

PROJECT FOR THE PROMOTION OF CLEANER PRODUCTION PROCESSES

(TC-98-11-03-7)

EXECUTIVE SUMMARY

Executing agency:	Asociación Salvadoreña de Industriales [Salvadorian Manufacturers Association] (ASI)
Beneficiaries:	Project beneficiaries include: (a) 180 local professionals trained in a new area of technical specialization; (b) 24 industrial Small and Medium-sized Enterprises (SMEs), by improving their competitiveness and environmental performance; (c) 1,000 companies that will be informed of the benefits of adopting cleaner production processes; (d) the ASI and the National Center for Cleaner Production (CNPML), through technical strengthening and funding, increasing their scope of action and negotiating leverage; (e) the Government and the Ministry of the Environment and Natural Resources (MARN) because they will gain an instrument to be used as an incentive for complying with the law and its regulations; and (f) the population in general, through reduced pollution.
Objectives:	The project's objective is to promote the adoption of cleaner production (CP) processes among SMEs in El Salvador, stimulating supply and demand mechanisms to facilitate the adoption of these processes. This will contribute to two simultaneous objectives; (i) improving industries' environmental performance; and (ii) improving the productive efficiency of SMEs.
Description:	<p>In order to achieve the above objectives, this project includes the following three components:</p> <ul style="list-style-type: none">(i) Training and supply generation program. The objective of this component is to stimulate the supply of professional services in the area of CP, through training and skills development among local professionals.(ii) Implementation and demonstration of cleaner production (CP) systems. The on-site evaluations to be implemented during the project have three central objectives: (i) to introduce cleaner production practices in companies; (ii) to generate demonstration models to stimulate the demand for services of this kind within industry; and (iii) on-site technical training.

- (iii) Promotion, dissemination and information. Events will be carried out designed to promote and disseminate the following among SMEs countrywide; (i) the benefits of adopting clean production processes; (ii) the challenges and opportunities of applying ISO 14,000 standards, in terms of business competitiveness; (iii) environmental regulations and their implications for complying with environmental corrective action guidelines and plans for SMEs; and (iv) occupational health and safety concerns.

Financing:	Modality: nonreimbursable	Human Resources Facility
	MIF	US\$ 749,000
	Local counterpart:	<u>US\$ 317,000</u>
	Total:	US\$1,066,000
Execution timetable:	Execution period:	36 months
	Disbursement period:	42 months
Environmental and social review:	The Committee on Environment and Social Impact reviewed and approved this project on February 18, 2000. The Committee's comments relating to promoting the role of women have been taken into consideration.	
Special contractual clauses:	Conditions precedent to the first disbursement: (i) evidence of a cooperation agreement between the ASI and CNPML for technical execution of the program; (ii) selection of the Project Coordinator, in accordance with the terms approved by the Bank.	
Exceptions to Bank policy:	None.	

I. COUNTRY AND PROJECT ELIGIBILITY

- 1.1 El Salvador was declared eligible for all Multilateral Investment Fund (MIF) financing conditions on December 3, 1993. The project described in this document is eligible for financing through the MIF Human Resources Facility, because of its focus on skills building through training in strategic sectors of the private sector, in order to facilitate business competitiveness. The promotion of ecoefficiency and the adoption of environmental standards among companies as an element of competitiveness is priority for the MIF.¹

II. BACKGROUND

A. Industry conditions and environmental aspects in El Salvador

- 2.1 The manufacturing sector in El Salvador employs 17% of the country's labor force, and contributes 22% of its gross domestic product. Manufacturing also generates some 83% of total exports. Within the sector, small and medium-sized enterprises (SMEs) play an important role in the labor supply in El Salvador.² However, the number of SMEs has declined, in part reflecting the impact of trade liberalization on the competitiveness of Salvadorian enterprises. This clearly proves the importance of achieving better standards of efficiency and quality, including environmental.
- 2.2 Environmental pollution in El Salvador, and particularly industrial pollution, has reached levels that are cause for considerable concern nationwide. The government's responsibilities for environmental issues fall to the Ministry of the Environment and Natural Resources (MARN). The 1998 Environmental Law establishes a two-year period for any activity, work or project (including industry), to submit an environmental diagnostic assessment to the MARN for approval, accompanied by the corresponding environmental corrective action program. As of May 2000, the law sets a three-year period for implementing corrective action plans.

