

REQUEST FOR PROPOSALS

TECHNICAL ASSISTANCE FOR THE

**MUNICIPAL INFRASTRUCTURE AND COMMERCIAL ZONE DEVELOPMENT
PROJECT IN CHALATENANGO, EL SALVADOR**

Submission Deadline: 3:00 PM

LOCAL TIME (CHALATENANGO, EL SALVADOR)

AUGUST 12, 2008

**Submission Place: Municipality of Chalatenango
Despacho Municipal
Inicio Calle San Martín, Frente a Parque Central
Bo. El Centro
Chalatenango
El Salvador
Phone: + (503) 2301-2964**

**SEALED PROPOSALS SHALL BE CLEARLY MARKED AND RECEIVED PRIOR TO
THE TIME AND DATE SPECIFIED ABOVE. PROPOSALS RECEIVED AFTER SAID
TIME AND DATE WILL NOT BE ACCEPTED OR CONSIDERED.**

REQUEST FOR PROPOSALS

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Section 1: INTRODUCTION

The U.S. Trade and Development Agency (USTDA) has provided a grant to the Municipality of Chalatenango ("Grantee") to conduct Technical Assistance on the proposed Municipal Infrastructure and Commercial Zone Development in Chalatenango Project ("Project") in El Salvador. The Grant Agreement is attached at Annex 4 for reference. The Grantee is soliciting technical proposals from qualified U.S. firms to provide expert consulting services to carry out the Technical Assistance.

1.1 BACKGROUND SUMMARY

The Municipality of Chalatenango is a key municipality in the northern region of El Salvador (Northern Zone) that wishes to develop a municipal infrastructure and commercial zone plan to attract private investment and take advantage of Millennium Challenge Corporation (MCC) funding for basic infrastructure development (highways, roads, electricity, water, and telecommunications) in the Northern Zone. The Project is expected to have an important impact on municipal infrastructure and commercial activity through the development of bus terminals, housing, schools, health clinics, business support enterprises, shopping centers, and hotels. The Project aims to encourage entrepreneurs to invest and create jobs in the local community and successful implementation of the Project is expected serve as a model that can be replicated by other municipalities in the Northern Zone.

A background Definitional Mission report is provided for reference in Annex 2.

1.2 OBJECTIVE

The objective of the Municipal Infrastructure and Commercial Zone Development in Chalatenango Technical Assistance is to develop a land use plan, municipal project designs, and a municipal infrastructure development plan for the Municipality of Chalatenango.

The Terms of Reference (TOR) for this Technical Assistance is attached as Annex 5.

1.3 PROPOSALS TO BE SUBMITTED

Technical proposals are solicited from interested and qualified U.S. firms. The administrative and technical requirements as detailed throughout the Request for Proposals (RFP) will apply. Specific proposal format and content requirements are detailed in Section 3.

Cost will not be a factor in the evaluation and therefore, cost proposals should not be submitted; upon detailed evaluation of technical proposals, one firm will be selected for contract negotiations. The amount for the negotiated contract has been established by a USTDA grant of U.S. \$500,000.

1.4 CONTRACT FUNDED BY USTDA

The negotiated contract will be funded by USTDA in accordance with the terms and conditions of its grant to the Grantee. The contract must include certain USTDA mandatory clauses relating to nationality, taxes, payment, reporting, and other matters. The USTDA nationality requirements and the USTDA mandatory clauses are attached at Annexes 3 and 4 for reference.

Section 2: INSTRUCTIONS TO PROPOSERS

2.1 PROJECT TITLE

The Project is called the "Municipal Infrastructure and Commercial Zone Development in Chalatenango Project."

2.2 DEFINITIONS

Please note the following definitions of terms as used in this RFP.

The term "Request for Proposals" means this solicitation of a formal technical proposal including qualifications statement.

The term "Offeror" means the U.S. individual, or U.S. firm, including any and all subcontractors, which responds to the RFP and submits a formal proposal and which may or may not be successful in being awarded this procurement.

2.3 DEFINITIONAL MISSION REPORT

USTDA sponsored a Definitional Mission to address technical, financial, sociopolitical, environmental, and other aspects of the proposed Project. A copy of the Report is attached at Annex 2 for background information only.

2.4 EXAMINATION OF DOCUMENTS

Offerors should carefully examine this RFP. It will be assumed that Offerors have done such inspection and that through examinations, inquiries, and investigation they have become familiarized with local conditions and the nature of problems to be solved during the execution of the Technical Assistance.

Offerors shall address all items as specified in this RFP. Failure to adhere to this format may disqualify an Offeror from further consideration.

Submission of a proposal shall constitute evidence that the Offeror has made all the above mentioned examinations and investigations, and is free of any uncertainty with respect to conditions which would affect the execution and completion of the Technical Assistance.

2.5 PROJECT FUNDING SOURCE

The Technical Assistance will be funded under a grant from USTDA. The total amount of the grant is not to exceed U.S. \$500,000.

2.6 RESPONSIBILITY FOR COSTS

Offeror shall be fully responsible for all costs incurred in the development and submission of the proposal or any other cost incurred by Offeror prior to issuance of an agreement or contract. Neither USTDA nor the Grantee assumes any contractual obligation as a result of the issuance of this proposal request, the preparation or submission of a proposal by an Offeror, the evaluation of proposals, or final selection.

2.7 TAXES

Offerors should submit proposals which note that in Annex 4, USTDA Mandatory Contract Provisions, USTDA funds are not to be used to pay taxes or duties under the laws of host country.

2.8 CONFIDENTIALITY

The Grantee will use its best efforts to preserve the confidentiality of any business proprietary or confidential information submitted by the Offeror, which is clearly designated as such by the Offeror.

2.9 ECONOMY OF PROPOSALS

Proposal documents should be prepared simply and economically, providing a comprehensive and concise description of the Offeror's capabilities to satisfy the requirements of the RFP. There is no necessity for expensive bindings, colored displays, or other promotional material unless such material is absolutely pertinent to the proposal. Emphasis should be placed on completeness and clarity of content.

2.10 SUBSTANTIVE PROPOSALS

The Offeror shall certify (a) that its proposal is genuine and is not made in the interest of, or on the behalf of, any undisclosed person, firm, or corporation, and is not submitted in conformity with, and agreement of, any undisclosed group, association, organization, or corporation; (b) that it has not directly or indirectly induced or solicited any other Offeror to put in a false proposal; (c) that it has not solicited or induced any other person, firm, or corporation to refrain from submitting a proposal; and (d) that it has not sought by collusion to obtain for himself any advantage over any other Offeror or over the Grantee or USTDA or any employee thereof.

2.11 CONDITIONS REQUIRED FOR PARTICIPATION

Only U.S. firms are eligible to participate in this tender. However, U.S. firms may utilize subcontractors from host country for up to twenty percent (20%) of the amount of the USTDA grant. USTDA nationality requirements are detailed in Annex 3.

2.12 LANGUAGE OF PROPOSAL

All proposal documents shall be prepared and submitted in English and Spanish.

2.13 PROPOSAL SUBMISSION REQUIREMENTS

The cover letter in the proposal must be addressed to:

Dr. José Rigoberto Mejía Menjivar
Alcalde Municipal de Chalatenango
Municipio de Chalatenango
Inicio Calle San Martín, Frente a Parque Central
Bo. El Centro
Chalatenango
El Salvador
Phone: + (503) 2301-2964

An original in English, an original in Spanish, one (1) copy in English, and three (3) copies in Spanish of your proposal must be received at the above address no later than 3:00 PM (local time in Chalatenango, El Salvador), on August 12, 2008.

Proposals may be either sent by mail, overnight courier, or hand-delivered.

For Offerors that wish to hand-deliver their proposals, Offerors can submit their proposals in person at the Despacho Municipal of Chalatenango between the hours of 9:00 AM and 3:00 PM (local time in Chalatenango, El Salvador) on August 12, 2008. The contact person at the Despacho Municipal of Chalatenango is Ms. Daisy Núñez, Secretary to the Mayor.

Whether the proposal is sent by mail, courier or hand-delivered, the Offeror shall be responsible for actual delivery of the proposal to the above address before the deadline. Any proposal received after the deadline will be returned unopened.

Upon timely receipt, all proposals become the property of the Grantee.

2.14 PACKAGING

Each proposal must be sealed to ensure confidentiality of the information. The proposals should be individually wrapped and sealed, and labeled for content including "original" or "copy number x"; the original in English, the original in Spanish, one (1) copy in English, and three (3) copies in Spanish should be collectively wrapped and sealed, and clearly marked for content.

Neither USTDA nor the Grantee will be responsible for premature opening of proposals not properly labeled.

2.15 AUTHORIZED SIGNATURE

The proposal must contain the signature of a duly authorized officer or agent of the Offeror empowered with the right to bind the Offeror.

2.16 EFFECTIVE PERIOD OF PROPOSAL

The proposal shall be binding upon the Offeror for sixty (60) days after the proposal due date, and Offeror may withdraw or modify this proposal at any time prior to the due date upon written request, signed in the same manner and by the same person who signed the original proposal.

2.17 EXCEPTIONS

Firms agree by their response to the RFP announcement to abide by the procedures set forth therein. Material modifications in the TOR or responsibilities of the parties will not be accepted.

Any exceptions in the proposal shall be clearly identified, and shall include the scope of such exception, and its impact, on the procurement. The Grantee shall make final determination as to the responsiveness of such exceptions and their acceptability.

2.18 OFFEROR QUALIFICATIONS

As provided in Section 3, Offerors shall submit evidence that they have relevant past experience and have previously delivered advisory and Technical Assistance services similar to those required in the TOR.

2.19 RIGHT TO REJECT PROPOSALS

The Grantee reserves the right to reject any and all proposals and to accept or reject any or all of the items in the proposal, and to award the contract in whole or in part if it is deemed in the best interest of the Grantee.

2.20 PRIME CONTRACTOR RESPONSIBILITY

Offerors have the option of subcontracting parts of the services they propose. The Offeror's proposal must include a description of any anticipated subcontracting arrangements, including the name, address, and qualifications of consultants and subcontractors. USTDA nationality provisions are set forth in detail in Annex 3. The successful Offeror shall cause appropriate provisions of its contract, including all mandatory USTDA clauses, to be inserted in all subcontracts ensuing to ensure fulfillment of all contractual provisions by subcontractors.

2.21 AWARD

An award resulting from this RFP shall be made to the best qualified Offeror, taking into consideration the evaluation factors set forth herein; however, the right is reserved to reject any and all proposals received and, in all cases, the Grantee will be the judge as to whether a proposal has or has not satisfactorily met the requirements of this RFP.

2.22 COMPLETE SERVICES

The successful Offeror shall be required to (a) furnish all supplies, supervision, transportation, and other execution accessories, services, and facilities; (b) provide and perform all necessary labor; and (c) in accordance with good technical practice, with due diligence, and in accordance with the requirements, stipulations, provisions, and conditions of this RFP and the resultant contract, execute and complete all specified work to the satisfaction of the Grantee.

2.23 INVOICING AND PAYMENT

Deliverables under the contract shall be delivered on a schedule to be agreed upon in a contract with the Grantee. The Contractor may submit invoices to the designated Grantee Project Director in accordance with a schedule to be negotiated and included in the contract. Upon approval of each invoice, the Grantee will forward the invoice to USTDA which will process payment to the Contractor. All payments by USTDA under the Grant Agreement will be made in U.S. currency.

Section 3: PROPOSAL FORMAT AND CONTENT

To expedite proposal review and evaluation, and to assure that each proposal receives the same orderly review, all proposals must follow the format described in this section.

Proposal sections and pages shall be appropriately numbered and the proposal shall include a Table of Contents. Offerors are encouraged to submit concise and clear responses to the RFP. Proposals shall contain all elements of information requested without exception. Instructions regarding the required scope and content are given in this section. The Grantee reserves the right to include any part of the selected proposal in the final contract.

The proposal shall consist of a technical proposal only. No cost proposal is required as the value of the USTDA grant is established at U.S. \$500,000.

Offerors shall submit one (1) original in English, one (1) original in Spanish, one (1) copy in English, and three (3) copies in Spanish of the proposal. Proposals received by fax cannot be accepted.

The following sections and content are required for each proposal:

- Transmittal Letter,
- Cover/Title Page,
- Table of Contents,
- Introduction and Executive Summary,
- Company Information,
- Organizational Structure, Management Plan, and Key Personnel,
- Technical Approach and Work Plan,
- Experience and Qualifications, and
- Miscellaneous.

Detailed requirements and directions for the preparation of each section are presented below.

3.1 SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY

An Executive Summary should be prepared describing the major facts or features of the proposal, including any conclusions, assumptions, and generalized recommendations the Offeror desires to make. Offerors are requested to make every effort to limit the length of the Executive Summary to no more than five (5) pages.

3.2 SECTION 2: COMPANY INFORMATION

3.2.1 Company Profile

Provide the information listed below relative to the Offeror's firm. If the Offeror is proposing to subcontract some of the proposed work to another firm(s), similar information must be provided for each subcontractor. Offerors are requested to limit the length of the Company Profile Information to one (1) page per firm.

1. Name of firm and business address, including telephone and fax numbers.
2. Year established (include former firm names and year established, if applicable).
3. Type of ownership and parent company, if any.
4. Project Manager's name, address, telephone and fax number, if different from (1).

3.2.2 Offeror's Authorized Negotiator

Provide name, title, address, telephone, and fax number of the Offeror's authorized negotiator. The person cited shall be empowered to make binding commitments for the Offeror and its subcontractors, if any.

3.2.3 Negotiation Prerequisites

1. Discuss any impact of any current or anticipated commitments which may impact the ability of the Offeror or its subcontractors to complete the Technical Assistance as proposed and within the Project schedule.
2. Identify any specific information which is needed from the Grantee before commencing contract negotiations.

3.3 SECTION 3: ORGANIZATIONAL STRUCTURE, MANAGEMENT, AND KEY PERSONNEL

Describe the Offeror's proposed Project organizational structure. Discuss how the Project will be managed including the principal and key staff assignments for this Technical Assistance. Identify the Project Manager who will be the individual responsible for this Project. The Project Manager must have the responsibility and authority to act on behalf of the Offeror in matters related to the proposed Technical Assistance.

Provide a listing of personnel (including subcontractors and consultants) to be engaged in the Project, either U.S. or local with the following information for key staff: position in the Project; pertinent experience; curriculum vitae; other relevant information. If subcontractors are to be used, the organizational relationship between the firms must be described.

A manpower schedule and the level of effort for the Project period, by activities and tasks, as detailed under the Work Plan shall be submitted. A statement confirming the availability of the proposed Project Manager and key staff over the duration of the Project must be included in the proposal.

3.4 SECTION 4: TECHNICAL APPROACH AND WORK PLAN

Describe in detail the proposed technical approach and work plan. Discuss the Project requirements as perceived by the Offeror. Include a brief narrative of tasks within each activity series. Begin with the information gathering phase and continue through delivery and approval of all required reports.

Prepare a detailed schedule of performance that describes all activities and tasks within the Technical Work Plan, including periodic reporting or review points, incremental delivery dates, and other Project milestones.

Based on the Technical Work Plan, and previous project experience, explain when and where Offeror will require support from the Grantee. Detail the amount of staff time required by the Grantee or participating agencies and any work space or facilities needed to complete the Technical Assistance.

3.5 SECTION 5: EXPERIENCE AND QUALIFICATIONS

Provide a discussion of the Offeror's experience and qualifications which are relevant to the objectives and TOR for the Technical Assistance. If a subcontractor(s) is being used, similar information must be provided for the prime and each subcontractor firm proposed for the Project. Relevant experience and qualifications of key staff proposed shall be provided including letters of commitment from the individuals proposed concerning their availability for contract performance.

As many as possible but not more than six (6) relevant and verifiable project references must be provided, including the following information:

- Project name,
- Name and address of client (indicate if joint venture),
- Client contact person (name/ position/ current phone and fax numbers),
- Period of contract,
- Description of services provided,
- Dollar amount of contract, and
- Status and comments.

Offerors are strongly encouraged to include in their experience summary primarily those projects that are similar to or larger in scope than the Technical Assistance as described in this RFP.

Section 4: AWARD CRITERIA

Individual proposals will be initially evaluated by a Procurement Selection Committee of representatives from the Grantee. The Committee will then conduct a final evaluation and completion of ranking of qualified Offerors, and the Grantee shall promptly negotiate a contract with the best qualified Offeror. If a satisfactory contract cannot be negotiated with the best qualified Offeror, negotiations will be formally terminated. Negotiations shall then be undertaken with the second most qualified Offeror and so forth.

The selection of the Contractor will be based on the following criteria and their corresponding assigned weights:

1. Prior experience in the design of municipal infrastructure projects (20 percent);
2. Experience of proposed experts, including experience and ability to work in the Spanish language (20 percent);
3. Experience in conducting economic and financial analysis of municipal infrastructure projects (20 percent);
4. Technical and management approach (20 percent);
5. Experience in municipal infrastructure project site identification and development (10 percent);
6. Experience in developing country environments (10 percent).

Proposals which do not include all requested information may be considered non-responsive.

Price will not be a factor in Contractor selection.

A N N E X 1

FEDBIZOPPS ANNOUNCEMENT

Dr. José Rigoberto Mejía Menjivar, Alcalde Municipal de Chalatenango, Municipio de Chalatenango, Inicio Calle San Martín, Frente a Parque Central, Bo. El Centro, Chalatenango, El Salvador, Phone/Fax: + (503) 2301-2964.

B – El Salvador: Municipal Infrastructure and Commercial Zone Development in Chalatenango Project

POC Evangelina Kunene, USTDA, 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-3901, Tel.: (703) 875-4357, Fax: (703) 875-4009.

Municipal Infrastructure and Commercial Zone Development in Chalatenango Project, El Salvador. The Grantee (Municipality of Chalatenango) invites submission of qualifications and proposal data (collectively referred to as the "Proposal") from interested U.S. firms that are qualified on the basis of experience and capability to conduct Technical Assistance for the Municipal Infrastructure and Commercial Zone Development in Chalatenango Project.

The objective of the Municipal Infrastructure and Commercial Zone Development in Chalatenango Technical Assistance is to develop a land use plan, municipal project designs, and a municipal infrastructure development plan for the Municipality of Chalatenango.

The Terms of Reference (TOR) for the Technical Assistance include the following tasks: 1) Review of Current Project Plans of the Municipality of Chalatenango; 2) Detailed Analysis of All Subprojects within the Project; 3) Re-Visit the Prospective Sites and Recommend the Most Suitable Site for the Project; 4) Develop Cost Estimates and Investment Requirements for the Project and Subprojects; 5) Economic and Financial Analysis; 6) Develop Project Implementation Requirements and a Model Template for other Municipalities in the Northern Zone; 7) Development Impact Assessment; 8) Environmental Impact Assessment; and 9) Final Report.

The U.S. firm selected will be paid in U.S. dollars from a U.S. \$500,000 grant to the Grantee from the U.S. Trade and Development Agency (USTDA).

A detailed Request for Proposals (RFP), which includes requirements for the Proposal, the TOR, and a background Definitional Mission report, is available from USTDA, at 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-3901. To request the RFP in PDF format, please go to:

<https://www.ustda.gov/businessopps/rfpform.asp>.

Requests for a mailed hardcopy version of the RFP may also be faxed to the IRC, USTDA at 703-875-4009. In the fax, please include your firm's name, contact person, address, and telephone number. Some firms have found that RFP materials sent by U.S. mail do not reach them in time for preparation of an adequate response. Firms that want USTDA to use an overnight delivery service should include the name of the delivery

service and your firm's account number in the request for the RFP. Firms that want to send a courier to USTDA to retrieve the RFP should allow one hour after faxing the request to USTDA before scheduling a pick-up. Please note that no telephone requests for the RFP will be honored. Please check your internal fax verification receipt. Because of the large number of RFP requests, USTDA cannot respond to requests for fax verification. Requests for RFPs received before 4:00 PM will be mailed the same day. Requests received after 4:00 PM will be mailed the following day. Please check with your courier and/or mail room before calling USTDA.

Only U.S. firms and individuals may bid on this USTDA financed activity. Interested firms, their subcontractors and employees of all participants must qualify under USTDA's nationality requirements as of the due date for submission of qualifications and proposals and, if selected to carry out the USTDA-financed activity, must continue to meet such requirements throughout the duration of the USTDA-financed activity. All goods and services to be provided by the selected firm shall have their nationality, source, and origin in the U.S. or host country. The U.S. firm may use subcontractors from the host country for up to 20 percent of the USTDA grant amount. Details of USTDA's nationality requirements and mandatory contract clauses are also included in the RFP.

Interested U.S. firms should submit their Proposal in English and Spanish directly to the Grantee by 3:00 PM (Chalatenango, El Salvador), August 12, 2008, at the above address. Evaluation criteria for the Proposal are included in the RFP. Price will not be a factor in contractor selection, and therefore, cost proposals should NOT be submitted. The Grantee reserves the right to reject any and/or all Proposals. The Grantee also reserves the right to contract with the selected firm for subsequent work related to the project. The Grantee is not bound to pay for any costs associated with the preparation and submission of Proposals.

A N N E X 2

BACKGROUND DEFINITIONAL MISSION REPORT



Consultants for Resources Evaluation

DEFINITIONAL MISSION REPORT

DEFINITIONAL MISSION: MASTER PLAN AND INFRASTRUCTURE PROJECT OPPORTUNITIES IN THE NORTHERN ZONE IN EL SALVADOR

May 20, 2008



This report was funded by the U.S. Trade and Development Agency (USTDA), an agency of the U.S. Government. The opinions, findings, conclusions, or recommendations expressed in this document are those of the author(s) and do not necessarily represent the official position or policies of USTDA. USTDA makes no representation about, nor does it accept responsibility for, the accuracy or completeness of the information contained in this report.

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Phone: 703-875-4357 • **Fax:** 703-875-4009 • **Web site:** www.ustda.gov • **email:** info@ustda.gov



The U.S. Trade and Development Agency

The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. commercial interests in developing and middle income countries. The agency funds various forms of technical assistance, feasibility studies, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment.

USTDA's strategic use of foreign assistance funds to support sound investment policy and decision-making in host countries creates an enabling environment for trade, investment and sustainable economic development. Operating at the nexus of foreign policy and commerce, USTDA is uniquely positioned to work with U.S. firms and host countries in achieving the agency's trade and development goals. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services.

Mailing and Delivery Address: 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-3901
Phone: 703-875-4357 • **Fax:** 703-875-4009 • **Web site:** www.ustda.gov • **email:**
info@ustda.gov

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A. EXECUTIVE SUMMARY

As part of the U.S. Government's commitment to support the development of El Salvador, various USG agencies, especially, the MCC, The Overseas Private Investment Corporation (OPIC), The U.S. Trade and Development Agency (USTDA), and The U.S. Agency for International Development (USAID) are coordinating their respective programs in order to leverage the private sector to be a partner in the development process. While considerable donor assistance is supporting specific areas of the development strategy of the Government of El Salvador (GOES), private sector investment is crucial to the long-term and sustained economic development of the country especially in the Northern Zone, which was most adversely affected by the conflict.

USTDA is committed to supporting the GOES in order to strengthen its trade capacity and enable the country to be a stronger trading partner with its neighbors. As part of this process, in February 2008, USTDA selected CORE International to accompany an interagency mission to El Salvador to explore areas where additional strategic assistance could be provided that would complement other USG and donor support, especially, the recently signed \$461 million, five-year Compact between the GOES and the MCC. Prior to the field mission, considerable planning was completed including a number of interagency discussions, planning with the MCC office in San Salvador, a meeting with the Vice Minister of Foreign Ministry and officials of the Embassy of El Salvador, and the development of a meeting schedule in consultation with the local representatives of the MCC and the Senior Commercial Officer for the Central American Region at the American Embassy. In addition, a brief was prepared as an introduction to the meetings with the officials in El Salvador. Annex I includes a copy of this Brief. Annex I also includes a tentative schedule for the meetings that was developed by the Team prior to the field mission.

The field mission to El Salvador was conducted during the period February 17 – 23, 2008. The mission included the following members:

1. Mr. Geoffrey Jackson, Director of Policy and Programs, U.S. Trade and Development Agency, Washington, D.C.
2. Ms. Jeri Jensen, Managing Director, Private Sector Initiatives, Department of Policy and International Relations, Millennium Challenge Corporation, Washington, D.C.
3. Ms. Mitchell Strauss, Director, Credit Policy, Overseas Private Investment Corporation, Washington, D.C.
4. Vinod Shrivastava, President and Chief Executive Officer, CORE International, Inc., Washington, D.C. (Consultant)

In addition, the following officials of the U.S. Government based in El Salvador participated in the field activities:

1. Mr. Vincent Ruddy, Resident Country Director, MCC, El Salvador
2. Mr. Kenneth Miller, Resident Deputy Country Director, MCC, El Salvador

3. Mr. Michael McGee, Commercial Counselor for Central American Region

Specifically, Mr. Ruddy and/or Mr. Miller organized the mission's meeting schedule and participated in most of the meetings. The Mission Team held meetings with a number of officials in key government entities in El Salvador including (i) FOMILENIO, the Executing Agency of the MCC Compact, (ii) Comision Nacional de Desarrollo (CND) also known as the National Development Commission, (iii) Promoviendo la Inversion en El Salvador (PROESA), the National Investment Promotion Agency, (iv) AGRISAL, an industrial enterprise in the agricultural sector, (v) Fundacion Salvadorena Para El Desarrollo Economico Y Social (FUSADES), a major think-tank in El Salvador, (vi) and SNC-LAVALIN, a Canadian Contractor supporting MCC in El Salvador.

The Team also visited the Chalatenango Municipality, the most progressive municipality in the Northern Zone, to hold discussions with the Municipality officials on approaches to enhancing private sector investment and the current plans of the Municipality. The Team visited the successful Chalatenango Country Club Project entirely financed by the private sector and the site proposed by the Municipality for a commercial zone project. In addition, the Team held discussions with the two key investors of the Country Club Project to gain insight into approaches that the USG could support to encourage additional private sector investment in the region. Honorable Dr. Jose Rigoberto Mejla, the Mayor of Chalatenango facilitated all discussions during the meeting with the Municipality officials.

Key objectives of this definitional mission were as follows:

- Conduct a mission to el Salvador with a USG Team and review the development requirements in the Northern Zone of El Salvador.
- Hold discussions with key Government officials and private investors to assess key areas that offer strategic opportunities for USG assistance.
- Discuss specific elements of the MCC Compact with local MCC officials and the key MCC Contractor – SNC-Lavalin to identify areas that will complement and enhance the impacts of the Compact in encouraging private sector participation in the development of the Northern Zone.
- Based on these discussions, develop a slate of strategic opportunities for USTDA's consideration that will (i) complement other USG and donor programs, (ii) enhance private sector investment in the Northern Zone, (iii) promote the implementation of CAFTA – DR, and (iv) strengthen the capacity of institutions in El Salvador to be stronger trading partners in the region.
- Prepare and submit a DM report in accordance with the USTDA guidelines for preparing these reports and provide detailed Terms of References (TORs) and budgets for all recommended actions for USTDA's consideration.

During the field mission to the El Salvador, CORE International along with the USG team members held discussions with a number of GOES officials and private investors. Section N of the DM Report includes a list of contacts with whom the DM Team held extensive discussions. Also, the Mission Team visited the Chalatenango Municipality, the most progressive municipality in the Northern Zone, to hold discussions on potential

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opportunities for USG assistance that would spur private sector-led development in the region.

In addition, both prior to the field mission and after the mission, the DM Team reviewed a number of reports and articles including various documents related to Trade Capacity Building (TCB) released by the USG. Based on discussions during the mission and the evaluation of the needs in the Northern Zone, CORE is pleased to recommend three activities for USTDA's consideration as shown in Exhibit I. The total proposed budget for these immediate term priorities in El Salvador is \$1,130,000.00.

The assistance proposed by CORE International can be justified solely on the basis of the immediate needs of the El Salvador under its strategy for CAFTA – DR. The following offers additional justification for USTDA to provide the recommended assistance to the GOES:

- There are no adverse impacts on U.S. jobs. In fact, the impact on U.S. jobs will be positive, as U.S. manufacturers produce most of the required equipment in their facilities in the U.S. No adverse environmental impacts are anticipated as a result of the proposed projects.
- U.S. assistance to the GOES is crucial, as the political, social, and economic infrastructure in the country needs sustained assistance by the international community. The process of institution building and strategic support to encourage private sector-led growth and development in the Northern Zone needs to be continued in concert. The assistance proposed to be provided by USTDA is strategic as it accomplishes many purposes simultaneously:
 - Strengthens the country's institutions and builds their capacity
 - Develops specific channels to foster new public and private sector investments in various sectors of the economy
 - Prepares the country for addressing employment problems through trade and export enhancement
 - Leverages and accelerates investment and lending by the key donors – MCC, Inter-American Development Bank, and others

A lack of response from USTDA or a decision not to fund the proposed activities will (i) significantly delay the development process in El Salvador, (ii) diminish the Government's trade capacity to take advantage of the provisions of CAFTA – DR, and (iii) postpone key investments in the country that are needed for the economic and social development of the Northern Zone of El Salvador.

