local Personnel	120		78
Models and Training			
Long Term TA	0	0	
Short Term TA	9	148	
Local Personnel	90		59
II. REVENUE ADMINISTRATION		1,296	813
Income Tax			
Long Term TA	18	350	
Short Term TA	5	82	
Local Personnel	500		325
Value Added Tax			
Long Term TA	18	350	
Short Term TA	5	82	
Local Personnel	350		228
Customs			
Long Term TA	18	350	
Short Term TA	5	82	
Local Personnel	400		260
III. BUDGET ADMINISTRATION		33	26
Long Term TA	0	0	
Short Term TA	2	33	
Local Personnel	40		26
IV. ORGANIZATION/MANAGEMENT		765	130
Long Term TA	36	699	
Short Term TA	4	66	
Local Personnel	200		130
V. COMPUTERIZATION		448	195
Long Term TA	18	350	
Short Term TA	6	99	
Local Personnel	300		195
Subtotal Personnel		\$2,888	\$1,300
Long Term TA	108	2,098	
Short Term TA	48	789	
Local Personnel	2,000		1,300
V. GUATEMALA OFFICE (includes local hire)		100	475
VI. HOME OFFICE		150	0
VII. COMMODITIES		50	900
VIII. AUDITS AND EVALUATIONS		100	
IX. INFLATION/CONTINGENCY		112	125
TOTALS		\$3,400	\$2,800

FAPBUD2.wk1, 3/9/92

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TABLE 3
Summary GOG Counterpart Contributions Budget
Fiscal Administration Project (FAP) Extension
by Activity and Type of Input

Activities \$000 Project Inputs	Fiscal Analysis Unit	Models and Training	Income Tax Admin	Value Added Tax	Customs Adminis- tration	Budget Adminis- tration	Organiza- tion & Management	Computer- ization	Local Office Admin	Inflation and Contingency	TOTAL
1. Salaries	47	35	195	137	156	16	78	117			780
2. Training	31	23	130	91	104	10	52	78			520
3. Travel & Transport									60		60
4. Equipment/Supplies								900			900
5. Other Costs									415	125	540
ACTIVITY TOTAL, \$000	\$78	\$59	\$325	\$228	\$260	\$26	\$130	\$1,095	\$475	\$125	\$2,800
Level of Effort in Person Months	120	90	500	350	400	40	200	300			2,000

FAPGOGt3.WK1, 03/19/92

TABLE 4
Project Summary Budget, Fiscal Administration Project
by Inputs and Source of Funding

Project Inputs	Funding USAID	Funding GOG LC
1. Salaries	752,500	
--U. S. Professional	225,000	
--U. S. Administrative	52,500	
--Field Office Staff	475,000	
2. Fringe Benefits	226,850	
3. Overhead	1,060,417	
4. Consultants	125,000	
5. Local Counterpart		1,300,000
--Salaries		780,000
--Training		520,000
6. Resident Allowances	220,000	
7. Indirect Costs	200,000	415,000
8. Travel & Transportation	90,000	60,000
9. Equipment	50,000	900,000
10. Subcontract	200,000	
SUBTOTAL	2,924,767	2,675,000
Contract Fee	263,233	
TOTAL, Contracts	3,188,000	2,675,000
Audit and Evaluations	100,000	0
Inflation	112,000	70,000
Contingencies	0	55,000
TOTAL PROJECT EXTENSION	\$3,400,000	\$2,800,000

FAPBUDT4.wk1
03/19/92

TABLE 5
Methods of Implementation and Financing
Fiscal Administration Project (FAP) Extension

Method of Implementation	Method of Financing	Amount \$000
U.S. Institutional Contract	Direct Reimbursement	
1. Salaries		752,500
--U. S. Professional		225,000
--U. S. Administrative		52,500
--Field Office Staff		475,000
2. Fringe Benefits		226,850
3. Overhead		1,060,417
4. Consultants		125,000
5. Resident Allowances		220,000
6. Indirect Costs		200,000
7. Travel & Transportation		90,000
8. Equipment		50,000
9. Subcontract		200,000
SUBTOTAL		2,924,767
Contract Fee		263,233
TOTAL, Contracts		3,188,000
Audit and Evaluations	Direct Payment	100,000
Contingencies/Inflation		112,000
TOTAL PROJECT EXTENSION		\$3,400,000

