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97126



AGENCY FOR INTERNATIONAL DEVELOPMENT  
UNITED STATES AID MISSION TO EL SALVADOR

ACTION MEMORANDUM FOR THE MISSION DIRECTOR

TO Kenneth C Ellis, DIR

FROM Mary C Ott, SO1 Team Leader *Mary C Ott*

SUBJECT Approval of the new Rural Organizations and  
Environmental Conservation (ROCA) Activity,  
*519-0438* ~~No 519-0348~~, under the Technology/Marketing and  
Infrastructure Results Package

**I Action**

You are requested to approve the Rural Organizations and \ Environmental Conservation (ROCA) activity, No 519-0438, at a funding level not to exceed \$7 3 million, for an expected duration of five years, from FY98 through FY02

**II. Background**

During the process of developing the economic growth strategy (SO#1), USAID held meetings (focus groups) with the rural poor who repeatedly mentioned the lack of access to marketing channels, production technologies, and financial services as being some of the main constraints

The latest Rural Enterprise fora organized by CRECER in November 1997, concluded that lack of agricultural technical assistance and effective marketing mechanisms for the rural poor is one of the constraints limiting rural economic growth

In addition, a recent World Bank-FUSADES study found that only 19% of surveyed farmers had received agricultural technical assistance. Farmers who owned less than two hectares had the least access to technical assistance

To provide an illustration of small farmers' presence in El Salvador, the same study reports that there are approximately 130,000 small farmers growing basic grains (corn, beans, sorghum and rice) in farms of less than 5 hectares. Small scale basic grain farmers represent 82% of all basic grain producers. In addition, but not part of the World Bank-FUSADES study, small coffee growers amount to approximately 15,000 individuals

Also, a 1992 USAID study revealed that there are approximately 212,000 small producers in El Salvador

Centro Nacional de Tecnología Agropecuaria (CENTA), the Government agricultural research and extension agency, reports that as of December 1997, it has assisted directly 72,831 small farmers and indirectly, 21,388 individuals. CENTA's target for assistance for 1998 is 107,000 producers in the main areas of basic grains, cattle, forestry, and vegetables. Hence, all available data indicate there is an unfilled need by farmers for access to technical services.

### III. Discussion

The Rural Organizations and Environmental Conservation (ROCA) Activity will contribute to the Mission's Strategic Objective No. 1 "Expanded Access and Economic Opportunity for El Salvador's Rural Poor" through the Intermediate Result "Expanded Equitable Access to Financial, Technological and Marketing Services by the Rural Poor." The new activity will also contribute to the Mission Strategic Objective No. 4, Increased Access by Rural Households to Clean Water, Result No. 4.1, Improved Quality of Water Sources, through the Sub-intermediate Result No. 4.1.1, Increased Use of Improved Agricultural Conservation Practices.

The New Activity will afford an opportunity to small, low-income producers, to increase their disposable income through enhanced productivity through production technology and more effective product marketing. Organically grown crops, such as coffee and sesame, are examples of niche-market products which are capable of securing premium returns for the small producers. All organically produced crops and other crops produced with environmentally friendly techniques, such as integrated pest management and soil conservation works, promoted under the activity, will serve to sustain and protect the environment.

The activity will consist of two major components. Component 1, managed by a U.S. Institution, and Component 2, managed directly by USAID. The two components will operate as follows:

- 1) A Prime Institution will be selected through a competitive process. The Prime Institution will be responsible for the overall management of this portion of the activity. Under this management structure, a multi-disciplinary team will be in place to provide management, environmental, financial-accounting, marketing and technology transfer technical assistance to secondary level agricultural organizations.

Subject to compliance with applicable procurement requirements, the Prime Institution is expected to provide sub-grant assistance to approximately five (5) secondary-level rural organizations. Each secondary-level organization supported under the new activity will be responsible, in conjunction with the Prime Institution, for developing self-sustaining marketing and production technology units within their organizations, that will

provide services in these areas to their small producer membership and other primary-level groups and individuals. The **estimated number of small grower beneficiaries and/or cooperative members** to be assisted by the five secondary level sub-grantees (and by the small awardee grantees) **is 15,000.**

2) In addition to the tasks carried out by the Prime Institution as described above, the activity will have a component under direct USAID/S01 management with two purposes: a) Receive unsolicited proposals and, b) make small award grants (less than \$100,000, which must be fully implemented within a one-year period). Applicants for funding under this component should be organizations not assisted by the Prime Institution. The proposals' contents must be innovative and in accordance with the basic concepts of expanding access to technical and marketing services for the rural poor, as well as environmental conservation. USAID will develop selection criteria for the type of activities to be selected and a public announcement soliciting proposals will be made once a year by USAID.

The activity will try to develop working relationships with the organizations involved in the USAID/El Salvador PROSEGUIR activity (519-0444) to support those small growers who have received or will receive land titles.

Close communication and coordination with the CRECER activity (519-0397) will be maintained specifically for those issues related to agricultural policy in which CRECER has a role to play. CRECER will also play an important role by sharing experiences and lessons learned, gained through its work with rural enterprises and NGOs, with the Prime Institution that will develop this activity.

In addition, ROCA will fully support the Water Strategic Objective (S04) by promoting environmentally friendly agricultural techniques, especially in those watersheds (18 municipalities) which S04 has identified.

#### **IV. Mission Review**

A On Wednesday February 11, 1998, the Mission met to review the New Activity Document and provide recommendations on a number of issues and their resolution, the most significant of which are summarized below.

#### CLARIFICATION

- 1 The following legal restrictions will apply for this new activity: Sections 513 and 538 of FY98 Appropriations Act, as well as (a) Policy Determination No. 71, dated May 12, 1978, which excludes, without prior approval of the AA/LAC and concurrence of the AA/PPC, assistance for sugar, palm

oil and citrus, and (b) Policy Determination No 15 which excludes support for the production of agricultural commodities for export by developing countries when the commodities would directly compete with exports of similar U S agricultural commodities to third countries and have a significant impact on U S exporters

## ISSUES

- 1 Issue Despite all efforts currently being made by international donors and banks, including the GOES, to support agricultural federations and NGOs, there is still a lack of grass-roots rural organizations able to provide consistently and on a sustainable basis for the long-term, technological and marketing services to rural poor inhabitants, and most of these services, at this moment, are being provided by the GOES and NGOs, whose sustainability remains questionable How does this activity propose to assure sustainability among secondary level organizations?

Resolution Although it is difficult to assure at this point in time that by the end of the activity the five secondary organizations will be fully sustainable, the activity through the prime institution will set criteria to be fulfilled by the beneficiary organizations in order to receive USAID assistance, as well as commitment, on their part towards this end, i e , a "graduation plan" It is expected though, that by the end of the activity, these organizations will have developed the necessary mechanisms and organizational structures which will allow them to generate the necessary income to cover their expenses

- 2 Issue Given that the purpose of the activity is to increase the availability of environmentally sound agricultural technologies, how will the environmental concerns be made an integral part of the activity, from awarding the sub-grants to assistance provided to small grower beneficiaries? How will the results be reported to S O 4?

Resolution The new activity design (NAD) emphasizes the importance of environmental actions under this activity An environmental specialist is envisioned to be part of the technical assistance team under the Prime Institution The competitive solicitation will specify the type of environmental actions that the prime institution will be required to include as part of its technical assistance package to promote sound technologies and practices

In addition, OCG and the activity manager will work together to reflect in the solicitation the geographic areas of S O 4 with the new activity, especially as they relate to watershed

areas to report results to the Water SO Indicators from the Water S O are in integral part of the set of indicators that this activity will report

- 3 Issue Given that CRECER's approach under the Rural Enterprise Component is very similar to that being proposed under this new activity, will S O No 1 continue to provide technical assistance to those organizations/institutions that are being currently supported by the CRECER activity once it ends?

Resolution The decision to continue the provision of assistance to CRECER's organizations will depend upon the level of "sustainability" the organizations have reached by the end of CRECER's support, the amount of resources and "space" available Also, the potential organization to be absorbed from CRECER will have to satisfy the criteria that the Prime Institution has established

- 4 During the review meeting the following issues, now reflected in the New Activity Document, were also discussed Participation of women as project beneficiaries, GOES involvement through CENTA, emphasis on legal restrictions in the document, clarification regarding the sustainability concept and improvement to the indicator regarding this concept, inclusion of the SO4 watershed geographic focus, and strengthening of the environmental role

#### B Special Actions Required

It is important to mention that the two Results Package virtual members from Washington (Donald Drga and John McMahon) were given advance copies of the NAD on January 23, 1998 Neither has provided comments or observations

If ratification of the SOAG amendment is required by the El Salvador Legislative Assembly, no activity expenditures will be made until this occurs

#### C Congressional Notification

The CN was sent to USAID/Washington on February 13, 1998 No funds will be obligated for this activity until the statutory time period for the CN has expired

#### D Initial Environmental Examinations

On February 7, 1998 the activity was qualified for a Categorical Exclusion by Jeffrey J Brokaw, Chief Environmental Officer from the Bureau for Latin America and the Caribbean

**V Authority**

Under ADS 103 5 14b(1) you have been delegated the general authority set forth in ADS section 103 5 8b(1) to implement approved strategic, special or support objectives, except for signing section 632(a) interagency agreements or exercising the authorities specifically excluded by ADS section 103 5 8b(3) None of the excluded authorities are applicable to your approval of activity The strategic objective, as well as the results framework, for this Results Package were approved by the AA/LAC as part of the Strategic Plan for USAID/El Salvador and are included in the management contract between the AA/LAC and USAID/EL Salvador

**VI. Recommendation**

That you approve the Rural Organizations and Environmental Conservation Activity (519-0438) at a funding level not to exceed \$7.3 million and for an expected duration of five years

Approved \_\_\_\_\_

*Kenneth M. Ellis*

Disapproved \_\_\_\_\_

Date \_\_\_\_\_

*27 March 1998*

Attachment  
ROCA New Activity Document

Drafted RCuellar, RP Team Leader (in draft) date 2/15/98

Clearances

SO1	SGrant	(in draft)	date	<u>3-5-98</u>
OCG	MQuiñonez	(in draft)	date	<u>3-9-98</u>
CONT	CMilla	(in draft)	date	<u>3-5-98</u>
CONT	CAdams	(in draft)	date	<u>3-6-98</u>
SDO	PKranstover	(in draft)	date	<u>3-12-98</u>
RLA	BMyers	<i>em</i>	date	<u>3-19-98</u>
DDIR	DMcFarland	<i>em</i>	date	<u>3-24-98</u>

V. Authority

*been?*

Under ADS 103 5 14b (1) you have delegated the general authority set forth in ADS section 103 5 8b(1) to implement approved strategic, special or support objectives, except for signing section 632(a) interagency agreements or exercising the authorities specifically excluded by ADS section 103 5 8b(3) None of the excluded authorities are applicable to your approval of activity The strategic objective, as well as the results framework, for this Results Package were approved by the AA/LAC as part of the Strategic Plan for USAID/El Salvador and are included in the management contract between the AA/LAC and USAID/El Salvador

VI. Recommendation

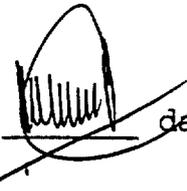
That you approve the Rural Organizations and Environmental Conservation Activity (519-0438) at a funding level not to exceed \$7 3 million and for an expected duration of five years