Detailed scopes of work for all proposed activities in USTDA format are included in Annex II. Annex III includes budget estimates for all proposed activities prepared in accordance with USTDA requirements for preparing budgets.

EXHIBIT I

DEFINITIONAL MISSION: MASTER PLAN AND INFRASTRUCTURE PROJECT OPPORTUNITIES IN THE NORTHERN ZONE IN EL SALVADOR

SUMMARY OF RECOMMENDATIONS FOR THE U. S. TRADE AND DEVELOPMENT AGENCY

	Proposed Activity	Estimated Budget Amount	Executing Agency in the Government of El Salvador
TECHNICAL ASSISTANCE, MASTER PLAN, AND TRAINING SUPPORT			
1	Development of a Municipal Infrastructure and Commercial Zone Project in the Chalatenango Municipality in El Salvador	\$500,000.00	Chalatenango Municipality, Department of Chalatenango, Northern Zone
2	Northern Zone Development and Investment Plan in El Salvador	\$345,000.00	National Development Commission (CND)
3	Northern Zone Trade Facilitation Portal in El Salvador	\$285,000.00	National Investment Promotion Agency (PROESA)
TOTAL OF ALL REQUIREMENTS			\$1,130,000.00

B. PROJECT DESCRIPTION

1. Country Setting – Economy, Political Environment and Regional Issues

In 1992, El Salvador signed a monumental Peace Accord that ended a decade of civil conflict, which cost over 70,000 lives and left nearly two-thirds of El Salvador's population in poverty. The northern region of El Salvador (the Northern Zone) fared the worst, as its mountainous territory served as the primary conflict zone. It suffered from ever increasing violence resulting in instability in the area that further caused an exodus of large numbers of inhabitants. Despite significant national economic growth and poverty reduction that followed the Peace Accord, economic and social progress has stagnated in El Salvador in recent years.

The international donor community has been engaged with the Government of El Salvador in supporting the economic development of the country including specific programs aimed at the Northern and Eastern Zones of the country that need the greatest assistance. The Japanese Government provided a grant to the Government of El Salvador (GOES) for the development of a Master Plan for the country's Eastern Zone. GOES's more recent focus is on the development of a Plan for the Northern Zone, where over 50 percent of the population lives below the poverty line. Many of the region's towns have become ghost towns and much of the economic activity in a large number of its municipalities has stagnated. Overcoming the severe economic and social challenges and physically unifying the Northern Zone with the rest of the country are key national priorities of the Government.

In order to focus on the development of the Northern Zone, GOES and the Millennium Challenge Corporation (MCC) signed a five-year \$461 million anti-poverty MCC Compact which seeks to stimulate economic growth and reduce poverty in the region. The MCC Compact, entirely focused on the development of the Northern Zone, includes three components: (i) \$234 million for a transnational highway and connecting roads, (ii) \$95 million for improving electricity, water, and sanitation services, and (iii) \$87 million to provide investment support to Small and Medium Enterprises (SME's) and the Productive Development Program (PDP). The specific sectors included in the PDP part of the MCC Compact are dairy, forestry, fruits, horticulture, and tourism. In addition, the program includes an Innovation/Entrepreneurship competitive grants program, which focuses on creative methods for selecting and engaging beneficiaries outside of the sectors listed above. The program will identify methods for promoting innovative business ideas and delivering approximately \$1.5 million in competitive grants to entrepreneurs in the Northern Zone.

Various agencies of the U.S. Government have been coordinating their support to El Salvador in order to ensure that their respective programs complement each other and support an enabling environment within which the GOES can guide a private sector-led development of the country, in general, and the Northern Zone, in particular. In addition to the MCC, the largest donor, USAID, has a number of active programs (e.g., Entra 21 Program, and a large capacity building project), all aimed at building the institutional capacity of various GOES agencies; OPIC is providing loan guarantees in the housing sector; and a significant trade capacity building initiative under DR – CAFTA is underway

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involving various USG agencies, the Inter-American Development Bank and the Organization of American States (OAS).

This specific USTDA-funded Definitional Mission was designed to jointly work with other USG agencies to identify strategic areas for potential assistance by the USTDA that will (i) be strategic, (ii) complement other USG efforts, (iii) benefit the implementation of CAFTA – DR, and (iv) provide the GOES much-needed assistance to encourage private sector-led development in the Northern Zone.

2. CAFTA – DR and Trade Capacity Building Initiative

In November 2007, the GOES put into action the National Action Plan for Trade Capacity Building. The National Plan of Action for Trade Capacity Building in El Salvador aims to prioritize El Salvador's needs in the area of trade capacity building within the framework of CAFTA-DR. The specific goal of the Plan is to mobilize and administer the public and private assistance provided for trade capacity building. The broader goal of the Plan is to coordinate support to the GOES in order to make it a stronger trade partner in the region so that it can benefit from the provisions of CAFTA – DR.

The National Plan of Action is divided into two volumes. Volume I outlines the general trade capacity building strategy and Volume II contains the profiles of the projects identified in each area referred to in Volume I. This Plan of Action is updated annually.

3. Other Donor Initiatives

A number of donors are active in El Salvador to varying degrees. While it was not possible to compile a complete list of donors and active programs, some of the noteworthy activities directly related to the objectives of the USTDA Definitional Mission include the following:

1. Inter-American Development Bank (IDB) is one of the major supporters of El Salvador and has a number of active programs in the country including (i) support program for the financial sector, (ii) pilot training program for microenterprises, (iii) promotion of clean production processes, (iv) strengthening quality management and food safety for SMEs, (v) multi-phase program for sustainable rural roads, (vi) a major agribusiness reengineering project, and a wide variety grants for a number of activities.
2. OAS has compiled a mapping of a number of training and capacity building activities aimed at strengthening the trade capacity of El Salvador. Many of these activities are being presented to donors for financing.
3. As mentioned earlier, USAID has a major presence in El Salvador and is supporting capacity building, training, and grants to microenterprises in a number of areas.
4. Japan International Cooperation Agency (JICA) financed the cost of the development of a Plan for the Eastern Region of El Salvador.

These are a few of the key initiatives by the various donors aimed at assisting GOES in its development process.

4. Millennium Challenge Corporation Compact

FOMILENIO, a local entity, is executing the MCC project. The Compact will improve the lives of approximately 850,000 Salvadorans through strategic investments in education, public services, enterprise development, and transportation infrastructure. It is expected that, as a result of the Program, incomes in the region will increase by 20 percent over the five-year term of the Compact, and by 30 percent within ten years of the start of the Compact. The specific sectors included in the PDP part of the MCC Compact are dairy, forestry, fruits, horticulture, and tourism.

5. MCC Productive Development Program (PDP) Component of the Compact

Productive Development Program (PDP) part of the MCC Compact is aimed at providing technical assistance, low-interest loans and credit for private investment in the region by micro, small and medium enterprises; and stimulate human and productive development through an improved road network that will increase access to markets, health and education services, and integrate the Northern Zone with national and regional highway system. The PDP seeks to increase the incomes of Northern Zone residents by providing technical assistance, training, production support and access to credit and investment capital to reduce constraints to high quality production and increased productivity. The Project intends to help the region jump-start investment through the creation of productive, value-added chains to increase the incomes of the rural poor, make those incomes more stable by reducing risk, and increasing the value of their limited assets. Significant obstacles are faced in creating value chains and enterprise models that include equitable participation of the rural poor.

Specifically, the PDP will assist with the development of profitable and sustainable productive business ventures, with a primary focus on assisting poor farmers shift to the cultivation of high-value crops, forestry, and animal products. Business development support for micro, small and medium enterprises in other sectors, including tourism and artisans, will also be provided. It is expected that at least 55,000 poor people employed in agriculture or non-farm activities will benefit from this Program.

Initiatives to be undertaken under the PDP include:

- **Production and Business Service Activity:** Activities to help poor farmers, organizations and micro, small, and medium enterprises that benefit poor inhabitants of the Northern Zone to successfully transition to higher-profit production, generating new investment, expanding markets and sales, and creating new jobs in ways that stimulate sustainable economic growth and poverty reduction.
- **Investment Support Activity:** To attract private investment in and various types of financing for high-value economic activities in the Northern Zone, the Investment Support Activity will utilize MCC funding to support a demand-driven, competitive process to provide capital for critical investments required for successful operation of a business activity that is part of a value chain that will be located in and/or benefit poor inhabitants in the Northern Zone. The goal of the Investment Support Activity is to make investment capital available to poor individuals, and organizations that benefit poor inhabitants of the Northern Zone,

who, due to insufficient collateral and lack of liquid assets, are not able to finance their investments. This investment support is intended to reduce poverty by enabling the creation of profitable and sustainable business activities that generate employment and significantly raise income.

- **Financial Services Activity:** Regulated financial institutions in El Salvador have substantial liquidity, yet only a very small percentage of this liquidity is directed towards activities in the Northern Zone. The Financial Services Activity seeks to increase lending and access to credit and other financial services and to improve the risk profile of micro, small and medium producers and rural entrepreneurs in the Northern Zone.

6. Key Guiding Principles for the Definitional Mission

In the DM solicitation, USTDA has indicated that it is committed to identifying projects that benefit the implementation of DR – CAFTA. Specifically, USTDA is looking to strategic projects in the framework of a Master Plan that would address multiple reconstruction and development needs of the country in parallel. The projects identified for potential funding by USTDA will be chosen carefully to ensure that the plans and projects take into consideration the country's skill sets, human capacity, social and environmental issues, and health concerns and needs.

In addition, USTDA guidance included the following:

- Identify and develop initiatives that will complement the current donor activities, especially those of the MCC Compact
- Identify opportunities that are strategic in nature in that they will act as catalysts to increasing private sector-led initiatives in the Northern Zone and take advantage of the development activities of MCC
- Ensure that the proposed activities will enable El Salvador to take advantage of the benefits of CAFTA – DR
- Select activities that will enhance the capacity of the GOES institutions on one hand and create an enabling environment for private sector investments on the other.

CORE International used this guidance in conducting the field mission including the meetings with various GOES officials and private investors and the recommendations in the DM report are based on this guidance.

7. Pre-Mission Activities

Prior to the field mission, considerable planning was completed including a number of interagency discussions, planning with the MCC office in San Salvador, a meeting with the Vice Minister of Foreign Ministry and officials of the Embassy of El Salvador, and the development of a meeting schedule in consultation with the local representatives of the MCC and the Senior Commercial Officer for the Central American Region at the American Embassy. In addition, a brief was prepared as an introduction to the meetings with the officials in El Salvador. Annex I includes a copy of this Brief. Annex I also includes a tentative schedule for the meetings that was developed by the Team prior to the field mission.

In addition, prior to the field mission, a number of key documents were reviewed including the following:

1. The MCC Compact and Various Articles about the Compact in the Washington Post and the Wall Street Journal
2. The National Plan of Action for El Salvador – CAFTA – DR
3. Various Project Mapping under the TCB Initiatives Including the Projects Developed by the IDB and OAS
4. Details of the USAID Program in El Salvador
5. CAFTA – DR Regional Program Documents

Based on this preparation, the Mission was fully prepared to undertake the field mission and identify key initiatives for potential USTDA funding.

8. Field Mission Activities and Summary of Key Meetings

The Mission Team held meetings with a number of officials in key government entities in El Salvador including (i) FOMILENIO, the Executing Agency of the MCC Compact, (ii) Comision Nacional de Desarrollo (CND) also known as the National Development Commission, (iii) Promoviendo la Inversion en El Salvador (PROESA), the National Investment Promotion Agency, (iv) AGRISAL, an industrial enterprise in the agricultural sector, (v) Fundacion Salvadorena Para El Desarrollo Economico Y Social (FUSADES), a major think-tank in El Salvador, (vi) and SNC-LAVALIN, a Canadian Contractor supporting MCC in El Salvador.

The Team also visited the Chalatenango Municipality, the most progressive municipality in the Northern Zone, to hold discussions with the Municipality officials on approaches to enhancing private sector investment and the current plans of the Municipality. The Team visited the successful Chalatenango Country Club Project entirely financed by the private sector and the site proposed by the Municipality for a commercial zone project. In addition, the Team held discussions with the two key investors of the Country Club Project to gain insight into approaches that the USG could support to encourage additional private sector investment in the region. Honorable Dr. Jose Rigoberto Mejia, the Mayor of Chalatenango facilitated all discussions during the meeting with the Municipality officials.

The following provides a summary of key meetings including insights gained at these meetings that guided the selection of opportunities for USTDA assistance to the Government:

8.1 National Investment Promotion Agency (PROESA)

PROESA is governed directly by the Vice President of El Salvador. The key focus of PROESA is to promote investment in order to create employment in the country. Specifically, development in the Northern Zone has been stagnant because of poor and non-existent infrastructure. Therefore, the current focus of PROESA is to promote investments in the Northern Zone. The following are the key insights from this meeting:

- The priority sectors for development in the Northern Zone are Tourism, Agriculture, and Commercial and Small Industrial Enterprises

- PROESA stated that while their investment program caters to the nation as a whole, there is a need for customized promotion activities that will orient prospective investors to look to the Northern Zone as an attractive area for long-term investment, especially in light of the fact that the transnational highway to be constructed under the MCC Compact will connect the Northern Zone fully with the rest of the country.
- Specifically, the need for a web site dedicated to promoting investment opportunities in the Northern Zone and providing prospective investors a “one-stop-shopping” in terms of opportunities, incentives, processes related to zoning and permits, etc. that are crucial to promoting investments in the region.
- The second key area identified by PROESA related to the Government’s priority to regularize remittances (most remittances come to the Northern Zone) and channel them into productive uses rather than the current pattern of consumption for various consumer goods. In this regard, PROESA felt that the local banks should be brought in to devise approaches that would be attractive to both the remitters and the parties receiving the remittances. The banks need to convince these parties that using banking channels will not only protect their monies but also channel it to investments that will pay dividends. Accordingly, the need for a technical assistance was expressed to regularize the remittances, currently estimated to be in excess of \$2 billion annually.
- PROESA is involved with the current initiatives led by the Vice Minister of Foreign Ministry to promote regional meetings in the U.S. between Salvadorans and potential U.S. investors. PROESA felt that targeted meetings exclusively focused on the needs and priorities of the Northern Zone were needed whereby potential investors and project sponsors/developers could have free flowing discussions on specific projects that could be developed into real investments.

The Mission concurred that all of these opportunities looked attractive and consistent with the goal of promoting private sector investments in the Northern Zone.

8.2 National Development Commission (CND)

The Mission held an extensive meeting with senior officials of CND and the President of CND made a presentation on (i) the activities of CND and (ii) the need for a development plan specifically for the Northern Zone, similar to the National Development Plan for the entire country and the eastern Zone development Plan recently funded by JICA of Japan. Specifically, the following key insights were gained in this meeting:

- CND has been active for about 10 years and is the longest living commission in the recent history of El Salvador. The key responsibility of CND is to develop and annually update the national development Plan of El Salvador based on the country’s national strategy for development. The Commission has five directors, which represent a balanced mix of public and private sector representatives.
- CND also emphasized the need for regularizing the remittances and channeling them into productive sectors as investments. The Lempa River

Basin was identified by CND as a great prospect for future investments in agribusiness and tourism. However, those investments will have to wait until after the MCC projects in electricity, water, and roads are implemented as part of the Compact.

- CND noted that there is considerable informal trade between the residents of the Northern Zone and Guatemala and Honduras. If new investments are made in the Northern Zone they give rise to greater trade. Therefore, CND stressed the need for a development plan exclusively devoted to the Northern Zone that will coordinate the activities to be completed under the MCC Compact and fill in the gaps in terms of sectors/opportunities that will energize private sector in making investments in small enterprises, tourism projects, business support services, and related activities.

CND is fully capable of initiating the development of a Northern Zone Development and Investment Plan but will need external support. CND has already identified specific priorities for the Northern Zone that could be integrated in this Plan.

8.3 Meeting at the American Embassy with USAID and Embassy Officials

A meeting was held at the American Embassy to ensure that all activities are coordinated and that any USTDA activities not only do not duplicate any other programs but in fact complement and leverage other ongoing USG and other donor-funded programs. The following are key highlights of the meeting:

- USAID has a large program that provides capacity building training and access to finance to SMEs.
- IDB is funding a number of programs aimed at trade capacity building and strengthening the agricultural sector profile of El Salvador.
- Any effort to regularize the remittances and channeling the funds to investments was underscored as an important activity.
- The idea of developing service-based industries all along the transnational highway was found to be a good prospect for small-scale but strategic investments.
- The group also felt that it would be desirable to develop a mini Plan to complement the MCC Compact in the Northern Zone and that it will be useful and provide the GOES and the regional authority with a systematic approach to guiding investors in the Northern Zone.

8.4 Meeting with FOMILENIO Officials

A meeting was held with key officials at the FOMILENIO, the counterpart agency implementing the MCC Compact to gain a better understanding of the MCC Compact, in general, and the PDP Component in particular. The following is a quick status report on the progress of the MCC Compact:

- Parsons Brinckerhoff is conducting the feasibility study for the roads sector component of the MCC project. MCC anticipates that construction will begin in December 2008 in the Western area of the country. The entire roads project is expected to be completed in 2012.

- SNC – LAVALIN, a Canadian firm, is implementing the consultancy related to the PDP Component of the Compact. They have developed a GIS-based mapping of all the projects by sector and by donor. In addition, they are developing a manual of operations for contractors and service providers who will be hired under the MCC Compact to implement various projects. The LAVALIN study will produce various instruments including business development, project investment support, and training in order to support the implementation of projects. This work will be completed by the end of May 2008.
- According to FOMILENIO, the project is on track but has many challenges as they approach the implementation stage.

8.5 Meeting with AGRICOLA INDUSTRIAL SALVADORENA, S.A.

AGRICOLA is a major industrial facility in El Salvador and is involved in a number of businesses in tourism, hotel, and real estate sectors. As a major industrialist, the firm is well placed in the country and has a good sense of the development and investment opportunities in El Salvador. Roberto Siman, the Executive Vice President of AGRICOLA and former Director of the IMF/World Bank from El Salvador, was involved in the development of the MCC Compact, representing the GOES as an Advisor to the President of the country. He offered many key insights as follows:

- He stressed that the very first few businesses that have the best prospect for success in the Northern Zone will need to involve the Salvadorans living in the U.S. This, once again, resurfaced the need for regularizing the remittances and channeling them to investments. AGRICOLA suggested the need for a possible “Northern Zone Investment Fund” where remitters could deposit funds for their friends and families and receive a guaranteed return on unused funds. BMI, a development bank in El Salvador, could be a partner in the Fund as well.
- He also felt that no new businesses or U.S. large investors would initially consider the Northern Zone for investments as the infrastructure is too weak and the market is too small. Small-scale projects involving Salvadoran investors will be the key for jumpstarting investments in the Northern Zone.
- Another important point that AGRICOLA stressed was that individual projects are too small for many investors and they will need to be grouped to prepare attractive reasonable-sized project packages.

AGRICOLA also recommended that it might be useful to look at potential bi-national and tri-national projects involving El Salvador and its neighbors in the north – Guatemala and Honduras. This recommendation is similar to ideas discussed in other meetings where the discussion centered on finding creative ways to formalize the already existing informal trade among the people especially in the northern part of the country.

8.6 Meeting at the Chalatenango Municipality

The Mission visited the Chalatenango Municipality, the most progressive municipality in the Northern Zone and discussed the prospects for private sector-led investments in the Northern Zone. Chalatenango is a department, a municipality, and a city (the capital of the Department of Chalatenango), located in the North of El Salvador. In 2005 the

population of the municipality was 30,671 inhabitants. But beginning in the early 1990s, and especially after the Peace Accords, many Salvadorans have returned to repopulate the municipality. Currently, the population of the Municipality is over 200,000 and increasing.

In addition, there is considerable interest from Salvadorans living abroad to identify attractive business opportunities and invest in the Northern Zone, especially, Chalatenango. However, a lack of (i) business supporting infrastructure and (ii) a commercial zone has proven to be a major constraint to such investments. Therefore, the Mayor of Chalatenango Municipality is personally spearheading a project to build the municipal infrastructure and establish a commercial zone to facilitate investments and commercial activity in the Municipality. The project is in its early planning stages and the Municipality needs assistance in developing a plan and an investment program for the project. The conceptual elements of the project, as provided by the Mayor of Chalatenango, are as follows:

- A bus terminal adjacent to the transnational highway (to be built under the MCC Compact) and in close vicinity of the Commercial Zone
- A large parking lot to provide ample parking for visitors to the shopping center, business service establishments, fast food places, and general consumer goods stores
- Enough space and lots at the site for the establishment of restaurants, recreation facilities such as a bowling alley, children's play ground, clinics, a nursery, and other similar establishments

The Municipality firmly believes that such a project will create exactly the business support infrastructure that investors are looking for in order to begin looking at investment opportunities in and around Chalatenango. This will also spur the development of a large number of small and medium enterprises. The Mayor believes that the expertise of U.S.-based city and municipal infrastructure planning firms will ensure that the project is designed with modern technology in mind and will have a long-term sustainability. It will also have a great replication potential by many of the more than 60 municipalities in the Northern Zone.

8.7 Meeting with FUSADES

FUSADES is a well-respected think tank and a premier civil society organization with a well-established reputation as an organization to provide economic and social development consultancy to various government ministries and donors. FUSADES will make an excellent local partner to U.S. firms that may bid on the proposed activities if they are funded by the USTDA. Discussions with FUSADES confirmed the Government's priority to accelerate the development of the Northern Zone through encouraging private investors. Currently, they are implementing the IDB-funded \$2 million grant to incubate small- and medium-sized enterprises and some of these enterprises could be encouraged to invest in the Northern Zone with stronger partners who could come from the Salvadoran community in the U.S. FUSADES is also involved with CND in developing the Government's Five Year Plan. In addition, FUSADES is planning additional new initiatives that include (i) a one-year project to promote SMEs in the tourism sector funded by Spain, (ii) a productivity enhancement training program to

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be funded by New Zealand, and (iii) a technology innovation project to be funded by the Japanese Government.

The Mission discussed some of its initial projects with FUSADES and FUSADES wholeheartedly supported the activities proposed as part of this DM Report.

In addition to the above meetings, the mission held meetings with SNC – LAVALIN, a number of investors, and the two investors who have built a country club in Chalatenango financed wholly by the private sector (Salvadorans living in the U.S.).

A list of all the individuals with whom the team held discussions is included in Section N of this report. All of the meetings for the DM Team were organized by the local representatives of the MCC.

8.8 Discussions on Initial Recommendations with USG Agencies

Prior to the departure of the USG members of the Mission, there was a discussion session during which all of the various opportunities were discussed and based on these discussions CORE summarized its initial recommendations in a memorandum, which was sent to all Mission members.

These initial recommendations have since been revised and finalized as reported and justified in this Definitional Mission Report.

C. PROJECT SPONSOR'S CAPABILITIES AND COMMITMENT

During the Definitional Mission, the DM Team held extensive discussions with key entities in El Salvador. Most of the meetings were with senior decision makers in the various entities. The Government of El Salvador is fully committed to the provisions of CAFTA - DR and is aggressively gearing up to (i) increase the competitiveness of its industry, (ii) reform its markets, (iii) improve the public sector governance, and (iv) expand its trade both within the region and with the U.S. In addition, the GOES has a strong focus on the development of the Northern Zone, the worst affected area in the conflict.

This DM Report is recommending three grants to three different entities within the Government. The potential grantees are as follows:

1. Chalatenango Municipality for the grant on "Development of a Municipal Infrastructure and Commercial Zone Project in the Chalatenango Municipality in El Salvador"
2. National Development Commission (CND) for the grant on "Northern Zone Development and Investment Plan in El Salvador"
3. National Investment Promotion Agency (PROESA) for the grant on "Northern Zone Trade Facilitation in El Salvador"

The prospects for these potential grants were discussed with each one of these potential grantees during the field mission. Both PROESA and CND are fully capable of implementing foreign grants and are in fact currently working with many donors and implementing many grants. However, neither of them has received any grants from the USTDA in the past. The Chalatenango Municipality has not implemented any foreign government-funded grants in the past. All three of the potential grantees, however, have the capability to implement the grants recommended as part of this DM Report. All of them will need to know more about how the USTDA grant process works.

The recommended activities fit well with the mandates of the potential grantees and were developed as a result of the needs identified by the respective grantees in terms of their priority and mandate.

Finally, the DM Team is convinced that the project sponsors are fully committed to the projects recommended as part of the DM report for USTDA assistance.

D. IMPLEMENTATION FINANCING

As part of this Definitional Mission, CORE has identified, evaluated and recommended the following three activities consistent with the CAFTA – DR trade initiatives and the priorities of the Government of El Salvador:

1. “Development of a Municipal Infrastructure and Commercial Zone Project in the Chalatenango Municipality in El Salvador” – a grant to the Chalatenango Municipality
2. “Northern Zone Development and Investment Plan in El Salvador” – a grant to the National Development Commission (CND)
3. “Northern Zone Trade Facilitation in El Salvador” – a grant to the National Investment Promotion Agency (PROESA)

The first grant to the Chalatenango Municipality will result in a municipal infrastructure development plan for which the Municipality will have funds allocated from the GOES and its own budget. Some satellite projects in and around the Municipality will be small-scale private investor projects such as small commercial entities to provide consumer good and business support services. These projects will be financed directly by private investors.

The second and third grants to CND and PROESA respectively are advisory technical assistance that will result in (i) strengthening the capacity of these two entities and (ii) a better overall framework that will facilitate commercial activity and private sector investments in the Northern Zone. No large projects are envisioned in the initial stages as a result of these two grants. Therefore, implementation financing is not an issue. Rather, these two grants will facilitate small-scale commercial activity in the Northern Zone, which will be entirely financed by individual private investors or investor groups.

Many of the larger infrastructure projects that will be integrated in the Northern Zone Development and Investment Plan will be financed under the MCC Compact and potentially other donors including the IDB.

The development and investment process in the Northern Zone will be slow given the enormous need for the reconstruction of the basic infrastructure (energy, water, sanitation and transportation services to be financed under the MCC Compact) that must be accomplished first in order to create the enabling infrastructure for any sizeable investments in the region.

As the climate for investment improves, El Salvador can access many additional sources for financing the implementation of projects included in the Northern Zone Development investment Plan. Some of these sources include the following:

- **The Export-Import Bank** of the United States (Ex-Im Bank) provides direct loans to foreign buyers with competitive, fixed-rate financing for their purchases

from the United States. The Ex-Im Bank also provides working capital guarantees to cover 90% of the principal and interest on commercial loans to creditworthy small and medium-sized companies that need funds to buy or produce U.S. goods or services for export. For project financing, long-term Ex-Im Bank guarantees of commercial loans are available for major projects, large capital goods acquisitions, and project-related services.

- **The Overseas Private Investment Corporation (OPIC)** provides project financing through direct loans and loan guarantees that provide medium-to long term funding for ventures involving significant equity or management participation by U.S. businesses. Since project financing looks for repayment from cash flows generated by projects, OPIC carefully analyzes the economic, technical, marketing and financial soundness of each project.
- **The Multilateral Investment Guarantee Agency (MIGA)** and OPIC both provide political risk insurance for U.S. exporters involved in international transactions. OPIC insurance is available for investments in new ventures or expansions of existing enterprises and can cover assigned inventory or equipment, exporters' and contractors' exposures, and advance payment and other guarantees posted in favor of foreign buyers. MIGA programs are designed to encourage foreign investment by filling gaps in investment insurance against non-commercial risks in developing countries.
- **The Inter-American Development Bank (IDB)** is already very active in El Salvador and may be willing to finance many of the development projects that are identified and included in the Plan by CND. Once the Plan is completed by CND, it may enter into a dialogue with the IDB for the inclusion of selected projects in the IDB project Pipeline.
- **The World Bank**, once open for business in El Salvador, will also be a source of financing a variety of public sector infrastructure projects.

As the development process in the Northern Zone matures, private investors may approach the International Finance Corporation (IFC) for both equity and debt financing on attractive private sector projects.

E. U.S. EXPORT POTENTIAL

The three actions recommended for potential USTDA funding are aimed at building the capacity of the identified grantees and creating tools that will result in the development of an enabling environment for potential private sector investments in the Northern Zone of El Salvador. Given the devastation in the region, the initial investments in the region will almost entirely be in small-scale service industries. Therefore, the recommended actions will lead to (i) the capacity building of the prospective grantees and (ii) considerable developmental impacts, no exports of U.S. technology and goods are expected directly as a result of the proposed activities.