FAPAYT5.wk1, 3/10/92

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MINISTRY OF FINANCE
FISCAL ADMINISTRATION WORKPLAN
 1 9 9 2

	ACTIVITIES	RESPONSIBLE	DATES	
			Begin	End
1.0	FISCAL POLICY ANALYSIS			
1.1	Create the Fiscal Administration Unit in the Vice-Minister's offices.	Vice MINFIN PEAT MARWICK/ GEORGIA STATE ADVISORS	02/92	05/92
1.1.1	Appoint Unit Director as well as Economists, Analysts, Computer Operators and Clerks.			
1.1.2	Office space, furniture and equipment for the Unit.			
1.1.3	Computer 486 and terminals.			
1.1.4	Technical User Manual for each computer model.			
1.1.5	Graduate studies at Georgia State University, USA.			
1.1.6	Install the following models in the Unit:			
	- Personal Income			
	- Corporate Income			
	- Value added tax			
	- Income forecast			
	- Expenditures forecast			
	- General Equilibrium			

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ACTIVITIES	RESPONSIBLE	DATES	
		Begin	End
1.2 Establish procedures to obtain required data to updated models data base.	Vice MINFIN PEAT MARWICK/ GEORGIA STATE TECHNICAL ASSISTANCE	03/92	07/92
1.2.1 Generate reliable information on application of fiscal laws (Income, value added, consumption, etc.), presented and processed for simulation models.			
1.2.2 Generate reliable information of revenue impact due to changes in fiscal laws and fiscal administration programs.			

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ACTIVITIES	RESPONSIBLE	DATES	
		Begin	End
2.0 INCOME TAXES (Corporate, Personal, VAT)			
2.1 Form working team in charge of following-up law projects under discussion in the Congress.	Vice MINFIN GEN DIR DRI LEGAL ADVISORS PEAT MARWICK/ BID/CIAT ADVISORS	01/92	05/92
2.1.2 Prepare plans for law regulations.			
2.1.3 Form working teams to create forms, procedures and publishing laws ahead of time.			
2.2 Establish a Computer Department			
2.2.1 Calculate amount of tax declarations and other documents that might be computer processed.			
2.2.2 Determine the most effective computer system for data entry and processing.			
2.2.3 Develop systems and programs to generate information for proper and timely tax administration, such as tardiness control, inconsistent tax declarations and all those subject to investigation.			

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	ACTIVITIES	RESPONSIBLE	DATES	
			Begin	End
2.2.4	Develop a systematic schedule for remittance and reception of tax declarations, and carrying-out all the processing phases of tax declarations and documents.	Vice MIN FIN, GEN DIR DRI, PEAT MARWICK ADVISORS, BID/CIAT, PED DEPT.	01/92	09/92
2.3	Identify personnel training needs to obtain an acceptable efficiency level in their tasks.			
2.3.1	Carry-out a survey and evaluate the technical and administrative level of the personnel.			
2.3.2	Develop training courses in the following areas:			
	- Fiscal Laws and their regulations			
	- Auditing techniques			
	- Electronic data processing			
	- Management, middle level supervision, and executive level.			
	- Administration and operation.			

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ACTIVITIES		RESPONSIBLE	DATES	
			Begin	End
2.4	Carry out a series of technical, administrative and management courses.	Vice MINFIN, GEN DIR DRI, PEAT MARWICK ADVISORS, BID/CIAT, ADVISORS	2/92	CONTINUOUS
2.4.1	Develop and distribute audit, supervisory, and administrative manuals.			
2.4.2	Job classification at DRI.			
2.5	Create fiscal programs that identify delinquent taxpayers and have them present their tax declarations.			
2.5.1	Form a unit in charge of collecting information from external sources, related to the compliance of tax obligations.			
2.5.2	Develop annual auditing plans, based on real personnel estimations available and average time for the auditing of the different types of tax declarations.			
2.5.3	Determine level of desired coverage to increase the willful compliance of tax payers.			

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	ACTIVITIES	RESPONSIBLE	DATES	
			Begin	End
2.5.4	Generate information relating to actual and potential collections through audits.	Vice MINFIN, DIR GEN, DRI, PEAT/MARWICK & BID/CIAT ADVISORS	2/92	CONTINUOUS
2.5.5	Negotiate with Private Banks to handle administrative aspects of tax payments and services for fiscal matters, including compatible computerized operations.			
2.5.6	Determine best manner for ensuring computer compatibility across fiscal operations.			
2.6	Create new organizational structures to eliminate duplication in responsibilities and consolidate functions while conserving technical integrity.	Vice MINFIN, Dir Gen DRI, Peat/Marwick Advisors	01/92	01/93

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	ACTIVITIES	RESPONSIBLE	DATES	
			Begin	End
2.6.1	Create work groups to draft new work structures and functions.			
2.6.2	Prepare delegations of authorities for new work organization.			
2.7	Create cleaned contributors list for Income Tax Division.	Vice MINFIN, Dir Gen DRI, BID/CIAT Advisors	4/92	CONTINUOUS
2.7.1	Clean prior tax payer lists			
2.7.2	Create computerized listings with updated information.			
2.8	Elaborate a Taxpayer Awareness Program			
2.8.1	Create Taxpayer Publicity Unit, including staff, budget, space and work plan.			