B. The concept of Cleaner Production (CP)

- 2.3 Efforts to address industrial pollution generally focus on costly treatment "at the end of the process" which concentrate on "what to do" with the waste once it has been generated. By contrast, CP is understood as being the application of processes, practices or products that allow efficient use of energy, water and other inputs to reduce or eliminate the generation of pollutants at the source, while at the same

¹ "MIF program to assist small and medium-sized companies in promotion, implementation and certification under ISO quality and environmental management systems" (GN-51).

² Small and medium-sized enterprises are defined as those with fewer than 100 employees and less than US\$3 million in annual sales.

time protecting human health, both within and outside companies, and the environment in general. The implementation of cleaner production practices (CP) provides economic benefits by affording greater efficiency in the production processes, leading to lower production costs and diverting attention away from treatment and waste disposal activities.

- 2.4 The benefits of CP processes are achieved through small investments or, in many cases, without any. In cases where investment is necessary, there must be a short- or medium-term return. Successful experience in several countries has shown that these processes contribute to improving manufacturing efficiency and product quality, reducing operating costs, improving employee morale, protecting employee health and safety, strengthening the public image of companies, and protecting the environment.

C. Supply and demand for cleaner production

- 2.5 The demand for the adoption of CP processes must be stimulated primarily by convincing participants that these processes generate savings and economic efficiency at the industry level. In addition, the demand for the adoption of CP is even further stimulated by recent environmental legislation. To date, with very few exceptions, the issue of CP is unknown at the industry level. However, there are some manufacturing groups highly concerned with the environmental situation that they have caused and they are expressing interest in gaining support in CP issues. These include companies in the area of the Rio Sucio basin near San Salvador, including textile mills, metal/machinery firms, maquiladoras, chemical plants, pharmaceutical plants and a flourishing agroindustry (primarily farms and poultry and pork packers). Similar demand is anticipated in other river basins around the country that show similar levels of manufacturing activity and environmental damage.
- 2.6 The scarcity of technical assistance services and training in CP practices is a problem not only in El Salvador, but in most developing countries, because it is a relatively new concept. In El Salvador, only one private company, very few independent professionals and one local university have provided any type of technical assistance in CP in the past. However, according to MARN records, El Salvador is potentially capable of generating this service, since it has 13 companies and 249 registered consultants that offer environmental impact studies and prepare environmental diagnostics.
- 2.7 The country's very limited supply of technical services must be addressed by training individual consultants and local consulting firms. Since Salvadorian companies have until May 2000 to present their environmental diagnostics, and after that date, three additional years to execute their adaptation plan, generating local supply capacity within the legally established deadlines is of the utmost importance.

D. The origin of the proposed project

- 2.8 The proposed project was developed as a result of at least two factors that have an influence and create pressure on the El Salvador business sector: (i) the country's recent environmental legislation, which includes regulations, standards and goals for environmental compliance by businesses, and (ii) the process of globalization and market liberalization in which the country is immersed, which forces the production and industrial sector to maximize quality processes in general in order to maintain competitiveness. The convergence of these factors has created demand and interest on the part of the El Salvador industrial sector to comply with quality standards and requirements, including environmental, while at the same time seeking ways to further improve productive efficiency.
- 2.9 This project was requested by the El Salvador private industrial sector in coordination and consultation with the Government. Specifically, the Salvadorian Manufacturers Association (ASI) is committed to the notion of cleaner production, promoting the project within the National Center for Cleaner Production (CNPML). The project forms an integral part of the Bank's country strategy and complements the Critical Areas Decontamination Program (ES-0074) recently approved by the Bank, which is designed to consolidate the environmental regulatory framework as it relates to pollution.

III. PROGRAM OBJECTIVES AND COMPONENTS

- 3.1 The project objective is to promote the adoption of cleaner production processes (CP) among small and medium-sized companies (SMEs) in El Salvador, by stimulating supply and demand mechanisms to facilitate the adoption of these processes. This will contribute to two simultaneous objectives: (i) improving industrial environmental performance and (ii) improving the productive efficiency of SMEs. The project includes three components: (i) training and generation of supply; (ii) implementation and demonstration of CP systems; and (iii) promotion, dissemination and information.