Approved \_\_\_\_\_

Disapproved \_\_\_\_\_

Date \_\_\_\_\_

Attachment  
ROCA New Activity Document

Drafted RCuellar, RP Team Leader  date 2/15/98

Clearances

SO1 SGrant  
OCG MQuiñonez  
CONT CMilla  
SDO Pkranstover  
RLA BMyers  
DDIR DMcFarland  
CONT E.C Adams

<u>Soy</u>	date <u>3-5-98</u>
<u>MQuiñonez</u>	date <u>3-9-98</u>
<u>CMilla</u>	date <u>3/5</u>
<u>PA</u>	date <u>3-12-98</u>
<u>Bm du 3/18/98</u>	date <u>3/18/98</u>
_____	date _____
<u>✓</u>	date <u>7/10</u>

*7*



# USAID/El Salvador

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

RESULTS PACKAGE No. 3b  
"Technology, Marketing and Infrastructure"

RURAL ORGANIZATIONS AND  
ENVIRONMENTAL CONSERVATION  
ACTIVITY No. 519-0438

NEW ACTIVITY DOCUMENT

February 24, 1998

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Strategic Objective·           Expanded Access and Economic Opportunity  
for El Salvador's Rural Poor

Results Package.               Technology, Marketing and Infrastructure

Activity:                       Rural Organizations and Environmental  
Conservation (ROCA), Activity No 519-  
0438

## I.       INTRODUCTION

The New Activity Document outlines the basic structure and implementation mechanisms for the proposed new activity in support of USAID's Strategic Objective No.1, Expanded Access and Economic Opportunity for El Salvador's Rural Poor, and Intermediate Result, Increased Coverage of Sustainable Secondary Organizations Providing Technological and Marketing Services, and, in support of USAID's Strategic Objective No. 4, Increased Access by Rural Households to Clean Water, Result No. 4.1, Improved Quality of Water Sources, and the Sub-intermediate Result No. 4.1.1, Increased Use of Improved Agricultural Conservation Practices

The proposed new activity is fully supportive of the USAID/El Salvador Mission Strategy document, "Sustainable Development and Democracy in El Salvador, 1997-2002" It is also supportive of the guidelines provided by the USAID/LAC Bureau document "Making Markets Work for the Rural Poor" for agricultural promotion, and private sector agricultural production and marketing, as well as with strategies and reports put forth by the World Bank - Fundacion Salvadorena para el Desarrollo Economico y Social (FUSADES) in the areas of agricultural productivity and environmental conservation practices

### Basic Definitions

During the course of this document, certain concepts will be frequently mentioned which are important to clarify before proceeding any further with the reading These concepts are primary and secondary level organizations, and sustainability These definitions and interpretations apply to this new activity

1) Primary level organizations Organizations composed of individuals These organizations are generally producers of goods

#### Examples

a) Cooperatives

- b) Rural communities
- c) Producer groups
- d) Artisan groups

2) Secondary-level or secondary-tier organizations Organizations composed of and/or working with a number of diverse groups as opposed to individuals These organizations normally provide services (technical assistance, training, credit, marketing, processing, etc ) to their members/clients These organizations are the target of assistance under this new activity

#### Examples

- a) Cooperative federations and confederations
- b) Agroindustries providing technical assistance, credit, marketing, etc that maintain extensive contractual relationships with producer groups
- c) Non-Governmental organizations working with rural communities and/or producer groups

3) Sustainability An organization's financial/economic/organizational ability to operate an agricultural technical assistance/marketing unit with 'own' resources over the long term Own resources defined as income from fees for services, capitalized profits or other income, commissions, and other income In addition, loans that are guaranteed by assets of the organization are considered valid mechanisms to attain self-sustainability in the long-term

It is recognized that for a technical assistance unit it may be more difficult to reach sustainability as compared to a marketing unit It is expected that income derived from marketing operations will generate a revenue able to pay for its own expenses and will also provide funding to cover technical assistance

## II. PROBLEM STATEMENT

El Salvador has experienced robust economic growth during the last five-six years However, the benefits of this growth have been concentrated in urban areas and have largely not reached rural areas At the same time, two-thirds of El Salvador's poor reside in rural areas with limited access to public services or to the basic factors of production

The Mission's Strategy Document ("Sustainable Development and Democracy in El Salvador 1997-2002") states "Small farmers do

not enjoy access to the many services needed for agricultural production " Traditionally, technology transfer has occurred through the direct provision of technical assistance by government extension agents and the organization of farmer training courses During the last several years, both local and international non-governmental organizations (NGOs) have played an increasingly important role in carrying out technology transfer activities in rural El Salvador Today, however, access to technology still remains a major constraint to agricultural production

Equally important, the adoption of new technology does not insure success if farmers do not have secure access to markets for their production Secure markets become even more crucial when production of highly perishable, high-profitable horticultural crops are involved The Mission's technology, marketing and rural infrastructure strategy relies heavily on the diversification of agricultural production into non-traditional and organically grown crops with strong domestic market and export potential These crops are usually produced using highly intensive production techniques, which may have the negative effect of increasing farmers' financial exposure should their crops fail or not be marketed effectively

The USAID/El Salvador Water Strategy and Results Framework states that practically all surface water and much groundwater in wells are contaminated It adds that contamination is produced by agricultural practices, municipal and/or industrial discharges One way to reduce water contamination is the implementation of non-polluting agricultural practices

During the process of developing the economic growth strategy (SO#1), USAID held meetings (focus groups) with the rural poor who repeatedly mentioned the lack of access to marketing channels, production technologies, and financial services as being some of the main constraints

In addition, a recent World Bank-FUSADES study found that only 19% of those surveyed farmers had received agricultural technical assistance, being those farmers who owned less than two hectares, the ones that had the least access to technical assistance

To provide an illustration of small farmers presence in El Salvador, the same study reports that there are approximately 130,000 small farmers growing basic grains (corn, beans, sorghum and rice) in farms of less than 5 hectares Small basic grain farmers represent 82% of all basic grain producers In addition, and not part of the World Bank-FUSADES study, small coffee growers amount to approximately 15,000 individuals

Also, a 1992 USAID study revealed that there are approximately 212,000 small producers in El Salvador

Centro Nacional de Tecnología Agropecuaria (CENTA), the Government agricultural research and extension agency, reports that as of December 1997, it has assisted directly 72,831 small farmers and indirectly, 21,388 individuals. CENTA's target for assistance for 1998 is 107,000 producers in the main areas of basic grains, cattle, forestry, and vegetables.

The following is a summary of key constraints and limitations of secondary-level and non-governmental organizations in providing services to their constituency, as identified by Dr. Donald Jackson, November 1997, in a study prepared for USAID/El Salvador.

- Political ties
- Lack of entrepreneurship
- Lack of resources/access to investment and working capital
- Lack of market information

The same study also identifies elements for success:

- Entrepreneurship
- Clear separation of politics versus policy issues
- Common bond
- Leadership
- Resource endowment of the organization
- External change agents
- Continuity of production to marketing chain

**Other activities from other donors and GOES.**

Other international donors (especially European religious and political groups), are supporting agricultural cooperative federations largely without considering sustainability.

The GOES, together with international donors and banks, is implementing diverse projects ranging from improving GOES/CENTA capabilities for agricultural research and delivery of technical assistance such as PRISA (\$34.6 million), to regional projects such as FIDA/Chalatenango (\$26 million) and FIDA/San Vicente-Cabañas (\$17 million).

The European Union (EU) is supporting an artisan project together with the Ministry of Economy. Also, the EU has a Central American regional project (PROCOOPCA) whose main objective is to strengthen cooperatives. Additionally, the EU is developing a multifaceted project (Programa de Apoyo a la Reforma Agraria) in the department of Usulután.

The Canadian International Development Agency (CIDA) is implementing a \$350,000 project to support an agricultural second level organization, which in turn covers 13 agrarian reform coops from the department of La Paz.

Also, CIDA has granted approximately \$1 million Canadian dollars to a cashew cooperative enterprise (CORALAMA) for upgrading its facilities, in the department of San Miguel.

The Japanese Government is rehabilitating the infrastructure of the Zapotitán Irrigation District at a cost of \$9.5 million dollars.

The Inter-American Development Bank (IDB) has loaned \$16.7 million to the GOES for the construction of the Lempa-Acahuapa irrigation district. IDB is also involved in a proposed \$55 million loan for a water project. The activity will have four components: modernization of the water sector, rehabilitation of San Salvador's water system, water systems in small municipalities (under 5000 inhabitants) to support decentralization, and water systems for small communities in rural areas.

The Central American Bank for Economic Integration (CABEI) has provided two loans to the GOES totalling \$300,000 for the construction of irrigation infrastructure in two agrarian reform cooperatives in the department of La Paz.

The World Bank announced in January 1998, the financing of a \$750,000 two year pilot project on Coffee and Biodiversity.

Presently the GOES, in conjunction with several donors including USAID, is developing an agricultural reactivation plan.

Despite all efforts mentioned above, there is still a lack of grass-roots rural organizations able to provide consistently, and on a sustainable basis for the long-term, technological and marketing services to rural poor inhabitants. Most of these services, at this moment, are being provided by NGOs, whose sustainability remains questionable, or by Governmental agencies whose range of action is limited.

### III. PURPOSE STATEMENT

The purpose of the new activity is to increase the availability of environmentally sound agricultural technologies and marketing services to primary-level organizations and low-income small producers, through sustainable secondary level organizations Key services include product marketing and distribution, and production technologies that enhance productivity and income, and conserve the environment

The primary objective is the delivery of environmentally friendly technical assistance and marketing services to primary-level organizations and small farmers while at the same time the technical assistance/marketing unit of the secondary level organizations becomes self-sustainable over a three-four year period, during the five-year life-of-activity

The new activity will institutionally strengthen approximately five (5) rurally focused, secondary-level, technical and marketing service organizations The number of direct beneficiaries expected to be reached by this activity is 15,000

Funds have been programmed for this Activity (No 519-0438) at \$7.3 million This assistance will begin in FY'98-99 and will last through FY 2002

### IV. RELATIONSHIP TO USAID\EL SALVADOR'S STRATEGY

The Rural Organizations and Environmental Conservation (ROCA) Activity will contribute to the Mission's Strategic Objective No 1 "Expanded Access and Economic Opportunity for El Salvador's Rural Poor" through the Intermediate Result "Expanded Equitable Access to Financial, Technological and Marketing Services by the Rural Poor" The new activity will also contribute to the Mission Strategic Objective No. 4, Increased Access by Rural Households to Clean Water, Result No. 4.1, Improved Quality of Water Sources, through the Sub-intermediate Result No. 4.1.1, Increased Use of Improved Agricultural Conservation Practices

The New Activity will afford an opportunity to small, low-income producers, to increase their disposable income through enhanced productivity in terms of production technology and more effective product marketing Organically grown crops, such as coffee and sesame, are examples of niche-market products which are capable of securing premium returns for the small producers All organically produced crops and other crops produced with environmentally friendly techniques, such as integrated pest management, soil conservation works, etc promoted under the activity, will serve to sustain and protect the environment

The activity will try to develop working relationships with the organizations involved in the USAID/El Salvador PROSEGUIR activity (519-0444) to support those small growers who have received or will receive land titles

Close communication and coordination with the CRECER activity (519-0397) will be maintained specifically for those issues related to agricultural policy in which CRECER has a role to play. CRECER will also play an important role by sharing experiences and lessons learned, gained through their work with rural enterprises and NGOs, with the Prime Institution that will develop this activity