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	ACTIVITIES	RESPONSIBLE	DATES	
			Begin	End
2.8.2	Establish working relationships with public and private individuals and groups to engender increased understanding of fiscal responsibilities.	Vice MIN FIN, Dir Gen DRI and Peat/Marwick Technical Assistance	4/92	CONTINUOUS
2.8.3	Establish the informational and analytical base for creating reports for the general public and special groups on the activities and results of the DRI.			

	ACTIVITIES	RESPONSIBLE	DATES	
			Begin	End
3.0	CUSTOMS			
3.1	Organize the Computer Center at DGA	Vice MINFIN, Dir Gen CUSTOMS, PEAT MARWICK Advisors, SIDUNEA Advisors	01/92	05/92
3.1.1	Determine staffing and equipment needs for the corresponding activities.			
3.1.2	Develop the Center structure and establish functions and responsibilities.			
3.2	Extend the computerized vehicles valuation system (SISAFU).	DGA, PEAT MARWICK Advisors, SIDUNEA Advisors	01/92	06/92
3.2.1	Implementation of the system at the following customs sites: - Sto. Tomas de Castilla - El Carmen - Pedro de Alvarado			
3.2.2	Extend the system to chemical products, textiles and electric appliances.	DGA, PEAT MARWICK Advisors	03/92	10/92
3.3	Develop computerized system to control containers	MIN FIN, DGA, PEAT MARWICK Advisors	01/92	06/92
3.3.1	Enable central facilities at Zone 18 for containers			

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ACTIVITIES		RESPONSIBLE	DATES	
			Begin	End
3.3.2	Develop programs and systems to computerize manual controls.		01/92	09/92
3.4	Install a "One Stop" Window for vehicles at DGA.	Vice MINFIN, Gen Dir CUSTOMS,	01/92	09/92
3.4.1	Remodel facilities for adequate functions.	Gen Dir DRI, Dir POLICE DEPT,		
3.4.2	Approve procedures by the Ministry.	PEAT MARWICK Advisors		

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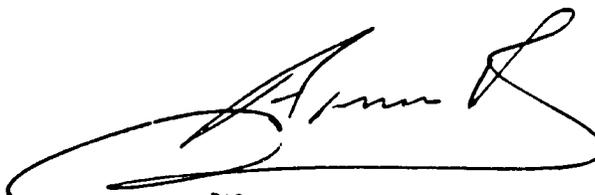
MINISTERIO DE FINANZAS PUBLICAS
GUATEMALA, C. A.

ODMFP/32-92

En breve, el gobierno de Guatemala se habrá beneficiado con la asistencia técnica brindada por el Proyecto. Los asesores han ganado el respeto profesional de no sólo mi persona, sino también de todos los Directores u otro personal con quien ellos han colaborado. Para nosotros es esencial que este Ministerio continúe contando con la asistencia de estos expertos para poder seguir nuestro proceso de Modernización Tributaria.

También quisiéramos dejar establecida la Unidad de Análisis Fiscal que fue propuesta durante la primera fase del Proyecto. En breve el Proyecto y nuestro personal tendrán un calendario específico para tener establecida esta Unidad, antes del primero de abril del año en curso, así como, un calendario de la capacitación que al personal de la misma se les proporcionará.

Sin otro particular, hago propicia la ocasión para reiterar le las muestras de mi consideración y estima,



RICARDO ARRIOLA CASTILLO
MINISTRO DE FINANZAS PUBLICAS



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GUATEMALA

SC(1) - COUNTRY CHECKLIST - 1992

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1. Narcotics

a. Negative certification (FY 1991 Appropriations Act Sec. 559(b)): Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

.....No, the President has not so certified

b. Positive certification (FAA Sec. 481(h)). (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly

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affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

(1) does the country have in place a bilateral narcotics agreement with the United States, or a multilateral narcotics agreement?

.....Multilateral. Guatemala is a signatory to the U.S. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988.