A. Component 1: Training programs and generation of supply (US\$179,000, MIF; US\$64,500, local counterpart)

- 3.2 The objective of this component is to stimulate the supply of professional services in the area of CP, by training and preparing local professionals. A theoretical training program will be implemented, with additional on-site practical training. The training will be carried out through formal seminars and benefit from the experiences of El Salvador and other countries with similar industry conditions. Major topics will include the philosophy of CP, methods of performing a plant evaluation, plant practices, the presentation of demonstration models, the establishment of environmental management systems within a company and

introduction to ISO 14,000 Standards. Training events will be aimed at technical personnel in companies, the government, independent consultants, NGOs and university professors.

- 3.3 During the initial two-year phase, local supply capacity will be generated based on the experience and knowledge of instructors with well-known international expertise. In the second phase, the training program will be based solely on local trained instructors. (The terms of reference for international and domestic trainers may be found in the technical files). The training program provides for a minimum of six courses per year, and the number of participants per event must not exceed 25, in order to allow the training to be effective. Basic criteria for participants include having work experience in industry, preferably with knowledge of environmental management and quality systems. The project is expected to result in the training of 180 participants, with a minimum of 50 professionals trained and certified to carry out on-site evaluations. During project execution, the MARN, with the support of the project, will establish an accreditation system for CP consultants. A study will be performed to evaluate and propose a system for certifying individuals trained in CP techniques, which will be carried out in coordination and cooperation with the MARN.
- 3.4 The cost of implementing the training program depends upon the composition of the instructor teams. The first phase is the most costly because of the participation of international experts, and for the first two years a cost per event of US\$11,600 is projected. In the second phase, when responsibility for training falls on local instructors, this cost per event will decline to US\$4,400. In the first phase, participant fees will cover 15% of total costs. In the second phase, these fees will cover at least 70% of costs.
- B. Component 2: Implementation and demonstration of cleaner production systems (CP) (US\$172,000, MIF; US\$54,300, local counterpart)**
- 3.5 The on-site evaluations to be implemented under the project have three central objectives: (i) introducing cleaner production practices among companies; (ii) generating demonstration models to stimulate demand for services of this type in industry; and (iii) technical on-site training.
- 3.6 This component will facilitate technical assistance for the evaluation of CP at the plant level, with emphasis on demonstrative aspects. To this end, companies with high demonstrative potential will be chosen. Implementing an evaluation includes the following: (i) a preliminary visit to the companies to determine whether it is possible to practice CP and whether a company's commitment is real; (ii) selecting an initial group of companies; (iii) signing a cooperation agreement and commitments; (iv) compiling detailed information by using a form; (v) preparing a preliminary report; (vi) verifying this information on-site; (vii) performing the plant evaluation; (viii) preparing the evaluation report; and (ix) follow-up visits,

according to the schedule approved by the parties.³ This procedure will be repeated at least three times a year in order to ensure technical assistance to a minimum of eight companies per year. Follow-up visits will be used to ensure adequate progress on implementing the recommendations. The program's overall objective is to provide on-site technical assistance by performing 24 CP evaluations.

- 3.7 The implementation of on-site technical assistance will begin with a nation-wide campaign to identify SMEs interested and committed to the notion of CP, which meet the selection criteria. These criteria include company size, financial solvency, internal ability to implement CP processes, and interest in demonstrating results and benefits. Project promotion will place special emphasis on the business demands of women in the sector (see the technical files for the complete criteria).
- 3.8 CP evaluations will be carried out jointly with personnel from the selected companies, in order to identify opportunities to improve their productivity and environmental performance. Occupational health and safety issues will be incorporated into evaluation activities with a view to improving the efficiency of the productive processes (ecoefficiency).
- 3.9 The process of implementing on-site evaluations to be carried out under this component is also designed to: (i) train the personnel of the benefiting plants (production managers, quality control manager and workers in the various steps of process); (ii) increase the awareness of company officers (presidents, general managers, administrative managers and/or others), who should participate in the final meeting to discuss the recommendations resulting from the on-site work; and (iii) train at least one local consultant (per plant) who will be engaged through project funds. The training must be practical and hands-on in nature, and be supervised by experienced technical specialists.
- 3.10 In the first phase of implementation, which is based on consultations with experienced international experts, the cost per company will be approximately US\$9,000. This cost must assume the training of local professionals. In the second phase of the operation, the on-site evaluations would be carried out using trained local consultants, and cost per plant will decline to US\$4,000. Each benefiting company will contribute a minimum of US\$3,000 to the cost of technical assistance in both phases.