In addition, ROCA will fully support the Water Strategic Objective (SO4) by promoting environmentally friendly agricultural techniques, especially in those watersheds (18 municipalities) which SO4 has identified (See Annex G)

## V. PROPOSED INTERVENTION

The activity will consist of two major components. Component 1, managed by a U S institution and Component 2, managed directly by USAID

### A. Activity Management

1) A Prime Institution will be selected through a competitive process. The Prime Institution will be responsible for the overall management of this portion of the activity. Under this management structure, a multi-disciplinary team will be in place to provide management, environmental, financial-accounting, marketing and technology transfer technical assistance to secondary level agricultural organizations

The Prime Institution is expected to provide sub-grant assistance to approximately **five (5) secondary-level rural organizations**, provided that, in the event that it is determined that the appropriate instrument for the Prime Institution is a contract, the award of any such sub-grant will be subject to prior compliance with Contract Information Bulletin (CIB) 94-23 concerning "Grants under Contracts "

Each secondary-level organization supported under the new activity will be responsible, in conjunction with the Prime Institution, for developing a self-sustaining marketing and production technology unit within the secondary-level organization, that will provide services in these areas to its small producer membership and other primary-level groups and individuals. **The estimated number of small grower beneficiaries and/or cooperative members to be assisted by the five secondary level sub-grantees (and by the small awardee grantees) is 15,000**

Another important task of this activity will be to promote active affiliation to primary-level groups and/or formation of new groups of those rural residents that do not belong to an organization in order to expand the access to tech/marketing services

2) In addition to the tasks carried out by the Prime Institution as described above, the activity will have a component under direct USAID/SO1 management with two purposes a) Receive unsolicited proposals and, b) make small award grants (less than \$100,000, which must be fully implemented within a one-year period) Applicants to this component should be organizations not assisted by the Prime Institution The proposals' contents must be innovative and in accordance with the basic concepts of expanding access of technical and marketing services to the rural poor, as well as environmental conservation USAID will develop selection criteria for the type of activities to be selected and a public announcement will be made once a year by USAID

#### **GOES Involvement**

The Prime Institution shall develop working relationships with CENTA, which is the GOES agricultural research and extension agency, in order to develop long-term linkages among CENTA and the participating local organizations and obtain synergies where appropriate In addition, USAID/SO1 will include a CENTA representative in the SO1 extended team to maintain GOES/CENTA duly informed on ROCA activities

#### **Potential sub-grantees**

Examples of potential sub-grantees under the New Activity would include the following organizations (this list is illustrative and by no means excludes other organizations from becoming potential sub-grantees nor guarantees a sub-grant to any organization)

##### **1. Productores y Exportadores de El Salvador (PROEXSAL)**

For the past six years the Cooperative League of the USA (CLUSA) has been working with farmer groups, principally cooperatives, to increase the production of non-traditional agricultural (NTA) crops for both the domestic and export markets In an attempt to promote sustainability once the CLUSA project is concluded, PROEXSAL was created in 1993 to begin to take over many of the functions which CLUSA has been promoting As of October 1997, the only financial subsidy which CLUSA provided to PROEXSAL were the salaries of the General Manager and the Production Manager

The goal of PROEXSAL is, "To be the preferred agricultural marketer locally and internationally, looking out for the social and economic well-being of our affiliates " In 1996, the

organization sold over \$81,000 of fruits and vegetables in the local market, the majority of which was organically or naturally produced. Additionally, PROEXSAL generated over \$488,000 in export sales of melon (85 percent of the country's total melon exports), and both organic and conventional sesame, in the same year. The organization is also gaining valuable experience in the importation of specific commodities required by its members including boxing materials for melon exports, lettuce seedlings, and apples.

The services by PROEXSAL (with assistance from CLUSA, Technoserve and others in the field) are provided on a 'for fee' basis and include technical assistance at all stages in the farm-to-market chain, quality control (PROEXSAL has never had an export shipment rejected), market contacts and information, and post-harvest handling, as well as the purchase of organic production inputs and packaging materials, cold room facilities, and assistance in fulfilling administrative requirements for export.

## **2. Agropecuaria para el Desarrollo S.A. (AGRODESA)**

AGRODESA was formed in 1994 as the for-profit business window of the Confederación de Asociaciones de Cooperativas de El Salvador (COACES), CORDES, FEDECOOPADES and others, but has since become semi-autonomous. It is registered under the Commercial Code rather than the Cooperative Law, which gives the organization a greater degree of flexibility and entrepreneurial freedom. While its principal membership stems from the agricultural cooperatives affiliated to COACES, the company is open to any and all agricultural producer organizations and individuals which meet its requirements. This has enabled them to achieve greater economies of scale than would otherwise be the case if they dealt only with those affiliated to COACES.

The organization began with the importation of fertilizers and then moved into the marketing of sesame, both conventionally and organically grown. Since then it has added additional crops for export, including a small pilot project with organic sugar. The organization continues to import fertilizers and other agricultural supplies, but they have switched from 'chemically based' inputs to organic/natural ones. The importation and sale of tractors and other farm implements have also become an important part of their operations.

Some supervised production credit is also provided through an association with FIDECOOP, another COACES affiliate, although the lack of sufficient production credit is still seen as a limiting factor. Due primarily to the quality of supervision by the organization, AGRODESA reports zero bad debts--a remarkable revelation for such a young organization in a field usually thought to contain high levels of risk.

All income to the organization results from a commission collected at the point of sale since technical assistance is provided 'free' of charge. At this point, AGRODESA is financially self-sufficient although its expansion is limited due to the lack of production credit mentioned above, as well as processing capability which would result in added value and increased returns to both the company and its producer affiliates.

### **3. Unión de Cooperativas de la Reforma Agraria, Productoras, Beneficiadoras, y Exportadoras (UCRAPROBEX)**

UCRAPROBEX is a secondary-level organization currently composed of 71 primary-level coffee cooperatives and approximately 3,000 additional individual coffee growers. It began in 1988, reaching approximately 10 agrarian reform cooperative members through the sale of inputs, principally fertilizer, and the marketing of their coffee crop. Now, ten years later, the number of coffee cooperatives receiving services from the organization is 71. Last year, it marketed over 210,000 cwt of 'green' coffee beans making it one of the country's largest exporters of that commodity (UCRAPROBEX exports approximately 10% of total Salvadoran coffee exports). Due to relatively higher quality standards, UCRAPROBEX coffee normally receives a \$15.00/cwt premium over the New York spot market price. Furthermore, a portion of their coffee is exported as certified "organically" grown which commands an additional \$40.00/cwt premium on the New York spot market.

Due to the organization's positive reputation, and perhaps more importantly its reputation for delivering high-quality premium coffee to the marketplace, the organization has been able to obtain loans from the commercial banking sector which, when combined with capitalized member profits, allows them to offer required inputs to its members on a credit basis. The default rate on these loans is "very low to insignificant", since any credit owed is subtracted from receipts at the point of sale.

Like AGRODESA, it is registered under the Commercial Code rather than the Cooperative Law, which allows them to operate in a more flexible manner and perhaps also partly explains their strong entrepreneurial focus as a business. All services are treated as profit centers with fees being charged on an actual cost basis. Over the years, they have received direct support from USAID, as well as from CLUSA, TECHNOSERVE, and most recently, the CRECER project.

### **4. Fundación Salvadoreña para la Reconstrucción y el Desarrollo (REDES)**

REDES is a domestic NGO working with El Salvador's rural poor.

It is officially registered with AID/W as being able to receive direct Agency funding. It was established in 1989, and currently has 79 employees working throughout the country. Its activities are split between agriculture and small-scale enterprise development.

Services provided include a 16,000,000 colones (approximately \$2 million) revolving credit fund (interest charged for agricultural purposes at 1.5 percent per month and for enterprise development at 3 percent per month), technical assistance, and training. In terms of training, the organization has developed various modules, and provided on a cost basis mostly directed to micro-entrepreneurs.

In terms of support to farmers, the organization has introduced the concept of input-supply banks (3) and a basic grain bank (1). The first provides in-kind loans to farmers, principally fertilizers purchased in bulk, which are paid back at the end of the harvest. The second functions somewhat like a bonded warehouse where farmers can deposit (store) their grains after harvest until prices rise when they are then withdrawn and offered to the marketplace. Fees are charged for both services. Approximately 2,000 rural families are assisted through these mechanisms. An increase in the number of beneficiaries is currently limited by the amount of their revolving credit fund.

#### **5. Fundación para la Cooperación y el Desarrollo Comunal de El Salvador, (CORDES)**

CORDES is a relatively large and well funded NGO with offices in San Salvador and production/marketing activities involving 167 communities in 43 municipalities in the northern and eastern parts of the country. By the end of 1996, they estimate that they are working directly with over 11,000 rural households. They receive support primarily from NGOs in the European Union and elsewhere.

The services they provide include the provision of credit for agricultural production purposes, technical assistance and training in agricultural technologies, traditional and non-traditional marketing, and institutional strengthening. The marketing of many of the crops produced is generally through AGRODESA and they receive technical support, principally in non-traditional crops from CLUSA.

The organization appears to be apolitical and managed on the principle that income generating activities must be consolidated first in order to provide the resources for parallel social activities. They are presently heavily dependent on outside resources, both financial and human, but are laying the groundwork for self-sufficiency in the future.

## **6. Fundación Campo**

The Fundación Campo is a development organization supported by CARE International. They have been working in 100 of the 262 municipalities in the GOES Reconstruction Program for the past three years. They concentrate on basic grains as part of a "food security" program, although they recently have been expanding into other crops. Their principal activities include the provision of agricultural inputs, mainly fertilizers, on a short-term credit basis through the management of a \$2,000,000 revolving fund. They work through local "credit committees" which sign "solidarity agreements" with the Foundation and charge a flat 4.5 percent commission on the value of each transaction. To date, bad debts stand at approximately 10 percent. The use of credit committees and solidarity agreements were chosen over cooperatives because of past bad experience with cooperatives and the communal nature of the majority of land holdings.

Their experience with marketing is relatively new and includes a pilot attempt at producing pigs for the San Salvador retail market.

## **7. Fundación Promotora de Productores y Empresarios Salvadoreña (PROESA)**

PROESA is a domestic NGO providing technical assistance and training opportunities to El Salvador's rural poor. Until the end of FY 1997, it received funding through CLUSA as part of the Mission's 394 Project reconstruction program and is officially registered with AID/W allowing them to receive Mission funds directly. They work in all parts of the country with organized groups including cooperatives.

In contrast to most of the organizations already discussed, PROESA provides technical assistance and training in business management, especially in the area of tourism for micro-entrepreneurs, in addition to agricultural production technologies. They are also one of the founding members of PROXSAL which they hope will benefit their target audience through access to marketing services. Finally, PROESA is managing a revolving credit fund of approximately \$200,000 for non-traditional agricultural production.