(2) has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate production or shipment of illicit drugs or discourage prosecution of such acts, or that (b) the vital national interests of the United States require the provision of such assistance?

.....Yes

c. Government Policy (1986 Anti-Drug Abuse Act of 1986 Sec. 2013(b)). (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress listing such country as one: (a) which, as a matter of government policy, encourages or facilitates the production

.....a) No

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or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?b) No
.....c) No
.....d) No

2. Indebtedness to U.S. citizens (FAA Sec. 620(c): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?No

3. Seizure of U.S. Property (FAA Sec. 620(e)(1)): If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?No

4. Communist countries (FAA Secs. 620(a), 620(f), 620D; FY 1991 Appropriations Act Secs. 512, 545): Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicableNo

restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

5. Mob Action (FAA Sec. 620(j)):No
Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property?
6. OPIC Investment Guaranty (FAA Sec. 620(l)):No
Has the country failed to enter into an investment guaranty agreement with OPIC?
7. Seizure of U.S. Fishing Vessels (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5):No
(a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?
8. Loan Default (FAA Sec. 620(q); FY 1991 Appropriations Act Sec. 518 (Brooke Amendment)):a) No
(a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA?b) No
(b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1990 Appropriations Act appropriates funds?
9. Military Equipment (FAA Sec. 620(s)):Yes, taken into
If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? consideration by the Administrator at the time of approval of the 1991 OYB, and will be considered again as final funding for the FY 1992 OYB is appropriated

(Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

10. Diplomatic Relations with U.S.No
(FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

11. U.N. Obligations (FAA Sec. 620(u)): What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)
.....Guatemala is in arrears on the payment of obligations to the U.N. This was taken into account by the Administrator at the time of the 1991 OYB. Guatemala is also in arrears for purposes of Article 19 of the U.N. Charter. Guatemala's arrearages in general, and for purposes of Article 19 of the U.N. Charter, will both be taken into account by the Administrator as final

12. International Terrorism

a. Sanctuary and support (FY 1991 Appropriation's Act Sec. 556; FAA Sec. 620A): Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?
.....a) No funding for the FY 1992 OYB is appropriated.
.....b) No

b. Airport Security (ISDCA of 1985 Sec. 552(b)). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?
.....No

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

No

14. Nuclear Technology (FAA Secs. 669, 670): Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

No

No

No

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

N/A: Guatemala not a NAM country.

16. Military Coup (FY 1991 Appropriations Act Sec. 513): Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?

No

17. Refugee Cooperation (FY 1991 Appropriations Act Sec. 539): Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin?Yes

18. Exploitation of Children (FY 1991 Appropriations Act Sec. 599D, amending FAA Sec. 116): Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services?No

B. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")

1. Human Rights Violations (FAA Sec. 116): Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?No

2. Abortions (FY 1991 Appropriations Act Sec. 535): Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?No

C. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO
ECONOMIC SUPPORT FUNDS ("ESF")

Human Rights Violations (FAA Sec. 502B): Has ----- NO
it been determined that the country has engaged in
a consistent pattern of gross violations of
internationally recognized human rights? If so,
has the President found that the country made such
significant improvement in its human rights record
that furnishing such assistance is in the U.S.
national interest?

FISCAL ADMINISTRATION PROJECT - 520-0371

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Funds resources. Part B includes criteria applicable only to Development Assistance resources. Part C. includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY
CHECKLIST UP TO DATE?

The 1992 checklist is attached as an annex to this project amendment.

A. CRITERIA APPLICABLE TO BOTH
DEVELOPMENT ASSISTANCE AND
ECONOMIC SUPPORT FUNDS

1. Host Country Development Efforts (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

The Mission views the project as a necessary condition to (a), (b), (c), and (e).

2. U.S. Private Trade and Investment (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage

The project will permit the GOG to raise the revenue required for investment in human resources and infrastructure, essential to im-

U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

proved prospects for U.S. Private Trade and Investment in Guatemala.