C. Component 3: Promotion, dissemination and information (US\$118,200, MIF; US\$59,100, local counterpart)

- 3.11 Events will be carried out among SMEs nationwide, with a view to promoting and disseminating: (i) the benefits of adopting cleaner production processes;

³ The mutual cooperation agreement form, the technical questionnaire form and the "Cleaner Production Evaluations Program and Methodology" may be found in the technical files.

(ii) challenges and opportunities in applying ISO 14,000 standards in terms of business competitiveness; (iii) environmental regulations and their implications for the fulfillment of environmental corrective action guidelines and plans for SMEs; and (iv) occupational health and safety concerns. At least 13 workshops per year are planned, in order to cover the country's central region (San Salvador), western region (Santa Ana) and eastern region (San Miguel). The events will be 50% covered by program funds, while the remaining 50% will be covered by collecting participation fees. It is expected to reach 1,000 SMEs around the country. The ASI will work in coordination with the MARN in carrying out promotion activities involving this technical cooperation, plus any other aspects in which they are going to cooperate.

- 3.12 The program will also contribute to establishing an Industrial Environmental Information Technology Network, which will consist of a broad database on CP in various industry sectors, with which it will be linked. The goal is to add at least 100 clients per year to the list of network users. This information service will be complemented by a quarterly magazine and brochures with information on CP. As part of the information system, a study will also be engaged to determine the feasibility of establishing the notion of a "Recycling Exchange," with a view to developing a market for waste among companies through an information system, since industrial waste from some companies may be converted into inputs for others.
- 3.13 After the first year, a local expert will be engaged to design a Web page for the Project to allow it to be disseminated. This expert will maintain the project Web page on an ongoing basis, incorporating project advances every three months.
- 3.14 At the end of the third year, an international conference will be held to report on project progress up to that time with a view to disseminating lessons learned and systematizing the results, in terms of both methodology and practice, which will allow the project to be replicated in other Latin American countries. The training materials and other educational notes used in the project will be reviewed and updated for use at this conference and in order to guide future assistance in implementing CP. The materials to be produced for the final conference and during the course of the entire project will be the property of the Bank and the executing agency.

IV. EXECUTING UNIT AND BENEFICIARIES

- 4.1 The project will last three years (36 months for execution and 42 for disbursement). (See the schedule of activities in the technical files). The executing agency will be the Salvadorian Manufacturers Association (ASI). The ASI is a nonprofit institution that covers the entire industrial sector in El Salvador, including small and medium-sized industry. The ASI has 462 members and is financially supported through their

contributions. The ASI has its own bylaws and legal capacity for project execution. In this project, the ASI will assume all responsibility as executing agency vis-à-vis the Bank, including: (i) contributing counterpart funds; (ii) issuing reports; (iii) procuring goods and services; (iv) fulfilling contractual conditions; and (v) achieving results.

- 4.2 The National Center for Cleaner Production (CNPML), an organization that acts as technical program facilitator, operates within the ASI. The CNPML was organized as part of the Program for National Centers for Cleaner Production in Costa Rica, El Salvador and Guatemala, which the United Nations Industrial Development Organization (UNIDO) is implementing. Because of its CP-related links between the business/government sectors, the CNPML is considered to be the best agency for technical execution of project. To date, CNPML has contributed to establishing a synergy relationship between the ministries of economics and of the environment, and the private industrial sector.
- 4.3 The CNPML has a Management Board comprising representatives of the ASI, the National Private Enterprise Association (ANEP), the Salvadorian Foundation for Economic and Social Development (FUSADES), the José Simeón Cañas Central American University (UCA), UNIDO, the Ministry of the Environment and National Resources (MARN), the Ministry of Economics, and the Government of Switzerland. In addition, the CNPML has an Advisory Committee that includes representatives from universities, the Ministry of Health and Social Security (MSPS), the National Science and Technology Council (CONACYT) and the Republic of El Salvador Municipalities Corporation (COMURES).
- 4.4 This allows the ASI/CNPML to play a significant role by bringing together all key public and private entities. At the technical level, the CNPML has a small team of five persons, including the President and Executive Director, and plays a regulatory and facilitator role. The ASI will work in coordination with the MARN to carry out promotional activities under Component 3, and to study the certification system provided for in Component 1.
- 4.5 A Project Coordinator will be hired using the funds from the financing structure, and a marketing and financing adviser based in the CNPML. The Project Coordinator will be responsible for such activities as: (i) coordinating the entire project and its activities; (ii) organizing the project work teams, (iii) preparing the annual work plans, (iv) selecting the necessary experts and technicians according to the methodology scheduling, and (v) presenting the progress reports and results. The marketing and finance adviser will provide support in aspects of strategic planning, analysis and monitoring of the financial/economic benefits of CP systems (see the technical files for the terms of reference for each position).
- 4.6 The ASI will submit semiannual performance reports to the Bank, including work plans for subsequent stages. These reports must be submitted to the Bank within 30

days of the end of each six-month period. The ASI will be responsible for coordinating activities, managing project activities, administrative control, and handling the budget through procedures established and agreed to with the Bank. Donor funds will be disbursed and goods and services procured in accordance with Bank/MIF regulations.

- 4.7 After meeting all conditions prior to the initial disbursement, the ASI will ask the Bank for disbursement of the financing by means of a rotating fund, the maximum amount of which is equivalent to 10% of the total project amount. These funds must be handled through a special bank account on behalf of the Program. The rotating fund will be used by submitting a funding support document, allocating the funds to the corresponding investment subcategories by using the disbursement forms prepared by the Bank, and attaching to the supporting documentation a copy of the invoices, checks or transfer vouchers. The ASI must maintain an accounting system that allows tracking the rotating fund and the use of the moneys in separate ledgers, according to the chart of accounts approved by the Bank. Within 30 days after the close of each six-month period, the executing agency must submit a semiannual report on the use of the moneys in the rotating fund.
- 4.8 The ASI must maintain an adequate system of internal accounting and financial control for the Project funds. The accounting system must be organized in such a way as to provide the necessary documentation and allow verification of transactions and facilitate timely preparation of the financial statements and reports. The program records must be maintained in such a way that (a) they allow the amounts received from the various sources to be identified; (b) they show project expenses, breaking out both contribution funds and other funds contributed for complete execution in accordance with the chart of accounts the Bank approved; (c) they include the detail needed to identify the goods procured and the services engaged, as well as the use of such goods and services. The ASI will open separate, specific bank accounts for managing MIF contributions and local counterpart funds. The ASI will process disbursement requests and their respective justifications, in accordance with Bank disbursement procedures, and will submit to the Bank the final audited financial statement for the project and the semiannual financial reports on funding status.
- 4.9 Ninety days after making the final disbursement on the project, the ASI will submit to the Bank the total project expense statements, including expenses corresponding to the funds received from the Bank and those contributed by the counterpart. This expense statement must be audited by an independent auditing firm or an independent auditor acceptable to the Bank and must be submitted in accordance with requirements satisfactory to the Bank. The audit will be paid for by funds contributed from the MIF, in accordance with Bank procedures.
- 4.10 The **project beneficiaries** will include: (a) 180 local professionals trained in a new area of technical specialization; (b) 24 industrial SMEs, by improving their

competitiveness and environmental performance; (c) 1,000 companies that will be informed of the benefits of adopting cleaner production processes; (d) the ASI and the CNPML, through technical strengthening and funding, increasing their scope of action and negotiating leverage; (e) the Government and the MARN because they will gain an instrument to be used as an incentive for complying with the law and its regulations; and (f) the population in general, through reduced pollution.

- 4.11 **Degree of preparation.** The project is in an advanced state of preparation for the following reasons: (i) the design, budget and activities in question have been prepared through the involvement of those participating in the project, with the technical assistance of industry experts and the Bank team; and (ii) the CNPML is in full operation within the ASI.

V. COST AND FINANCING

- 5.1 The Program cost is estimated at the equivalent of US\$1,066,000, from which the equivalent of US\$749,000 will be contributed by the MIF (Human Resources Facility), on a nonreimbursable basis, and the remaining balance of US\$317,000 will be provided by the local counterpart in accordance with the table below. The latter will be financed with US\$155,250 in cash and US\$161,750 in kind. Companies will also contribute at least US\$72,000 to defray the costs of technical assistance projected for Component 2, participants in Component 1 will contribute at least US\$39,360 in payments for the training they receive, and companies will contribute at least US\$39,000 to cover the cost of participating in the information workshops in Component 3. A detailed budget is provided in Annex 2, available in the technical files.
- 5.2 **Project sustainability** is linked to the development of supply and demand for CP-related services. It is expected that the project will result in activities that generate a growing and sustainable market in the area of clean production. The supply of professional services in the area of CP and the demand that is hoped to be stimulated will form a critical mass on which a dynamic and solid market may be developed. This is the primary objective of sustainability. This project does not specifically involve institutional strengthening, nor has the goal been established of sustainability of the executing entity and/or the Center.

(US\$ equivalent)

Categories	MIF	ASI/CNPML	Total	%
1. Training and supply generation component	179,000	64,500	243,500	22.8
2. Implementation and demonstration of cleaner production systems component	172,000	54,300	226,300	21.2
3. Promotion, dissemination and information component	118,200	59,100	177,300	16.6
4. Coordination, execution and administration task	191,500	131,700	323,200	30.3
5. Evaluation	35,000	-	35,000	3.3
6. Financial Audit	8,000	-	8,000	0.8
7. Contingencies	45,300	7,400	52,700	4.9
Total	749,000	317,000	1,066,000	100.0

VI. PROJECT BENEFITS AND RISKS

A. Benefits

- 6.1 The project benefits are the following: (i) development of a team of national professionals trained in applying CP, which will contribute to reducing the cost of applying CP for SMEs in the future; (ii) stimulation of relationships between training and teaching suppliers, the government and NGOs; (iii) facilitation of exchanges of information, with a view to monitoring available funds to the benefit of industry; and (iv) creation of an important demonstration effect, since the application of CP may be repeated in other industries and markets.
- 6.2 The direct benefits to SMEs participating in the program include: (i) greater economic efficiency resulting from significant savings through improved efficiency in the use of materials, energy and water; (ii) other benefits may accrue from reducing work time lost because of occupational accidents, greater employee productivity and morale, and lower insurance premiums; (iii) improved relationships with the regulatory authorities; (iv) exchange of environmental, technical and business information among SMEs; and (v) improved community relations and public image.

B. Risks

- 6.3 Project administration and execution may be subject to various risks, unrelated to the decisions of the ASI/CNPML. These risks are primarily related to the delicate industry situation and some gaps in Salvadorian environmental law. The fragile economic situation the industry is experiencing may make manufacturers reluctant

to participate in the project, for the amount that they must initially pay for the service. However, the very notion of CP must demonstrate that these practices will be more profitable for companies than their current situation. In this project, companies will be selected based on aspects of profitability and financial stability. In addition, if the Environmental Law is delayed in being regulated this would lead to uncertainty which could reduce the demand for CP practices. For this reason, greater closeness between the environmental authorities and the industrial sector is encouraged through the role of the CNPML.

VII. EVALUATION AND PERFORMANCE INDICATORS

- 7.1 Using project funds, the Bank will engage in individual consultations to carry out two project evaluations: an interim evaluation and a final evaluation that will be carried out within three months of project completion. The interim evaluation will analyze the following: (a) the degree of compliance with scheduled activities and supervisory indicators established within the legal framework of the project found in Annex I; (b) performance of the execution system; and (c) the results of monitoring the various project activities. The primary supervisory instruments will be evaluation and follow-up reports engaged through independent advisers, as well as regular reports prepared by the ASI, together with the project coordinator. In order to supplement the outside evaluations, the project team, together with the country office, will undertake annual performance evaluations to determine continuation, suspension or cancellation of the project.
- 7.2 The ASI will compile quantitative and qualitative indicators for observation and for interim and final project evaluations. Qualitative indicators might include the following: (i) type of companies evaluated based on established eligibility criteria; (ii) the specific services provided or offered to companies; (iii) environmental benefits achieved through implementation of the recommendations; (iv) evaluations carried out by the participants; and (v) project impact, including the results of the company follow-up study.
- 7.3 At the quantitative level, annual follow-up will be provided in order to verify: in terms of supply generation, the number of certified CP professionals; the percentage of these professionals engaged and performing on-site evaluations; and in general, the scope and quality of the training achieved. At the level of system implementation and demonstration, the number of companies will be verified that have adopted CP processes under a specific commitment and action plan. These will include monitoring data on energy costs, water use, waste production, quantity of inputs recycled, job satisfaction, compliance with the environmental adaptation plan and in general production costs per product unit. In terms of promotional and information activities, evaluations will be performed of the effective operation of the information technology network, the quality of information introduced, the number of clients and network users, implementation of the Web page and the

exchange of information between SMEs. The quality of all workshops and the degree of satisfaction and acceptance on the part of the SMEs and other participants will also be evaluated. Three months after the project execution period, its final evaluation will be carried out.

VIII. EXCEPTIONS TO THE POLICIES AND PROCEDURES

- 8.1 No exceptions to Bank policy are anticipated.

IX. SPECIAL CONTRACTUAL CONDITIONS

- 9.1 Conditions prior to initial disbursement: (i) evidence of a cooperation agreement between ASI and the CNPML for technical execution of the program; (ii) selection of the project coordinator, in accordance with the terms approved by the Bank.

LOGICAL FRAMEWORK

Objectives	Indicators	Means of verification	Assumption
Training program and Generation of supply			
Objective: A critical mass of professionals and technicians practicing cleaner production have been generated.	50 professionals certified in cleaner production processes. 80% certified professionals, performing on-site evaluations. 180 professionals trained in cleaner production processes.	Surveys of companies to determine coverage and quality of technical assistance in CP. Reports of training events. List of professionals and technicians who participated in the events. Registry of MARN certification.	There is a critical mass of professionals practicing cleaner production services available to participate in training. There is growing demand for cleaner production services.
Implementation and demonstration of cleaner production systems			
Objectives: - Promote cleaner production practices in SMEs introduced and adopted. - Develop demonstration models, to create a critical mass of cleaner production practices generated. - Train staff and consultants through on-site practices. - Promote cleaner production in industrial plants. - Provide technical assistance to train local professionals.	24 SMEs companies have adopted cleaner production processes, under a commitment and action plan. Lower energy costs (per product unit). Reduced water use (per product unit). Lower waste production. Quantity of recycled and reused inputs. Lower production costs per product unit. Improved job satisfaction. At least 24 technicians and plant professionals trained.	Evaluation reports completed and data generated on reduced inputs, including water and power and waste in general. Follow-up visit reports. Progress reports prepared by companies. Number of recommendations implemented.	The industry demand for cleaner production services is growing. Convincing companies of the advantages of the project. Large companies that SMEs recognize and encourage the latter's participation in the project.

Objectives	Indicators	Means of verification	Assumption
Promotion, dissemination and information			
<p>Objective: To promote the cleaner production among SMEs and to disseminate project results.</p> <p>Information Technology provide information to companies and the promotion on cleaner production.</p> <p>Study to analyze the creating a recycling</p> <p>ic seminars for dissemination.</p> <p>maintain a project Web</p> <p>workshop at the end of present good practices in cleaner production and points for replicating other countries.</p>	<p>Information technology network implemented and operating with:</p> <ul style="list-style-type: none"> ▪ Boards of directors ▪ Guides, manuals, procedures, terms of reference, indicators and cases of best practice, etc. ▪ Web page created and in operation. ▪ 300 customers registered as network users. ▪ Feasibility study on recycling exchange completed. <p>39 national CP promotion workshops implemented; ISO 14,000; and environmental regulation.</p> <p>50 SMEs participating in the workshop.</p> <p>80% favorable acceptance at the promotion and information workshops according to evaluation surveys and participant follow-up.</p>	<p>User registration.</p> <p>Report on seminars.</p> <p>Evaluation surveys</p>	<p>There is growing demand for information.</p> <p>Cleaner production is a priority for Salvadorian industry and government as an incentive to improve productivity.</p>

PROPOSED RESOLUTION

**EL SALVADOR. NONREIMBURSABLE TECHNICAL COOPERATION FOR A PROJECT
FOR THE PROMOTION OF CLEANER PRODUCTION PROCESSES**

The Donors Committee of Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Asociación Salvadoreña de Industriales, and to take such additional measures as may be pertinent for the execution of the project memorandum referred to in document MIF/ AT- with respect to a technical cooperation project for the promotion of cleaner production processes.

2. That up to the amount of US\$749,000, or its equivalent in other convertible currencies, is authorized for the purpose of this resolution, chargeable to the resources of the Human Resources Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.