### **B. Implementation Mechanisms**

- Cooperative Agreement vs Institutional Contract for the "Prime Institution" (See Section VI, Analytical Consultation Process, Issues)
- Chief of Party (COP) shall have specialized expertise in institutional development, agricultural production and marketing. Other team members would consist of five to six experts in

management, finance-credit, information systems, agricultural production and marketing technology transfer, and environmental conservation practices

- Other key qualifications of the Prime Institution include a procurement capability for commodities (for major commodity procurement on behalf of all activity-funded organizations) and for identifying and providing short-term technical expertise available through the Prime Institution or from other local and offshore sources. The Prime Institution will have a U S presence that will facilitate market identification as well as export product sales within U S and other markets, on behalf of the Salvadoran secondary-level organizations

- The Prime Institution will be responsible for establishing a MIS reporting activity, results-measuring and monitoring capability for all program indicators. The MIS will include and be linked to all activity-assisted organizations

- At a minimum, "substantial involvement" by the USAID SO1 Project Manager and SO1 team members will consist of approval of the Prime Institution's annual work plan and budget, sub-grant agreements and respective results/ performance indicators, contracting arrangements, the approval of a formal plan for sustainability (i.e. "graduation plan") and other major actions. Additional operational actions may be considered appropriate responsibilities for the SO1 Project Manager

- Cost-sharing opportunities may be gained as a result of the negotiation process with the Prime Institution, as well as cost-sharing commitments from the sub-grantees and small awardees. Although not a requirement, cost-sharing contributions with respect to a local organization's existing capacity for product marketing and technology transfer, as well as in-kind support including personnel and commodities, are highly desirable

- Subject to compliance with CIB 94-23, if required, sub-grants will be made by the Prime Institution to five (5) secondary-level organizations. Performance criteria for the secondary-level organizations -- committed to by the Prime Institution as well, and to be monitored and verified on an annual basis by the USAID SO1 Team -- will include 1) sustainability of marketing and technology transfer services within a 3-4 year period, 2) number of small producers utilizing and paying for services, 3) total volume of product marketed which is attributable to the marketing and technical services provided by the secondary organization, and 4) environmental approach. (See also additional selection criteria in Section X, Implementation/Management Plan)

- A number of awards for proposals or small grants, will be made by the USAID SO1 team to secondary level organizations not included as sub-grantees of the Prime Institution, but which are

also capable of reaching small producers and becoming self-sustaining entities. A set of selection criteria will be developed by USAID/SO1

## **VI. ANALYTICAL/CONSULTATION PROCESS**

The first step taken towards this new activity was an attempt to identify the universe of agricultural and artisan secondary organizations. We know of more than 50 agricultural secondary level organizations. The Results Package Team visited approximately fifteen secondary-level organizations.

A consultant was contracted during October 1996 to visit a cross-section of these organizations, including artisans. Also in November 1997, a study was conducted to identify the feasibility of local organizations to provide marketing services on a sustainable basis.

For the preparation of this new activity document, several meetings were held, and follow-up interviews were carried out with partners and customers who could be key participants in the accomplishment of SO1, the Intermediate Results, and indicators of success for the new activity for strengthening rural agricultural organizations and broadening and deepening the production/conservation technologies and marketing services made available to primary-level producers. (See Annex E, list of recent interviews, December 1997)

### **Issues**

#### **1. Legal constraints for this activity**

In addition to standard legal restrictions such as those involving procurement, the following legal and policy restrictions will apply to this new activity: (a) Section 513(b) of the FY98 Appropriations Act which prohibits, with certain exceptions, the use of funds for any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training in connection with the growth or production in a foreign country of an agricultural commodity for export which would compete with a similar commodity grown or produced in the United States, (b) Section 538 of the FY98 Appropriations Act (PD-20, as amended) which prohibits the use of funds for a number of activities in the following areas: (i) relocation of U.S. businesses and resulting loss of jobs in the United States, (ii) assistance to export processing zones and (iii) assistance that contributes to the violation of internationally recognized workers rights (with certain exceptions), (c) PD-15 which states that it is USAID policy to avoid supporting the production of agricultural commodities for export by developing countries when the

commodities would directly compete with exports of similar U S agricultural commodities to third countries and have a significant impact on U S exporters, and (d) PD-71 which requires prior approval by the AA/LAC with the concurrence of the AA/PPC (following a review as described in the PD) before the development of any activity involving production, processing or marketing of sugar, palm oil or citrus for export

The contract or agreement with the Prime Institution (and, to the extent appropriate, the Strategic Objective Grant Agreement with the Government of El Salvador) will include a provision which identifies these restrictions and prohibits the use of funds in violation of any of them

## **2. Non-eligible local organizations**

Those organizations/institutions that are being supported by the current USAID/CRECER activity should not be eligible to receive assistance under this new activity, at least until CRECER support ends to avoid duplication of efforts, since CRECER's approach under the Rural Enterprise component is very similar to what is being proposed under this new activity

## **3 The use of a Cooperative Agreement vs. Institutional Contract for the Prime Institution.**

The determination as to the appropriate instrument will be made in accordance with ADS Section 304 5 entitled "Selection Criteria "

## **4 Sustainability of Secondary Level Organizations.**

Besides the 3 organizations that are currently demonstrating their capability to become self-sustaining secondary-level rural organizations (i e PROEXSAL, UCRAPROBEX, and AGRODESA), with clientele that include low-income small producers, is it realistic to expect that other secondary-level rural organizations, given their current situations, can become self-sustaining entities during the proposed 3-5 year period?

Among the constraints to sustainability faced by these organizations are 1) lack of commission or fee income and not much potential to reverse this trend given their current membership or constituency, 2) lack of access to sufficient credit or investment capital/backers needed to bring about greater product volume for exports and other high value markets, and, 3) an indication that other similar organizations are continuing to receive operational subsidies from multilateral and bilateral donor organizations  
(See definition of sustainability, Performance Monitoring Plan, Section X )

It is the opinion of the SO1 design team that many secondary-level organizations providing services to poor, rural producers, are capable of becoming self-sustaining entities, at least for the agricultural T A and marketing unit, based on fee income and an entrepreneurial approach to generating income

Also, during the meetings held with many organizations, they expressed their concern of the rapidly declining donations from the international community and the necessity to start a self-sustaining plan. Concepts such as globalization, competitiveness, efficiency, comparative advantages, market driven, entrepreneurship, etc were frequently mentioned during the course of the interviews which reflects a new attitude within these organizations

At least three secondary level organizations (PROXSAL, UCRAPROBEX and AGRODESA) and possibly more, are currently well on their way to becoming self-sustaining in line with the definition of the new activity

#### **5. Viability of Organic Coffee Production by Small Producers**

The technology and conservation process of converting regular coffee-growing farms into organically certified production requires a period of three-four years. Is it feasible that the new activity can work with a significant number of small grower cooperatives and associations at the primary level, who are capable of making the transition from regular coffee to organic production, and thus secure the added premium this product commands in the market, as well as protect the environment?

Many examples can be cited of small, poverty-level producers who have made a successful transition from regular coffee to higher value, environmentally safe organic coffee production. Small producers are capable of reducing their cost of production during the transition period, and as a result, either maintain or increase their current income levels. Once the coffee production is certified by an international committee, an immediate market premium can be achieved at the point of sale -- which is then channeled back to the small producer. Most organic coffee producers are able to consistently achieve a significant increase in disposable income as a result of converting to the organic process, and at the same time better preserve the intrinsic value of their land.

#### **Cost Sharing**

Every effort will be made to leverage additional support for the Sustainable Rural Organizations and Environmental Conservation activity, including counterpart support from the Prime Institution (if a Grantee), capital support leveraged from financial institutions, as well as other donor assistance

Other potential funding sources for counterpart contribution include secondary and primary level organizations expenditures such as provision of infrastructure, equipment, and salaries of personnel involved in the activity. The contribution of private companies that advance activity objectives will also be eligible to be reported as counterpart contribution.

It is not possible to provide a written commitment from these prospective counterparts at this time, but it may be obtained during negotiations with the lead candidate for the Prime Institution before the award is made. The RP team recommends a formal written counterpart agreement as part of authorizing the new activity. The agreement with the Prime Institution may include a clause that requires cost sharing commitments to be periodically estimated and tracked by the Prime Institution.

Under the terms of the SOAG, the GOES will retain responsibility for the full 25% host country contribution, although eligible cost-sharing provided by other organizations described above will be counted in satisfaction of that requirement.

#### **Consultation Process**

During the process of developing the economic growth strategy (SO#1), USAID held meetings (focus groups) with the rural poor who repeatedly mentioned the lack of access to marketing channels, production technologies, and financial services as being some of the main constraints.

The SO#1 Office also organized team meetings with its partners to first reconfirm the major constraints to economic growth in the rural sector and later discuss specific issues regarding the Strategy for Rural Organizations' Sustainability, Marketing and Technology. A strong effort was made to identify what other donors and the government are doing in the field of rural marketing and technology transfer in order to avoid duplication of effort and identify opportunities for collaboration and coordination.

In addition, there are efforts from different local and international organizations (including USAID) in putting together a Rural Development Strategy or an Agricultural Reactivation Plan. Several fora have been held, being the latest the Rural Enterprise fora organized by CRECER, a USAID activity. As a result of these open discussions, the lack of agricultural technical assistance and effective marketing mechanisms for the rural poor always emerge as one of the constraints limiting rural economic growth.

## VII. CONDITIONS PRECEDENT AND/OR COVENANTS

Only the standard SOAG Conditions Precedent will be employed

## VIII. CUSTOMER SERVICE

The activity will include a management information system (MIS) installed and operated by the Prime Institution. In addition, several options will be considered for the development of a coordinated information system between the Prime Institution and each sub-grant recipient so as to provide direct feedback to the Prime Institution and USAID on partners' and customers' needs or perceptions of desired services and suggestions for improvement. It is envisioned that this service will be provided by the Prime Institution, with strong involvement by the sub-grantees and in turn, their membership and primary level association. Several techniques, such as the ones mentioned below, will be used under this Activity by USAID to identify partners' and customers' needs and perceptions.

- 1 Direct observation observing and recording what is actually going on at assistance activity sites, using a detailed observation form (home visits, field visits)
- 2 Rapid Appraisals Methods, such as
  - Key informant interviews, which involve interviews with 15 to 35 individuals selected for their knowledge and to reflect diverse views. Interviews are qualitative, in-depth and semi-structured
  - Focus Groups, which involve several homogeneous groups of 8 to 12 participants each discuss issues and experiences among themselves
  - Community interviews, which takes place at public meetings open to all community members
- 3 Mini surveys involves interviews of 25 to 50 individuals, usually selected using non-probability sampling techniques. Structured questionnaires are used that focus on a limited number of close-ended questions
- 4 Formal surveys professional researchers are utilized to design client satisfaction surveys with statistical significance, conduct surveys and analyze findings

## IX. IMPLEMENTATION/MANAGEMENT PLAN

USAID personnel specifically funded under the new activity will

include two professionals from the SO1 team, both currently funded under the CRECER activity. In addition to salary costs of these personnel, additional funds will be included to cover training requirements and limited administrative and equipment support costs. It is envisioned that starting on FY99, split funding from CRECER and this activity will be applied to the professionals involved in ROCA's management.

GOES partners will include the Ministry of Foreign Affairs, the Ministry of Agriculture, with coordination and communication with other GOES entities such as CENTA as mentioned above. As stated in the original SOAG, GOES will designate an activity coordinator. For this activity, it is expected that the coordinator will be a representative of the Ministry of Agriculture and Livestock.

It is anticipated that five secondary-level non-coop/coop organizations, farmer associations, as well as PVOs/NGOs which currently work in rural poor areas with agricultural producers and institutions will be the most likely candidates for sub-grant assistance under this activity. However, the proposed full and open competitive process will allow the USAID Mission to determine the most appropriate and potentially successful approach to sustaining secondary-level institutions, increasing the incomes of small, poverty-level producers, and preserving and protecting the environment.

The following selection criteria (which can later be refined or modified by the Prime Institutional Contractor) have been developed for these secondary-level organizations,

- 1) The organization should be oriented towards the resolution of economic problems of the rural poor rather than social problems such as health, education, housing, or non-productive infrastructure. This orientation should be specified in the organization's by-laws, or registration documents (Personeria Juridica).
- 2) The organization should promote environmentally sound technologies and practices such as organic crops, integrated pest management, soil erosion prevention, agroforestry, etc.
- 3) The organization should be financially and administratively sound.
- 4) The primary focus of the organization should involve 'fee for service' activities, such as supervised credit, on-farm mechanization, input supply, marketing, and technical assistance. Trade association activities (actividades gremiales) including promotion, lobbying, and representation, are acceptable as a secondary focus.

- 5) The organization should be economically self-reliant through the collection of member dues or fees, self-generated economic activities, capitalized past income, loans, or should be making strides to become so, and not be dependent on outside grants, donations, or subsidies, except in the short term
- 6) The organization should be a secondary-level association composed of primary organizations whose goals and methods are the same as those of the secondary organization
- 7) The organization should have stable elected and hired management, or be making strides toward that end
- 8) The organization should be composed of primary associations which reach a significant number of direct and indirect beneficiaries (i e , a minimum of 10 primary organizations and 3,000 beneficiary members )
- 9) In the case of a secondary-level organization, it should have an open membership policy, eg , it should be willing to associate new primary-level organizations
- 10) The organization should have a demonstrated need for management training/technical assistance, extension methodologies, and institutional development
- 11) The organization should promote the inclusion of women as direct beneficiaries of its services and this activity in particular
- 12) The organization should be open to develop actions in the 18 municipalities as identified by the Water S O

#### **Primary Implementation Mechanisms**

The activity's Prime Institution (Grantee/Contractor) will be selected based on a full and open competitive process. Whether this will be an assistance instrument or contract mechanism has not been determined at this time.

The Prime Institution will be responsible for the procurement of all offshore technical assistance to be used in this activity. The Prime Institution will also be responsible for the procurement of all local technical assistance to be employed by the Prime Institution.

For the procurement of commodities anticipated under each sub-grant, the Prime Institution will be responsible for procuring all major commodities. Among these procurement would be fixed assets (e g production and office equipment, computers and

software, vehicles and motorcycles)

The annual audit requirements of the activity will be carried out in accordance with "Automated Directive System, (ADS) Chapter 591 5 1 Audits of U S Non-Profit Organizations", or "ADS Chapter 591 5 3 Audits of U S For-Profit Firms" The AID/W Office of Procurement has audit cognizance, no funds have been budgeted separately for audit purposes For unsolicited proposals and/or small grants the audit mechanism will be determined and budgeted during the activity approval process

**Monitoring, measuring and reporting on implementation performance:**

- The Activity will provide funding for the development of sample baseline data, including income from small producers, for use in measuring results indicators This information will be applied to the recipients of sub-grants and their membership and/or group associations under the new activity Technical assistance will be provided by the Prime Institution to institute a results indicator tracking and monitoring information system
- Follow-up technical assistance by the Prime Institution will be required on a regular basis to assist the sub-grant recipients in fine-tuning their respective information systems so that regular feedback on their progress can be acted upon by project management to continue to improve performance
- Regular reporting of results indicators will be done by both the Prime Institution and sub-grant recipients The Prime Institution will be responsible for providing quarterly reports to USAID on results indicators, as well as additional important information such as any increases in income for the small producers being assisted and environmental activities

**X. PERFORMANCE MONITORING PLAN**

**I- Result Framework, Result No. 3: Expanded Equitable Access to Financial, Technological and Marketing Services by the Rural Poor**

**Indicator**

- 1 Number of male and female direct beneficiaries receiving services (i e , management, agricultural technical assistance, bulk input supply, processing, or produce marketing) from secondary-level organizations

Target 15,000 direct beneficiaries will be receiving services from secondary-level organizations by the end of 2,002

Comment This indicator will measure how access to services by rural inhabitants is being increased

Source Quarterly activity reports

**II- Intermediate Result: Increased Coverage of Sustainable Secondary Organizations Providing Technological and Marketing Services**

Indicators

- 1 Number of secondary organizations providing services (i.e., management, agricultural technical assistance, bulk input supply, processing, produce marketing)

Target 5 secondary-level organizations will be delivering services by the end of 2,002

Comment This indicator will count all secondary-level organizations working under the activity

Source Quarterly activity reports

- 2 Percent of sustainability achieved by each secondary-level organization

Target 5 sustainable technical assistance/marketing units of each secondary-level organizations will be delivering services by the end of 2,002

Comment This indicator will measure progress on sustainability

	T A unit (% sustainability)	Marketing unit (% sustainability)
Organization A		
Organization B		
Organization C		
Organization D		
Organization D		

Source Quarterly activity reports

- 3 Number of primary organizations (coops, producer groups, communities, etc ) receiving services from secondary organizations

Target 150 primary-level organizations will be receiving services by the end of 2,002

Comment This indicator will quantify the coverage of secondary organizations providing services to primary organizations

Source Quarterly activity reports

### III- Indicators for Base Level Results Package B

#### - Increased Affiliation of Producers to Primary Level Organizations.

##### Indicators

- 1 Increased number of producers affiliated to cooperatives and producer associations receiving technology and marketing services

Comment This indicator will quantify the number of people affiliated to primary organizations and participating of services delivered by the primary organization

Source Quarterly activity reports

#### - Increased value of product marketed by primary organizations

##### Indicators

##### Increased Value of Product

- 1 \$ value of product marketed by primary organization
- 2 \$ value of product marketed through secondary organizations
- 3 Area (in hectares) under cultivation adopting technology

Comment This indicator will quantify how efficient and reliable are the marketing services provided by primary and secondary level organizations, as well as land area adopting new improved technologies

Source Quarterly activity reports

**- Results to be reported under the Water Strategic Objective  
Intermediate Result 4 1. Improved Quality of Water Sources**

**Indicator**

1 Quantity of primary pollutants diverted from  
contaminating water

**Sub-intermediate Result 4.1.1: Increased use of improved  
agricultural conservation practices.**

**Indicator**

2 Salvadorans using improved technologies and practices

Note The Water Strategic Objective will develop a methodology  
for the quantification of Indicator 1

**Qualitative Indicators**

As discussed in Section VIII, USAID will monitor qualitative  
aspects of the activity such as customer satisfaction, quality  
of services provided, behavioral change level, etc

**Achievement of Results**

**Sustainability**

Sustainability of the secondary-level organizations will to a  
large extent be determined by the impact their programs have on  
the primary level producer, in terms of increased markets for  
those producers classified as poor, increased production and  
productivity, and increased annual income by the producer as a  
result of activity-related assistance in production technology  
and marketing

A financially sustainable secondary organization is defined as  
one that collects sufficient revenues to cover the full  
opportunity cost of its activities (i.e. the USAID-supported  
activity and those directly related to this activity) Such a  
program can continue operating indefinitely at a stable or  
growing scale, without further support from governments, donor  
agencies, or charitable organizations Growth in the program's  
operations and other services can be funded on a commercial  
basis i.e. reinvestment of profits, loans from commercial banks,  
contracts with commercial enterprises, and equity from private  
investors

For a secondary level agricultural marketing and technology  
program, financial sustainability requires that income from fees  
charged to clients, and other sources of revenue derived from

entrepreneurial services, cover (1) the program's operational costs within the area of USAID-supported agricultural marketing and technology, including salaries and other costs of administration (whether paid by the organization or received as a donation), depreciation of fixed assets, and losses due to default, and (2) its financial costs, including both the costs of raising funds through commercial loans and the opportunity cost (including inflation) of any grants or low-interest loans previously provided by donors, which are specifically focused on the New Activity's results

Before the Prime Institution and/or USAID unsolicited proposal/small award grant review committee will approve grants to a secondary level entity, the management of the institution must provide a credible written commitment to (1) attain full financial sustainability on the organization's services and activities (for USAID-supported programs) within a specified reasonable period of time (i.e. approximately three-four years, with several organizations capable of reaching this goal sooner than four years) from the time of the initial provision of sub-grant assistance (i.e. "Graduation Plan"), (2) the secondary level organizations must use the sub-grant assistance to improve the quality and expand the availability of services it offers to its current primary level clientele and new clientele, and (3) the secondary-level organization must commit to implement environmentally friendly agricultural activities

The commitment must be accompanied by a plan outlining the major steps to be undertaken in the process of achieving this goal, including a realistic timetable for undertaking those steps, and defining periodic benchmarks by which progress toward the goal can be determined. The Prime Institution will likewise be held responsible for the achievement of these performance indicator goals by the sub-grantee

The process of achieving sustainability will be monitored and periodically assessed by the Prime Institution, the USAID SO1 Team, as well as by activity evaluations contracted for by USAID

## **XI FINANCIAL PLAN**

See Separate Detailed Illustrative Budget for the Prime Institution, Annex F

**PROJECTION OF OBLIGATIONS BY FISCAL YEAR**

Activity Components	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
IMPLEMENTING ENTITY	1 445 0	1,398 0	550 0	521 0	634 0	4 548 0
SUB-GRANTS/SUB-CONTRACTS TO 2nd LEVEL ORG	500 0	747 0	425 0	321 0	132 0	2 125 0
USAID MANAGEMENT COSTS (INCL EVAL )	0 0	0 0	70 0	103 0	179 0	352 0
UNSOLICITED PROPOSALS/SMALL AWARDS	55 0	55 0	55 0	55 0	55 0	275 0
<b>ACTIVITY TOTAL</b>	<b>2 000 0</b>	<b>2 200 0</b>	<b>1 100 0</b>	<b>1 000 0</b>	<b>1 000 0</b>	<b>7 300 0</b>

**SUMMARY COST ESTIMATES AND FINANCIAL PLAN**

Activity Components	LC	USAID		TOTAL USAID	COUNTER PART	ACTIVITY TOTAL
			FX			
IMPLEMENTING ENTITY	0 0		4,548 0	4 548 0	0 0	4 548 0
SUB-GRANTS/SUB-CONTRACTS TO 2nd LEVEL ORG	2 125 0		0 0	2 125 0	2 433 3	4 558 3
USAID MANAGEMENT COSTS (INCL EVAL )	186 0		166 0	352 0	0 0	352 0
UNSOLICITED PROPOSALS/SMALL AWARDS	275 0		0 0	275 0	0 0	275 0
<b>ACTIVITY TOTAL</b>	<b>2 586 0</b>		<b>4 714 0</b>	<b>7,300 0</b>	<b>2 433 3</b>	<b>9 733 3</b>
				75 0%	25 0%	100 0%

**METHODS OF IMPLEMENTATION AND FINANCING**

Activity Components	METHOD OF IMPL	METHOD OF FINANCING	TOTAL COST
IMPLEMENTING ENTITY	CA or Contract	FRLC or Direct P	4 548 0
SUB-GRANTS/SUB-CONTRACTS TO 2nd LEVEL ORG	CA or Contract	FRLC or Direct P	2,125 0
USAID MANAGEMENT COSTS (INCL EVAL )	Direct Procur	Direct Pay	352 0
UNSOLICITED PROPOSALS/SMALL AWARDS	Direct Procur	Direct Pay	275 0
<b>ACTIVITY TOTAL</b>			<b>7 300 0</b>

**Annex A**  
**Assistance Checklist**

**Annex B**  
**Congressional Notification**

CN drafted by SDO and sent to Washington on February 13/1998

**Annex C**  
**Initial Environmental Examination**

**Annex D**  
(Time Line of Key Events)

**Annex E**  
**List of Recent Interviews with Partners and Customers**

Analyses (technical, social, institutional, economic, gender etc  
- as appropriate)

**Annex F**  
**Illustrative Budget, Prime Institution**

**Annex G**

List of 18 municipalities under the Water Strategic Objective  
focus

## I. COUNTRY CHECKLIST

The USAID/W Country Desk Officer, in consultation with the Department of State Country Desk Officer, prepares the Country Checklist. It is normally prepared at the beginning of the fiscal year.

Listed below are the statutory and regulatory "country eligibility" criteria applicable to: (A) both Development Assistance ("DA") and Economic Support Fund ("ESF") assistance; (B) DA only; or (C) ESF only

### A. DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND

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

N/A; El Salvador is not a major illicit drug producing or major drug transit country.

a. Has the President in the March 1 International Narcotics Control Strategy Report (INCSR) determined and certified to the Congress (without Congressional enactment, within 30 calendar days, of a resolution disapproving such a certification), that (1) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals and objectives established by the U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or that (2) the vital national interests of the United States require the provision of such assistance?

N/A

b. With regard to a major illicit drug producing or drug-transit country for which the President has not certified on March 1, has the President determined and certified to Congress on any other date (with enactment by Congress of a resolution approving such certification) that the vital national interests of the United States require the provision of assistance, and has also certified that (a) the country has undergone a fundamental change in government, or (b) there

N/A

has been a fundamental change in the conditions that were the reason why the President had not made a "fully cooperating" certification.

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

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

3. **Seizure of U.S. Property (22 USC 2370a ):** If assistance is to a government, has it (including any government agencies or instrumentalities) taken any action on or after January 1, 1956 which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without (during the period specified in 2370a(c)) either returning the property, providing adequate and effective compensation for the property, offering a domestic procedure providing prompt, adequate, and effective compensation for the property, or submitting the dispute to international arbitration? If the actions of the government would otherwise prohibit assistance, has the President waived this prohibition and so notified Congress that it was in the national interest to do so?

No

4. **Communist and Other Countries (FAA Secs. 620(a), and 620(f), FY 1998 Appropriations Act Secs 507, and 523):** Will direct or indirect assistance be provided to Communist countries such as China, Cuba, North Korea, Tibet, Vietnam? (b) Will direct or indirect assistance be provided to directly to Libya, Iran, Iraq, or Syria? or (c) Will direct assistance be provided to Sudan? If so, has the President made the necessary determinations to allow assistance to be provided?

No. El Salvador is not a communist country.

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

No

6. **OPIC Investment Guaranty (FAA Sec. 620(l))** Has the country failed to enter into an investment guaranty agreement with OPIC? [Reference may be made to the annual "Taking into Consideration" memo ] No
7. **Seizure of U.S. Fishing Vessels (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5).** (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? [Reference may be made to the annual "Taking into Consideration" memo.] No
8. **Loan Default (FAA Sec. 620(q), FY 1998 Appropriations Act Sec. 512 (Brooke Amendment)):** (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one calendar year on interest or principal on any U.S. foreign assistance loan? [note: Liberia was added to the list of country exceptions for FY 1998]. No
9. **Military Equipment (FAA Sec. 620(s)):** 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? [Reference may be made to the annual "Taking Into Consideration" memo.] Yes. Taken into account by the Administrator at the time approval of the FY 1998 OYB.
10. **Diplomatic Relations with U.S. (FAA Sec. 620(t)):** Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No
11. **U.N. Obligations (FAA Sec. 620(n)):** What is the payment status of the country's U.N. obligations? If the country is in arrears, was such arrearage taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? [Reference may be made to the annual "Taking into Consideration" memo.] El Salvador's U.N. arrearages, both in general and for purposes of Article 19 of the U.N. Charter, were taken into account by the Administrator at the time of approval of the FY 1998 OYB.

## 12. International Terrorism

a. **Sanctuary and Support (FY 1998 Appropriations Act Sec. 527; FAA Sec. 620A).** Has the country been determined by the President to. (i) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (ii) otherwise supports international terrorism? If so, has the President has waived this restriction on grounds of national security or for humanitarian reasons? No

b. **Compliance with UN Sanctions Against Iraq and Libya (FY 1998 Appropriations Act Secs. 534 and 582).** Is assistance being provided to a country not in compliance with UN sanctions against Iraq (Sec 534), or Libya (Sec 582)? No

c. **Governments That Aid Terrorist States.** (FAA Section G, added by section 325 of the Antiterrorism and Effective Death Penalty Act of 1996, P.L. 104-132, April 24, 1996). Is assistance being provided to a government of a country that provides assistance to the government of another country which the SOS has determined is a terrorist government under section 620A of the FAA? If so, has the President made the necessary determinations to allow assistance to be provided? No

13. **Export of Lethal Military Equipment (FY 1998 Appropriations Act Sec. 550, FAA Sec. 620H, added by section 326 of the Antiterrorism and Effective Death Penalty Act of 1996, P.L. 104-132, April 24, 1996).** Is assistance being made available to a government which provides lethal military equipment to a country the government of which is a terrorist government under sections 620A of the FAA, 6(j) of the Export Administration Act (50 U.S.C. App. 2405(j)) or 40(d) of the Arms Export Control Act? If so, has the President made the necessary determinations to allow assistance to be provided? No

14 **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

15 Nuclear Technology (Arms Export Control Act Sacs 101, 102): 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(d) permits a special waiver of Sec. 101 for Pakistan.] No

16 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.] No

17. Military Coup (FY 1998 Appropriations Act Sec. 508) 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

18. Exploitation of Children (FAA Sec. 116(b)): 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

19. Parking Fines (FY 1998 Appropriations Act Sec. 551): Has the overall assistance allocation of funds for a country taken into account the requirements of this section to reduce assistance by 110 percent of the amount of unpaid parking fines owed to the District of Columbia as of the date of enactment of the F 1998 Appropriations Act, November 26, 1997?

FY 1998 obligations will be reduced by 110% of the amount of unpaid parking fines owed to the District of Columbia as determined by M/B. As of 11-26-97, El Salvador owed \$2,880.00.

20. Delivery of Humanitarian Assistance (FAA Sec 620I, added by F 1997 Appropriations Act Sec. 559 562) Has the government prohibited or otherwise restricted, directly or indirectly the transport or delivery of United States humanitarian assistance? If so, has the President made the necessary determination to allow assistance to be provided? No

21 Nuclear Power Plant in Cuba (Sec. 111 of the LIBERTAD Act, P.L. 104-114, March 12, 1996) Has the country or any entry in the country provided on after the dates of enactment of the F 1996 Appropriations Act, January 27, 1996, or the LIBERTAD Act, March 12, 1996, assistance or credits in support of the Cuban nuclear facility at Juragua, Cuba. If so, has the overall assistance allocation of funds for that country taken into account the requirements of this section to withhold assistance equal to the sum of any such assistance or credits? No

## 22. War Criminals

a. Harboring War Criminals (FY 1998 Appropriations Act Sec. 561): Has the government of the country knowingly granted sanctuary to persons in its territory for the purpose of evading prosecution, where such persons-- No

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

(ii) have been indicted for war crimes or crimes against humanity committed during the period beginning March 23, 1933, and ending on May 8, 1945 under the direction of, or in association with (1) the Nazi government of Germany; (2) any government in any area occupied by the military forces of the Nazi government of Germany; (3) any government which was established with the assistance or cooperation of the Nazi government; or (4) any government which was an ally of the Nazi government of Germany?

b. Granting Sanctuary to Indicted War Criminals (FY 1998 Appropriations Act Sec. 573). Have the competent authorities of the country, entity or canton failed, as determined by the Secretary of State, to take necessary and No

significant steps to apprehend and transfer to the International Criminal Tribunal for the former Yugoslavia, all persons who have been publicly indicted by the Tribunal?

If so, do any of the exceptions listed in Sec. 573(c) apply, and/or, has the Secretary of State specifically waived the application of the restrictions to bilateral or multilateral assistance, as provided in Sec. 539 (e)?

#### **B. DEVELOPMENT ASSISTANCE ONLY**

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

No

#### **C. ECONOMIC SUPPORT FUND ONLY**

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

No



**III. ASSISTANCE CHECKLIST**

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

CROSS REFERENCE IS COUNTRY CHECKLIST UP TO DATE? YES

**A. DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND**

**1 Congressional Notification**

**a General Requirement (FY 1998 Appropriations Act Sec 515, FAA Sec 634A)** If the obligation has not previously justified to Congress, or is for an amount in excess of the amount previously justified to Congress, has a Congressional Notification been made?

SDO has prepared the CN which has been submitted to USAID/Washington.

**b Special Notification Requirement (FY 1998 Appropriations Act, "Burma" and "NIS" Title II headings and Sec 520)** For obligations for NIS countries, Burma, Colombia, Haiti, Liberia, Pakistan, Panama, Peru, Serbia, Sudan or the Democratic Republic of Congo has a Congressional Notification been submitted, regardless of any justification in the Congressional Presentation? N/A

**c Notice of Account Transfer (FY 1998 Appropriations Act Sec 509)** If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees? N/A

**d Cash Transfers and Nonproject Sector Assistance (FY 1998 Appropriations Act Sec 532(b)(3))** If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U S interests to be served and a description of any economic policy reforms to be promoted? N/A

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

45

3 **Legislative Action** (FAA Sec 611(a)(2)) If the obligation is in excess of \$500,000 and requires legislative action within the recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

If ratification of this SOAG amendment is required by the Legislative Assembly no activity expenditures will be made until this occurs.

4 **Water Resources** (FAA Sec 611(b)) If the assistance is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U S C 1962, et seq)? N/A

5 **Cash Transfer/Nonproject Sector Assistance Requirements** (FY 1998 Appropriations Act Sec 532) If assistance is in the form of a cash transfer or nonproject sector assistance

a **Separate Account** Are all such cash payments to be maintained by the country in a separate account and not commingled with any other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)? N/A

b **Local Currencies** If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies

(1) Has A I D (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A I D and that government to monitor and account for deposits into and disbursements from the separate account? N/A

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

(3) Has A I D taken all necessary steps to ensure that the equivalent of local currencies disbursed from the

separate account are used for the agreed purposes? N/A

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

## 6 Capital Assistance

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

b ( Jobs Through Export Act of 1992, Secs 303 and 306(b)), P L 102-549, 22 U S C 2421b and 2421d(b) If assistance is being provided for a capital activity, is the activity developmentally sound and will it measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level? N/A

## 7 Local Currencies

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

Recipient organizations will be required to contribute up to 25% of the sub-contract value.

### b US-Owned Foreign Currencies

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

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

8 Trade Restrictions - Surplus Commodities (FY 1998 Appropriations Act Sec 513(a)) If assistance is for the

production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U S producers of the same, similar or competing commodity?

No, however all contracts and grants under this activity will include a restriction on the issues mentioned above.

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

The activity was qualified on February 7, 1998, as Categorical Exclusion by the Chief Environmental Officer of the LAC Bureau.

#### 10 PVO Assistance

a Auditing (FY 1998 Appropriations Act Sec 549) If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of USAID?

It is expected that a U.S institution will be the prime contractor for this activity. The annual audit requirements of the activity will be carried out in accordance with "Automated Directive System, (ADS) Chapter 591.5.1. Audits of U.S. Non-Profit Organizations", or "ADS Chapter 591.5.3. Audits of U.S. For-Profit Firms". The AID/W Office of Procurement has audit cognizance, no funds have been budgeted separately for audit purposes.

b Funding Sources (FY 1998 Appropriations Act, Title II, under heading "Private and Voluntary Organizations") If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? If not, has the requirement been waived?

At this moment it has not been determined what U.S PVO will be the implementor of this activity. Whoever the PVO turns out to be, then the PVO will have to comply with this requirement.

11 Agreement Documentation (ADS 350 5 5, Case-Zablocki Act, 1 U S C Sec 112b, 22 C F R Part 181) For any bilateral agreement with an obligation of \$25 million or over, has the date of signing and the amount involved been cabled to State L/T immediately upon signing and has the full text of the agreement been pouched to State/L within 20 days of signing? N/A

SDO will insure that this requirement is met when the total obligated amount reaches \$25 million.

12 **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec 2, and as implemented through A I D policy) Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? **YES** 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? **N/A** Will A I D specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage? **YES**

13 **Abortions** (FAA Sec 104(f), FY 1998 Appropriations Act, Title II, under heading " Development Assistance" and Sec 518)

a Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? (Note that the term "motivate" does not include the provision, consistent with local law, of information or counseling about all pregnancy options ) **NO**

b Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? **NO**

c Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? **NO**

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? (As a legal matter, DA only ) **N/A**

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

family planning? (As a legal matter, DA only ) N/A

f Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? NO

g Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? NO

#### 14 Procurement

a **Source, Origin and Nationality** (FAA Sec 604(a)) Will all procurement be from the U S , the recipient country, or developing countries except as otherwise determined in accordance with agency rules? YES

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

c **Insurance** (FY 1998 Appropriations Act Sec 529) Will any A I D contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U S insurance companies have a fair opportunity to bid for insurance when such insurance is necessary or appropriate? Yes

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

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

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

g **Technical Assistance (FAA Sec 621(a))** If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? **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 (Fly America Act, 49 U S C Sec 1517)** If air transportation of persons or property is financed on grant basis, will U S carriers be used to the extent such service is available? **Yes**

i **Consulting Services (FY 1998 Appropriations Act Sec 548)** If assistance is for consulting service through procurement contract pursuant to 5 U S C 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? **Yes**

j **Notice Requirement (FY 1998 Appropriations Act Sec 546)** Will agreements or contracts contain notice to the effect that it is the Sense of the Congress that, to the greatest extent practicable equipment and products purchased with funds appropriated under the FY 1998 Appropriations Act should be American-made? **Yes**

## 15 **Construction**

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

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

16 **U.S. Audit Rights (FAA Sec 301(d))** If fund is established

solely by U S contributions and administered by an international organization, does Comptroller General have audit rights? N/A

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

18 **Narcotics**

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

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

19 **Expropriation and Land Reform** (FAA Sec 620(g)) Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? N/A

20 **Police and Prisons** (FAA Sec 660) Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces (see exceptions in section 660) ? N/A

21 **CIA Activities** (FAA Sec 662) Will assistance preclude use of financing for CIA activities? N/A

22 **Motor Vehicles** (FAA Sec 636(1)) Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U S , unless a waiver is obtained? Yes

23 **Export of Nuclear Resources** (FY 1995 Appropriations Act Sec 506) Will assistance preclude use of financing to finance, except for purposes of nuclear safety, the export of nuclear equipment, fuel, or technology? N/A

24 **Publicity, Propaganda and Lobbying** (FY 1998 Appropriations Act Sec 545, Anti-Lobbying Act, 18 U S C § 1913 Will assistance be used to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? **NO**

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

26 **Impact on U.S. Jobs** (FY 1998 Appropriations Act, Sec 538)

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

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

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

**Assistance will be directed to assist small farmers.**

## **B. DEVELOPMENT ASSISTANCE ONLY**

1 **Agricultural Exports (Bumpers Amendment)** (FY 1998 Appropriations Act Sec 513(b)), as interpreted by the conference report for the original enactment) If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury

to U S exporters of a similar agricultural commodity, NO, or (b) in support of research that is intended primarily to benefit U S producers? N/A

2 Recipient Country Contribution (FAA Secs 110, 124(d)) Will the recipient country provide at least 25 percent of the costs of the activity with respect to which the assistance is to be furnished Yes, the SOAG establishes a 25% contribution to be provided by the Government or local entities. or is this cost-sharing requirement being waived for a "relatively least developed" country? NO

3 Forest Degradation (FAA Sec 118)

a Will assistance be used for the procurement or use of logging equipment? NO If so, does the an environmental assessment indicate that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems? N/A

b Will assistance be used for (1) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas, (2) activities which would result in the conversion of forest lands to the rearing of livestock, (3) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands, (4) the colonization of forest lands, or (5) the construction of dams or other water control structures which flood relatively undergraded forest lands? NO If so, does the environmental assessment indicate that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development? N/A

4 Deobligation/Reobligation (FY 1998 Appropriations Act Sec 510) If deob/reob authority is being used under section 510 in the provision of DA assistance, are the funds being obligated for the same general purpose and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified? [Note Compare to no-year authority under section 511 ] N/A

5 Loans

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

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

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

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

6 **CITIES -Convention on International trade in Endangered Species of Flora and Fauna. (New for FY 98) (FY 1998 Appropriations Act, Title II under "Development Assistance" heading)** Is the activity not in contravention of CITIES? YES

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

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

b **Special Development Emphases** FAA Secs 102(b), 113, 281(a) require that assistance (1) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U S institutions, Yes (2) encourage democratic private and local governmental institutions, N/A (3) support the self-help efforts of developing countries, Yes (4) promote the participation of women in the national economies of developing countries and the improvement of women's status, Yes and (5) utilize and encourage regional cooperation by developing countries N/A

c **Development Objectives** FAA Secs 102(a), 111, 113, 281(a) require that assistance (1) effectively involve the poor in development, by expanding access to economy at local level,

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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, **Yes** (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions, **Yes** (3) support the self-help efforts of developing countries, **YES** (4) promote the participation of women in the national economies of developing countries and the improvement of women's status, **Yes** and (5) utilize and encourage regional cooperation by developing countries? **N/A**

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

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

**f Education and Human Resources Development** FAA Sec 105 requires that assistance for education, public administration, or human resource development (1) strengthen nonformal education,

make formal education more relevant, especially for rural families and urban poor, and strengthen management capability of institutions enabling the poor to participate in development, and (2) provide advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities Yes

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

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

**1 Tropical Forests** FAA Sec 118 and FY 1991 Appropriations Act Sec 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act) require that

(1) **Conservation:** assistance place a high priority on conservation and sustainable management of tropical forests and specifically (1) stress the importance of conserving and sustainably managing forest resources, (11) 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, (111) support training programs, educational

efforts, and the establishment or strengthening of institutions to improve forest management, (iv) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices, (v) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded, (vi) conserve forested watersheds and rehabilitate those which have been deforested, (vii) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing, (viii) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation, (ix) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas, (x) seek to increase the awareness of U S Government agencies and other donors of the immediate and long-term value of tropical forests, (xi) utilize the resources and abilities of all relevant U S government agencies, (xii) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (xiii) take full account of the environmental impacts of the proposed activities on biological diversity **Yes**

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

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

k **Benefit to Poor Majority.** FAA Sec. 128(b) requires that if the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and

technological research, it be designed and monitored to ensure that the ultimate beneficiaries are the poor majority **YES**

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

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

**n. Debt-for-Nature Exchange** FAA Sec 463 requires that assistance which will finance a debt-for-nature exchange (1) support protection of the world's oceans and atmosphere, animal and plant species, or parks and reserves, or (2) promote natural resource management, local conservation programs, conservation training programs, public commitment to conservation, land and ecosystem management, or regenerative approaches in farming, forestry, fishing, and watershed management **N/A**

### **C. ECONOMIC SUPPORT FUND ONLY**

**1 Economic and Political Stability** (FAA Sec 531(a)) Does the design and planning documentation demonstrate that the assistance will promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA? **N/A**

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

**3 Commodity Grants/Separate Accounts** (FAA Sec 609) If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1998, this provision is superseded by the separate account requirements of FY 1998 Appropriations Act Sec 532(a), see Sec 532(a)(5) ) **N/A**

**4 Generation and Use of Local Currencies** (FAA Sec 531(d)) Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be

Assistance Checklist  
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available to support activities consistent with the objectives of  
FAA sections 103 through 106? (For FY 1998, this provision is  
superseded by the separate account requirements of FY 1998  
Appropriations Act Sec 532(a), see Sec 532(a)(5) ) N/A

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

**PROGRAM: El Salvador**

CP 81-05 (4-85)

<b>TITLE</b> Rural Organizations and Environmental Conservation Activity (ROCA)		<b>FUNDING SOURCE</b> Development Assistance	<b>PROPOSED OBLIGATION (In thousands of dollars)</b> \$ 2 100,000		
			FY 98	<b>LIFE OF PROJECT (Auth )</b> \$ 7,300,000	
<b>NUMBER</b> 519-0438 <b>GRANT</b> <input checked="" type="checkbox"/> <b>LOAN</b> <input type="checkbox"/>	<b>NEW</b> <input checked="" type="checkbox"/> <b>CONTINUING</b> <input type="checkbox"/>	<b>PRIOR REFERENCE</b> FY 98 CP	<b>INITIAL OBLIGATION</b> FY 98	<b>ESTIMATED FINAL OBLIGATION</b> FY 2002	<b>ESTIMATED COMPLETION DATE OF PROJECT</b> FY 2002

**Purpose** Increase the availability of environmentally sound agricultural technologies and marketing services to primary level organizations and low-income, small producers

**Background** El Salvador has made great strides in terms of macroeconomic management during the last several years. Economic growth and macroeconomic stability are on a self-sustaining course. In recent years, growth has accompanied significant reductions in poverty, particularly in urban areas. However, rural areas have not experienced the growth momentum seen in other parts of the economy. In fact, small, rural farmers still lack access to many basic agricultural services -- advisory, marketing, financial -- available to larger producers. This lack of access to services constrains the ability of small farmers to be more productive, efficient and profitable. Traditional approaches, through government and non governmental organization extension agents have failed to meet the needs of individual farmers or small producer groups and cooperatives that are not sustainable. Some secondary level organizations - organizations composed of or working with a number of diverse groups as opposed to individuals - exist but they are not yet self-sustaining. Agricultural services that are available tend to emphasize technologies and practices that are environmentally unsound. These practices contribute to the severe degradation of the environment, and the water sources in particular.

**Activity Description** USAID will strengthen five secondary rural organizations to provide environmentally sound agricultural technologies to member organizations and individual farmers. In particular, the activity will build the five organizations' capacity to provide technical assistance and marketing services to their clients. In addition, the activity will

provide technical assistance to the five organizations to enable them to be self-sustaining within three to four years. Thus, not only will producers have greater access to technical assistance in environmentally sound practices, but the five secondary organizations will continue to provide such assistance beyond the life of this activity.