3. Congressional Notification

a. General requirement (FY 1991 Appropriations Act Secs. 523 and 591; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

A congressional notification was sent to Congress on February 10, 1992 and expired on February 25, 1992.

b. Notice of new account obligation (FY 1991 Appropriation Act Sec. 514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A

c. Cash transfers and nonproject sector assistance (FY 1991 Appropriations Act Sec. 575(b) (3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance,

N/A

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has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

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

N/A

5. Legislative Action (FAA Sect. 611(a) (2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

N/A

6. Water Resources (FAA Sec. 611(b); FY 1991 Appropriations Act. Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A

7. **Cash Transfer and Sector Assistance** (FY 1991 Appropriations Act Sec. 575(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

N/A

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

N/A

9. **Multiple Country Objectives** (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

N/A (see A.1)

10. U.S. Private Trade (FAA Sec. 601,b): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). N/A (see A.2)

11. Local Currencies

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

b. U.S.-Owned Currency (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No

c. Separate Account (FY 1991 Appropriations Act Sec. 575). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies: N/A

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount

of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

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

12. Trade Restrictions

a. Surplus Commodities (FY 1991 Appropriations Act. Sec. 521(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative,

N/A

and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

b. Textiles (Lautenberg Amendment) (FY 1991 Appropriations Act Sec. 521(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

No.

13. Tropical Forests (FY 1991 Appropriations Act Sec. 533(c) (3)): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

No.

14. Sahel Accounting (FAA Sec. 121(d)): If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)?

N/A

15. PVO Assistance

a. Auditing and registration (FY 1991 Appropriations Act Sec. 537): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

N/A

b. Funding Sources (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

16. Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry

The duly executed agreement amendment will be pouched to State L/T and A.I.D. LEG within 60 days of the amendment's entry into force.

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into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

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

N/A

18. Women in Development (FY 1991 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased? N/A

19. Regional and Multilateral Assistance (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs. No.

20. Abortions (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 525):

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? No.

b. Will any funds be used to lobby for abortion? No.

21. Cooperatives (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life? No.

22. U.S.-Owned Foreign Currencies

a. Use of currencies (FAA Secs. 612(b), 636(h); FY 1991 Appropriations Act Secs. 507, 509): Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services. N/A

b. Release of currencies (FAA Sec., 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No.

23. Procurement

a. Small business (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes (see 23.L)

b. U.S. Procurement (FAA Sec. 604(a)): Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him? Yes

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

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

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

f. Cargo preference shipping (FAA Sec. 603): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag N/A

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commercial vessels to the extent such vessels are available at fair and reasonable rates?

g. Technical Assistance (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Yes

Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? N/A

h. U.S. air carriers (International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes

i. Termination for convenience of U.S. Government (FY 1991 Appropriations Act. Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? Yes

j. Consulting services (FY 1991 Appropriations Act Sec. 524): If assistance is for consulting service through N/A

procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

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

N/A

1. **Competitive Selection procedures** (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes, the contractor was initially selected on a competitive basis to design and implement the project. However, procurement of TA services under the Project Amendment will be contracted with the same institutional contractor as justified by a waiver for other than full and open competition.

24. **Construction**

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

N/A

b. **Construction contract** (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

N/A

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

N/A

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

N/A

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

27. Narcotics

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

b. Assistance to narcotics traffickers (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? Yes.

28. Expropriation and Land Reform (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals? Yes.

in accordance with a land reform program certified by the President?

29. Police and Prisons (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes.

30. CIA Activities (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? Yes.

31. Motor Vehicles (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes.

32. Military Personnel (FY 1991 Appropriations Act. Sec. 503): Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? Yes.

33. Payment of U.N. Assessments (FY 1991 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? Yes

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34. Multilateral Organization Lending (FY 1991 Appropriations Act Sec. 506): Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? Yes
35. Export of Nuclear Resources (FY 1991 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? Yes
36. Repression of Population (FY 1991 Appropriations Act Sec. 511): Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes
37. Publicity or Propaganda (FY 1991 Appropriations Act Sec. 516): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? No.
38. Marine Insurance (FY 1991 Appropriations Act Sec. 563): Will any A.I.D. contract and solicitation, and N/A

subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?

39. Exchange for Prohibited Act (FY 1991 Appropriations Act Sec. 569): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

No.

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**B. CRITERIA APPLICABLE TO
DEVELOPMENT ASSISTANCE ONLY**

1. Agricultural Exports (Bumpers Amendment) (FY 1991 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

N/A

2. Tied Aid Credits (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits?

No.

3. Appropriate Technology (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N/A

4. **Indigenous Needs and Resources** (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

The project maximizes the requirement for local decision making on measures for increasing local tax resources and efficiency of administration, as well as the human resources development required to sustain these measures.

5. **Economic Development** (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes. The project is expected to improve the allocation of resources by resolving underlying structural problems in the fiscal system that are not in step with the economic programs of the country, and that distort economic choices in ways that cause losses to society.

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

N/A

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

7. Recipient Country Contribution (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

Yes. Counterpart is expected to exceed the 25%.