As the region develops and the investment climate improves, one would expect the development of commercial and industrial activities in the Northern Zone and at that time one would see potential exports of U.S. goods and equipment to El Salvador. In the long term, it is expected that the investments will be made in the construction industry, agribusiness, tourism, and light industry. While these investments may require some U.S. equipment and goods, it is not possible to estimate either the types or the quantities of such exports.

It should be noted that the Northern Zone of the country is essentially a rural and agricultural area and that the most likely development in the region even in the best of the circumstances will be rural enterprises and agribusiness. Therefore, no major exports can be expected even in the long term.

However, the proposed assistance from USTDA will strengthen the country's capacity to become a stronger trading partner and benefit from the provisions of the CAFTA – DR, a major goal of the U.S. Government and a focus of USTDA's initiatives in the Central American Region.

F. FOREIGN COMPETITION AND MARKET ENTRY ISSUES

Since there are no prospects of any sizeable exports of U.S. goods to the Northern Zone as a result of the proposed activities, the issues related to foreign competition and market entry do not arise. As mentioned previously, the proposed activities will assist the Government in its planning capabilities and enhancing the trade and investment capacity of many of its institutions. These developmental and capacity building activities are a precursor to any investments in a developing region.

Once the basic infrastructure in the country, in general, and in the Northern Zone, in particular, is developed, U.S. firms will have an opportunity to enter the market in El Salvador. Given the relationship between the two countries and the provisions of CAFTA – DR, U.S. firms are not expected to encounter any market barriers. Many of successful businesses in El Salvador have established linkages with U.S. firms that will grow and new avenues will open up for market entrants in the Salvadoran economy.

G. DEVELOPMENT IMPACT

As part of the CAFTA – DR, El Salvador is proceeding on a number of parallel tracks to enhance trade with its neighbors and the U.S. and improve the competitiveness of its products. The three activities recommended as a result of this Definitional Mission address many critical needs in enhancing the capacity of Salvadoran institutions and moving forward the process for establishing an enabling environment that will encourage private sector-led growth and development in the Northern Zone of the country. As investments, albeit very small, begin to take place, specific development impacts will begin to emerge in the form of small-scale enterprise development, employment, and increase in disposable income of the residents in the Northern Zone.

New job opportunities for a large number of workers resulting from small-scale enterprises, will cause a positive developmental impact on the Salvadoran economy. Therefore, USTDA assistance is of crucial importance for not only advancing CAFTA – DR but also for the development of the El Salvadoran economy. Exhibit II summarizes the anticipated development impacts in accordance with USTDA guidelines. The scopes of work prepared for the various technical assistance and studies recommended as part of this DM include a task on estimating development impacts in accordance with the specific guidelines provided by the USTDA. Exhibit II provides indicative development impacts that are anticipated as the proposed projects come to fruition.

**EXHIBIT II: POTENTIAL DEVELOPMENT IMPACTS OF THE PROPOSED USTDA ASSISTANCE
 CAFTA – DR TRADE INITIATIVE IN THE EL SALVADOR**

Proposed USTDA Grant Activity	Type of Impact	Description of the Impact
<p>1. Development of a Municipal Infrastructure and Commercial Zone Project in the Chalatenango Municipality in the Northern Zone of El Salvador</p>	<p><i>Infrastructure Related Impact</i></p>	<p>This project will have considerable infrastructure impacts, as the project will build parking lots, a bus terminal, schools, clinic, small hotels, business support enterprises, and shopping centers in and around the City of Chalatenango. This will increase commercial activity around the city leading to even more positive impact on the infrastructure of the Municipality.</p>
	<p><i>Market-Oriented Reform</i></p>	<p>The development of the municipal infrastructure will create entry of small-scale investors in the market. This will create market-based approach to services and will result in the reform of market rules and competition.</p>
	<p><i>Human Capacity Building</i></p>	<p>There will be considerable human capacity building impact as a result of this project. U.S. contractor personnel will be working side by side with the experts from the Chalatenango Municipality. Thus, there will be direct capacity building of the Salvadoran personnel in various technical and management areas.</p>
	<p><i>Technology Transfer and Productivity Enhancement</i></p>	<p>This project is not expected to result in any technology transfer.</p>
	<p><i>Other</i></p>	<p>No direct impacts are expected as a result of this project. Indirect impacts include new jobs and income generation in the Northern Zone as a large number of small investments.</p>

Proposed USTDA Grant Activity	Type of Impact	Description of the Impact
<p>3. Northern Zone Trade Facilitation Portal in El Salvador</p>	<p><i>Infrastructure Related Impact</i></p> <p><i>Market-Oriented Reform</i></p> <p><i>Human Capacity Building</i></p> <p><i>Technology Transfer and Productivity Enhancement</i></p> <p><i>Other</i></p>	<p>No specific infrastructure projects will result from the proposed TA. However, as the investment climate in the Northern Zone improves, there may be investments in tourism facilities, hotels, and real estate, which will have a positive impact on the infrastructure in the region.</p> <p>No immediate market reform impacts are expected from the proposed TA. However, as a result of the assistance to PROESA, there may be strengthening of the trade policies in the country, which have a reform impact on the market in terms of market operations and market rules related to competition.</p> <p>The proposed TA will have extensive human capacity building impacts. The direct beneficiaries of the TA will be PROESA staff who will be able to better target and focus their activities to support potential investors in order to enhance development in the Northern Zone.</p> <p>No technology transfer impacts are anticipated as a result of this TA. The productivity of PROESA staff is expected to grow, as they will be prepared to address a wide variety of needs of prospective investors.</p> <p>The development of the Northern Zone will result in a number of satellite development impacts such as new commercial activity in the region.</p>

H. IMPACT ON THE ENVIRONMENT

The support proposed for the Chalatenango Municipality will result in the development of the municipal infrastructure. Construction of a parking lot, a bus terminal, shops and eateries, business support establishments, in general, are not expected to have any appreciable environmental impacts. However, there may be impacts related to site preparation, zoning, and any population relocation that will need to be estimated.

The proposed grants to PROESA and CND are for assistance in the planning activities of these organizations and will greatly assist the staff of these organizations in developing more targeted strategies and support interventions that will foster development and investment in the Northern Zone. The proposed TAs are not expected to have any environmental impacts.

The scopes of work for all the proposed actions include a task for the contractor to identify and estimate any environmental impact resulting from the activities.

I. IMPACT ON U.S. LABOR

No U.S. jobs will be relocated as a result of USTDA providing any financial assistance to El Salvador in the proposed sectors. In fact, as projects funded by USTDA come to fruition, they will require potential imports of technology and equipment, most of which is manufactured by U.S. firms in facilities located in the U.S. Therefore, with this increase in demand for U.S. exports, these projects are expected to have a net positive impact on U.S. employment.

J. QUALIFICATIONS

1. Development of a Municipal Infrastructure and Commercial Zone Project in the Chalatenango Municipality in the Northern Zone in El Salvador

The proposed activity will support the Chalatenango Municipality in designing a municipal infrastructure project, which will also create an environment for local investments in and around the Municipality. The following are proposed qualifications for the Contractor selected to provide the recommended support to the Chalatenango Municipality:

- Prior experience in the design of municipal and urban infrastructure development projects (20 percent)
- Experience in siting and site development for municipal infrastructure projects (10 percent)
- Experience in conducting economic and financial analysis of municipal and city development projects (20 percent);
- Experience in developing country environment (10 percent);
- Experience of proposed experts (20 percent)
- Technical and management approach (20 percent).

2. Northern Zone Development and Investment Plan in El Salvador

This project will focus on assisting the CND in the preparation of a Development and Investment Plan for the Northern Zone of the country. The selected Contractor shall demonstrate the following qualifications prior to selection:

- Prior experience in preparing regional development plans in developing country setting including ability to work with various agencies and donors to prioritize and select the best projects (20 percent)
- Experience in designing commercial activities around municipal infrastructure development plans (20 percent)
- Experience in selecting sites for commercial and municipal infrastructure project (10 percent)
- Experience in developing country environment (10 percent);
- Experience of proposed experts (20 percent)
- Technical and management approach (20 percent).

3. Northern Zone Trade Facilitation Portal in El Salvador

This project will focus on assisting PROESA with the design on a web-based “one stop shopping” for potential investors so that they can get all information’s on project opportunities, potential incentives, requirements such as permits/zoning, financing availability and other required information for making investment decisions. The following are proposed qualifications required for the Contractor selected to provide this technical assistance:

Definitional Mission: Master Plan and Infrastructure Opportunities in the Northern Zone in El Salvador -- USTDA Project No. 06-Q-51-083 (First Draft of the DM Report and Version 3 of Scopes of Work and Budgets – March 22, 2008)

- Prior experience in the design of web sites and populating web-based information systems linked to various web sites (20 percent)
- Web operation and management training (10 percent)
- Experience in designing and conducting investment roundtables (20 percent)
- Experience in developing country environment (10 percent)
- Experience of proposed experts (20 percent)
- Technical and management approach (20 percent)

K. JUSTIFICATION

This DM Report has recommended three separate grants for El Salvador.

The first of the three grants is to support the development of a municipal infrastructure and commercial zone project for the most progressive municipality in the Northern Zone. The development of the municipal infrastructure will spur commercial investments and provide investor the business support services and facilities that will further encourage investments in the Northern Zone.

The other two grants to CND and PROESA respectively are aimed at strengthening the capacity of these organizations to provide better service to prospective investors in the Northern Zone of the country. These two grants will significantly strengthen the capacity of these organizations and create a better environment for prospective investors. They will also prepare them to have more informed dialogues with potential donors to support specific elements of the Northern Zone development consistent with the Government's development strategy.

As mentioned previously, El Salvador has made a strong commitment to implementing the provisions of CAFTA – DR and expanding its trade in the region and with the U.S. The actions selected under this DM provide the most urgent priorities that need to be considered in concert in order to maximize the overall strategic focus of El Salvador in its trade capacity building.

All of these actions are excellent candidates for consideration by USTDA. The DM Mission has spent a considerable effort in analyzing the priority to be placed on these actions through discussions with government officials and the donor and investor community representatives. Based on this, the DM Team is convinced that USTDA should give consideration to financing the proposed interventions. The following is our justification for proposing the recommended technical assistance, feasibility studies, and orientation visits:

1. These actions do not duplicate any activities currently underway or planned in the near future by any of the key donor agencies and donors — The MCC, OPIC, Inter-American Development Bank, and USAID. In fact, many of the proposed technical assistance activities will accelerate the investment plans of the two major donors – the World Bank and the Inter-American Development Bank as they focus on building the institutional capacity of many key institutions in El Salvador.
2. The proposed actions will result in the preparation of El Salvador to be a stronger trading partner, which is key to spurring foreign investment in the country. The proposed activities are aimed at (i) improving institutional governance, (ii) enhancing institutional capacity and skills of various entities in the Government, (iii) injecting more transparency and accountability in the operations of the government and enterprises, (iv) developing an enabling environment to foster greater private sector participation and trade facilitation, and (v) encouraging

overall reform needed to strengthen El Salvador's trade capacity and competitiveness of the country's industries and products.

3. The proposed actions are also expected to leverage funding by the World Bank (as soon as the Bank opens for business in the country) and the IDB for several infrastructure projects. Successful implementation of all of the projects in the pipeline of these two institutions would require significant capacity building and institutional strengthening of the various ministries and state entities in El Salvador. This is precisely what the proposed USTDA assistance is designed to address.
4. The technical assistance proposed to develop a municipal infrastructure and commercial zone project in Chalatenango Municipality will result in new investment projects which will create both employment in El Salvador in the near term and opportunities for exports for U.S. manufacturers in the longer term.
5. With increased opportunities for U.S. exports over time, the net impact on U.S. employment will be positive, as most of the equipment required for the projects to be implemented subsequently is manufactured in plants located within the United States.
6. No adverse environmental impacts will be caused as a result of any of the proposed technical assistance activities. In the case of the Chalatenango Municipality some of the infrastructure projects will require some level of environmental assessment prior to implementation.
7. El Salvador, as an important neighbor of the United States, has an opportunity to enhance its trade with the U.S. in a number of areas. The proposed assistance and the potential entry of U.S. firms in the El Salvador market will offer the country a greater opportunity to increase its trade, not only with the U.S but also with other countries in the region.

The discussion above provides a sound justification for the recommendations made to USTDA for assistance to El Salvador.

L. TERMS OF REFERENCE AND BUDGET

CORE International is pleased to recommend 3 activities for USTDA's consideration:

1. "Development of a Municipal Infrastructure and Commercial Zone Project in the Chalatenango Municipality in El Salvador"
2. "Northern Zone Development and Investment Plan in El Salvador"
3. "Northern Zone Trade facilitation Portal in El Salvador"

Detailed Terms of Reference for each of these three actions are provided in Annex II of this Report.

Annex III includes detailed budgets for each of the recommended actions in the USTDA format.

M. RECOMMENDATIONS

As part of this Definitional Mission CORE International, Inc. reviewed a number of potential opportunities for USTDA's funding consideration. Based on discussions during the mission and the evaluation of the needs in the sectors, CORE is pleased to recommend three actions in El Salvador.

Exhibit IV provides a summary of CORE International's recommendations.

EXHIBIT IV: SUMMARY OF RECOMMENDATIONS FOR THE U. S. TRADE AND DEVELOPMENT AGENCY

	Proposed Activity	Estimated Budget Amount	Executing Agency in the Government of El Salvador
TECHNICAL ASSISTANCE, FEASIBILITY STUDY, ORIENTATION VISIT AND TRAINING SUPPORT			
1	Development of a Municipal Infrastructure and Commercial Zone Project in the Chalatenango Municipality in El Salvador	\$500,000.00	Chalatenango Municipality, Department of Chalatenango, Northern Zone
2	Northern Zone Development and Investment Plan in El Salvador	\$345,000.00	National Development Commission (CND)
3	Northern Zone Trade Facilitation Portal in El Salvador	\$285,000.00	National Investment Promotion Agency (PROESA)
TOTAL OF ALL REQUIREMENTS			\$1,130,000.00

N. PROJECT PORTFOLIO ASSESSMENT

UDTDA does not have a large portfolio of projects in El Salvador. The most recent active grant provided by USTDA is for the automation of the customs operations in the country. There were no meetings during the field mission on this project. Therefore, the DM is unable to make any comment on this grant.

During the kick-off meeting, USTDA had emphasized the importance of the CAFTA – DR initiative and the development priorities in the Northern Zone of the country. In addition, the MCC Compact and the importance of inter-agency coordination and leveraging were emphasized. Therefore, the discussions during the field mission were guided by these considerations.

O. CONTACTS

The following are key contacts related to the activities in El Salvador.

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ANNEXES

ANNEX I: INTRODUCTION BRIEF FOR THE MEETINGS

U.S. Government Joint Mission to El Salvador to Prepare the Framework for Inter-Agency Coordination and Concrete Targeted Projects and Programs for Implementation in the Northern Zone

This Definitional Mission (“DM”) will evaluate a request to fund a Master Plan for the Northern Region of El Salvador (the “Northern Zone”). USTDA’s involvement would coincide with a Millennium Challenge Corporation (“MCC”) compact that seeks to stimulate economic growth and reduce poverty in the Northern Zone. In November 2006, the Government of El Salvador and the MCC signed a five-year, \$460.94 million anti-poverty Compact that seeks to stimulate economic growth and reduce poverty in the Northern Zone of El Salvador. Of the \$460.94 million, the largest share, \$234 million, will build a transnational highway and connecting road network across the Northern Zone. An additional \$87 million will support productivity enhancements and investment support to Small and Medium Size Enterprises (SMEs), particularly in agribusiness sector, and \$95 million will focus on improving access to electricity, water, and sanitation.

This DM Team includes highly experienced individuals with expertise in economic development planning, infrastructure development, investor promotion activities, and experience working with national economic development agencies and financial institutions serving the needs of small- and medium-sized enterprises. The Team will draw upon the work already completed by MCC, El Salvador’s National Development Commission, the National Investment Promotion Agency of El Salvador (“PROESA”), and the business, donor and NGO communities.

USTDA, MCC and the Overseas Private Investment Corporation have been asked to participate in this endeavor of improving conditions in the Northern Zone of El Salvador. Inter-agency cooperation on this initiative is a high priority for the U.S. government.

The Team Includes:

MCC. Representatives of the Millennium Challenge Corporation (MCC), which is in the process of planning concrete projects for MCC fund investments.

OPIC. The Overseas Private Investment Corporation (OPIC) which is exploring ways in which it can use its loan, loan guarantee, and political risk insurance products for eligible investors.

USTDA. The U.S. Trade and Development Agency which is considering funding of a Master Plan and related opportunities for the Northern Zone which match the goals of the Zone leaders and affect the economic development objectives inherent in the El Salvador-MCC Joint Compact.

Specifically, USTDA is committed to identify projects that benefit the implementation of the Central America-Dominican Republic-United States Free Trade Agreement (“DR-CAFTA”). This DM also is in keeping with USTDA’s DR-CAFTA Trade Integration

Initiative. Infrastructure investments in areas such as transportation logistics and agricultural processing and packaging in the Northern Zone could also potentially benefit Guatemala, Honduras, and other countries in the region.

The Master Plan would define long-term development throughout the Northern Zone with respect to land use, zoning, density, and design guidelines. While the physical infrastructure is important, any such Master Plan would account for the skill set of the workforce, education, health, and any environmental issues.

Specific to USTDA, the Team will be meeting with key leaders, decision makers, and stakeholders most knowledgeable in terms of both the constraints and opportunities, which exist in the Northern Zone. These leaders, decision makers, and stakeholders will be requested to provide their inputs into those specific "project" opportunities, programs for economic development, and necessary infrastructure (such as roads, telecommunications, water and sanitation systems and practices, etc.) needed to make these targeted projects and programs successful. The Team intends to meet with those individuals who El Salvador counterparts believe are key to targeting both funding and program implementation support systems. The preliminary list of proposed meetings includes:

- USG San Salvador: MCC Resident Team, U.S. Commercials Service, U.S. Department of State/Economic Section, USAID
- National Development Commission (CND)
- Ministry of Planning
- Vice Minister of Foreign Affairs
- Vice Ministry of Housing
- Ministry of Public Works
- The American Chamber of Commerce in El Salvador
- The National Investment Promotion Agency of El Salvador ("PROESA")
- Local prospective investors and government officials involved in the Northern Zone
- Local financial institutions
- Other stakeholders aware of challenges to, and opportunities for, economic and societal improvement in the Northern Zone

Through local community involvement in the initial stages of targeted project and program funding the likelihood of success and universal agreement on their implementation will be enhanced.

In addition, the U.S. Agency for International Development is seeking insights as to how the Entra 21 Program might be used to co-finance locally conceived information technology youth training programs.

The specific outcome of the Team will be the development of Project and/or Program concepts, with matching specific and detailed Terms of References and budgets for decision-making and program planning by the various U.S. Government Agencies.

ADDENDUM: SUMMARY OF THE PROJECT TEAM EXPERTISE

MCC:

Jeri Jensen is Managing Director for Private Sector Initiatives for the Millennium Challenge Corporation. In this capacity she is responsible for helping MCC countries leverage their compacts with the private sector and stimulate follow-on trade and investment. Prior to joining MCC in 2007, Ms. Jensen served as Deputy Assistant U.S. Trade Representative (USTR), working on labor issues in recently negotiated Free Trade Agreements with Central America, Panama, and Colombia. Also at USTR, Ms. Jensen served as deputy lead negotiator for U.S. Free Trade Agreement negotiations with Malaysia, implementing the U.S.-Singapore Free Trade Agreement, strengthening our trade relationship with ASEAN and managing trade policy issues on Thailand and New Zealand. Before joining USTR, Ms. Jensen spent 18 years at the Department of Commerce in various capacities helping U.S. companies solve the problems they face when trading and investing abroad.

OPIC:

Mitchell Strauss is the Director for Credit Policy at the Overseas Private Investment Corporation (OPIC). Ms. Strauss has held several key positions within OPIC and has expertise in credit management, emerging market financing and new product development. She advises on new financing structures for socially responsible segments including micro finance and SME businesses in emerging markets

USTDA:

Geoffrey Jackson serves as the Director for Policy and Program and Regional Director for East Asia at the U.S. Trade and Development Agency (USTDA). In this capacity, Mr. Jackson advises USTDA's Director on international trade and foreign assistance matters, and makes recommendations for possible USTDA program assistance to support U.S. policy objectives. Prior to assuming his current responsibilities, Mr. Jackson served as USTDA's Regional Director for Asia and the Pacific. Previously, he was the agency's Regional Director for Central and Eastern Europe, and has served as the Regional Director for Africa and the Middle East. Before joining USTDA in 1990, Mr. Jackson held positions in the Economic Development and International Trade Administrations of the U.S. Department of Commerce. These assignments involved multilateral development bank issues, commercial trade dispute settlement, country assignments, trade policy and international trade promotion.

CORE International:

Vinod Shrivastava is a consultant to USTDA, providing Definitional Mission (DM) support on priority projects of the Agency. Since 1984 he has assisted USTDA in the definition and implementation of a number of broad economic improvement and specific infrastructure projects in post-conflict countries including Gaza and West Bank, Bosnia and Herzegovina, Afghanistan, and Haiti. He has been intimately involved in USTDA's DR-CAFTA Trade Integration Initiative having performed assignments for the agency in Costa Rica, Dominican Republic, and Haiti, with emphasis on increasing US-DR-CAFTA country trade cooperation, collaboration, and enhancement. As a Senior Development

Expert he has worked for bi-lateral, multi-lateral, and private sector entities in 96 countries worldwide.

**DISCUSSION POINTS IN THE VARIOUS MEETINGS
(DRAFT DATED FEBRUARY 13, 2008)**

Tuesday February 19, 2008

8:00am-9:00am Embassy Team (MCC, USAID, FCS, Econ)

Discussion Points:

- Objectives of the USTDA Mission
- Types of Assistance that USTDA can Provide
- Key Priorities of the USG and How USTDA Assistance Can be Strategic in that Process
- Insights from the USG Local Team on Strategic Support

9:30am-11:00am CND (National Development Commission)

Discussion Points:

- Key Priorities of the National Development Plan
- Parallel Areas and Priorities of the MCC Compact
- Key Sectors and Projects -- what is needed to move the projects
- Current Status of the Plan

11:15am -12:30pm PROESA (National Investment Promotion Agency)

Discussion Points:

- Types of activities that PROESA is pursuing
- Priority areas of focus
- Problems and Challenges
- How USTDA can help in the process – specific areas and needs

12:30am -1:45pm Lunch

2:00pm -3:15pm Vice Minister Escobar (Ministry of Foreign Affairs)

Discussion Points:

- Types of activities that can be initiated to encourage the Salvadorans living abroad to return to El Salvador and become involved in the reconstruction and development efforts
- Approaches to create business linkages between locals and overseas Salvadorans
- Approaches to address the capacity and skills shortages in El Salvador
- Description of the types of instruments available to USTDA

3:30pm- 4:30pm Roberto Siman, Grupo Agrisal (investor perspective on regional development opportunities)

Discussion Points:

- Key Regional Development Priorities
- Specific projects that could be brought on line quickly
- Problems and challenges
- Exploring ways in which USTDA could quickly provide strategic support

4:45pm- 5:45pm FOMILENIO

Discussion Points:

- Rundown on MCC activities and opportunities for collaboration
- Strategic support by USTDA
- Explore specific projects and sectors and areas of support

Wednesday February 20, 2008

6:45am- 8:30am Travel to Chalatenango

8:30am-10:00am Meeting with Mayors in Chalatenango region

Discussion Points:

- Description of USTDA and its program and instruments for assistance
- Local goals and perspective from the Mayors' points of view
- Key priority projects and opportunities
- Specific opportunities in *Chalatenango *Potonico *Gualococti *Nueva Trinidad

10:00am -11:15am Travel from Chalatenango to Sesuntepeque

11:30am – 1:00pm Lunch meeting with Mayors in Sesuntepeque region

Discussion Points:

- Discussion of USTDA program and instruments for assistance
- Local goals and perspective from the Mayors' points of view
- Key priority projects and opportunities
- Specific opportunities in *Sesuntepeque *Victoria *Ciudad Dolores *Dulce Nombre de Maria

1:15pm-3:00pm Travel from Sesuntepeque to San Salvador

3:30pm- 4:30pm Meeting with Ministry of Public Works

Discussion Points:

- Discussion of USTDA program and instruments
- Strategic zoning, land studies, housing issues and priorities
- Construction sector priorities and projects

4:45pm- 5:45pm Meeting with ANEP Director

Discussion Points:

- ANEP's key priorities
- USTDA program and instruments
- Exploring potential opportunities for USTDA support

Thursday February 21, 2008

9:00am-10:00am FUSADES

Discussion Points:

- USTDA program and assistance instruments
- Key priorities of FUSADES
- Exploring project opportunities for USTDA support

10:15am -11:15pm SNC-Lavalin

Discussion points:

- SNC – Lavalin Activities
- Problems and Opportunities
- Key needs

11:30am -12:30pm IDB

Discussion Points:

- IDB portfolio of projects and TA
- Areas where USTDA and IDB could mutually leverage support to El Salvador
- Specific projects and points of interaction

2:00pm- 3:15pm AmCham

Discussion Points:

- AmCham perspective
- Potential areas for collaboration between U.S. El Salvador businesses
- Key problem areas for the business sector
- Needs of businesses and the role of small and medium businesses in the development process

Note: Additional meeting that will be helpful could include the following:

1. The Key Coordinator of the MCC Compact in El Salvador

2. Ministry of Transport (if there is one or some organization that handles transport sector)
3. Ministry of Energy (if there is one or the national utility)
4. Ministry of Tourism (if there is one or an organization involved in tourism promotion)
5. Someone who has the top responsibility for national strategy and planning
6. Ministry and Finance or Economy
7. Any representatives of local banks

ANNEX II: SCOPES OF WORK FOR RECOMMENDED ACTIVITIES

Detailed Terms of Reference for the three proposed activities in the USTDA format required in the DM solicitation follow.

TERMS OF REFERENCE

DEVELOPMENT OF A MUNICIPAL INFRASTRUCTURE AND COMMERCIAL ZONE PROJECT IN THE CHALATENANGO MUNICIPALITY IN THE NORTHERN ZONE OF EL SALVADOR

Background

After years of guerilla warfare resulting in a massive loss to the economic and social fabric of the country, in 1992, El Salvador signed a monumental Peace Accord that ended a decade of civil conflict, which, by many accounts, cost over 70,000 lives and left nearly two-thirds of El Salvador's population in poverty. During that conflict, human capital formation lagged, public investment was deferred, and the natural resource base deteriorated significantly. The Northern Region of El Salvador (the Northern Zone) had the worst impact as its mountainous territory served as the primary conflict zone. The Northern Zone was plagued by violence and instability that caused an exodus of large numbers of inhabitants. Despite significant national economic growth and poverty reduction that followed the Peace Accord, economic and social progress has stagnated in El Salvador in recent years. The Government of El Salvador (GOES) is aggressively pursuing a development strategy for the country and mobilizing donor assistance to support its development strategy.

National and Development Planning Strategy of El Salvador

The responsibility for developing a National Development Plan and individual regional development plans resides with the Comision Nacional de Desarrollo (CND), also referred to as the National Development Commission. CND is a Presidential commission and has been active for the last eight years. CND has developed a comprehensive National Development Plan for the entire country. The national development of El Salvador has been pursued under the consistent development policy of the GOES with four pillars as follows:

1. Reducing poverty through investment in human capital,
2. Strengthening the economic competitiveness under the free trade and open economy policy,
3. Improving public services and judicial systems, and
4. Ensuring environmental sustainability.

The National Development Plan guides the overall development strategy of the GOES and is used as the basis to mobilize financing for specific elements of the Plan.

GOES Focus on Regional Planning

The GOES has emphasized regional level planning as a focus as different regions of the country have different development potential and different needs and priorities. During 2006 -2007, the GOES developed the Eastern Zone Development Plan under funding from the Japan International Cooperation Agency (JICA). The Eastern Region of El Salvador consists of four departments of San Miguel, La Union, Morazan, and Usulután. The Region has the land area of 7,394km² or 35.7% of the national land, and its population of 1,281,428 as of 2000 accounts for 20.4% of the total population in the

country. The region is economically deprived and is a net out-migrating region because of a severe lack of development and limited economic opportunities.

Challenges in the Northern Zone and the Opportunities Offered under CAFTA – DR and the MCC Compact

GOES's more recent focus is on the development of a Plan for the Northern Zone. The northern region of El Salvador (the Northern Zone) fared the worst during the conflict, as its mountainous territory served as the primary conflict zone and the region's violence and instability caused an exodus of a large number of the region's inhabitants. Many of the region's towns have become ghost towns and much of the economic activity in a large number of its municipalities has stagnated. Overcoming the severe economic and social challenges and physically unifying the Northern Zone with the rest of the country are key national priorities of the Government.

CAFTA-DR offers many opportunities that will have a direct trade, investment, and employment impact in the Northern Zone and the Government, in collaboration with a number of donors, has begun the process to advance CAFTA-DR and take advantage of the opportunities under this trade initiative.

In addition, GOES and the Millennium Challenge Corporation (MCC) signed a five-year \$461 million anti-poverty MCC Compact which seeks to stimulate economic growth and reduce poverty in the region. In the Northern Zone, more than 53 percent of the population lives below the poverty line. The MCC Compact, entirely focused on the development of the Northern Zone, includes three components: (i) \$234 million for a transnational highway and connecting roads, (ii) \$95 million for improving electricity, water, and sanitation services, and (iii) \$87 million to provide investment support to SME's and productivity enhancement. The specific sectors included in the productivity enhancement part of the MCC Compact are dairy, forestry, fruits, horticulture, and tourism. In addition, the program includes an Innovation/Entrepreneurship competitive grants program, which focuses on creative methods for selecting and engaging beneficiaries outside of the sectors listed above. The program will identify methods for promoting innovative business ideas and financing worthy projects and activities in the Northern Zone.

FOMILENIO, a local entity, is executing the MCC project. The Compact will improve the lives of approximately 850,000 Salvadorans through strategic investments in education, public services, enterprise development, and transportation infrastructure. It is expected that, as a result of the Program, incomes in the region will increase by 20 percent over the five-year term of the Compact, and by 30 percent within ten years of the start of the Compact.

Other Donor Programs

There are a large number of other donor initiatives by bilateral and multi-lateral donors organizations other than the MCC Compact that include a number of activities aimed at building the institutional capacity of the government institutions and promoting private sector led trade and investment. Specifically the following key initiatives are supporting the development of both the country as a whole as well the Northern Zone:

1. CAFTA-DR TCB Assistance to El Salvador National Action Plan - IDB Projects
2. CAFTA-DR: Mapping of Donor-Funded TCB Assistance to El Salvador National Action Plan - OAS Projects
3. USAID Programs Including the Entra 21 Program and the SME Credit and Access to Financing Program

While most of the donor programs are concentrated on capacity building of various government entities and financing initiatives to promote private sector investments in the northern region of the country, the municipalities in the Northern Zone are struggling and are in need of considerable support to undertake physical planning and prepare municipal infrastructure development plans, a key to mobilizing private sector investment.

Municipal Sector Setting in the Northern Zone and the Chalatenango Municipality

The Northern Zone has over 90 municipalities many of which are dysfunctional. Even the basic infrastructure such as electric power, water, roads, commercial centers, hospitals, schools, and other needs are non-existent in many of these municipalities. Many of the towns have been abandoned and there is a considerable need to build the needed infrastructure not only to restore basic services but also to create an environment in which private sector investments can develop and grow. While many of the basic infrastructure services are included in the MCC Compact, there is no direct support to the municipalities to develop their respective land use and infrastructure plans including zoning and/or re-zoning in light of new highways and roads, identifying suitable areas for investments in such things as residential areas, industrial zones, business service facilities, and related systems and facilities to attract potential investors.

The Chalatenango Municipality, situated in the northwest region of the country is the largest and one of the most progressive municipalities and offers great potential for initial development that could lead to encouraging private sector investment. In addition, an initiative taken by the Chalatenango Municipality to develop undertake physical planning, develop its infrastructure, establish a commercial zone, and create the necessary enabling environment to encourage private sector investment could allow for participation by other municipalities in the Northern Zone, and lead to replication. The Chalatenango Municipality has received a grant from the U.S Trade and Development Agency (USTDA) to finance the cost of developing a Municipal Infrastructure and Commercial Zone Investment Plan.

Brief background of the Chalatenango Municipality

Chalatenango is a department, a municipality, and a city (the capital of the Department of Chalatenango), located in the North of El Salvador. The Department of Chalatenango was heavily impacted by the Civil War. Many people of Chalatenango were forced to abandon their homes because of the violence. But beginning in the early 1990s, and especially after the Peace Accords, many Salvadorans have returned to repopulate the municipality. Currently, the population of the Municipality is over 200,000 and is increasing, which is a sign of the desire of the Salvadorans to spark social and economic development in the Zone.

The Municipality is predominantly agricultural in its composition with a number of different crops, fruits, vegetables, and indigo, the biggest crop prior to the violence that devastated much of the agricultural infrastructure. In some areas in the Municipality, only the foundations remain, but others are regularly maintained and conserved. Other key traditional crops that are important include corn, beans, sorghum (maicillo), native squash, rice, and vegetables. These crops essentially serve for family consumption, but in some cases the families sell them either directly or through intermediaries.

Another key sector is the livestock sector, which offers potential for the development of dairies, meatpacking and processing facilities, and light local industry such as leather goods production. There is a considerable industry dedicated to the production of artisanal dairy products.

Despite the fact that there are a number of attractive tourist sites including La Peña Hill, Turicentro Agua Fría, Las Cocinas, Río Tamulasco, and a number of natural springs and pools, these sites are in need of considerable development. The tourist sector represents an attractive opportunity for investments and there is considerable demand for tourism facilities as many Salvadorans living abroad routinely visit their relatives and friends and some of them are, in fact, planning to resettle back in the country. During the last few years, for example, a group of private Salvadoran investors developed and built the Chalate Country Club in the City of Chalatenango, which is very popular and in high demand. The entire project was financed by individual Salvadorans with no government support, an indication of the potential for private sector investment in the region, especially now in light of the new transnational highway and other complementary investments funded by the MCC compact. The two developers of this project are now planning a number of additional tourism and recreational facility projects.

In addition to basic economic activity, the attractiveness of the Municipality is also indicated by the presence of a number of local banks that largely engage in overdraft lending and short-term loans primarily to farmers and real estate developers. The banks are open to financing attractive projects. However, the market has not taken off mainly due to a lack of basic infrastructure.

In addition, there is considerable interest from Salvadorans living abroad to identify attractive business opportunities and invest in the Northern Zone, especially, Chalatenango. However, a lack of (i) business supporting infrastructure and (ii) a commercial zone has proven to be a major constraint to such investments. Therefore, the Mayor of Chalatenango Municipality is personally spearheading a project to build the municipal infrastructure and establish a commercial zone to facilitate investments and commercial activity in the Municipality. The project is in its early planning stages and the Municipality needs assistance in developing a plan and an investment program for the project.

Objective

The objective of this project is to provide technical assistance to the Municipality of Chalatenango to undertake physical planning to ensure optimal development in light of the new infrastructure investments financed by MCC and private investors in and around the Municipality and other relevant areas of the Northern Zone of El Salvador. A specific

goal is to develop different options for land-use plans in the area surrounding the new by-pass road, where the MCC-financed Transnational Highway is planned to go around the south side the central urban area. Once a site and land-use plan option is selected, the Contractor shall work with municipal planners to develop preliminary designs for a limited number of strategic projects, which may include a Transport Terminal and a Commercial Zone Project. An infrastructure plan to support this and other high-priority investments per the selected land-use plan shall also be prepared by the Contractor with participation of local municipal planners. A key goal of USTDA under this project is to create an "Opportunity Community Project" in the Chalatenango Municipality such that it can be replicated across communities, municipalities, and towns throughout the Northern Zone. An "Opportunity Community Project" is defined as a project that has the most capacity for attracting and number of satellite projects in a community by leverage investment from donors and private investors.

The proposed Municipal Infrastructure and Commercial Zone Project will be able to leverage the MCC investment in infrastructure (transnational highway and connecting roads, electricity, water, communications, and direct support to businesses) by creating zones along the newly improved roads infrastructure. These zones will serve as the ideal places for investors to build homes, create opportunities for entrepreneurs, and develop the workforce for modern industries. The proposed project in the Chalatenango Municipality will be the key to such development and investment in that it will define short-term and long-term development throughout the Municipality and adjacent areas with respect to land use, zoning, density, commercial business support facilities, and processes for fast-track approval of new investments.

Specifically, the Chalatenango Municipality would like the project to accomplish the following specific goals:

- Based on the Land Use Plan to be developed under this USTDA assistance, proceed quickly to begin the preliminary designs of strategic projects including the transport terminal and commercial zone, as well as the infrastructure plan.
- Review local municipal zoning codes and associated regulatory procedures, providing advice and training to municipal staff on how to develop zoning guidelines consistent with the new Land Use Plan, and more likely to lead to efficient development, in a manner that is transparent and investor friendly.
- Use the Land Use Plan and preliminary urban designs as a basis to (i) seek financing from the national budget for core municipal infrastructure elements of the project (ii) leverage funding with MCC and other donors for specific infrastructure development activities included in the MCC Compact and other donor packages, and (iii) mobilize private sector investments in housing, business centers, new businesses, tourism and recreational facilities, and other activities that will generate employment and income.

- Use the “Opportunity Community” approach embodied in the Land-Use Plan and preliminary urban designs as an outreach tool or roadmap to reach out to investors and present them an incentives package to make investments in components that make up and “Opportunity Community” – housing, business support services for SMEs, markets for agricultural products and consumer goods, and workforce development.
- Based on the success of the project, expand the project to other adjacent municipalities in the Northern Zone. During key training sessions and events, mayors and related staff from other municipalities will be invited to participate and learn practices that could be applied in their own jurisdictions.

Scope of Work and Tasks

The scope of the proposed project shall include the entire Chalatenango Municipality and a time frame of ten years for the full implementation of all identified activities. While the focus of the Plan developed by the Contractor shall be on the immediate term (the next five years coinciding with the MCC Compact time frame), the Contractor shall identify and describe infrastructure projects that could be implemented even after the MCC Compact through a combination of public budget and private financing in a public-private partnership mode. As part of this activity, the Contractor shall also provide capacity building assistance to the managers and staff at the Municipality in infrastructure planning. Specifically, the Contractor shall prepare a Plan that shall facilitate the development of the land use plan and preliminary urban designs for a transport terminal and commercial zone, along with an infrastructure plan at an accelerated schedule. The selected Contractor shall conduct the following tasks as part of this project:

Task 1: Review of Current Project Plans of the Chalatenango Municipality

One of the earlier projects developed by the Municipality focused on the development of the tourism sector. Specifically, this project includes a number of subprojects as follows:

- Development of a few tourism information centers throughout the Municipality
- Building of a dock on the lake to facilitate boating, fishing, and water sports
- Development of an artisan market to promote local goods
- Building camping facilities
- Building of small hotels and guest houses

Some of these projects are already under implementation with Municipality funding and other projects such as small hotels and guesthouses are being developed by various private investors.

As mentioned earlier, the Chalatenango Municipality has prepared the conceptual elements for a Municipal Infrastructure and Commercial Zone Development Project. The key elements of this project, as provided by the mayor of Chalatenango, are as follows:

- A site development, land-use, and site preparation plan
- A bus terminal adjacent to the transnational highway to be built under the MCC Compact and in close vicinity of the Commercial Zone
- A large parking lot to provide ample parking for visitors to the shopping center, business service establishments, fast food places, and general consumer goods stores
- Enough space and lots at the site for the establishment of restaurants, recreation facilities such as a bowling alley, children's play ground, clinics, a nursery, and other similar establishments

The Municipality has tentatively selected a site for the Project. A visit to this site indicated that both the location (away from the planned main transnational highway) and the topography (the site has a very deep swamp-like hole in the center) of the site make it unsuitable for the proposed Project. The Municipality has other potential sites that could be available for the proposed Project. As part of this task the Contractor shall develop a set of criteria for a suitable site and visit several sites. Based on these visits, the Contractor shall recommend three candidate sites with the final selection of the site after designing the complete Project to be made by the Municipality in consultation with the community. The Contractor will assist the Municipality in the preparation of materials required for the Municipality to engage the community in the approval of the project.

In addition, the Municipality has developed a conceptual layout of the entire Project. The Contractor shall review this layout with respect to the site finally selected by the Municipality and the demand for commercial activity and investor requirements. Based on this analysis, the Contractor shall develop a detailed land use plan, relevant urban project designs, and an infrastructure development plan in close consultation with the Municipality. The land use plan, the urban designs, and the infrastructure development plan shall include specific subprojects such as hotels, guesthouses, clinics, business service facilities, and other establishments.

Task 1 Deliverables

The deliverables from task 1 will be a report summarizing (i) a land use plan, (ii) urban project designs, and an infrastructure development plan. The Contractor shall also provide maps and drawings using the GIS maps available at the National Development Commission (CND) and under the MCC Productive Development Plan component report.

Task 2: Develop the Details All Subprojects within the Overall Municipal Infrastructure and Commercial Zone Project

As mentioned earlier, the overall Municipal Infrastructure and Commercial Zone Project will include a number of subprojects. As part of Task 2, the Contractor shall develop all of the subprojects in detail. At a minimum, the following details will be developed for each subproject:

- Project scope and size
- Input requirements in terms of material and labor

- Potential benefits of the project – users of services
- Any new technologies to be deployed
- First order costs and overall investment
- Permits and license requirements and time required to obtain the permits and licenses
- Estimate schedule of completion
- Potential sources of financing – Municipality budget, MCC Compact, other donors, and private investors
- Other pertinent information

The Contractor shall develop a database of this information and based on available data the Contractor shall develop gross estimates for the cost of the entire Project.

Task 2 Deliverables

As part of Task 2, the Contractor shall deliver a report that shall include complete details for the entire project as well as for each subproject.

Task 3: Visit the Shortlisted Sites and Recommend the Most Suitable Sites for the Project

Based on the data developed in Task 2 and the design of the entire Project developed in Task 1, the Contractor shall make a second site visit to each of the three sites that were shortlisted under Task 1 as potential candidates. The purpose of these follow-up visits will be to review the sites and the land use plan in greater detail based on the more specific Project design and requirements developed under Tasks 1 and 2.

As a result of these site inspections and evaluations, the Contractor shall advise the Municipality on the pros and cons of the three sites. The Municipality will engage the community in the process of arriving at the choice for the final site for the Project. The Contractor shall assist the municipality in the community engagement process to the extent the Municipality may require such support. Once the final site has been selected and agreed to by all the parties, the Contractor shall conduct a detailed audit of the selected site and identify specific needs for the development and preparation of the site in order to make it suitable for the proposed Project.

The Mayor of the Chalatenango Municipality has discussed the general framework of the Project with community representatives, a number of local and visiting investors, and the MCC. The MCC fully supports this project as it will directly complement the Compact and will be an ideal "Opportunity Community" Project. The investors have expressed the preference that they would like the Municipality to provide the site and they will be willing to lease specific portions of the site for their respective subprojects based on the national and local zoning requirements.

Task 3 Deliverables

As part of Task 3, the Contractor shall deliver a report that will include (i) criteria for site selection and a detailed report on the pros and cons of the recommended sites, (ii) a detailed audit of the sites inspected, (iii) recommended land use plan, revised urban

project designs, and an infrastructure plan, (iv) justification for the recommendation, and (v) detailed requirements for the development and preparation of the site. In addition, the Contractor shall deliver all outreach materials and position papers prepared for the Municipality to engage the community on the land-use plan and the overall project.

Task 4: Develop Cost Estimates and Investment Requirements for the Individual Subprojects and the Entire Project

Under Task 4, the Contractor shall fine-tune and finalize the costs and investment requirements for the land-use plan and each of the subprojects and aggregate them to develop the overall cost and investment requirements for the entire Project. In addition, in consultation with the officials from the Municipality, the Contractor shall identify potential sources for financing the subprojects. Based on this analysis, the Contractor shall classify the subprojects into four categories based on potential sources of financing. These will be as follows:

- Category 1: Subprojects for which the Chalatenango Municipality either has the required funding or has a reasonable expectation to secure funding from the national budget.
- Category 2: Subprojects for which financing could be availability from the Productivity Enhancement Component of the MCC Compact.
- Category 3: Subprojects for which private sector financing will be required.
- Category 4: Subprojects for which there is no obvious source of financing and other sources such as donors will need to be approached to secure financing.

The Contractor shall next assist the Municipality in discussions with prospective sources of financing especially discussions with the MCC/FOMILENIO and private investors. In the case of subprojects slated for private sector investors, the Contractor shall prepare an "Investor Brief" to enable dialogues between the Municipality officials and the private sector. In order to assist the Municipality in leveraging private sector investment, the Contractor shall provide support and training to the Municipality officials in engaging the representatives of the private sector.

Task 4 Deliverables

As part of Task 4, the Contractor shall develop a comprehensive report that will document all activities. In addition, the Contractor shall submit an "Investor Brief" that shall include projects for which private sector financing will be required.

Task 5: Conduct Economic and Financial Analyses of the Project

Based on the investment requirements for the land-use plan, the municipal infrastructure plan and the various subprojects, the Contractor shall conduct detailed economic and financial analyses of groups of subprojects. Thus, for all projects to be financed by the Municipality and oriented towards improving services and creating a better business infrastructure for encouraging private investment, the analysis will be mostly to estimate economic and social impacts. Alternatively, for the group of subprojects slated for

private investment, the Contractor shall conduct financial analyses to determine return on investment payback periods. For donor-funded projects, predominantly the analysis shall be oriented towards estimating economic and social benefits in relation to the investment costs. Specifically, the Contractor shall calculate the economic internal rates of return (EIRR) and the Financial Internal Rate of Return (FIRR) for the various groups of subprojects under a variety of different assumptions including tax rates, interest rates, oil prices, and other economic and financial parameters. The EIRR analyses shall be more straightforward, as it shall include national economic and social benefits of the projects in terms of enhanced employment, greater economic activity, a more equitable income distribution in the Northern Zone, and the value added to the GDP of the Chalatenango Municipality and its contribution to the GNP of the country over time.

The FIRR shall be calculated for each subproject group based on different assumptions and Return on Investment (ROI) and Return on Equity (ROE) very likely to be expected by potential developers. In addition, the Contractor shall estimate the economic and social benefits of the Project as a whole.

Task 5 Deliverables

Under this task, the Contractor shall prepare and submit a report that will rank and prioritize the various subprojects based on their economic and financial analyses. The Contractor shall also develop the justification for the overall Project based on all economic, financial, and social factors considered together. Specifically, the Contractor shall discuss the overall developmental value of the project for the economic and social development of the Chalatenango Municipality.

Task 6: Develop Project Implementation Requirements Including a Model Template for Other Municipalities

The next step in the study will be to develop implementation requirements for the Project. The Contractor shall construct the overall implementation requirements for the Project as a whole based on examining implementation issues associated with the four categories of projects developed under Task 4. The implementation requirements for the various categories of projects will also vary based on the mode of financing. For example, subprojects financed by the Municipality will have very different implementation considerations than subprojects implemented under the MCC Compact, and projects financed by the private investors will have their own implementation arrangements. Specifically, the Contractor shall discuss implementation issues for the four categories of projects identified under Task 4. The implementation issues shall include the following:

- Institutional roles and responsibilities
- Requirements and processes for permits and business licenses needed by the private investors
- Environmental assessment requirements for specific subprojects
- Fiscal and financial incentives available for certain types of projects and the process for availing of such incentives
- Coordination requirements with other government agencies, donors, financiers, and lenders for different subprojects
- Any other implementation issues that may surface during the study

Based on an assessment of the implementation requirements, the Contractor shall develop a template for designing and implementing municipal infrastructure and commercial zone projects. This template will be widely publicized and provided to other municipalities in the Northern Zone in order to encourage them to consider replicating the experience of the Chalatenango Municipality. The Contractor shall install this template at the Chalatenango web site and link it to other key web sites in the country including the web sites of the National Development Commission (CND) and the National Investment Promotion Agency (PROESA).

Task 6 Deliverables

The deliverables of Task 6 shall be (i) a detailed report on the implementation requirements for various categories of subprojects as well as for the entire Project and (ii) a template for replication of similar projects by other municipalities in the Northern Zone.

Task 7: Assess the Development Impact of the Project

The proposed Municipal Infrastructure and Commercial Zone Project, when implemented, will result in a number of subprojects including a bus terminal, a parking lot, business service facilities, a shopping mall, several restaurants, hotels and guest houses, children's park, healthcare facilities and a number of SME establishments. Almost all of these projects will have developmental impacts on the Municipality, as they will generate employment and income. The Contractor shall estimate the development impacts of the projects in accordance with USTDA's criteria for conducting such analysis. This development impact assessment will include the development benefits expected from the implementation of the proposed project and the various subprojects.

Specifically, the Contractor shall assess the development benefits associated with the Project and the methodology for measuring those benefits. The assessment shall include examples of the development benefits that would be expected in the Host Country if the Project is implemented as outlined in the Final Report. The Contractor shall specifically focus on examples from the categories listed below and shall develop a methodology for assessing these impacts over time. The Contractor shall select examples that USTDA could reasonably expect to be able to obtain information on in the future and shall make suggestions as to where USTDA should look to obtain this information (e.g. the Grantee, trade statistics, or U.S. Embassy in the Host Country). The Contractor shall only list benefits in the categories that are applicable to the Project.

The categories to be considered are as follows:

Infrastructure: Improvements in physical infrastructure that would result from the Projects. Estimate the scale of construction/installation expected and comment on the capabilities of any recommended infrastructure improvements. These may include access roads and facilities, new utility supplies and hookups, wastewater treatment facilities, and other environmental activities resulting from a follow-up to this TA.

Human capacity building: Estimate the approximate number and type of jobs that would be created during the installation/construction phase if the Contractor's recommendations are implemented and new investment projects are implemented in the Northern Zone. Distinguish between temporary construction jobs and the approximate number of jobs that would be created or sustained once construction is complete (or the number of jobs that would be lost due to labor-saving technology). Comment on any prospective training recommended in the Study, including an estimate of the approximate number of persons to be trained, type of training needed, and the desired outcome of the training.

Technology transfer and productivity impacts: Discuss any commercial contracts for licensing new technology that are recommended, as well as the expected productivity benefits of any such licenses. The types of benefits may include electricity supply, water treatment, agriculture crop treatment and disease control technologies, new IT applications and related commercial activities. More generally, discuss the expected efficiency gains related to the recommendations, such as improved systems or processes that enhance productivity or result in the more efficient use of resources. Enhancement in productivity may include estimates for average labor wages, value added to the industries in terms of efficiency gains due to added technology, and any increases in the disposable incomes of the workers indicating higher productivity.

Market-oriented reform: Discuss any market-oriented reforms that would facilitate implementation of the projects that result from implementation of the TA, which may include any policy changes that result in the liberalization of prices, privatization of previously state-owned assets, or increased competition in a given sector

Other: Discuss prospective indirect development impacts of the key recommendations, such as enhanced economic benefits (including increases in tourism and investment and indirect job creation, regional economic development, etc.) that are not captured in the four categories listed above.

Task 7 Deliverables

The deliverable of Task 7 will be a stand-alone Development Impact Report.

Task 8: Conduct an Environmental Impact Assessment of the Project

The environmental impacts from the proposed Project and the subprojects will vary depending upon the project. For example, construction of new buildings and development of the commercial zone will result in additional productive and consumption activities resulting in additional municipal waste; construction of clinics and hospitals will result in hospital waste; and the bus terminal will result in the need for service of the buses including potential oil spillage and battery replacements. The Project will need to take into consideration all such environmental impacts.

As part of this task, the Contractor shall conduct a preliminary review of the Project's anticipated impact on the environment with reference to local requirements and those of multilateral lending agencies (such as the Inter-American Development Bank and World Bank). This review shall identify potential negative impacts, discuss the extent to which

they can be mitigated, and develop plans for a full environmental impact assessment if and when the proposed Project and subprojects move forward to the implementation stage. This includes the identification of steps that shall need to be undertaken by the project sponsor subsequent to the study's completion and prior to Project implementation.

In addition, this task shall include a discussion of any regulations that would impact the Projects' viability or prognosis to move forward.

Task 8 Deliverables

The deliverable under this task will be a stand-alone environmental impact report.

Task 9: Prepare and Submit Final Report

The Contractor shall prepare and deliver to the Grantee and USTDA a substantive and comprehensive Final Report of all work performed under these Terms of Reference ("Final Report"). The Final Report shall be organized according to the above tasks, and shall include all deliverables and documents that have been provided to the Grantee. The Final Report shall be prepared in accordance with Clause I of Annex II of the Grant Agreement and shall identify prospective U.S. sources of supply. The Final Report shall be prepared in the English language.

The Final Report shall contain an executive summary. In addition to any other required deliverables in accordance with Clause I of Annex II of the Grant Agreement, the Contractor shall provide both the Grantee and USTDA with a Public Version of the Final Report on CD-ROM. The CD-ROM version of the Final Report shall include:

- Adobe Acrobat readable copies of all documents;
- Source files for all drawings in AutoCAD or Visio format; and
- Source files for all documents in MS Office 2000 or later formats

These files may be provided in equivalent readable formats. All reports and presentation materials shall be in the English and Spanish languages.

Study Schedule and Level of Effort

The expected duration of this study is 6 months from the start date. The total anticipated level of effort for this study is 228 person days of U.S. expertise and 80 person days of local El Salvador expertise.

The total budget for this activity is estimated to be \$500,000.

Deliverables

Specific reports resulting for the activities under the various tasks have been identified under the individual tasks. The Final Report has been discussed in Task 9. The Contractor shall deliver the following additional deliverables as part of this project:

- A Detailed Work Plan within two weeks after contract start;

- Monthly Progress Reports;
- Briefings, Workshops, and Presentations as requested by the Municipality.

All documents shall be prepared in the English language.

Study Execution and Counterpart Support

The Chalatenango Municipality shall be the Grantee for this USTDA-funded grant. The Contractor's experts shall closely work with counterpart experts in the Chalatenango Municipality. Office of the Mayor of the Chalatenango Municipality shall provide the Contractor (i) all available prior reports, project plans, and data, (ii) access to various potential sites for the project, and (iii) reasonable office space and office support. The Office of the Mayor will also facilitate any meetings for the Contractor's experts with key officials in the Central Government in San Salvador.

TERMS OF REFERENCE

NORTHERN ZONE DEVELOPMENT AND INVESTMENT PLAN IN EL SALVADOR

Background

After years of guerilla warfare resulting in a massive loss to the economic and social fabric of the country, in 1992, El Salvador signed a monumental Peace Accord that ended a decade of civil conflict, which, by many accounts, cost over 70,000 lives and left nearly two-thirds of El Salvador's population in poverty. During that conflict, human capital formation lagged, public investment was deferred, and the natural resource base deteriorated significantly. The Northern Region of El Salvador (the Northern Zone) had the worst impact as its mountainous territory served as the primary conflict zone. The Northern Zone was plagued by violence and instability that caused an exodus of large numbers of inhabitants. Despite significant national economic growth and poverty reduction that followed the Peace Accord, economic and social progress has stagnated in El Salvador in recent years. The Government of El Salvador (GOES) is aggressively pursuing a development strategy for the country and mobilizing donor assistance to support its development strategy.

National and Regional Development Planning Strategy of El Salvador

The responsibility for developing a National Development Plan and individual regional development plans resides with the Comision Nacional de Desarrollo (CND), also referred to as the National Development Commission. CND is a Presidential commission and has been active for the last eight years. It is the longest surviving independent commission in the country. CND has developed a comprehensive National Development Plan for the entire country. The national development of El Salvador has been pursued under the consistent development policy of the GOES with four pillars as follows:

1. Reducing poverty through investment in human capital,
2. Strengthening the economic competitiveness under the free trade and open economy policy,
3. Improving public services and judicial systems, and
4. Ensuring environmental sustainability.

Under this policy, CND formulated initial actions of the National Development Plan with three structural development axes: regional development and decentralization, restructuring of the productive base, and Central American integration. Specific elements of this Plan are being revised to incorporate new developments, especially the opportunities under the CAFTA-DR and the newly signed \$461 million MCC Compact. The National Development Plan guides the overall development strategy of the GOES and is used as the basis to mobilize financing for specific elements of the Plan.

Opportunities under the CAFTA-DR and the MCC Compact

The CAFTA-DR provisions offer the Government of El Salvador significant opportunities to expand its trade with the United States and its neighbors. The Government is participating in a number of programs aimed at building its trade capacity and making it a

stronger trading partner in the Central American Region. CAFTA-DR offers many opportunities that will have a direct trade, investment, and employment impact in the Northern Zone and the Government, in collaboration with a number of donors, has begun the process to advance CAFTA-DR and take advantage of the opportunities under this trade initiative.

In addition, in November 2007, the Millennium Challenge Corporation (MCC) signed a five-year \$461 million anti-poverty Compact with the Government of El Salvador which seeks to stimulate economic growth and reduce poverty in the country's Northern Zone, where more than 53 percent of the population lives below the poverty line. The Compact, entirely focused on the development of the Northern Zone, includes three components; (i) \$234 million for a transnational highway and connecting roads, (ii) \$95 million for improving electricity, water, and sanitation services, and (iii) \$87 million to provide investment support to SME's and productivity enhancement. The specific sectors included in the PDP part of the MCC Compact are dairy, forestry, fruits, horticulture, and tourism. In addition, the program includes an Innovation and Entrepreneurship competitive grants program, which focuses on creative methods for selecting and engaging beneficiaries outside of the sectors listed above. The program will identify methods for promoting innovative business ideas and financing worthy projects and activities in the Northern Zone.

FOMILENIO, a local entity, is executing the MCC project. The Compact will improve the lives of approximately 850,000 Salvadorans through strategic investments in education, public services, enterprise development, and transportation infrastructure. It is expected that, as a result of the Program, incomes in the region will increase by 20 percent over the five-year term of the Compact, and by 30 percent within ten years of the start of the Compact.

GOES Focus on Regional Planning

The GOES has emphasized regional level planning as a focus as different regions of the country have different development potential and different needs and priorities. The Eastern Region of El Salvador consists of four departments of San Miguel, La Union, Morazan, and Usulután. The Region has the land area of 7,394km² or 35.7% of the national land, and its population of 1,281,428 as of 2000 accounts for 20.4% of the total population in the Country. The region is economically deprived and is a net out-migrating region because of a severe lack of development and limited economic opportunities. In 2001, following the major earthquakes, the Eastern Region was further devastated. Thus, the GOES strategy shifted to focus on the development of the Eastern region including a plan to establish a new port in La Union as a way to strengthening the competitiveness of the region and creating new jobs and economic activity in the region.

The GOES looked for donor support and received assistance from the Japan International Cooperation Agency (JICA), which financed the Eastern Region Development Plan. This Plan has been developed and CNP is mobilizing the support of various GOES agencies and donors to implement specific elements of the Plan.

Challenges in the Northern Zone

The northern region of El Salvador (the Northern Zone) fared the worst during the conflict, as its mountainous territory served as the primary conflict zone and the region's violence and instability caused an exodus of a large number of the region's inhabitants. Many of the region's towns have become ghost towns and much of the economic activity in a large number of its municipalities has stagnated. Overcoming the severe economic and social challenges and physically unifying the Northern Zone with the rest of the country are key national priorities of the Government.

The population of the Northern Zone requires a comprehensive development program to enable it to fully participate in El Salvador's growth, the benefits of regional integration, and the economic opportunities brought about by the recently signed Central America-Dominican Republic-United States Free Trade Agreement. The MCC Compact is the single most comprehensive support for the development of the Northern Zone and it needs to be integrated in the Government's overall strategy for the Northern Zone that goes beyond the five-year duration of the Compact. Therefore, CND has begun the process to commission the preparation of a Northern Zone Development Plan. Unlike the Eastern Region Development, which had to be developed from scratch, the Northern Zone Development Plan will require both the integration of various ongoing initiatives, specifically the MCC Compact, and the development of those elements not included in current ongoing initiatives.

Other Donor Programs with Planning Activities

There are a large number of other donor initiatives by bilateral and multi-lateral donor organizations other than the MCC Compact that may include planning activities that would need to be integrated into the Northern Zone Development and Investment Plan to be developed under this Technical Assistance. Specifically the following key initiatives would need to be reviewed by the Contractor in designing the proposed Plan:

1. CAFTA-DR TCB Assistance to El Salvador National Action Plan - IDB Projects
2. CAFTA-DR: Mapping of Donor-Funded TCB Assistance to El Salvador National Action Plan - OAS Projects
3. USAID Programs Including the Entra 21 Program and the SME Credit and Access to Financing Program

In addition, the Contractor will closely work with the CND to review any other donor programs that may have planning activities that would need to be integrated into the proposed Plan.

Objective

The reference framework of the proposed Technical Assistance will be the Development Strategy of the Northern Zone formulated by the CND, which has five main components:

1. Road connectivity
2. Rescue and conservation of the Lempa River Basin
3. Urban development by conforming a system of cities
4. Integration and development of the border region

5. Productive and entrepreneurial development

In addition, two other programs are considered as "necessary conditions" for the implementation of the GOES strategy for the development of the Northern Zone: municipal clustering and land use planning land management.

Road connectivity and productive and entrepreneurial development are covered under the MCC Compact. Therefore, this Technical Assistance will have a more direct focus on the other three components while coordinating with the MCC and incorporating key activities under the MCC Compact in the overall Plan.

Accordingly, the objective of this Technical Assistance (TA) is to assist CND in the development of a Northern Zone Development and Investment Plan for a 15-year horizon. Specifically, the selected Contractor shall conduct three primary activities as follows:

1. Review of all active donor programs and provide documentation of all activities that directly support the development of the Northern Zone
2. Identification of those planning activities that are not included in any of the current donor programs and documenting them for inclusion in the proposed Plan
3. Development of a comprehensive Northern Zone Development and Investment Plan including the goals and objectives, sectors, projects, milestones, implementation plans, financing plans and financing sources, and institutional responsibilities. The Plan shall also include a monitoring, evaluation and updating schedule.
4. Strengthening the capacity of CND through on-the-job work sessions with the CND staff.

Scope of Work and Tasks

The scope of the proposed technical assistance shall include the entire Northern Zone and a 15-year time frame. The selected Contractor shall coordinate the activities with other GOES agencies and donors active in the Northern Zone in order to ensure that all activities that support the development of the Northern Zone are documented and included the Plan to be developed as part of this Technical Assistance. Specifically, the Contractor shall conduct the following tasks:

Task 1: Conduct a Review of the MCC Compact and Other Donor Programs and Document All Planning Activities for the Northern Zone

As part of this task, the Contractor shall visit the MCC project personnel especially FOMILENIO and their contractor, SNC-Lavalin. The Contractor will review all documents such as the scope of works for on-going activities, all reports, etc. and document all activities related to supporting the development of the Northern Zone. Three of the key activities of the USG in El Salvador include (i) the CAFTA-DR and related trade capacity building (ii) the MCC Compact, and (iii) USAID activities including the GIS-based data base on investment opportunities. This documentation shall include the following at a minimum:

- Scope of the Activity and Stated Objective
- Sector of Concentration
- Projects and the Scope of the Projects
- Total Funding for the Projects
- Time Frame for the Implementation of the Projects/Activities
- Implementation Responsibility
- Current Status – Level of Completion
- Problem Areas and Any Delays
- Reasons for Delays and Corrective Measures Needed or Implemented

In addition, the Contractor shall conduct a similar review of other donor programs including activities funded under the CAFTA-DR, USAID initiatives, and initiatives by the Inter-American Development Bank (IDB), Organization of American States (OAS) and other bilateral and multilateral donors. Any activities/projects directly related to the development of the Northern Zone shall be identified and documented by the Contractor with the same level of detail as described above.

The Contractor shall develop and organize a database of all of these activities.

Task 1 Deliverables

The Contractor shall prepare and submit a database and a report documenting the review and the findings to CND. In addition, the Contractor shall install the database on the CND computers and develop a methodology for its continual updating.

Task 2: Identify Gaps needed to be Included in the Plan

Based on the findings of task 1, the Contractor shall identify any gaps for activities that must be included in the Plan. Specifically, the Contractor shall identify the following two types of gaps:

1. First, the Contractor shall review all activities/projects in other donor programs that end before the 15-year time frame of the proposed Plan. In fact most of activities including the five-year MCC Compact will end long before the 15-year time frame for the proposed Northern Zone development and Investment Plan. For all such activities that may end at different points in time, the Contractor shall propose new follow-up activities/projects consistent with the national strategy for the development of the Northern Zone.
2. Second, the Contractor shall identify gaps in sectors, projects and activities that are not covered under any of the donor-funded programs. These may include specific sectors considered crucial for the long-term development of the Northern Zone such as a railway line, a fertilizer plant, small businesses, healthcare facilities, etc.

For, both items 1 and 2 above, the Contractor shall develop specific projects and activities in consultation with CND officials and in conformance to the long-term

development strategy of the GOES. For all these activities and projects, the Contractor shall develop the following details that will be included in the Plan:

- Brief description of the project/activity – goals, objectives, and expected impacts
- Sector and developmental issues associated with the sector
- Project/activity financing requirements and who will benefit from the project
- Implementation issues and schedule
- Institutional responsibilities
- Role of the private sector in the project/activity
- Financing plan
- Other relevant details such as site, special zoning requirements, unique environmental and social issues, etc.

Specifically, the Contractor shall review the following program areas and identify potential projects that could be included in the 15-year Plan:

- a. **Land Management:** There are several Land Use and Management Plans that cover the Northern Zone and their implementation will contribute significantly to the viability and sustainability of GOES development strategy. These plans are highly complex and not well understood by the local government agencies and communities.
- b. **Integration and Development of the Border Region:** The Border Development Project Honduras - El Salvador supported by the European Union will come to an end by 2009. This project has served - among others aspects - to create a civic and municipal bi-national root, which shares a common agenda of development and has identified a number of development and integration projects yet to be promoted. The proposed Investment Plan shall collect all information on this program this and include measures for monitoring the projects and strengthening their implementation.
- c. **Monitoring, Evaluation and Dissemination of the Sustainable Development Program of the Northern Region:** as part of its role on the Advisory Board of FOMILENIO, CND must strengthen their capacity to assess and disseminate projects that are implemented by the FOMILENIO in the Northern Zone. The Contractor shall conduct topical work sessions with the CND staff to strengthen they capacity in this area.

Task 2 Deliverables

The deliverable of Task 2 will be a compendium of projects/activities by sector to be included in the Northern Zone Development and Investment Plan. In addition, the Contractor shall conduct 3 topical work sessions with the CND staff on the monitoring and evaluation of projects in the Northern Zone implemented by the FOLILENIO.

Task 3: Develop a Comprehensive Northern Zone Development and Investment Plan

Based on the activities compiled under Tasks 1 and 2, the Contractor shall develop a composite and complete Portal (Plan) that will include recommended projects/activities and the details as discussed above. In addition, the Contractor shall provide a rationale for why each of the projects/activities is included in the Portal (Plan) and how it supports the GOES strategy for the development of the Northern Zone.

The Contractor shall also discuss key elements of the Portal with not only the CND management but also other key GOES organizations such as the Ministry of Economy, Ministry of Finance, PROESA, donors, think tanks, consumer groups, and other entities. These discussions shall include the contractor personnel making presentations on the Plan to various groups of government and private sector personnel. Through these discussions, the Contractor shall refine specific elements of the Plan and gain a buy-in of the contents of the Plan in advance of its issuance to the public. Based on this exercise the Contractor shall revise the Portal (Plan) as needed to focus it more specifically to the GOES priorities in the Northern Zone.

Task 3 Deliverables

The Contractor shall deliver a Draft Northern Zone Development and Investment Plan to CND for review and comments. It is expected that CND will have a formal review of the Plan by a number of GOES agencies and the Contractor shall be available to address any specific questions or provide clarifications on any aspect of the Plan.

Task 4: Provide Capacity Building and Training to CND Staff

An important component of this Technical Assistance is for the Contractor to strengthen the capacity of CND staff and provide two one-day training workshops on the specific methodologies used for preparing national and regional development plans including the analyses required for prioritizing and ranking projects to be included in the Plan. These workshops shall also include selected international case studies to the extent they provide any lessons applicable to the Northern Zone in El Salvador.

In addition the Contractor personnel will work closely with the CND personnel and provide regular on-the-job training to CND managers and staff in order to both build the organizational capacity of CND and skill sets of CND managers and staff.

Task 4 Deliverables

As part of this task the Contractor shall provide on-the-job-training and capacity building to CND throughout the duration of the TA. In addition, the Contractor shall design and deliver two half-day workshops on the tools of regional planning with appropriate case studies.

Task 5: Assess the Development Impact of the Project

The proposed TA is expected to lead to the development of the Northern Zone Development and Investment Plan. The Plan will include projects/activities aimed at developing the communities and municipalities throughout the Northern Zone over a 15-year period. Some of the development activities may include small- and medium-sized businesses such as consumer goods stores, business service companies, small-scale

housing, children playgrounds, parking lots, bus terminals, etc. (agribusiness enterprises and energy and water facilities are covered under two separate components under the MCC Compact). The Contractor shall estimate the development impacts of the TA in accordance with USTDA's criteria for conducting such analysis. This development impact assessment will include the development benefits expected from the implementation of the proposed projects.

Specifically, the Contractor shall assess the development benefits associated with the Project and the methodology for measuring those benefits. The assessment shall include examples of the development benefits that would be expected in El Salvador if the development projects were implemented as outlined in the Final Report. The Contractor shall specifically focus on examples from the categories listed below and shall develop a methodology for assessing these impacts over time. The Contractor shall select examples that USTDA could reasonably expect to be able to obtain information on in the future and shall make suggestions as to where USTDA should look to obtain this information (e.g. the Grantee, trade statistics, or U.S. Embassy in El Salvador). The Contractor shall only list benefits in the categories that are applicable to this TA and the subsequent projects that may be implemented as a result of this Technical Assistance.

The categories of development impacts to be considered are as follows:

Infrastructure: Improvements in physical infrastructure that would result from the Projects. Estimate the scale of construction/installation expected and comment on the capabilities of any recommended infrastructure improvements. These may include access roads and facilities, new utility supplies and hookups, wastewater treatment facilities, and other environmental activities resulting from a follow-up to this TA.

Human capacity building: Estimate the approximate number and type of jobs that would be created during the installation/construction phase if the Contractor's recommendations are implemented and new investment projects are implemented in the Northern Zone. Distinguish between temporary construction jobs and the approximate number of jobs that would be created or sustained once construction is complete (or the number of jobs that would be lost due to labor-saving technology). Comment on any prospective training recommended in the Study, including an estimate of the approximate number of persons to be trained, type of training needed, and the desired outcome of the training.

Technology transfer and productivity impacts: Discuss any commercial contracts for licensing new technology that are recommended, as well as the expected productivity benefits of any such licenses. The types of benefits may include electricity supply, water treatment, agriculture crop treatment and disease control technologies, new IT applications and related commercial activities. More generally, discuss the expected efficiency gains related to the recommendations, such as improved systems or processes that enhance productivity or result in the more efficient use of resources. Enhancement in productivity may include estimates for average labor wages, value added to the industries in terms of efficiency gains due to added technology, and any increases in the disposable incomes of the workers indicating higher productivity.

Market-oriented reform: Discuss any market-oriented reforms that would facilitate implementation of the projects that result from implementation of the TA, which may include any policy changes that result in the liberalization of prices, privatization of previously state-owned assets, or increased competition in a given sector

Other: Discuss prospective indirect development impacts of the key recommendations, such as enhanced economic benefits (including increases in tourism and investment and indirect job creation, regional economic development, etc.) that are not captured in the four categories listed above.

Task 5 Deliverables

The Contractor shall deliver a stand-alone report on the activities of this task.

Task 6: Identify Potential Environmental Impacts of Projects Resulting from the TA

The environmental impacts from the proposed TA will relate to those associated with the types of investment projects resulting from the TA. As part of this task, the Contractor shall conduct a preliminary review of the anticipated impacts on the environment that may result from any subsequent projects that may be implemented as a result of the TA. This review will be with reference to local requirements and those of multilateral lending agencies (such as the Inter-American Development Bank and World Bank). This review shall identify potential negative impacts, discuss the extent to which they can be mitigated, and develop plans for a full environmental impact assessment if and when any of the investment projects resulting from this TA move forward to the implementation stage. This includes the identification of steps that shall need to be undertaken by the project sponsor subsequent to the study's completion and prior to the implementation of any projects in the Northern Zone.

In addition, this task shall include a discussion of any regulations that would impact the viability of any investment projects that move forward.

Task 6 Deliverables

The Contractor shall deliver a stand-alone report on the activities of this task.

Task 7: Prepare and Submit Draft Final and Final Reports

The Contractor shall prepare and deliver to the Grantee and to USTDA a Final Report in accordance with Clause I of Annex II of the Grant Agreement. Each of the above tasks in these Terms of Reference must be distinctly set forth in the Final Report in a substantive and comprehensive manner, and shall include all corresponding deliverables. The Final report shall contain an executive summary. In addition to any other required deliverable in accordance with Clause I of Annex II of the Grant Agreement, the Contractor shall provide both the Grantee and USTDA with a Public Version of the Final Report on CD-ROM. The CD-ROM version of the Final Report shall include:

- Adobe Acrobat readable copies of all documents;
- Source files for all drawings in AutoCAD or Visio format; and
- Source files for all documents in MS Office 2000 or later formats

These files may be provided in equivalent readable formats.

All reports and briefing presentation materials shall be in the English and Spanish languages.

Study Schedule and Level of Effort

The expected duration of this activity is 6 months from the start date. The total anticipated level of effort for this study 148 person days of U.S. expertise and 80 person days of local El Salvador expertise.

The total budget for this activity is estimated to be \$345,000.00.

Deliverables

Specific individual task deliverables have been identified and listed under the individual tasks. In addition, a separate task (Task 7) has been included for the preparation and submission of the Final Report. The Contractor shall deliver the following additional reports as part of this Technical Assistance:

- A Detailed Work Plan within two weeks after contract start
- Monthly Progress Reports

Study Execution and Counterpart Support

CND, also referred to as the National Development Commission, is the Government's lead entity charged with the responsibility to develop the Northern Zone Development and Investment Plan consistent with the GOES national strategy. CND shall act as the Executing Agency for this Technical Assistance. The Contractor's experts shall closely work with counterpart experts in CND as well as other GOES agencies. In addition, CND shall provide the Contractor (i) all available prior reports and data, (ii) access to various GOES agencies for meetings, and (iii) reasonable office space and office support.

TERMS OF REFERENCE

3. NORTHERN ZONE TRADE FACILITATION PORTAL IN EL SALVADOR

Background

After years of guerilla warfare resulting in a massive loss to the economic and social fabric of the country, in 1992, El Salvador signed a monumental Peace Accord that ended a decade of civil conflict, which, by many accounts, cost over 70,000 lives and left nearly two-thirds of El Salvador's population in poverty. During that conflict, human capital formation lagged, public investment was deferred, and the natural resource base deteriorated significantly. The Northern Region of El Salvador (the Northern Zone) likely suffered from the worst impact as its mountainous territory served as the primary conflict zone. The ever-increasing violence and instability in the area caused an exodus of a large numbers of inhabitants. Despite significant national economic growth and poverty reduction that followed the Peace Accord, economic and social progress has stagnated in El Salvador in recent years. Development of the entire country and especially the reconstruction and development of the Northern Zone have become the national priority of the Government of El Salvador (GOES). A key component of the GOES's focus is to reintegrate the Northern Zone with the rest of the country and create an enabling infrastructure in the Northern Zone that will formalize trade with its neighbors in the North – Guatemala and Honduras. Therefore, the GOES has requested U.S. Trade and Development Agency (USTDA) support, in a number of areas, to help strengthen its capacity to promote investments in the Northern Zone. Two key areas, as briefly discussed below, have been identified by the GOES for assistance from the USTDA.

1. Private Sector Investor Needs

The Government realizes that the type of development needed in the Northern Zone cannot be achieved by the Government and the donors alone -- massive private sector investment will be needed to reconstruct the northern Zone and integrate it fully with the rest of the country. This will require the Government to design and implement a program to attract investment in the Northern Zone that supports private sector led investment.

Currently, it is difficult for private investors to obtain key information on Government investment policy, fiscal and financial incentives, and various permit and zoning requirements from a single source. Many potential investors find it very difficult to both appreciate and evaluate the very attractive investments that exist in the Northern Zone, based mostly on this lack of information. Therefore, there is a need for a one-stop shopping for investment-related information that would facilitate greater investor interest in the Northern Zone.

2. Business and Investor Networking

While the Government is promoting a number of conferences and road shows to connect local Salvadorans with potential investors, more proactive approaches focused specifically on the Northern Zone are needed to harness the potential of private sector investments in this region. Accordingly, the GOES needs U.S. assistance in expanding investor outreach through a series of investor roundtables and workshops.

PROESA, also known as the National Investment Promotion Agency, is the Government's lead entity charged with the responsibility to design and implement an investment promotion strategy. PROESA, directly under the leadership of the Vice President of El Salvador, has requested assistance from the USTDA in the above-mentioned areas to increase its capacity in encouraging private sector led development in the Northern Zone.

CAFTA-DR and Other Initiatives

CAFTA-DR offers many opportunities to the GOES to strengthen its trade with the U.S. and the neighboring countries. A number of programs aimed at trade capacity building of GOES agencies are underway. These programs provide the background and context for the proposed technical assistance.

A number of other donors (Inter-American Development Bank, Japan International Cooperation Agency, and others) are active in El Salvador and are supporting a variety of programs. The Millennium Challenge Corporation (MCC) has signed a five-year \$461 million Compact with GOES which focuses on stimulating economic growth and reducing poverty in the Northern Zone of the country. An important component of this Compact is an \$87 million program designed to address productivity enhancement and investment support to SMEs primarily in the agribusiness sector. FOMILENIO, a local entity, is executing this MCC Compact component. The selected Contractor shall coordinate the activities under this TA with the MCC and FOMILENIO to ensure that there is no duplication and this TA leverages and supports the GOES investment goals in the Northern Zone.

Objective

The objective of this Technical Assistance (TA) is to assist PROESA in the development of a Northern Zone Trade Facilitation Portal in El Salvador. In addition, a key objective of this activity is to assist PROESA in a number of key areas that will increase its capacity and effectiveness in leveraging private sector investment for the development of the Northern Zone in El Salvador. Specifically, the TA will include a number of components as follows:

1. Development and maintenance of a web site exclusively devoted to opportunities in, and information about, timely investment projects in the Northern Zone.
2. This component of the TA will require organizing and conducting three investment roundtables focused on attractive investments in the Northern Zone that are not covered under other donor programs. The Ministry of Foreign Affairs is planning on several similar high level meetings in El Salvador and the U.S. The roundtables proposed under this part of the TA will focus on specific project opportunities identified by various donors and government agencies and include representatives of municipalities and investor groups in the Northern Zone.

Scope of Work and Tasks

The scope of the proposed technical assistance shall include the entire Northern Zone and sectors that are not the focus of the MCC Compact. The selected Contractor shall coordinate the activities with other GOES agencies and donors active in the Northern Zone in order to ensure that this TA is focused on areas not directly covered by other donors and that there is no duplication. The selected Contractor shall conduct the following tasks as part of this technical assistance:

Task 1: Design, Link, and Operationalize a Web Site with Information for Prospective Investors in the Northern Zone

Many of the GOES agencies and donors have identified the need for an investor-friendly one-stop shopping mechanism in order to provide prospective investors the necessary information on government policies and investment incentives, investment project opportunities, zoning and permitting requirements, tax laws and fiscal requirements, etc. Currently, a prospective investor has to visit many different agencies to get the most basic information, which discourages investments, especially in the Northern Zone. Therefore, there is a need for a centralized location and a system whereby prospective investors can get all key information on potential investment opportunities, incentives, and requirements for any investments in the Northern Zone. As part of this Task, the Contractor shall conduct the following subtasks:

Subtask 1.1: Finalize the Investor Requirements Specific to Investments in the Northern Zone

As part of this subtask the Contractor shall conduct the following activities:

- Discussions with various officials from PROESA, other GOES agencies, MCC, FOMILENIO, other donors, and potential investors to further define the specific requirements of the investors for potential investments in the Northern Zone.
- Discussions with selected municipalities in the Northern Zone to seek their input based on their discussions with potential investors on the investor needs.
- Finalization of specific investor requirements for investments in the Northern Zone.

Subtask 1.2: Design and Develop an Exclusive Northern Zone Web Site Linked to the current PROESA Web Site

Currently, PROESA has its own web site, which provides a variety of information on government policies, economic and financial incentives to investors, and general information on potential investment opportunities. The Contractor shall build upon what is already available at PROESA and design a separate yet linked web site exclusively devoted to the type of information that most investors would need for potential investments in the Northern Zone. The design shall be investor and user friendly and shall include linkages to other sites for specific information on (i) zoning issues and maps, (ii) tax laws, (iii) fiscal and financial incentives and process to receive these incentives, (iv) project opportunities as identified and developed by any donors, (vi) key

contacts in San Salvador and in the Northern Zone, and other key information to accelerate investor interest in the development of the Northern Zone.

Next, with support from PROESA, the Contractor shall obtain current information from the various GOES agencies, international donors, MCC, FOMILENIO, and others to populate the web site and train PROESA personnel in regular updating of the web site. In addition, the new web site will be linked to all programs and sites currently relevant to the Northern Zone. Once the web site is populated and linked, the Contractor shall conduct trial runs of the site before going live

Subtask 1.3: Conduct On-the-job-training (OJT) for PROESA Staff in the Use and Management of the Web Site and Linking

Once the web site is established and populated with current information of value to prospective investors, the Contractor shall conduct a training program for PROESA personnel on (i) use of the site and (ii) maintenance of the site including regularly populating the site with additional data and information.

The Contractor shall also assist PROESA in linking this web site to embassies and missions of El Salvador overseas as well as Salvadoran groups and associations based overseas who are the most likely investors in the Northern Zone. Additional linkages will be made with key municipality sites as some of the municipalities in the Northern Zone, such as the Municipality of Chalatenango, are planning municipal infrastructure development projects that will create many investment opportunities.

Task 1 Deliverables

Based on the work conducted under Task 1, the Contractor shall develop and submit the following deliverables:

1. A Complete Design of the Web Site with Potential for Additional Modules Over Time
2. An Operational Web Site Fully Linked to PROESA and Other Key Sites and Populated with Key Current Data on Investment Prospects in the Northern Zone
3. Training to PROESA Staff in the Use and Management of the Site
4. A Report with Full Documentation of Activities Completed and a Manual on the Use and Modification of the Web Site

Task 2: Organize and Conduct Three Investment Roundtables

The Ministry of Foreign Affairs with the GOES has been organizing investor roundtables in order to encourage investments in El Salvador. These roundtables are devoted to overall investments in the country and to educating potential investors in the opportunities and the incentives available to them in El Salvador. These roundtables have been very successful. Accordingly the objective of this task is to design roundtables that specifically relate to the invest potential in the Northern Zone, particularly as some of the more progressive municipalities proceed with their plans to develop the municipal infrastructure and as the MCC approaches the completion of the

construction of the transnational highway and the connecting road network across the Northern Zone.

The Contractor shall design and conduct three investor roundtables preferably one in the U.S. to tap the large Salvadoran community, one in San Salvador, and one in a progressive municipality in the Northern Zone – possibly the Chalatenango Municipality.

The specific goal of these roundtables will be to facilitate business networking between the investors, the local financial institutions, and representatives of the local communities and municipalities. In order to facilitate meaningful discussions between the parties, the Contractor shall prepare a Briefing Book to be used at all the three roundtables. The items to be included in the Briefing Book shall be as follows:

- General Information and Maps of the Northern Zone
- A List of Financial and Fiscal Incentives Available to Potential investors
- A Directory of Key Offices and Personnel to Facilitate Investor Interest and Business Processes
- Specific Promising Sectors and Projects Requiring Investments – The Contractor shall obtain this information from the various ongoing programs including those funded by USAID, FOMILENIO, other donors, and various GOES agencies including the national Development Commission (CND)
- Any Other Information Useful to Prospective Investors

Task 2 Deliverables

The Contractor shall deliver the following as part of Task 3 activities:

1. A Briefing Book both in English and Spanish (original and 50 copies for each of the three investor roundtables).
2. Delivery of three roundtables – the participants to the roundtable will cover their own costs. The contractor shall cover the cost for Contractor personnel's labor, travel, and subsistence costs.

Task 3: Assess the Development Impact of the Project

The proposed TA is expected to lead to the development of the communities and municipalities in the Northern Zone of the country much of which was abandoned and destroyed during the conflict. Some of the development activities may include small- and medium-sized businesses such as consumer goods stores, business service companies, small-scale housing, children's playgrounds, parking lots, bus terminals, etc. (agribusiness enterprises and energy and water facilities are covered under two separate components under the MCC Compact). The Contractor shall estimate the development impacts of the TA in accordance with USTDA's criteria for conducting such analysis. This development impact assessment will include the development benefits expected from the implementation of the proposed projects.

Specifically, the Contractor shall assess the development benefits associated with the Project and the methodology for measuring those benefits. The assessment shall include examples of the development benefits that would be expected in the Host Country if the development projects were implemented as outlined in the Final Report. The Contractor shall specifically focus on examples from the categories listed below and shall develop a methodology for assessing these impacts over time. The Contractor shall select examples that USTDA could reasonably expect to be able to obtain information on in the future and shall make suggestions as to where USTDA should look to obtain this information (e.g. the Grantee, trade statistics, or U.S. Embassy in the Host Country). The Contractor shall only list benefits in the categories that are applicable to this TA and the subsequent projects that may be implemented as a result of this Technical Assistance.

The categories of development impacts to be considered are as follows:

Infrastructure: Improvements in physical infrastructure that would result from the Projects. Estimate the scale of construction/installation expected and comment on the capabilities of any recommended infrastructure improvements. These may include access roads and facilities, new utility supplies and hookups, wastewater treatment facilities, and other environmental activities resulting from a follow-up to this TA.

Human capacity building: Estimate the approximate number and type of jobs that would be created during the installation/construction phase if the Contractor's recommendations are implemented and new investment projects are implemented in the Northern Zone. Distinguish between temporary construction jobs and the approximate number of jobs that would be created or sustained once construction is complete (or the number of jobs that would be lost due to labor-saving technology). Comment on any prospective training recommended in the Study, including an estimate of the approximate number of persons to be trained, type of training needed, and the desired outcome of the training.

Technology transfer and productivity impacts: Discuss any commercial contracts for licensing new technology that are recommended, as well as the expected productivity benefits of any such licenses. The types of benefits may include electricity supply, water treatment, agriculture crop treatment and disease control technologies, new IT applications and related commercial activities. More generally, discuss the expected efficiency gains related to the recommendations, such as improved systems or processes that enhance productivity or result in the more efficient use of resources. Enhancement in productivity may include estimates for average labor wages, value added to the industries in terms of efficiency gains due to added technology, and any increases in the disposable incomes of the workers indicating higher productivity.

Market-oriented reform: Discuss any market-oriented reforms that would facilitate implementation of the projects that result from implementation of the TA, which may include any policy changes that result in the liberalization of prices, privatization of previously state-owned assets, or increased competition in a given sector

Other: Discuss prospective indirect development impacts of the key recommendations, such as enhanced economic benefits (including increases in tourism and investment and indirect job creation, regional economic development, etc.) that are not captured in the four categories listed above.

Task 3 Deliverables

The Contractor shall deliver a stand-alone report on the activities of this task.

Task 4: Prepare and Submit Draft Final and Final Reports

The Contractor shall prepare and deliver to the Grantee and to USTDA a Final Report in accordance with Clause I of Annex II of the Grant Agreement. Each of the above tasks in these Terms of Reference must be distinctly set forth in the Final Report in a substantive and comprehensive manner, and shall include all corresponding deliverables. The Final report shall contain an executive summary. In addition to any other required deliverable in accordance with Clause I of Annex II of the Grant Agreement, the Contractor shall provide both the Grantee and USTDA with a Public Version of the Final Report on CD-ROM. The CD-ROM version of the Final Report shall include:

- Adobe Acrobat readable copies of all documents;
- Source files for all drawings in AutoCAD or Visio format; and
- Source files for all documents in MS Office 2000 or later formats

These files may be provided in equivalent readable formats.

All reports and briefing books shall be in the English and Spanish languages.

Study Schedule and Level of Effort

The expected duration of this activity is 6 months from the start date. The total anticipated level of effort for this study is 106 person days of U.S. expertise and 104 person days of local El Salvador expertise.

The total budget for this activity is estimated to be \$285,000.00.

Deliverables

Specific individual task deliverables have been identified and listed under the individual tasks. In addition, a separate task (Task 4) has been included for the preparation and submission of the Final Report. The Contractor shall deliver the following additional reports as part of this Technical Assistance:

- A Detailed Work Plan within two weeks after contract start
- Monthly Progress Reports

All documents shall be prepared in the English and Spanish languages.

Study Execution and Counterpart Support

PROESA, also known as the National investment Promotion Agency is the Government's lead entity charged with the responsibility to design and implement an investment promotion strategy. PROESA shall act as the Executing Agency for this Technical Assistance. The Contractor's experts shall closely work with counterpart experts in PROESA as well as other GOES agencies. In addition, PROESA shall provide the Contractor (i) all available prior reports and data, (ii) access to various GOES agencies for meetings, and (iii) reasonable office space and office support.

ANNEX III: BUDGETS FOR RECOMMENDED ACTIVITIES

A set of common industry standards for labor rates and prevailing rates for other direct costs have guided the development of the budgets for the three proposed technical assistance activities. The following are the budget notes in accordance with the USTDA requirements:

Direct Labor

The direct labor rates are base salaries exclusive of any benefits, bonuses or gratuities. The rate for senior professional is less than the ES-6 rates in the United States Government. A direct labor rate of \$560 per day is used. A multiplier including fringe benefits, overhead, and G&A of 2.68 is used which is the average of the industry in the management consulting sector for similar services.

Other Direct labor

The only other labor recommended in the budget is local Salvadoran labor. The rate for senior professionals is priced at an average rate of \$600 per day inclusive of fringe and overhead factors that average at 35% for fringe and 75% for overhead. Interpreters and translators are priced as ODCs to avoid overhead charges. Interpreters are priced at \$300 per day, which is the current rate for good interpreters used by the American Embassy.

Other Direct Costs

1. International airfare from key U.S. cities to San Salvador is priced at an average cost of \$1,000.00 based on current airfare for economy class travel.
2. Per Diem is priced at \$160 per day as of this month's prevailing and allowable per diem rates of the U.S. Government.
3. Local transportation is priced at \$400 per month for a small car rental and gasoline cost.
4. Other cost items such as courier service, photocopying, and communication are based on current priced for such services in the U.S. and El Salvador.

Detailed budgets and proposed schedules for the three proposed activities follow.

**DEVELOPMENT OF A MUNICIPAL INFRASTRUCTURE AND COMMERCIAL ZONE PROJECT IN THE CHALATENANGO
 MUNICIPALITY IN EL SALVADOR
 EXHIBIT I: PROPOSED BUDGET**

Exhibit 1: Budget Details in USTDA Format for Feasibility Study Budgets

DIRECT LABOR COSTS

<u>TASK</u>	<u>Task Name</u>	<u>Total Person Days</u>	<u>Daily Rate</u>	<u>Total</u>
TOR Task 1:	Review of Current Project Plans of the Chalatenango Municipality	8.00	\$ 1,500.00	\$ 12,000.00
Task 1 - Position A:	Team Leader			
Task 1 - Position B:	Municipal Infrastructure Planning Expert	8.00	\$ 1,500.00	\$ 12,000.00
Task 1 - Position C:	Commerce and Industry Development Expert	8.00	\$ 1,500.00	\$ 12,000.00
Task 1 - Position D:	Investment Planning Expert	8.00	\$ 1,500.00	\$ 12,000.00
Task 1 - Position E:	Economic and Financial Analysis Expert	-	-	-
TOR Task 2:	Develop the Details of All Subprojects within the Overall Municipal Infrastructure and Commercial Zone Project			\$ 48,000.00

		Total Person Days	Daily Rate	Total
Task 2 - Position A:	Team Leader	15.00	\$ 1,500.00	\$ 22,500.00
Task 2 - Position B:	Municipal Infrastructure Planning Expert	15.00	\$ 1,500.00	\$ 22,500.00
Task 2 – Position C:	Commerce and Industry Development Expert	15.00	\$ 1,500.00	\$ 22,500.00
Task 2 - Position D:	Investment Planning Expert Economic and Financial Analysis Expert	-	-	-
Task 2 - Position E:		-	-	-
				\$ 67,500.00

**TOR Task 3:
Visit the Shortlisted Sites
and recommend the Most
Suitable Site for the Project**

		Total Person Days	Daily Rate	Total
Task 3 - Position A:	Team Leader	4.00	\$ 1,500.00	\$ 6,000.00
Task 3 - Position B:	Municipal Infrastructure Planning Expert	8.00	\$ 1,500.00	\$ 12,000.00
Task 3 – Position C:	Commerce and Industry Development Expert	8.00	\$ 1,500.00	\$ 12,000.00
Task 3 - Position D:	Investment planning Expert Economic and Financial Analysis expert	4.00	\$ 1,500.00	\$ 6,000.00
Task 3 - Position E:		-	-	-
				\$ 36,000.00

**TOR Task 4:
Develop Cost Estimates
and Investment
Requirements for the**

**Individual Subprojects and
 the Entire Project**

		Total Person Days	Daily Rate	Total
Task 4 - Position A:	Team Leader	5.00	\$ 1,500.00	\$ 7,500.00
Task 4 - Position B:	Municipal Infrastructure Planning Expert	-	-	-
Task 4 - Position C:	Commerce and Industry Development Expert	-	-	-
Task 4 - Position D:	Investment Planning Expert	15.00	\$ 1,500.00	\$22,500.00
Task 4 - Position E:	Economic and Financial Analysis Expert	15.00	\$ 1,500.00	\$22,500.00
				\$ 52,500.00

**TOR Task 5:
 Conduct Economic and
 Financial Analyses of the
 Project**

		Total Person Days	Daily Rate	Total
Task 5 - Position A:	Team Leader	2.00	\$ 1,500.00	\$ 3,000.00
Task 5 - Position B:	Municipal Infrastructure Planning Expert	-	-	-
Task 5 - Position C:	Commerce and Industry Development Expert	-	-	-
Task 5 - Position D:	Investment Planning Expert	2.00	\$ 1,500.00	\$ 3,000.00
Task 5 - Position E:	Economic and Financial Analysis Expert	20.00	\$ 1,500.00	\$30,000.00
				\$ 36,000.00

**TOR Task 6:
 Develop Project
 Implementation
 Requirements Including a**

Model Template for Other Municipalities

		Total Person Days	Daily Rate	Total
Task 6 - Position A:	Team Leader	5.00	\$ 1,500.00	\$ 7,500.00
Task 6 - Position B:	Municipal Infrastructure Planning Expert	10.00	\$ 1,500.00	\$ 15,000.00
Task 6 – Position C:	Commerce and Industry Development Expert	10.00	\$ 1,500.00	\$ 15,000.00
Task 6 - Position D:	Investment Planning Expert	5.00	\$ 1,500.00	\$ 7,500.00
Task 6 - Position E:	Economic and Financial Analysis Expert	-	-	-
				\$ 45,000.00

TOR Task 7: Assess the Development Impact of the Project

		Total Person Days	Daily Rate	Total
Task 7 - Position A:	Team Leader	2.00	\$ 1,500.00	\$ 3,000.00
Task 7 - Position B:	Municipal Infrastructure Planning Expert	5.00	\$ 1,500.00	\$ 7,500.00
Task 7 – Position C:	Commerce and Industry Development Expert	5.00	\$ 1,500.00	\$ 7,500.00
Task 7 - Position D:	Investment Planning Expert	-	-	-
Task 7 - Position E:	Economic and Financial Analysis Expert	-	-	-
				\$ 18,000.00

TOR Task 8: Conduct an Environmental Impact Assessment of the Project

		Total Person Days	Daily Rate	Total
Task 8 - Position A:	Team Leader	3.00	\$ 1,500.00	\$ 4,500.00
Task 8 - Position B:	Municipal Infrastructure Planning Expert	3.00	\$ 1,500.00	\$ 4,500.00
Task 8 - Position C:	Commerce and Industry Development Expert	0.00	-	-
Task 8 - Position D:	Investment Planning Expert	0.00	-	-
Task 8 - Position E:	Economic and Financial Analysis Expert			
				\$ 9,000.00

**TOR Task 9:
 Prepare and Submit Draft
 Final and final Reports**

		Total Person Days	Daily Rate	Total
Task 9 - Position A:	Team Leader	4.00	\$ 1,500.00	\$ 6,000.00
Task 9 - Position B:	Municipal Infrastructure Planning Expert	4.00	\$ 1,500.00	\$ 6,000.00
Task 9 - Position C:	Commerce and Industry Development Expert	4.00	\$ 1,500.00	\$ 6,000.00
Task 9 - Position D:	Investment Planning Expert	4.00	\$ 1,500.00	\$ 6,000.00
Task 9 - Position E:	Economic and Financial Analysis Expert	4.00	\$ 1,500.00	\$ 6,000.00
				\$ 30,000.00
				\$ 342,000.00

LOCAL EXPERTISE BUDGET

		Total Person Days	Daily Rate	Total
TOR Task 1:	Review of Current Project Plans of the Chalatenango Municipality	10.00	\$ 600.00	\$ 6,000.00
Task 1	Local Expert			
	Develop the Details of All Subprojects within the Overall Municipal Infrastructure and Commercial Zone Project	20.00	\$ 600.00	\$ 12,000.00
TOR Task 2:	Visit the Shortlisted Sites and recommend the Most Suitable Site for the Project			
Task 2	Local Expert			
TOR Task 3:	Local Expert Develop Cost Estimates and Investment Requirements for the Individual Subprojects and the Entire Project	15.00	\$ 600.00	\$ 9,000.00
Task 3	Local Expert			
TOR Task 4:	Local Expert Conduct Economic and Financial Analyses of the Project	15.00	\$ 600.00	\$ 9,000.00
Task 4	Local Expert			
TOR Task 5:	Local Expert Develop Project Implementation Requirements Including a Model Template for Other Municipalities	10.00	\$ 600.00	\$ 6,000.00
Task 5	Local Expert			
TOR Task 6:				

Task 6	Local Expert	10.00	\$ 600.00	\$ 6,000.00	\$ 48,000.00
TOTAL LABOR					\$ 390,000.00
OTHER DIRECT COSTS					
<u>TRAVEL</u>					
International Air Travel		20.00	\$ 1,000.00	\$ 20,000.00	
Ground Transportation (Unit is months of rental)		6.00	\$ 400.00	\$ 2,400.00	
Travel Between San Salvador and Chalatenango (Gasoline, Parking, Maintenance)		6 months	\$ 400.00	\$ 2,400.00	
Per Diem		Trip Days	Per Diem Rate		
Interpreters		160	\$ 170.00	\$ 27,200.00	
<u>OTHER COST</u>		120	\$ 300.00	\$ 36,000.00	
Reproduction and Binding	10 separate deliverables, 100 pages average, and 20 copies each				
Courier Services	4 large fedex packages of draft and final bound reports	4	\$ 200.00	\$ 800.00	
Communication	6 months @ \$300 p/month	6	\$ 300.00	\$ 1,800.00	
Translation of Documents	500 pages @ \$30/page	500	\$ 30.00	\$15,000.00	
TOTAL OTHER DIRECT COSTS:					\$ 110,000.00
TOTAL COSTS (DIRECT LABOR COSTS + OTHER DIRECT COSTS):					\$ 500,000.00
TOTAL PROPOSED BUDGET					\$ 500,000.00

DEVELOPMENT OF A MUNICIPAL INFRASTRUCTURE AND COMMERCIAL ZONE PROJECT IN THE CHALATENANGO MUNICIPALITY IN EL SALVADOR

EXHIBIT II: DISTRIBUTION OF TOTAL LABOR BUDGET AMONG VARIOUS TASKS

Task	Percent of Labor Budget	Amount
1. Task 1: Review of Current Project Plans of the Chalatenango Municipality	13.85%	\$54,000.00
2. Task 2: Develop the Details of All Subprojects within the Overall Municipal Infrastructure and Commercial Zone Project	20.38%	\$79,500.00
3. Task 3: Visit the Shortlisted Sites and recommend the Most Suitable Site for the Project	11.54%	\$45,000.00
4. Task 4: Develop Cost Estimates and Investment Requirements for the Individual Subprojects and the Entire Project	15.77%	\$61,500.00
5. Task 5: Conduct Economic and Financial Analyses of the Project	10.77%	\$42,000.00
6. Task 6: Develop Project Implementation Requirements Including a Model Template for Other Municipalities	13.20%	\$51,000.00
7. Task 7: Assess the Development Impact of the Project	4.62%	\$18,000.00
8. Task 8: Conduct an Environmental Impact Assessment of the Project	2.3%	\$9,000.00
9. Task 9: Prepare and Submit Draft Final and Final Reports	7.69%	\$30,000.00
TOTAL LABOR PART OF THE BUDGET	100%	\$390,000

DEVELOPMENT OF A MUNICIPAL INFRASTRUCTURE AND COMMERCIAL ZONE PROJECT IN THE CHALATENANGO MUNICIPALITY IN EL SALVADOR

EXHIBIT III: PROPOSED MANPOWER ALLOCATION

	PROPOSED EXPERTS	TASK 1	TASK 2	TASK 3	TASK 4	TASK 5	TASK 6	TASK 7	TASK 8	TASK 9	TOTAL DAYS
1.	Team Leader	8	15	4	5	2	5	2	3	4	48
2.	Municipal Infrastructure Planning Expert	8	15	8			10	5	3	4	53
3.	Commerce and Industry Development Expert	8	15	8			10	5		4	50
4.	Investment Planning Expert	8	0	4	15	2	5			4	38
5.	Economic and Financial Analysis Expert				15	20				4	39
5.	Local Experts	10	20	15	15	10	10				80
	TOTAL DAYS	42	65	39	50	34	40	12	6	20	308

DEVELOPMENT OF A MUNICIPAL INFRASTRUCTURE AND COMMERCIAL ZONE PROJECT IN THE CHALATENANGO MUNICIPALITY IN EL SALVADOR
EXHIBIT IV: PROPOSED SCHEDULE FOR THE STUDY

NO.	TASK	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6
1.	Task 1: Review of Current Project Plans of the Chalatenango Municipality						
2.	Task 2: Develop the Details of All Subprojects within the Overall Municipal Infrastructure and Commercial Zone Project						
3.	Task 3: Visit the Shortlisted Sites and recommend the Most Suitable Site for the Project						
4.	Task 4: Develop Cost Estimates and Investment Requirements for the Individual Subprojects and the Entire Project						
5.	Task 5: Conduct Economic and Financial Analyses of the Project						
6.	Task 6: Develop Project Implementation Requirements Including a Model Template for Other Municipalities						
7.	Task 7: Assess the Development Impact of the Project						

8.	Task 8: Conduct an Environmental Impact Assessment of the Project						
9.	Task 9: Prepare and Submit Draft Final and Final Reports						

NORTHERN ZONE DEVELOPMENT AND INVESTMENT PLAN IN EL SALVADOR

EXHIBIT I: PROPOSED BUDGET

Exhibit 1: Budget Details in USTDA Format for Feasibility Study Budgets

DIRECT LABOR COSTS

TASK

Task Name

Conduct a Review of the MCC Compact and Other Donor Programs and Document All Planning Activities for the Northern Zone

TOR Task 1:

	Total Person Days	Daily Rate	Total
Task 1 - Position A: Team Leader	8.00	\$ 1,500.00	\$ 12,000.00
Task 1 - Position B: Development Planning Expert	8.00	\$ 1,500.00	\$ 12,000.00
Task 1 - Position C: Investment Planning Expert	8.00	\$ 1,500.00	\$ 12,000.00
Task 1 - Position D: Capacity Building and Training Expert	-	-	\$ -

\$ 36,000.00

TOR Task 2:

Identify gaps Needed to be Included in the Plan

	Total Person Days	Daily Rate	Total
Task 2 - Position A: Team Leader	8.00	\$ 1,500.00	\$ 12,000.00
Task 2 - Position B: Development Planning Expert	8.00	\$ 1,500.00	\$ 12,000.00

Task 2 - Position C:	Investment Planning Expert	8.00	\$ 1,500.00	\$ 12,000.00
Task 2 - Position D:	Capacity Building and training Expert	-	-	-
				\$ 36,000.00

TOR Task 3:
Develop a Comprehensive Northern Zone Development and Investment Plan

		Total Person Days	Daily Rate	Total
Task 3 - Position A:	Team Leader	12.00	\$ 1,500.00	\$ 18,000.00
Task 3 - Position B:	Development Planning Expert	20.00	\$ 1,500.00	\$ 30,000.00
Task 3 - Position C:	Investment Planning Expert	20.00	\$ 1,500.00	\$ 30,000.00
Task 3 - Position D:	Capacity Building and training Expert	5.00	\$ 1,500.00	\$ 7,500.00
				\$ 85,500.00

TOR Task 4:
Provide Capacity Building and Training to CND Staff

		Total Person Days	Daily Rate	Total
Task 4 - Position A:	Team Leader	5.00	\$ 1,500.00	\$ 7,500.00
Task 4 - Position B:	Development Planning Expert	-	-	-
Task 4 - Position C:	Investment Planning Expert	-	-	-
Task 4 - Position D:	Capacity Building and training Expert	20	\$ 1,500.00	\$30,000.00
				\$ 37,500.00

TOR Task 5:		Assess the Development Impact of the Project		
		Total Person Days	Daily Rate	Total
Task 5 - Position A:	Team Leader	5.00	\$ 1,500.00	\$ 7,500.00
Task 5 - Position B:	Development Planning Expert	0.00	-	-
Task 5 - Position C:	Investment Planning Expert	0.00	-	-
Task 5 - Position D:	Capacity Building and training Expert	0.00	-	-
				\$ 7,500.00

TOR Task 6:		Identify Potential Environmental Impacts of Projects Resulting from the TA		
		Total Person Days	Daily Rate	Total
Task 6 - Position A:	Team Leader	3.00	\$ 1,500.00	\$ 4,500.00
Task 6 - Position B:	Development Planning Expert	0.00	-	-
Task 6 - Position C:	Investment Planning Expert	0.00	-	-
Task 6 - Position D:	Capacity Building and training Expert	0.00	-	-
				\$ 4,500.00

TOR Task 7:		Prepare and Submit Draft Final and final Reports		
		Total Person Days	Daily Rate	Total
Task 7 - Position A:	Team Leader	4.00	\$ 1,500.00	\$ 6,000.00
Task 7 - Position B:	Development Planning Expert	2.00	\$ 1,500.00	\$ 3,000.00

Task 7 - Position C:	Investment Planning Expert	2.00	\$ 1,500.00	\$ 3,000.00
Task 7 - Position D:	Capacity Building and training Expert	2.00	\$1,500.00	\$ 3,000.00
				\$ 15,000.00
				\$ 222,000.00

LOCAL EXPERTISE BUDGET

Conduct a Review of the MCC Compact and Other Donor Programs and Document All Planning Activities for the Northern Zone Local Expert Identify gaps Needed to be Included in the Plan Local Expert Develop a Comprehensive Northern Zone Development and Investment Plan Local Expert				
TOR Task 1:	Total Person Days	Daily Rate	Total	
Task 1	20.00	\$ 600.00	\$ 12,000.00	
TOR Task 2:	Total Person Days	Daily Rate	Total	
Task 2	20.00	\$ 600.00	\$ 12,000.00	
TOR Task 3:	Total Person Days	Daily Rate	Total	
Task 3	40.00	\$ 600.00	\$ 24,000.00	\$ 48,000.00
TOTAL LABOR				\$ 270,000.00

OTHER DIRECT COSTS

TRAVEL			
International Air Travel	Trips	Trip Cost	Total
Ground Transportation (Unit is months of rental)	15.00	\$ 1,000.00	\$ 15,000.00
Per Diem	6.00	\$ 400.00	\$ 2,400.00
	Trip Days	Per Diem Rate	
	110	\$ 160.00	\$ 17,600.00

Interpreters	82	\$ 300.00	\$ 24,600.00
OTHER COST			
Reproduction and Binding			
10 separate deliverables, 50 pages average, and 20 copies each	20,000	\$ 0.22	\$ 4,400.00
Courier Services			
4 large fedex packages of draft and final bound reports	4	\$ 150.00	\$ 600.00
6 months @ \$200 p/month	7	\$ 200.00	\$ 1,400.00
300 pages @ \$30 per page	300	\$ 30.00	\$ 9,000.00
Communication			
Translation of Documents			
TOTAL OTHER DIRECT COSTS:			\$ 75,000.00
TOTAL COSTS (DIRECT LABOR COSTS + OTHER DIRECT COSTS):			\$ 345,000.00
TOTAL PROPOSED BUDGET			\$ 345,000.00

NORTHERN ZONE DEVELOPMENT AND INVESTMENT PLAN IN EL SALVADOR

EXHIBIT II: DISTRIBUTION OF TOTAL LABOR BUDGET AMONG VARIOUS TASKS

Task	Percent of Labor Budget	Amount
1. Task 1: Conduct a Review of the MCC Compact and Other Donor Programs and Document All Planning Activities in the Northern Zone	17.78%	\$48,000.00
2. Task 2: Identify gaps Needed to be Included in the Plan		
3. Task 3: Develop a Comprehensive Northern Zone Development and Investment Plan	17.78%	\$48,000.00
4. Task 4: Provide Capacity Building and Training to the CND Staff	40.56%	\$109,500.00
5. Task 5: Assess the Development Impact of the Project	13.89%	\$37,500.00
6. Task 6: Identify Potential Environmental Impacts of Projects Resulting from the TA	2.77%	\$7,500.00
7. Task 7: Prepare and Submit Draft Final and Final Reports	1.67%	\$4,500.00
TOTAL LABOR PART OF THE BUDGET		\$270,000.00

NORTHERN ZONE DEVELOPMENT AND INVESTMENT PLAN IN EL SALVADOR

EXHIBIT III: PROPOSED MANPOWER ALLOCATION

	PROPOSED EXPERTS	TASK 1	TASK 2	TASK 3	TASK 4	TASK 5	TASK 6	TASK 7	TOTAL DAYS
1.	Team Leader	8	8	12	5	5	3	4	45
2.	Development Planning Expert	8	8	20	0	0	0	2	38
3.	Investment Planning Expert	8	8	20	0	0	0	2	38
4.	Capacity Building and Training Expert	0	0	5	20	0	0	2	27
5.	Local Experts	20	20	40	0	0	0	0	80
	TOTAL PERSON DAYS	44	44	97	25	5	3	10	228

**NORTHERN ZONE DEVELOPMENT AND INVESTMENT PLAN IN EL SALVADOR
 EXHIBIT IV: PROPOSED SCHEDULE FOR THE STUDY**

NO.	TASK	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6
1.	Task 1: Conduct a Review of the MCC Compact and Other Donor Programs and Document All Planning Activities in the Northern Zone						
2.	Task 2: Identify gaps Needed to be Included in the Plan						
3.	Task 3: Develop a Comprehensive Northern Zone Development and Investment Plan						
4.	Task 4: Provide Capacity Building and Training to the CND Staff						
5.	Task 5: Assess the Development Impact of the Project						
6.	Task 6: Identify Potential Environmental Impacts of Projects Resulting from the TA						
7.	Task 7: Prepare and Submit Draft Final and Final Reports						

NORTHERN ZONE TRADE FACILITATION PORTAL IN EL SALVADOR

EXHIBIT I: PROPOSED BUDGET

Exhibit 1: Budget Details in USTDA Format for Feasibility Study Budgets

DIRECT LABOR COSTS

TASK

Task Name

Design, Install, Populate,
and Operate a Web Site
with Information for
Prospective Investors

TOR Task 1:

	Total Person Days	Daily Rate	Total
Task 1 - Position A: Team Leader	12.00	\$ 1,500.00	\$ 18,000.00
Task 1 - Position B: IT and Web Design Expert	30.00	\$ 1,500.00	\$ 45,000.00
Task 1 - Position C: Investment Conference Expert	3.00	\$ 1,500.00	\$ 4,500.00

\$ 67,500.00

TOR Task 2:

Organize and Conduct
Three Investment
Roundtables

	Total Person Days	Daily Rate	Total
Task 2 - Position A: Team Leader	12.00	\$ 1,500.00	\$ 18,000.00
Task 2 - Position B: IT and Web Design Expert	3.00	\$ 1,500.00	\$ 4,500.00
Task 2 - Position C: Investment Conference	30.00	\$ 1,500.00	\$ 45,000.00

Expert \$ 67,500.00

TOR Task 3:		Assess the Development Impact of the Project		Total Person Days	Daily Rate	Total
Task 3 - Position A:	Team Leader	5.00	\$ 1,500.00	\$ 7,500.00		
Task 3 - Position B:	IT and Web Design Expert	-	-	-		
Task 3 - Position C:	Investment Conference Expert	-	-	-		

\$ 7,500.00

TOR Task 4:		Identify Potential Environmental Impacts of Projects Resulting from the TA		Total Person Days	Daily Rate	Total
Task 4 - Position A:	Team Leader	3.00	\$ 1,500.00	\$ 4,500.00		
Task 4 - Position B:	IT and Web Design Expert	0.00	-	-		
Task 4 - Position C:	Investment Conference Expert	0.00	-	-		

\$ 4,500.00

TOR Task 5:		Prepare and Submit Draft Final and final Reports		Total Person Days	Daily Rate	Total
Task 5 - Position A:	Team Leader	4.00	\$ 1,500.00	\$ 6,000.00		
Task 5 - Position B:	IT and Web Design Expert	2.00	\$ 1,500.00	\$ 3,000.00		

Task 5 - Position D:	Investment Conference			
	Expert	2.00	\$1,500.00	\$ 3,000.00
				\$ 12,000.00
				\$ 159,000.00

LOCAL EXPERTISE BUDGET

TOR Task 1:	Design, Install, Populate, and Operate a Web Site with Information for Prospective Investors	Total Person			
Task 1	Local Expert	30.00	Daily Rate	\$ 600.00	Total \$ 18,000.00
TOR Task 2:	Organize and Conduct Three Investment Roundtables				
Task2	Local Expert	30.00	Daily Rate	\$ 600.00	Total \$ 18,000.00
Task 5	Local Expert (Report Support)	44.00	Daily Rate	\$ 500.00	Total \$ 22,000.00
TOTAL LABOR					
\$ 58,000.00					
\$ 217,000.00					

OTHER DIRECT COSTS

TRAVEL	Trips	Trip Cost	Total
International Air Travel	10.00	\$ 1,000.00	\$ 10,000.00
Ground Transportation (Unit is months of rental)	5.00	\$ 400.00	\$ 2,000.00
	Trip Days	Per Diem Rate	

Per Diem	100	\$ 160.00	\$ 16,000.00
Interpreters	80	\$ 300.00	\$ 24,000.00
<u>OTHER COST</u>			
Reproduction and Binding			
10 separate deliverables, 100 pages average, and 20 copies each	10,000	\$ 0.22	\$ 2,200.00
Courier Services			
4 large fedex packages of draft and final bound reports	4	\$ 150.00	\$ 600.00
6 months @ \$200 p/month	6	\$ 200.00	\$ 1,200.00
Over 400 pages@\$30 per page	400	\$ 30.00	\$ 12,000.00
Report Translation			
TOTAL OTHER DIRECT COSTS:			\$ 68,000.00
TOTAL COSTS (DIRECT LABOR COSTS + OTHER DIRECT COSTS):			\$ 285,000.00
TOTAL PROPOSED BUDGET			\$ 285,000.00

NORTHERN ZONE TRADE FACILITATION PORTAL IN EL SALVADOR
 EXHIBIT II: DISTRIBUTION OF TOTAL LABOR BUDGET AMONG VARIOUS TASKS

Task	Percent of Labor Budget	Amount
1. Task 1: Design, Install, Populate, and Operate a Web Site with Information for Prospective Investors	39.40%	\$85,500.00
3. Task 2: Organize and Conduct Three Investment Roundtables	39.40%	\$85,500.00
4. Task 3: Assess the Development Impact of the Project	3.46%	\$7,500.00
5. Task 4: Identify Potential Environmental Impacts of Projects Resulting from the TA	2.0%	\$4,500.00
6. Task 5: Prepare and Submit Draft Final and Final Reports	15.67%	\$34,000.00
TOTAL LABOR PART OF THE BUDGET	100%	\$217,000.00

NORTHERN ZONE TRADE FACILITATION PORTAL IN EL SALVADOR

EXHIBIT III: PROPOSED MANPOWER ALLOCATION

	PROPOSED EXPERTS	TASK 1	TASK 2	TASK 3	TASK 4	TASK 5	TOTAL DAYS
1.	Team Leader	12	12	5	3	4	36
2.	IT and Web Site Expert	30	3	0	0	2	35
4.	Investment Conference Expert	3	30	0	0	2	35
5.	Local Experts	30	30	0	0	44	104
	TOTAL PERSON DAYS	75	75	5	3	52	210

NORTHERN ZONE TRADE FACILITATION PORTAL IN EL SALVADOR

EXHIBIT IV: PROPOSED SCHEDULE FOR THE STUDY

NO.	TASK	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6
1.	Task 1: Design, Install, Populate, and Operate a Web Site with Information for Prospective Investors						
3.	Task 2: Organize and Conduct Three Investment Roundtables						
4.	Task 3: Assess the Development Impact of the Project						
5.	Task 4: Identify Potential Environmental Impacts of Projects Resulting from the TA						
6.	Task 5: Prepare and Submit Draft Final and Final Reports						

A N N E X 3

USTDA NATIONALITY REQUIREMENTS



**U.S. TRADE AND DEVELOPMENT AGENCY
Arlington, VA 22209-2131**

NATIONALITY, SOURCE, AND ORIGIN REQUIREMENTS

The purpose of USTDA's nationality, source, and origin requirements is to assure the maximum practicable participation of American contractors, technology, equipment and materials in the prefeasibility, feasibility, and implementation stages of a project.

USTDA STANDARD RULE (GRANT AGREEMENT STANDARD LANGUAGE):

Except as USTDA may otherwise agree, each of the following provisions shall apply to the delivery of goods and services funded by USTDA under this Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from host country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for implementation of the Study and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to Study support (e.g., local lodging, food, and transportation) in host country are not subject to the above restrictions. USTDA will make available further details concerning these standards of eligibility upon request.

NATIONALITY:

1) Rule

Except as USTDA may otherwise agree, the Contractor for USTDA funded activities must be either a U.S. firm or a U.S. individual. Prime contractors may utilize U.S. subcontractors without limitation, but the use of host country subcontractors is limited to 20% of the USTDA grant amount.

2) Application

Accordingly, only a U.S. firm or U.S. individual may submit proposals on USTDA funded activities. Although those proposals may include subcontracting arrangements with host country firms or individuals for up to 20% of the USTDA grant amount, they may not include subcontracts with third country entities. U.S. firms submitting proposals must ensure that the professional services funded by the USTDA grant, to the extent not subcontracted to host country entities, are supplied by employees of the firm or employees of U.S. subcontractor firms who are U.S. individuals.

Interested U.S. firms and consultants who submit proposals must meet USTDA nationality requirements as of the due date for the submission of proposals and, if selected, must continue to meet such requirements throughout the duration of the USTDA-financed activity. These nationality provisions apply to whatever portion of the Terms of Reference is funded with the USTDA grant.

3) Definitions

A "U.S. individual" is (a) a U.S. citizen, or (b) a non-U.S. citizen lawfully admitted for permanent residence in the U.S. (a green card holder).

A "U.S. firm" is a privately owned firm which is incorporated in the U.S., with its principal place of business in the U.S., and which is either (a) more than 50% owned by U.S. individuals, or (b) has been incorporated in the U.S. for more than three (3) years prior to the issuance date of the request for proposals; has performed similar services in the U.S. for that three (3) year period; employs U.S. citizens in more than half of its permanent full-time positions in the U.S.; and has the existing capability in the U.S. to perform the work in question.

A partnership, organized in the U.S. with its principal place of business in the U.S., may also qualify as a "U.S. firm" as would a joint venture organized or incorporated in the United States consisting entirely of U.S. firms and/or U.S. individuals.

A nonprofit organization, such as an educational institution, foundation, or association may also qualify as a "U.S. firm" if it is incorporated in the United States and managed by a governing body, a majority of whose members are U.S. individuals.

SOURCE AND ORIGIN:

1) Rule

In addition to the nationality requirement stated above, any goods (e.g., equipment and materials) and services related to their shipment (e.g., international transportation and insurance) funded under the USTDA Grant Agreement must have their source and origin in the United States, unless USTDA otherwise agrees. However, necessary purchases of goods and project support services which are unavailable from a U.S. source (e.g., local food, housing and transportation) are eligible without specific USTDA approval.

2) Application

Accordingly, the prime contractor must be able to demonstrate that all goods and services purchased in the host country to carry out the Terms of Reference for a USTDA Grant Agreement that were not of U.S. source and origin were unavailable in the United States.

3) Definitions

"Source" means the country from which shipment is made.

"Origin" means the place of production, through manufacturing, assembly or otherwise.

Questions regarding these nationality, source, and origin requirements may be addressed to the USTDA Office of General Counsel.

A N N E X 4

**USTDA GRANT AGREEMENT,
INCLUDING MANDATORY CONTRACT CLAUSES**

88-51017A

U.S. TRADE AND DEVELOPMENT AGENCY	
<i>P. J. [Signature]</i>	MAY - 1 2008
<i>CE ny H. [Signature]</i>	

GRANT AGREEMENT

This Grant Agreement is entered into between the Government of the United States of America, acting through the U.S. Trade and Development Agency ("USTDA"), and the Municipality of Chalatenango ("Grantee"). USTDA agrees to provide the Grantee under the terms of this Agreement US\$500,000 ("USTDA Grant") to fund the cost of goods and services required for technical assistance ("TA") on the proposed Municipal Infrastructure and Commercial Zone Development in Chalatenango project ("Project") in El Salvador ("Host Country").

1. USTDA Funding

1. [Signature]
Spinal cap

The funding to be provided under this Grant Agreement shall be used to fund the costs of a contract between the Grantee and the U.S. firm selected by the Grantee ("Contractor") under which the Contractor will perform the TA ("Contract"). Payment to the Contractor will be made directly by USTDA on behalf of the Grantee with the USTDA Grant funds provided under this Grant Agreement.

2. Terms of Reference

The Terms of Reference for the TA ("Terms of Reference") are attached as Annex I and are hereby made a part of this Grant Agreement. The TA will examine the technical, financial, environmental, and other critical aspects of the proposed Project. The Terms of Reference for the TA shall also be included in the Contract.

3. Standards of Conduct

USTDA and the Grantee recognize the existence of standards of conduct for public officials, and commercial entities, in their respective countries. The parties to this Grant Agreement and the Contractor shall observe these standards, which include not accepting payment of money or anything of value, directly or indirectly, from any person for the purpose of illegally or improperly inducing anyone to take any action favorable to any party in connection with the TA.

4. Grantee Responsibilities

The Grantee shall undertake its best efforts to provide reasonable support for the Contractor, such as local transportation, office space, and secretarial support.

5. USTDA as Financier

(A) USTDA Approval of Competitive Selection Procedures

Selection of the U.S. Contractor shall be carried out by the Grantee according to its established procedures for the competitive selection of contractors with advance notice of the procurement published online through *Federal Business Opportunities* (www.fedbizopps.gov). Upon request, the Grantee will submit these contracting procedures and related documents to USTDA for information and/or approval.

(B) USTDA Approval of Contractor Selection

The Grantee shall notify USTDA at the address of record set forth in Article 17 below upon selection of the Contractor to perform the TA. Upon approval of this selection by USTDA, the Grantee and the Contractor shall then enter into a contract for performance of the TA. The Grantee shall notify in writing the U.S. firms that submitted unsuccessful proposals to perform the TA that they were not selected.

(C) USTDA Approval of Contract Between Grantee and Contractor

The Grantee and the Contractor shall enter into a contract for performance of the TA. This contract, and any amendments thereto, including assignments and changes in the Terms of Reference, must be approved by USTDA in writing. To expedite this approval, the Grantee (or the Contractor on the Grantee's behalf) shall transmit to USTDA, at the address set forth in Article 17 below, a photocopy of an English language version of the signed contract or a final negotiated draft version of the contract.

(D) USTDA Not a Party to the Contract

It is understood by the parties that USTDA has reserved certain rights such as, but not limited to, the right to approve the terms of the contract and any amendments thereto, including assignments, the selection of all contractors, the Terms of Reference, the Final Report, and any and all documents related to any contract funded under the Grant Agreement. The parties hereto further understand and agree that USTDA, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by USTDA to exercise or refrain from exercising these approval rights shall be made as a financier in the course of funding the TA and shall not be construed as making USTDA a party to the contract. The parties hereto understand and agree that USTDA may, from time to time, exercise the foregoing approval rights, or discuss matters related to these rights and the Project with the parties to the contract or any subcontract, jointly or separately, without thereby incurring any responsibility or liability to such parties. Any approval or failure to approve by USTDA shall not bar the Grantee or USTDA from asserting any right they might have against the

Contractor, or relieve the Contractor of any liability which the Contractor might otherwise have to the Grantee or USTDA.

(E) Grant Agreement Controlling

Regardless of USTDA approval, the rights and obligations of any party to the contract or subcontract thereunder must be consistent with this Grant Agreement. In the event of any inconsistency between the Grant Agreement and any contract or subcontract funded by the Grant Agreement, the Grant Agreement shall be controlling.

6. Disbursement Procedures

(A) USTDA Approval of Contract Required

USTDA will make disbursements of Grant funds directly to the Contractor only after USTDA approves the Grantee's contract with the Contractor.

(B) Contractor Invoice Requirements

The Grantee should request disbursement of funds by USTDA to the Contractor for performance of the TA by submitting invoices in accordance with the procedures set forth in the USTDA Mandatory Clauses in Annex II.

7. Effective Date

The effective date of this Grant Agreement ("Effective Date") shall be the date of signature by both parties or, if the parties sign on different dates, the date of the last signature.

8. TA Schedule

(A) TA Completion Date

The completion date for the TA, which is December 31, 2009, is the date by which the parties estimate that the TA will have been completed.

(B) Time Limitation on Disbursement of USTDA Grant Funds

Except as USTDA may otherwise agree, (a) no USTDA funds may be disbursed under this Grant Agreement for goods and services which are provided prior to the Effective Date of the Grant Agreement; and (b) all funds made available under the Grant Agreement must be disbursed within four (4) years from the Effective Date of the Grant Agreement.

9. USTDA Mandatory Clauses

All contracts funded under this Grant Agreement shall include the USTDA mandatory clauses set forth in Annex II to this Grant Agreement. All subcontracts funded or partially funded with USTDA Grant funds shall include the USTDA mandatory clauses, except for clauses B(1), G, H, I, and J.

10. Use of U.S. Carriers

(A) Air

Transportation by air of persons or property funded under the Grant Agreement shall be on U.S. flag carriers in accordance with the Fly America Act, 49 U.S.C. 40118, to the extent service by such carriers is available, as provided under applicable U.S. Government regulations.

(B) Marine

Transportation by sea of property funded under the Grant Agreement shall be on U.S. carriers in accordance with U.S. cargo preference law.

11. Nationality, Source, and Origin

Except as USTDA may otherwise agree, the following provisions shall govern the delivery of goods and services funded by USTDA under the Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from Host Country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for performance of the TA and associated delivery services (e.g., international transportation and insurance) must have their nationality, source, and origin in the United States; and (e) goods and services incidental to TA support (e.g., local lodging, food, and transportation) in Host Country are not subject to the above restrictions. USTDA will make available further details concerning these provisions upon request.

12. Taxes

USTDA funds provided under the Grant Agreement shall not be used to pay any taxes, tariffs, duties, fees, or other levies imposed under laws in effect in Host Country. Neither the Grantee nor the Contractor will seek reimbursement from USTDA for such taxes, tariffs, duties, fees, or other levies.

13. Cooperation Between Parties and Follow-Up

The parties will cooperate to assure that the purposes of the Grant Agreement are accomplished. For five (5) years following receipt by USTDA of the Final Report (as defined in Clause I of Annex II), the Grantee agrees to respond to any reasonable inquiries from USTDA about the status of the Project.

14. Implementation Letters

To assist the Grantee in the implementation of the TA, USTDA may, from time to time, issue implementation letters that will provide additional information about matters covered by the Grant Agreement. The parties may also use jointly agreed upon implementation letters to confirm and record their mutual understanding of matters covered by the Grant Agreement.

15. Recordkeeping and Audit

The Grantee agrees to maintain books, records, and other documents relating to the TA and the Grant Agreement adequate to demonstrate implementation of its responsibilities under the Grant Agreement, including the selection of contractors, receipt and approval of contract deliverables, and approval or disapproval of contractor invoices for payment by USTDA. Such books, records, and other documents shall be separately maintained for three (3) years after the date of the final disbursement by USTDA. The Grantee shall afford USTDA or its authorized representatives the opportunity at reasonable times to review books, records, and other documents relating to the TA and the Grant Agreement.

16. Representation of Parties

For all purposes relevant to the Grant Agreement, the Government of the United States of America will be represented by the U.S. Ambassador to Host Country or USTDA and Grantee will be represented by the Mayor of Chalatenango. The parties hereto may, by written notice, designate additional representatives for all purposes under the Grant Agreement.

17. Addresses of Record for Parties

Any notice, request, document, or other communication submitted by either party to the other under the Grant Agreement shall be in writing or through a wire or electronic medium which produces a tangible record of the transmission, such as a telegram, cable, or facsimile, and will be deemed duly given or sent when delivered to such party at the following:

To: Municipality of Chalatenango
Calle San Martín s/n
Chalatenango
EL SALVADOR

Phone: + (503) 2301-2964
Fax: + (503) 2301-2965

To: U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite 1600
Arlington, Virginia 22209-3901
USA

Phone: (703) 875-4357
Fax: (703) 875-4009

All such communications shall be in English, unless the parties otherwise agree in writing. In addition, the Grantee shall provide the Commercial Section of the U.S. Embassy in Host Country with a copy of each communication sent to USTDA.

Any communication relating to this Grant Agreement shall include the following fiscal data:

Appropriation No.: 118/91001
Activity No.: 2008-51017A
Reservation No.: 2008510027
Grant No.: GH2008510012

18. Termination Clause

Either party may terminate the Grant Agreement by giving the other party thirty (30) days advance written notice. The termination of the Grant Agreement will end any obligations of the parties to provide financial or other resources for the TA, except for payments which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the written notice of termination.

19. Non-Waiver of Rights and Remedies

No delay in exercising any right or remedy accruing to either party in connection with the Grant Agreement shall be construed as a waiver of such right or remedy.

20. U.S. Technology and Equipment

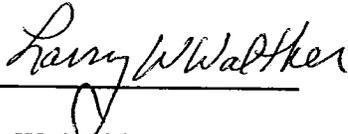
By funding this TA, USTDA seeks to promote the project objectives of the Host Country through the use of U.S. technology, goods, and services. In recognition of this purpose, the Grantee agrees that it will allow U.S. suppliers to compete in the procurement of technology, goods, and services needed for Project implementation.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Government of the United States of America and the Municipality of Chalatenango, each acting through its duly authorized representative, have caused this Agreement to be signed in the English language in their names and delivered as of the day and year written below. In the event that this Grant Agreement is signed in more than one language, the English language version shall govern.

**For the Government of the
United States of America**

For the Municipality of Chalatenango

By: 

By: 

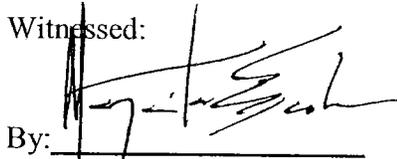
Larry W. Walther
Director
U.S. Trade and Development Agency

Dr. José Rigoberto Mejía Menjívar
Mayor of Chalatenango

Date: April 28, 2008

Date: April 28, 2008

Witnessed:
By: 

Witnessed:
By: 

Ambassador Charles L. Glazer
Ambassador of the United States
of America to the Republic of
El Salvador

Ambassador Margarita Escobar
Vice Minister of Foreign Affairs for
Salvadorans Living Abroad
Republic of El Salvador

Annex I -- Terms of Reference

Annex II -- USTDA Mandatory Clauses

Annex I

Terms of Reference

Objective

The objective of the Municipal Infrastructure and Commercial Zone Development in Chalatenango Technical Assistance ("TA") is to develop a land use plan, municipal project designs, and a municipal infrastructure development plan for the Municipality of Chalatenango ("Project").

Activities

Task 1: Review of Current Project Plans of the Municipality of Chalatenango

The Contractor shall conduct a review of the current project plans developed by the Municipality of Chalatenango, including a conceptual plan of the Project and a plan for developing the tourism sector. The key elements of the Municipality of Chalatenango's conceptual plan of the Project include the following:

- A site development, land use, and site preparation plan;
- Development of bus terminal near the proposed commercial zone and adjacent to the transnational highway being built under the Millennium Challenge Corporation ("MCC") Compact;
- Development of sufficient commercial space for the establishment of shopping centers, businesses, restaurants, recreation facilities, health clinics, child care facilities, and other establishments;
- Development of a parking lot to provide sufficient parking for visitors of the proposed commercial zone.

The Municipality of Chalatenango has tentatively selected a site for the Project and has identified other potential sites that could be available for the Project. The Contractor shall develop a set of criteria for selecting the most suitable site and shall conduct initial site visits. Based on these criteria and initial site visits, the Contractor shall recommend three (3) prospective sites for consideration by the Municipality of Chalatenango.

In addition, the Municipality of Chalatenango has developed a conceptual layout of the Project. The Contractor shall review this conceptual layout in light of the demand for commercial activity and investor requirements. Based on this analysis and in consultation with the Municipality of Chalatenango, the Contractor shall develop a detailed ten (10)-year land use plan, relevant municipal project designs, and a municipal infrastructure development plan. The land use plan, the municipal project designs, and the municipal infrastructure development plan shall include subprojects such as hotels, health clinics, business service facilities, and other establishments.

Deliverables: The Contractor shall prepare and submit a report summarizing (i) a land use plan, (ii) municipal project designs, and (iii) a municipal infrastructure development plan. The Contractor shall also provide maps and drawings using the geographic information system ("GIS") maps available at the National Development Commission ("CND") and under the productive development component of the MCC Compact.

Task 2: Detailed Analysis of All Subprojects within the Project

The Contractor shall develop all municipal infrastructure and commercial zone subprojects under the Project. At a minimum, the following details shall be developed for each subproject:

- The scope and size of the subproject;
- Input requirements (material and labor);
- Potential benefits of the subproject for the users;
- Any new technologies to be deployed;
- First-order cost estimates and estimated overall investment required;
- Permit and license requirements, including the amount of time required to obtain the permits and licenses;
- Estimated schedule of completion;
- Potential sources of financing, such as the Municipality of Chalatenango budget, MCC Compact, other donors, and private investors;
- Other relevant information.

The Contractor shall develop a database of this information, and based on available data, the Contractor shall develop aggregate cost estimates of the Project.

Deliverables: The Contractor shall prepare and submit a report that includes details on the Project and each subproject.

Task 3: Re-Visit the Prospective Sites and Recommend the Most Suitable Site for the Project

Based on the Project design developed in Task 1 and the data developed in Task 2, the Contractor shall make a second site visit to each of the three (3) prospective sites identified in Task 1. The Contractor shall review the prospective sites and the land use plan in greater detail based on the more specific Project design and requirements developed under Tasks 1 and 2.

As a result of these site visits, the Contractor shall advise the Municipality of Chalatenango on the advantages and disadvantages of the three (3) prospective sites. Based on this information, the Municipality of Chalatenango will engage the community in the process of choosing the final site for the Project. The Contractor shall assist the Municipality of Chalatenango with its community engagement process, to the extent it may require such support. Once the final site has been selected, the Contractor shall conduct a detailed audit of the selected site and identify the specific needs for the

development and preparation of the selected site to make it ready for Project implementation. The Contractor shall examine leasing options for developing subprojects at the selected site, as well as national and local zoning requirements.

Deliverables: The Contractor shall prepare and submit a report that includes (i) the criteria for site selection and the advantages and disadvantages of the prospective sites; (ii) a detailed audit of the selected site; (iii) recommended land use plan, revised municipal project designs, and a municipal infrastructure development plan; (iv) justification of the selected site; and (v) detailed requirements for the development and preparation of the selected site. In addition, the Contractor shall submit outreach materials and position papers for the Municipality of Chalatenango to use during its community engagement process on the Project.

Task 4: Develop Cost Estimates and Investment Requirements for the Project and Subprojects

The Contractor shall fine-tune and finalize the cost estimates and investment requirements for the land use plan and each of the subprojects, and aggregate them to develop the overall cost estimate and investment requirements for the Project. In consultation with the Municipality of Chalatenango, the Contractor shall also identify potential sources of financing for the subprojects. Based on this analysis, the Contractor shall classify the subprojects into four categories based on potential sources of financing, as follows:

- *Category 1:* Subprojects for which the Municipality of Chalatenango already has the required funding in its budget or has a reasonable expectation to secure funding from the national budget.
- *Category 2:* Subprojects for which financing could be available from the productivity enhancement component of the MCC Compact.
- *Category 3:* Subprojects for which private sector financing will be required.
- *Category 4:* Subprojects for which there is no obvious source of financing and other sources (such as donors) will need to be approached to secure financing.

The Contractor shall then assist the Municipality of Chalatenango in its discussions with prospective sources of financing, in particular its discussions with the MCC, Millennium Challenge Account El Salvador ("FOMILENIO"), and private investors. In the case of subprojects for which private investment will be required, the Contractor shall prepare an investor brief to facilitate the discussions between the Municipality of Chalatenango and the private sector. In order to assist the Municipality of Chalatenango in leveraging private investment, the Contractor shall provide support and training to Municipality of Chalatenango officials engaged in discussion with private sector representatives.

Deliverables: The Contractor shall prepare and submit a report covering the work completed in this task. In addition, the Contractor shall prepare and submit an investor brief that includes subprojects for which private sector financing will be required.

Task 5: Economic and Financial Analysis

Based on the investment requirements for the land use plan, municipal project designs, municipal infrastructure development plan, and various subprojects, the Contractor shall conduct detailed economic and financial analyses of the subprojects, grouped by their category (from Task 4). Thus, for those subprojects to be financed by the Municipality of Chalatenango and oriented towards improving municipal services and creating a better business infrastructure for encouraging private investment, the Contractor's analysis shall primarily focus on estimating economic and social impacts. Alternatively, for the group of subprojects requiring private investment, the Contractor shall conduct financial analyses to determine return on investment payback periods. For donor-funded projects, the Contractor's analysis shall mainly focus on estimating economic and social benefits in relation to investment costs. Specifically, the Contractor shall calculate the economic internal rates of return ("EIRR") and the financial internal rate of return ("FIRR") for the various groups of subprojects under a variety of different assumptions including tax rates, interest rates, oil prices, and other economic and financial parameters. The EIRR analyses shall be more straightforward, and include national economic and social benefits of the subprojects in terms of enhanced employment, greater economic activity, a more equitable income distribution in the Northern Zone, and the value added to the economic welfare of the Municipality of Chalatenango and its contribution to the gross national product ("GNP") of El Salvador over time.

The FIRR shall be calculated for each group of subprojects based on different assumptions and return on investment ("ROI") and return on equity ("ROE") likely to be expected by potential developers. In addition, the Contractor shall estimate the economic and social benefits of the Project.

Deliverables: The Contractor shall prepare and submit a report that will rank and prioritize the various subprojects based on their economic and financial analyses. The Contractor shall also develop the justification for the Project based on all economic, financial, and social factors. Specifically, the Contractor shall discuss the overall developmental value of the Project for the economic and social development of the Municipality of Chalatenango.

Task 6: Develop Project Implementation Requirements and a Model Template for other Municipalities in the Northern Zone

The Contractor shall develop implementation requirements for the Project. The Contractor shall develop the Project implementation requirements based on an examination of the implementation issues associated with the four categories of subprojects developed in Task 4. The implementation requirements for the subprojects will vary based on the mode of financing. For example, subprojects financed by the Municipality of Chalatenango will have different implementation considerations than subprojects implemented under the MCC Compact, and subprojects financed through private investment will have their own implementation arrangements. Specifically, the

Contractor shall discuss implementation issues for the four categories of subprojects identified in Task 4, and shall include the following:

- Institutional roles and responsibilities;
- Requirements and processes for permits and business licenses needed by private investors;
- Environmental assessment requirements;
- Fiscal and financial incentives available for certain types of subprojects and the process for qualifying for such incentives;
- Coordination requirements with other government agencies, donors, financiers, and lenders;
- Any other relevant implementation issues.

Based on an assessment of the implementation requirements, the Contractor shall develop a model template for designing and implementing municipal infrastructure and commercial zone projects in the Northern Zone. The Contractor shall support the dissemination of the model template to publicize and promote the development of municipal infrastructure and commercial zone projects in other Northern Zone municipalities. Potential avenues of dissemination in El Salvador include CND, the Salvadoran Foundation for Economic and Social Development ("FUSADES"), and the National Investment Promotion Agency ("PROESA").

Deliverables: The Contractor shall prepare and submit (i) a report on the implementation requirements for the Project and categories of subprojects and (ii) a model template for developing similar projects in other Northern Zone municipalities.

Task 7: Development Impact Assessment

For the benefit of those interested in the Project, the Contractor shall assess the development benefits associated with the Project and the methodology for measuring those benefits. The assessment shall include examples of the development benefits that would be expected in the Host Country if the Project is implemented as outlined in the Final Report. The Contractor shall specifically focus on examples from the categories listed below, shall develop a methodology for assessing these impacts over time, and shall identify where to obtain this information in the future (e.g. the Grantee, trade statistics, or U.S. Embassy in the Host Country). The Contractor shall only list benefits in the categories that are applicable to the Project.

Specifically, the Contractor shall evaluate the categories listed below to determine which are likely to result from the Contractor's recommendations. Where possible, the Contractor shall include quantitative estimates. The categories to be considered are as follows:

- *Infrastructure:* Improvements in physical infrastructure that would result from the Project. Estimate the scale of construction or installation expected and comment on the capabilities of any recommended municipal infrastructure improvements, such as bus terminals, health clinics, and access roads.

- *Human capacity building*: Estimate the number and type of jobs that would be created during the construction or installation phase if the Contractor's recommendations are implemented and new municipal infrastructure and commercial zone projects are developed in Chalatenango. Distinguish between temporary construction jobs and the number of jobs that would be created or sustained once construction is complete (or the number of jobs that would be lost due to labor-saving technology). Comment on any prospective training recommended in the TA, including an estimate of the number of persons to be trained, type of training needed, and the desired outcome of the training.
- *Technology transfer and productivity improvement*: Discuss new technologies that are recommended, as well as the expected productivity benefits of any such technologies. More generally, discuss the expected efficiency gains related to the recommendations, such as improved systems or processes that enhance productivity or result in the more efficient use of resources.
- *Market-oriented reform*: Discuss any market-oriented reforms – such as the liberalization of prices, privatization of previously state-owned assets, or increased competition in a given sector – that would facilitate Project implementation.
- *Other*: Discuss the prospective indirect development impacts of the key recommendations, such as enhanced economic benefits (including increases in tourism, investment, indirect job creation, and regional economic development) that are not captured in the four categories listed above.

Deliverable: The Contractor shall prepare and submit a report on the development impact assessment.

Task 8: Environmental Impact Assessment

The Contractor shall conduct a preliminary review of the Project's anticipated impact on the environment with reference to local requirements and those of multilateral lending agencies, such as the IDB and World Bank. The Contractor shall identify potential negative impacts, discuss the extent to which they can be mitigated, and develop plans for a full environmental impact assessment if and when the Project moves forward to the implementation stage. The Contractor shall identify the steps that need to be undertaken by the Grantee subsequent to the completion of the Final Report and prior to Project implementation. In addition, the Contractor shall include a discussion of any regulations that would impact the Project's ability to move forward.

Deliverable: The Contractor shall prepare and submit a report on the environmental impact assessment.

Task 9: Final Report

The Contractor shall prepare and deliver to the Grantee and USTDA a substantive and comprehensive Final Report of all work performed under these Terms of Reference ("Final Report"). The Final Report shall be organized according to the above tasks, and

shall include all deliverables and documents that have been provided to the Grantee. The Final Report shall be prepared in accordance with Clause I of Annex II of the Grant Agreement. For the benefit of the Grantee, the Contractor shall deliver to the Grantee the main body of the Final Report in the English and Spanish languages.

Notes:

- (1) The Contractor is responsible for compliance with U.S. export licensing requirements, if applicable, in the performance of the Terms of Reference.
- (2) The Contractor and the Grantee shall be careful to ensure that the public version of the Final Report contains no security or confidential information.
- (3) The Grantee and USTDA shall have an irrevocable, worldwide, royalty-free, non-exclusive right to use and distribute the Final Report and all work product that is developed under these Terms of Reference.

Annex II

USTDA Mandatory Contract Clauses

A. USTDA Mandatory Clauses Controlling

The parties to this contract acknowledge that this contract is funded in whole or in part by the U.S. Trade and Development Agency ("USTDA") under the Grant Agreement between the Government of the United States of America acting through USTDA and the Municipality of Chalatenango ("Client"), dated _____ ("Grant Agreement"). The Client has selected _____ ("Contractor") to perform the technical assistance ("TA") for the Municipal Infrastructure and Commercial Zone Development in Chalatenango project ("Project") in El Salvador ("Host Country"). Notwithstanding any other provisions of this contract, the following USTDA mandatory contract clauses shall govern. All subcontracts entered into by Contractor funded or partially funded with USTDA Grant funds shall include these USTDA mandatory contract clauses, except for clauses B(1), G, H, I, and J. In addition, in the event of any inconsistency between the Grant Agreement and any contract or subcontract thereunder, the Grant Agreement shall be controlling.

B. USTDA as Financier

(1) USTDA Approval of Contract

All contracts funded under the Grant Agreement, and any amendments thereto, including assignments and changes in the Terms of Reference, must be approved by USTDA in writing in order to be effective with respect to the expenditure of USTDA Grant funds. USTDA will not authorize the disbursement of USTDA Grant funds until the contract has been formally approved by USTDA or until the contract conforms to modifications required by USTDA during the contract review process.

(2) USTDA Not a Party to the Contract

It is understood by the parties that USTDA has reserved certain rights such as, but not limited to, the right to approve the terms of this contract and amendments thereto, including assignments, the selection of all contractors, the Terms of Reference, the Final Report, and any and all documents related to any contract funded under the Grant Agreement. The parties hereto further understand and agree that USTDA, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by USTDA to exercise or refrain from exercising these approval rights shall be made as a financier in the course of financing the TA and shall not be construed as making USTDA a party to the contract. The parties hereto understand and agree that USTDA may, from time to time, exercise the foregoing approval rights, or discuss matters related to these rights and the Project with the parties to the contract or any subcontract, jointly or separately, without thereby incurring any responsibility or

liability to such parties. Any approval or failure to approve by USTDA shall not bar the Client or USTDA from asserting any right they might have against the Contractor, or relieve the Contractor of any liability which the Contractor might otherwise have to the Client or USTDA.

C. Nationality, Source, and Origin

Except as USTDA may otherwise agree, the following provisions shall govern the delivery of goods and services funded by USTDA under the Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from Host Country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for performance of the TA and associated delivery services (e.g., international transportation and insurance) must have their nationality, source, and origin in the United States; and (e) goods and services incidental to TA support (e.g., local lodging, food, and transportation) in Host Country are not subject to the above restrictions. USTDA will make available further details concerning these provisions upon request.

D. Recordkeeping and Audit

The Contractor and subcontractors funded under the Grant Agreement shall maintain, in accordance with generally accepted accounting procedures, books, records, and other documents, sufficient to reflect properly all transactions under or in connection with the contract. These books, records, and other documents shall clearly identify and track the use and expenditure of USTDA funds, separately from other funding sources. Such books, records, and documents shall be maintained during the contract term and for a period of three (3) years after final disbursement by USTDA. The Contractor and subcontractors shall afford USTDA, or its authorized representatives, the opportunity at reasonable times for inspection and audit of such books, records, and other documentation.

E. U.S. Carriers

(1) Air

Transportation by air of persons or property funded under the Grant Agreement shall be on U.S. flag carriers in accordance with the Fly America Act, 49 U.S.C. 40118, to the extent service by such carriers is available, as provided under applicable U.S. Government regulations.

(2) Marine

Transportation by sea of property funded under the Grant Agreement shall be on U.S. carriers in accordance with U.S. cargo preference law.

F. Workman's Compensation Insurance

The Contractor shall provide adequate Workman's Compensation Insurance coverage for work performed under this Contract.

G. Reporting Requirements

The Contractor shall advise USTDA by letter as to the status of the Project on March 1st annually for a period of two (2) years after completion of the TA. In addition, if at any time the Contractor receives follow-on work from the Client, the Contractor shall so notify USTDA and designate the Contractor's contact point including name, telephone, and fax number. Since this information may be made publicly available by USTDA, any information which is confidential shall be designated as such by the Contractor and provided separately to USTDA. USTDA will maintain the confidentiality of such information in accordance with applicable law.

H. Disbursement Procedures

(1) USTDA Approval of Contract

Disbursement of Grant funds will be made only after USTDA approval of this contract. To make this review in a timely fashion, USTDA must receive from either the Client or the Contractor a photocopy of an English language version of a signed contract or a final negotiated draft version to the attention of the General Counsel's office at USTDA's address listed in Clause M below.

(2) Payment Schedule Requirements

A payment schedule for disbursement of Grant funds to the Contractor shall be included in this Contract. Such payment schedule must conform to the following USTDA requirements: (1) up to twenty percent (20%) of the total USTDA Grant amount may be used as a mobilization payment; (2) all other payments, with the exception of the final payment, shall be based upon contract performance milestones; and (3) the final payment may be no less than fifteen percent (15%) of the total USTDA Grant amount, payable upon receipt by USTDA of an approved Final Report in accordance with the specifications and quantities set forth in Clause I below. Invoicing procedures for all payments are described below.

(3) Contractor Invoice Requirements

USTDA will make all disbursements of USTDA Grant funds directly to the Contractor. The Contractor must provide USTDA with an ACH Vendor Enrollment Form (available from USTDA) with the first invoice. The Client shall request disbursement of funds by USTDA to the Contractor for performance of the contract by submitting the following to USTDA:

(a) Contractor's Invoice

The Contractor's invoice shall include reference to an item listed in the Contract payment schedule, the requested payment amount, and an appropriate certification by the Contractor, as follows:

(i) For a mobilization payment (if any):

"As a condition for this mobilization payment, the Contractor certifies that it will perform all work in accordance with the terms of its Contract with the Client. To the extent that the Contractor does not comply with the terms and conditions of the Contract, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

(ii) For contract performance milestone payments:

"The Contractor has performed the work described in this invoice in accordance with the terms of its contract with the Client and is entitled to payment thereunder. To the extent the Contractor has not complied with the terms and conditions of the Contract, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

(iii) For final payment:

"The Contractor has performed the work described in this invoice in accordance with the terms of its contract with the Client and is entitled to payment thereunder. Specifically, the Contractor has submitted the Final Report to the Client, as required by the Contract, and received the Client's approval of the Final Report. To the extent the Contractor has not complied with the terms and conditions of the Contract, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

(b) Client's Approval of the Contractor's Invoice

(i) The invoice for a mobilization payment must be approved in writing by the Client.

(ii) For contract performance milestone payments, the following certification by the Client must be provided on the invoice or separately:

"The services for which disbursement is requested by the Contractor have been performed satisfactorily, in accordance with applicable Contract provisions and the terms and conditions of the USTDA Grant Agreement."

(iii) For final payment, the following certification by the Client must be provided on the invoice or separately:

"The services for which disbursement is requested by the Contractor have been performed satisfactorily, in accordance with applicable Contract provisions and terms and conditions of the USTDA Grant Agreement. The Final Report submitted by the Contractor has been reviewed and approved by the Client."

(c) USTDA Address for Disbursement Requests

Requests for disbursement shall be submitted by courier or mail to the attention of the Finance Department at USTDA's address listed in Clause M below.

(4) Termination

In the event that the Contract is terminated prior to completion, the Contractor will be eligible, subject to USTDA approval, for reasonable and documented costs which have been incurred in performing the Terms of Reference prior to termination, as well as reasonable wind down expenses. Reimbursement for such costs shall not exceed the total amount of undisbursed Grant funds. Likewise, in the event of such termination, USTDA is entitled to receive from the Contractor all USTDA Grant funds previously disbursed to the Contractor (including but not limited to mobilization payments) which exceed the reasonable and documented costs incurred in performing the Terms of Reference prior to termination.

I. USTDA Final Report

(1) Definition

"Final Report" shall mean the Final Report described in the attached Annex I Terms of Reference or, if no such "Final Report" is described therein, "Final Report" shall mean a substantive and comprehensive report of work performed in accordance with the attached Annex I Terms of Reference, including any documents delivered to the Client.

(2) Final Report Submission Requirements

The Contractor shall provide the following to USTDA:

(a) One (1) complete version of the Final Report for USTDA's records. This version shall have been approved by the Client in writing and must be in the English language. It is the responsibility of the Contractor to ensure that confidential information, if any, contained in this version be clearly marked. USTDA will maintain the confidentiality of such information in accordance with applicable law.

and

(b) One (1) copy of the Final Report suitable for public distribution ("Public Version"). The Public Version shall have been approved by the Client in writing and must be in the English language. As this version will be available for public distribution, it must not contain any confidential information. If the report in (a) above contains no confidential information, it may be used as the Public Version. In any event, the Public Version must be informative and contain sufficient Project detail to be useful to prospective equipment and service providers.

and

(c) Two (2) CD-ROMs, each containing a complete copy of the Public Version of the Final Report. The electronic files on the CD-ROMs shall be submitted in a commonly accessible read-only format. As these CD-ROMs will be available for public distribution, they must not contain any confidential information. It is the responsibility of the Contractor to ensure that no confidential information is contained on the CD-ROMs.

The Contractor shall also provide one (1) copy of the Public Version of the Final Report to the Foreign Commercial Service Officer or the Economic Section of the U.S. Embassy in Host Country for informational purposes.

(3) Final Report Presentation

All Final Reports submitted to USTDA must be paginated and include the following:

(a) The front cover of every Final Report shall contain the name of the Client, the name of the Contractor who prepared the report, a report title, USTDA's logo, USTDA's mailing and delivery addresses. If the complete version of the Final Report contains confidential information, the Contractor shall be responsible for labeling the front cover of that version of the Final Report with the term "Confidential Version." The Contractor shall be responsible for labeling the front cover of the Public Version of the Final Report with the term "Public Version." The front cover of every Final Report shall also contain the following disclaimer:

"This report was funded by the U.S. Trade and Development Agency (USTDA), an agency of the U.S. Government. The opinions, findings, conclusions or recommendations expressed in this document are those of the

author(s) and do not necessarily represent the official position or policies of USTDA. USTDA makes no representation about, nor does it accept responsibility for, the accuracy or completeness of the information contained in this report."

(b) The inside front cover of every Final Report shall contain USTDA's logo, USTDA's mailing and delivery addresses, and USTDA's mission statement. Camera-ready copy of USTDA Final Report specifications will be available from USTDA upon request.

(c) The Contractor shall affix to the front of the CD-ROM a label identifying the Host Country, USTDA Activity Number, the name of the Client, the name of the Contractor who prepared the report, a report title, and the following language:

"The Contractor certifies that this CD-ROM contains the Public Version of the Final Report and that all contents are suitable for public distribution."

(d) The Contractor and any subcontractors that perform work pursuant to the Grant Agreement must be clearly identified in the Final Report. Business name, point of contact, address, telephone, and fax numbers shall be included for Contractor and each subcontractor.

(e) The Final Report, while aiming at optimum specifications and characteristics for the Project, shall identify the availability of prospective U.S. sources of supply. Business name, point of contact, address, telephone, and fax numbers shall be included for each commercial source.

(f) The Final Report shall be accompanied by a letter or other notation by the Client which states that the Client approves the Final Report. A certification by the Client to this effect provided on or with the invoice for final payment will meet this requirement.

J. Modifications

All changes, modifications, assignments or amendments to this contract, including the appendices, shall be made only by written agreement by the parties hereto, subject to written USTDA approval.

K. TA Schedule

(1) TA Completion Date

The completion date for the TA, which is December 31, 2009, is the date by which the parties estimate that the TA will have been completed.

(2) Time Limitation on Disbursement of USTDA Grant Funds

Except as USTDA may otherwise agree, (a) no USTDA funds may be disbursed under this contract for goods and services which are provided prior to the Effective Date of the Grant Agreement; and (b) all funds made available under the Grant Agreement must be disbursed within four (4) years from the Effective Date of the Grant Agreement.

L. Business Practices

The Contractor agrees not to pay, promise to pay, or authorize the payment of any money or anything of value, directly or indirectly, to any person (whether a governmental official or private individual) for the purpose of illegally or improperly inducing anyone to take any action favorable to any party in connection with the TA. The Client agrees not to receive any such payment. The Contractor and the Client agree that each will require that any agent or representative hired to represent them in connection with the TA will comply with this paragraph and all laws which apply to activities and obligations of each party under this Contract, including but not limited to those laws and obligations dealing with improper payments as described above.

M. USTDA Address and Fiscal Data

Any communication with USTDA regarding this Contract shall be sent to the following address and include the fiscal data listed below:

U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite 1600
Arlington, Virginia 22209-3901
USA

Phone: (703) 875-4357
Fax: (703) 875-4009

Fiscal Data:

Appropriation No.: 118/91001
Activity No.: 2008-51017A
Reservation No.: 2008510027
Grant No.: GH2008510012

N. Definitions

All capitalized terms not otherwise defined herein shall have the meaning set forth in the Grant Agreement.

O. Taxes

USTDA funds provided under the Grant Agreement shall not be used to pay any taxes, tariffs, duties, fees, or other levies imposed under laws in effect in Host Country. Neither the Client nor the Contractor will seek reimbursement from USTDA for such taxes, tariffs, duties, fees, or other levies.

A N N E X 5

**TERMS OF REFERENCE
(FROM USTDA GRANT AGREEMENT)**

Annex I

Terms of Reference

Objective

The objective of the Municipal Infrastructure and Commercial Zone Development in Chalatenango Technical Assistance ("TA") is to develop a land use plan, municipal project designs, and a municipal infrastructure development plan for the Municipality of Chalatenango ("Project").

Activities

Task 1: Review of Current Project Plans of the Municipality of Chalatenango

The Contractor shall conduct a review of the current project plans developed by the Municipality of Chalatenango, including a conceptual plan of the Project and a plan for developing the tourism sector. The key elements of the Municipality of Chalatenango's conceptual plan of the Project include the following:

- A site development, land use, and site preparation plan;
- Development of bus terminal near the proposed commercial zone and adjacent to the transnational highway being built under the Millennium Challenge Corporation ("MCC") Compact;
- Development of sufficient commercial space for the establishment of shopping centers, businesses, restaurants, recreation facilities, health clinics, child care facilities, and other establishments;
- Development of a parking lot to provide sufficient parking for visitors of the proposed commercial zone.

The Municipality of Chalatenango has tentatively selected a site for the Project and has identified other potential sites that could be available for the Project. The Contractor shall develop a set of criteria for selecting the most suitable site and shall conduct initial site visits. Based on these criteria and initial site visits, the Contractor shall recommend three (3) prospective sites for consideration by the Municipality of Chalatenango.

In addition, the Municipality of Chalatenango has developed a conceptual layout of the Project. The Contractor shall review this conceptual layout in light of the demand for commercial activity and investor requirements. Based on this analysis and in consultation with the Municipality of Chalatenango, the Contractor shall develop a detailed ten (10)-year land use plan, relevant municipal project designs, and a municipal infrastructure development plan. The land use plan, the municipal project designs, and the municipal infrastructure development plan shall include subprojects such as hotels, health clinics, business service facilities, and other establishments.

Deliverables: The Contractor shall prepare and submit a report summarizing (i) a land use plan, (ii) municipal project designs, and (iii) a municipal infrastructure development plan. The Contractor shall also provide maps and drawings using the geographic information system ("GIS") maps available at the National Development Commission ("CND") and under the productive development component of the MCC Compact.

Task 2: Detailed Analysis of All Subprojects within the Project

The Contractor shall develop all municipal infrastructure and commercial zone subprojects under the Project. At a minimum, the following details shall be developed for each subproject:

- The scope and size of the subproject;
- Input requirements (material and labor);
- Potential benefits of the subproject for the users;
- Any new technologies to be deployed;
- First-order cost estimates and estimated overall investment required;
- Permit and license requirements, including the amount of time required to obtain the permits and licenses;
- Estimated schedule of completion;
- Potential sources of financing, such as the Municipality of Chalatenango budget, MCC Compact, other donors, and private investors;
- Other relevant information.

The Contractor shall develop a database of this information, and based on available data, the Contractor shall develop aggregate cost estimates of the Project.

Deliverables: The Contractor shall prepare and submit a report that includes details on the Project and each subproject.

Task 3: Re-Visit the Prospective Sites and Recommend the Most Suitable Site for the Project

Based on the Project design developed in Task 1 and the data developed in Task 2, the Contractor shall make a second site visit to each of the three (3) prospective sites identified in Task 1. The Contractor shall review the prospective sites and the land use plan in greater detail based on the more specific Project design and requirements developed under Tasks 1 and 2.

As a result of these site visits, the Contractor shall advise the Municipality of Chalatenango on the advantages and disadvantages of the three (3) prospective sites. Based on this information, the Municipality of Chalatenango will engage the community in the process of choosing the final site for the Project. The Contractor shall assist the Municipality of Chalatenango with its community engagement process, to the extent it may require such support. Once the final site has been selected, the Contractor shall conduct a detailed audit of the selected site and identify the specific needs for the

development and preparation of the selected site to make it ready for Project implementation. The Contractor shall examine leasing options for developing subprojects at the selected site, as well as national and local zoning requirements.

Deliverables: The Contractor shall prepare and submit a report that includes (i) the criteria for site selection and the advantages and disadvantages of the prospective sites; (ii) a detailed audit of the selected site; (iii) recommended land use plan, revised municipal project designs, and a municipal infrastructure development plan; (iv) justification of the selected site; and (v) detailed requirements for the development and preparation of the selected site. In addition, the Contractor shall submit outreach materials and position papers for the Municipality of Chalatenango to use during its community engagement process on the Project.

Task 4: Develop Cost Estimates and Investment Requirements for the Project and Subprojects

The Contractor shall fine-tune and finalize the cost estimates and investment requirements for the land use plan and each of the subprojects, and aggregate them to develop the overall cost estimate and investment requirements for the Project. In consultation with the Municipality of Chalatenango, the Contractor shall also identify potential sources of financing for the subprojects. Based on this analysis, the Contractor shall classify the subprojects into four categories based on potential sources of financing, as follows:

- *Category 1:* Subprojects for which the Municipality of Chalatenango already has the required funding in its budget or has a reasonable expectation to secure funding from the national budget.
- *Category 2:* Subprojects for which financing could be available from the productivity enhancement component of the MCC Compact.
- *Category 3:* Subprojects for which private sector financing will be required.
- *Category 4:* Subprojects for which there is no obvious source of financing and other sources (such as donors) will need to be approached to secure financing.

The Contractor shall then assist the Municipality of Chalatenango in its discussions with prospective sources of financing, in particular its discussions with the MCC, Millennium Challenge Account El Salvador ("FOMILENIO"), and private investors. In the case of subprojects for which private investment will be required, the Contractor shall prepare an investor brief to facilitate the discussions between the Municipality of Chalatenango and the private sector. In order to assist the Municipality of Chalatenango in leveraging private investment, the Contractor shall provide support and training to Municipality of Chalatenango officials engaged in discussion with private sector representatives.

Deliverables: The Contractor shall prepare and submit a report covering the work completed in this task. In addition, the Contractor shall prepare and submit an investor brief that includes subprojects for which private sector financing will be required.

Task 5: Economic and Financial Analysis

Based on the investment requirements for the land use plan, municipal project designs, municipal infrastructure development plan, and various subprojects, the Contractor shall conduct detailed economic and financial analyses of the subprojects, grouped by their category (from Task 4). Thus, for those subprojects to be financed by the Municipality of Chalatenango and oriented towards improving municipal services and creating a better business infrastructure for encouraging private investment, the Contractor's analysis shall primarily focus on estimating economic and social impacts. Alternatively, for the group of subprojects requiring private investment, the Contractor shall conduct financial analyses to determine return on investment payback periods. For donor-funded projects, the Contractor's analysis shall mainly focus on estimating economic and social benefits in relation to investment costs. Specifically, the Contractor shall calculate the economic internal rates of return ("EIRR") and the financial internal rate of return ("FIRR") for the various groups of subprojects under a variety of different assumptions including tax rates, interest rates, oil prices, and other economic and financial parameters. The EIRR analyses shall be more straightforward, and include national economic and social benefits of the subprojects in terms of enhanced employment, greater economic activity, a more equitable income distribution in the Northern Zone, and the value added to the economic welfare of the Municipality of Chalatenango and its contribution to the gross national product ("GNP") of El Salvador over time.

The FIRR shall be calculated for each group of subprojects based on different assumptions and return on investment ("ROI") and return on equity ("ROE") likely to be expected by potential developers. In addition, the Contractor shall estimate the economic and social benefits of the Project.

Deliverables: The Contractor shall prepare and submit a report that will rank and prioritize the various subprojects based on their economic and financial analyses. The Contractor shall also develop the justification for the Project based on all economic, financial, and social factors. Specifically, the Contractor shall discuss the overall developmental value of the Project for the economic and social development of the Municipality of Chalatenango.

Task 6: Develop Project Implementation Requirements and a Model Template for other Municipalities in the Northern Zone

The Contractor shall develop implementation requirements for the Project. The Contractor shall develop the Project implementation requirements based on an examination of the implementation issues associated with the four categories of subprojects developed in Task 4. The implementation requirements for the subprojects will vary based on the mode of financing. For example, subprojects financed by the Municipality of Chalatenango will have different implementation considerations than subprojects implemented under the MCC Compact, and subprojects financed through private investment will have their own implementation arrangements. Specifically, the

Contractor shall discuss implementation issues for the four categories of subprojects identified in Task 4, and shall include the following:

- Institutional roles and responsibilities;
- Requirements and processes for permits and business licenses needed by private investors;
- Environmental assessment requirements;
- Fiscal and financial incentives available for certain types of subprojects and the process for qualifying for such incentives;
- Coordination requirements with other government agencies, donors, financiers, and lenders;
- Any other relevant implementation issues.

Based on an assessment of the implementation requirements, the Contractor shall develop a model template for designing and implementing municipal infrastructure and commercial zone projects in the Northern Zone. The Contractor shall support the dissemination of the model template to publicize and promote the development of municipal infrastructure and commercial zone projects in other Northern Zone municipalities. Potential avenues of dissemination in El Salvador include CND, the Salvadoran Foundation for Economic and Social Development ("FUSADES"), and the National Investment Promotion Agency ("PROESA").

Deliverables: The Contractor shall prepare and submit (i) a report on the implementation requirements for the Project and categories of subprojects and (ii) a model template for developing similar projects in other Northern Zone municipalities.

Task 7: Development Impact Assessment

For the benefit of those interested in the Project, the Contractor shall assess the development benefits associated with the Project and the methodology for measuring those benefits. The assessment shall include examples of the development benefits that would be expected in the Host Country if the Project is implemented as outlined in the Final Report. The Contractor shall specifically focus on examples from the categories listed below, shall develop a methodology for assessing these impacts over time, and shall identify where to obtain this information in the future (e.g. the Grantee, trade statistics, or U.S. Embassy in the Host Country). The Contractor shall only list benefits in the categories that are applicable to the Project.

Specifically, the Contractor shall evaluate the categories listed below to determine which are likely to result from the Contractor's recommendations. Where possible, the Contractor shall include quantitative estimates. The categories to be considered are as follows:

- *Infrastructure:* Improvements in physical infrastructure that would result from the Project. Estimate the scale of construction or installation expected and comment on the capabilities of any recommended municipal infrastructure improvements, such as bus terminals, health clinics, and access roads.

- *Human capacity building*: Estimate the number and type of jobs that would be created during the construction or installation phase if the Contractor's recommendations are implemented and new municipal infrastructure and commercial zone projects are developed in Chalatenango. Distinguish between temporary construction jobs and the number of jobs that would be created or sustained once construction is complete (or the number of jobs that would be lost due to labor-saving technology). Comment on any prospective training recommended in the TA, including an estimate of the number of persons to be trained, type of training needed, and the desired outcome of the training.
- *Technology transfer and productivity improvement*: Discuss new technologies that are recommended, as well as the expected productivity benefits of any such technologies. More generally, discuss the expected efficiency gains related to the recommendations, such as improved systems or processes that enhance productivity or result in the more efficient use of resources.
- *Market-oriented reform*: Discuss any market-oriented reforms – such as the liberalization of prices, privatization of previously state-owned assets, or increased competition in a given sector – that would facilitate Project implementation.
- *Other*: Discuss the prospective indirect development impacts of the key recommendations, such as enhanced economic benefits (including increases in tourism, investment, indirect job creation, and regional economic development) that are not captured in the four categories listed above.

Deliverable: The Contractor shall prepare and submit a report on the development impact assessment.

Task 8: Environmental Impact Assessment

The Contractor shall conduct a preliminary review of the Project's anticipated impact on the environment with reference to local requirements and those of multilateral lending agencies, such as the IDB and World Bank. The Contractor shall identify potential negative impacts, discuss the extent to which they can be mitigated, and develop plans for a full environmental impact assessment if and when the Project moves forward to the implementation stage. The Contractor shall identify the steps that need to be undertaken by the Grantee subsequent to the completion of the Final Report and prior to Project implementation. In addition, the Contractor shall include a discussion of any regulations that would impact the Project's ability to move forward.

Deliverable: The Contractor shall prepare and submit a report on the environmental impact assessment.

Task 9: Final Report

The Contractor shall prepare and deliver to the Grantee and USTDA a substantive and comprehensive Final Report of all work performed under these Terms of Reference ("Final Report"). The Final Report shall be organized according to the above tasks, and

shall include all deliverables and documents that have been provided to the Grantee. The Final Report shall be prepared in accordance with Clause I of Annex II of the Grant Agreement. For the benefit of the Grantee, the Contractor shall deliver to the Grantee the main body of the Final Report in the English and Spanish languages.

Notes:

- (1) The Contractor is responsible for compliance with U.S. export licensing requirements, if applicable, in the performance of the Terms of Reference.
- (2) The Contractor and the Grantee shall be careful to ensure that the public version of the Final Report contains no security or confidential information.
- (3) The Grantee and USTDA shall have an irrevocable, worldwide, royalty-free, non-exclusive right to use and distribute the Final Report and all work product that is developed under these Terms of Reference.