**Relationship of Activity to USAID Strategy** The Sustainable Rural Organizations and Environmental Conservation Activity will contribute to the Mission's Strategic Objective No. 1 "Expanded Access and Economic Opportunities for Rural Families in Poverty" through the Intermediate Result "Expanded Equitable Access to Financial, Technological and Marketing Services by the Rural Poor," and support of USAID's Strategic Objective No. 4, "Increased Access by Rural Households to Clean Water," Result No. 4.1, "Improved Quality of Water Sources, and the sub-Intermediate Result No. 4.1.1, "Increased Use of Improved Agricultural Conservation Practices."

**Beneficiaries** Small, low-income agricultural producers

**Host Country and Other Donors** The Government of El Salvador (GOES), together with other international donors and banks, are implementing diverse projects ranging from improving agricultural research and delivery of technical assistance to regional projects. The GOES has developed a strategy to help reactivate the agricultural sector.

**Results** By the end of the Activity, five secondary level organizations will be delivering services to 15,000 beneficiaries. These beneficiaries in turn will apply improved agricultural

U S FINANCING (In thousands of dollars)				PRINCIPAL CONTRACTORS OR AGENCIES
	Obligations	Expenditures	Unliquidated	
Through September 30, 1996	0		0	One locally based international PVO (To be determined)
Estimated Fiscal Year 1998	2,100,000	1,800,000		
Estimated Through September 30,	2,100,000		0	
		<b>Future Year Obligations</b>	<b>Estimated Total Cost</b>	
Proposed Fiscal Year 1999	1 400 000	3 000,000	7,300,000	



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

LAC-IEE-98-07

**REQUEST FOR A CATEGORICAL EXCLUSION**

Project Location : El Salvador

Activity Title : Sustainable Rural  
Organizations and  
Environmental Conservation

Project Number : 519-0438

Funding : \$7.3 million

Life of Project : 5 years

IEE Prepared by : Peter Gore, USAID/El Salvador

Recommended Threshold Decision: Categorical Exclusion

Bureau Threshold Decision : Concur with Recommendation

Comments

Bureau CEO concurs with recommendation for a Categorical Exclusion. However, prior to disseminating recommendations from previous Environmental Assessments to participating secondary organizations under this activity, the effectiveness of these recommendations should be evaluated.

  
Date 2/7/98  
Jeffrey J. Brokaw  
Chief Environmental Officer  
Bureau for Latin America  
and the Caribbean

Copy to : Kenneth Ellis, USAID/El Salvador

Copy to : Peter Gore, USAID/El Salvador

Copy to : Tracy Parker, USAID/Guatemala, REA

Copy to : Cam Wickham, LAC/SPM-CAC

Copy to : IEE file

TIME LINE OF KEY EVENTS: SUSTAINABLE RURAL ORGANIZATIONS AND ENVIRONMENTAL CONSERVATION

- SOAG1 Amendment signed by the Ministry of Foreign Affairs, and approved by the Ministry of Justice (3/98)
- Activity funding allocated for FY '98 (\$2 2 million) through the OYB, (3/98)
- RFA/RFP process begun for full and open competition (4/98)
- Prime Institution for the Sustainable Rural Organizations and Environmental Conservation Activity selected (9/30/98)
- USAID Unsolicited Proposals/Small Award approval Committee established (10/30/98)
- Workshop held for Small Award bidders (12/98)
- TA provided by the Prime Institution or procured separately for tracking and monitoring of activity indicators, and establishment of the Activity's MIS (1/99)
- Call for Small Award proposals (2/99)
- Receipt and closure of Small Award proposal process, Yr 1 (3/15/99)
- Screening and review of proposals, and adherence to grant criteria (4/99)
- Selection of small award grantee, and disbursement of funds (5/99)
- Continuation of the same process for FY 2000-02

- Analyses

The following studies have been the main sources of information for the design of this new activity

1) World Bank-FUSADES study "El Salvador Rural Development Study", some components of this analysis are

- a) Agricultural Diversification
- b) Technology
- c) Road Infrastructure
- d) Rural Finance
- e) Land Market
- f) Competitivity
- b) Environment

2) Definition of New Activities, Baselines and Targets and Review of Indicators for Strategic Objective No 1, Technology/Marketing Results Package, by AGRIDEC/Donald Jackson (October 1996)

3) Investments in Agriculture CDIE/USAID August 1996

4) Making Markets Work for the Rural Poor Bureau for Latin America and the Caribbean, USAID December 1994

5) Feasibility Study for Establishing Marketing Units/Departments within Secondary Level and Non-Governmental Organizations by AGRIDEC/Donald Jackson (November 1997)

6) Informe de Logros y Resultados Institucional 1997 Ministerio de Agricultura y Ganaderia Centro Nacional de Tecnologia Agropecuaria y Forestal, CENTA (Diciembre 1997)

7) Plan Anual Operativo 1998 Proyecto CENTA/PRISA Ministerio de Agricultura y Ganaderia Centro Nacional de Tecnologia Agropecuaria y Forestal, CENTA (Diciembre 1997)

8) USAID/El Salvador Water Strategy and Results Framework

**Illustrative Budget**

	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
<b>Salaries.</b>						
Chief of Party	92,000	94,760	97,603	99,555	101,546	485,464
Fringes (U S )	23,000	23,690	24,401	24,889	25,387	121,366
Allowances (U S )	17,542	18,069	18,610	18,983	19,363	92,567
Administrator	41,148	43,205	45,366	47,634	50,016	227,369
Chief Accountant	27,429	28,800	30,240	31,752	33,340	151,563
T.A. Specialist (5)	102,850	107,993	113,392	119,062	125,015	568,311
Secretaries (2)	20,500	21,525	22,601	23,731	24,918	113,275
Driver	6,180	6,489	6,813	7,154	7,512	34,148
Fringes E.S	39,621	41,602	43,683	45,867	48,160	218,933
<b>Total Salaries.</b>	<b>370,270</b>	<b>386,134</b>	<b>402,710</b>	<b>418,627</b>	<b>435,255</b>	<b>2,012,996</b>
<b>Operating Expenses:</b>						
Rent	12,000	12,420	12,855	13,305	13,770	64,350
Utilities	2,400	2,484	2,571	2,661	2,754	12,870
Fax, Courier & Telephone	4,200	4,347	4,499	4,657	4,820	22,522
Vehicle Maint. (6) (gas repairs, etc)	5,400	5,589	5,785	5,987	6,197	28,957
Travel & Perdiem	12,500	12,938	13,390	13,859	14,344	67,031
Office Maintenance	3,500	3,623	3,749	3,881	4,016	18,769
Other Operational Expenses	4,000	4,140	4,285	4,435	4,590	21,450
<b>Total Operating Expenses</b>	<b>44,000</b>	<b>45,540</b>	<b>47,134</b>	<b>48,784</b>	<b>50,491</b>	<b>235,948</b>
<b>MIS &amp; Monitoring Services (Sub-Contract)</b>	<b>18,000</b>	<b>18,000</b>	<b>18,000</b>	<b>18,000</b>	<b>18,000</b>	<b>90,000</b>
<b>Sub-Grants to 2nd Level Org</b>	<b>425,000</b>	<b>425,000</b>	<b>425,000</b>	<b>425,000</b>	<b>425,000</b>	<b>2,125,000</b>
<b>Tech Assistance (Short Term)</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>	<b>375,000</b>
<b>Training</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>125,000</b>
<b>Overhead (25%)</b>	<b>239,318</b>	<b>243,668</b>	<b>248,211</b>	<b>252,603</b>	<b>257,187</b>	<b>1,240,986</b>
<b>Equipment:</b>						
Office Furniture & Equipment	7,500	2,500	0	0	0	10,000
Computer Eq. & Software	9,000	6,000	0	0	0	15,000
Vehicle (6)	75,000	50,000	0	0	0	125,000
<b>Total Equipment</b>	<b>91,500</b>	<b>58,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>150,000</b>
<b>Contingency (5%)</b>	<b>64,404</b>	<b>63,842</b>	<b>62,053</b>	<b>63,151</b>	<b>64,297</b>	<b>317,747</b>
<b>Contractor/Grantee Grand Total</b>	<b>1,352,492</b>	<b>1,340,684</b>	<b>1,303,107</b>	<b>1,326,164</b>	<b>1,350,230</b>	<b>6,672,678</b>
<b>USAID Management</b>						
RP Members (2 Actvly Mgrs)	0	0	0	86,000	90,300	176,300
Training for RP Members	0	0	0	12,500	13,125	25,625
Contingency (5%)	0	0	0	4,925	5,171	10,096
<b>USAID Management Grand Total:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>103,425</b>	<b>108,596</b>	<b>212,021</b>
<b>Evaluations</b>	<b>0</b>	<b>0</b>	<b>70,000</b>	<b>0</b>	<b>70,000</b>	<b>140,000</b>
<b>Small Awards</b>	<b>55,301</b>	<b>55,000</b>	<b>55,000</b>	<b>55,000</b>	<b>55,000</b>	<b>275,301</b>
<b>USAID Managed Funds Total</b>	<b>55,301</b>	<b>55,000</b>	<b>125,000</b>	<b>158,425</b>	<b>233,596</b>	<b>627,322</b>
<b>ACTIVITY TOTAL.</b>	<b>1,407,793</b>	<b>1,395,684</b>	<b>1,428,107</b>	<b>1,484,589</b>	<b>1,583,826</b>	<b>7,300,000</b>

LIST OF RECENT INTERVIEWS WITH PARTNERS AND CUSTOMERS

## USAID

SO1 M Ott, R Cuellar, S Grant,  
SDO P Kranstover  
SO4 P Gore, R Cristales  
OCG M Quinones, L Pizarro  
CONT C.Milla, S Mejia

## TECHNOSERVE

Edmundo Mendoza,  
Roberto Vega

## CARE

Carlos Huezo (CAS Project Manager)

## CLUSA

Stanley Kuehn (Project Director)  
John Lundine (Production/Marketing)

## REDES

Oscar Rios (Exec Director)

## PROESA

Jose Osmin Dominguez  
Adolfo Sanchez

## UCRAPROBEX

Nestor Ulises Palma (Manager, Administration)  
Mario Monroy, (Executive Dir )

## CRECER

Carlos Dominguez (Coordinator of Ag Enterprise)  
Richard Clark (Chief of Party, CRECER)  
Hugo Ramos (Economist)  
Amy Angel (WOCCU Organic Marketing Specialist)

MUNICIPIOS QUE SE ENCUENTRAN DENTRO DE  
LAS CUENCAS HIDROGRAFICAS SELECCIONADAS

OBJETIVO ESTRATEGICO No. 4

USAID / EL SALVADOR

<u>DEPARTAMENTO</u>	<u>MUNICIPIO</u>
<u>1) AHUACHAPAN</u>	<u>1) SAN FRANCISCO MENENDEZ</u>
	<u>2) JUJUTLA</u>
	<u>3) GUAYMANGO</u>
	<u>4) SAN PEDRO PUXTLA</u>
<u>2) USULUTAN</u>	<u>5) JIQUILISCO</u>
	<u>6) PUERTO EL TRIUNFO</u>
	<u>7) TECAPAN</u>
	<u>8) CALIFORNIA</u>
	<u>9) USULUTAN</u>
	<u>10) SANTIAGO DE MARIA</u>
	<u>11) SAN AGUSTIN</u>
	<u>12) SAN DIONISIO</u>
	<u>13) BERLIN</u>
	<u>14) ALEGRIA</u>
	<u>15) MERCEDES UMAÑA</u>
	<u>16) OZATLAN</u>
	<u>17) SAN FRANCISCO JAVIER</u>
<u>3) MORAZAN</u>	<u>18) CORINTO</u>