8. Benefit to Poor Majority (FAA Sec. 128(b)): If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Yes. The tax modernization program and associated improvements in administration, implementation and budgetary system are designed to allow the GOG to carry out its development programs and provide the safety net it desires for low-income citizens.

9. Abortions (FAA Sec. 104(f); FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 535):

N/A

a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?



b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?.

c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services?

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning?

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means, of family planning?

g. Are any of the funds to be made available to any organization if the President certifies that the use of

these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization?

10. **Contract Awards** (FAA Sec. 601(e)): Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes. (See 23.L. Section A)

11. **Disadvantaged Enterprises** (FY 1991 Appropriations Act Sec. 567): What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans or who are economically or socially disadvantaged (including women)?

N/A

12. **Biological Diversity** (FAA Sec. 119(g): Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect

N/A

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means significantly degrade national parts or similar protected areas or introduce exotic plants or animals into such areas?

13. Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c)-(e) & (g)):

N/A

a. A.I.D. Regulation 16: Does the assistance comply with the environmental procedures set forth in A.I.D. regulation 16?

b. Conservation: Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those

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which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. Forest Degradation:
Will assistance be used for:
(1) the procurement or use of logging equipment, unless an

environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

d. Sustainable Forestry:

If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

e. Environmental Impact Statements: Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

14. Energy (FY 1991 Appropriations Act Sec. 533(c)): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

N/A

15. Sub-Saharan Africa Assistance (FY 1991 Appropriations Act Sec 562, adding a new FAA chapter 10 (FAA Sec. 496)): If assistance will come from the Sub-Saharan Africa DA Account, is it: (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) to be used to promote sustained economic growth, encourage private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector; (c) being provided in accordance with the policies contained in FAA section 102; (d) being provided in close consultation with African, United States and other

N/A

PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (e) being used to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprises and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups; (f) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve

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primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

16. Debt-for-Nature Exchange (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

17. Deobligation/Reobligation (FY 1991 Appropriations Act Sec. 515): If deob-reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N/A

18. Loans

a. Repayment capacity (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the Loan at a reasonable rate of interest.

N/A

b. Long-range plans (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range

Yes. The project will assist the Government of Guatemala in a comprehensive modernization of its system of fiscal administration.

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plans and programs designed to develop economic resources and increase productive capacities?

The specific improvements to be implemented will reorient Guatemala's budgetary and tax system toward greater equity and better allocation of public sector resources to Guatemala's priority development needs.

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

N/A

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

N/A

19. Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves

N/A

toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

20. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A)

N/A

a. Rural poor and small farmers: If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

b. Nutrition: Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with

reference to improvement and expanded use of indigenously produced foodstuffs, and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

c. **Food Security:** Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

21. **Population and Health** (FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

N/A

22. **Education and Human Resources Development** (FAA Sec. 105): If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which

N/A

activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

23. Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106): If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

N/A

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy source for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

c. research into, and evaluation of, economic development processes and techniques;

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

24. Sahel Development (FAA Secs. 120-121). If assistance is being made available for the Sahelian region, describe: (a) extent to which there is international coordination in planning and implementation; participation and support by African countries and organizations in determining development priorities; and a long-term, multidonor development plan which calls for equitable burden-sharing with other donors; (b) whether a determination has been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of projects funds (dollars or local currency generated therefrom).

N/A

C. CRITERIA APPLICABLE TO
ECONOMIC SUPPORT FUNDS ONLY

1. Economic and Political Stability (FAA Sec. 531(a)): Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

The assistance will contribute to the implementation of a credible and comprehensive stabilization program on the part of the civilian government of Guatemala. It is consistent with the policy directions, purposes and programs of part I of the FAA.

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

No.

3. Commodity Grants/Separate Accounts (FAA Sec. 609): If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

N/A

4. Generation and Use of Local Currencies (FAA Sec. 531(d)): Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106?

N/A

5. Cash Transfer Requirements (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund," and Sec. 575(b)): If assistance is in the form of a cash transfer:

N/A

a. Separate account:
Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds?

b. Local currencies:
Will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A.I.D. entered into an agreement with that government setting forth the amount of the local currencies to be generated, the terms and conditions under which they are to be used, and the responsibilities of A.I.D. and that government to monitor and account for deposits and disbursements?

c. U.S. Government use of local currencies: Will all such local currencies also be used in accordance with FAA Section 609, which requires such local currencies to be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA would themselves be available?

d. Congressional notice: Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance?