

**AIRGRAM**

**DEPARTMENT OF STATE**

UNCLASSIFIED  
CLASSIFICATION

For each address check one ACTION

INFO

DATE REC'D.

95-w  
5260051 (2)

DISTRIBUTION

ACTION

LA

INFO.

FPAD

IS

EX

CC

ACONT

HR

AAFC

BB

CIA

TRSY

STATE

TO - AID/W TOAID A-235

PD-AAB-300 - E1

X

1270

8 37  
8/20/70

9r.

FROM - ASUNCION

C.C.

DATE SENT

8/22/70

SUBJECT - Development and Productivity Center,  
Project No. 526-15-950-051.1 - PROP Revision No. 1

REFERENCE - (A) AIDTO A-32; (B) TOAID A-322

Attached PROP, Revision No. 1, provides data requested Ref A. The document was prepared by the USAID Private Enterprise Development Officer, Mr. Markov, with the assistance of Martin McLean, Princeton graduate student, who is here on a three-months' assignment helping with the Mission's evaluation program.

YLITALO

attachment: a/s

PAGE 1 OF 1 PAGES 1

DRAFTED BY Actg. PO: CDodson:ys	OFFICE Program	PHONE NO.	DATE 8/19/70	APPROVED BY: Actg. DIR: MJLobell
------------------------------------	-------------------	-----------	-----------------	-------------------------------------

AID AND OTHER CLEARANCES

PEDD: TMarkov

Martin McLean

UNCLASSIFIED  
CLASSIFICATION

**NONCAPITAL PROJECT PAPER**  
(Revision No. 1)

Country: PARAGUAY

Project No. 526-15-950-051.1

Submission Date: August 20, 1970

Project Title: DEVELOPMENT AND PRODUCTIVITY CENTER

U.S. Obligation Span: FY 1967 through 1973

Physical Implementation Span: FY 1967 through FY 1974

Gross Life-of-Project Financial Requirements:

U.S. Dollars	\$1,133,000	
Center's Earnings	478,000	(cash)
GOP Contribution	40,000	(in-kind)
	<u>\$1,651,000</u>	

**A. SUMMARY DESCRIPTION**

This project is intended to stimulate modernization in the management of the private sector, the weaknesses of which are discussed in Appendix G to the FY 1971 CFS and in the FY 1970 Program Memorandum. The operation of the Development and Productivity Center (DPC) should introduce modern management techniques and attitudes, which will in turn increase productivity and profitability and therefore stimulate investment to the benefit not only of private business but also of the whole economy. This project supports the approved overall U.S. strategy of stimulation of greater private sector participation in the development process.

The project is designed to create a locally-managed and locally-financed institution able to lead in modernizing private management through training courses, consultation services, and other promotional and educational activities.

A detailed description of planned targets and project outputs is shown in Part D, pages 5, 6 and 7.

USAID will provide technical assistance and participant training for the staff of the DPC. The operating funds of the DPC will be derived from fees charged for the Center's services, dues from member businesses and initial subsidies from the trade associations, Unión Industrial Paraguaya (UIP) and Federación de la Producción, la Industria y el Comercio (FEPRINCO). The Ministry of Industry and Commerce also makes a small in-kind contribution in the form of office space and services for the USAID Private Enterprise Development Officer, who is the project coordinator. Table 1 shows the approximate life-of-project financial inputs.

NONCAPITAL PROJECT FUNDING (OBLIGATIONS IN \$000)

Table No. 1  
 Page 1 of 2  
 Country: PARAGUAY  
 Project Title: Development and Productivity Center

PROP DATE  
 Original: October 16, 1969  
 Rev. No. 1 - August 20, 1970  
 Project No. 526-15-950-051.1

UNCLASSIFIED

Fiscal Years	L/G	Total	Personnel Serv.			Participants		Commodities		Other Contr.	
			AID	PASA	CONT	U.S. Agencies	CONT	Dir U.S.Ag.	CONT	Dir & U.S.Ag.	CONT
Prior through Act. FY 70	G	636	125	-	307	91	-	45	-	68	-
Oper. FY 71	G	187	33	-	110	24	-	10	-	10	-
Budg. FY 72	G	165	38	-	81	24	-	10	-	12	-
B + 1 FY 73	G	145	38	-	63	24	-	10	-	10	-
Total Life	G	1,133	234	-	561	163	-	75	-	100	-

UNCLASSIFIED

TOMID A 235

ASUNCION

Table No. 1  
Page 2 of 2

Exchg. rate \$1 = 126 Guaranes<sup>1/</sup>

Project No. 526-15-950-051.1

Fiscal Years	AID-controlled <u>Local Currency</u>		Other Cash Contribution Cooperating Country <sup>2/</sup>	Other Donor Funds <sup>3/</sup> (\$ Equiv.)
	U.S.- owned	Country- owned		
Prior through FY 70	-	-	25	120
Oper. FY 71	-	-	5	79
Budg. FY 72	-	-	5	122
B + 1 FY 73	-	-	5	157
Total Life	-	-	40	478

<sup>1/</sup> As of preparation date.

<sup>2/</sup> GOP Ministry of Industry and Commerce Office, Staff & Supplies.

<sup>3/</sup> Center's estimated earnings and membership fees.

## B. SETTING

The private sector has been fully discussed in Appendix G of the FY 1971 CFS and in the FY 1970 Program Memorandum. Broadly, it suffers from a shortage of trained manpower, insufficient credit, a small local market, and poor transportation to export markets. Businessmen have been in the past timid and conservative in their outlook and satisfied with small-scale, inefficient operations producing a narrow range of products. Private sector investment has remained roughly constant since 1962 at between \$50 and \$55 million annually. Industrial production has maintained the same share of total GNP -15% since 1961.

Until the formation of the DFC in 1966 no organization existed to assist entrepreneurs in the development of investment projects or to provide consulting services to existing businesses. In addition, little or no training in business administration was available in Paraguay.

In 1960 a privately-supported Productivity Center was organized with U.S. support to provide stimulus and training for businessmen. Political problems arose, however, involving the Center's relationship to the Colorado and opposition parties, and the U.S. had to withdraw its support, thereby ending the Center's activities.

USAID worked with the UIP and FEPRINCO, to create a climate favorable to the establishment of a similar Center, and in September 1966, a PROAG was signed creating the DFC. The Center was most active initially in the field of management training. It was hampered by unavoidable USAID difficulties in providing the planned U.S. supported technical advisers. The staff of the DFC has gradually been expanded and its scope of activities broadened to emphasize investment promotion and management consultation as well as training.

## C. STRATEGY

USAID has chosen to stimulate business management through assistance to a non-profit, privately-controlled institution. GOP support has not been sought in order to keep the institution apolitical and privately-oriented. Fees are charged for most of the Center's services, in order to provide the necessary self-support. The DFC is not intended, however, to provide only marketable consulting and training services, but also to engage in activities for the collective benefit of the private sector through programs like promotional conferences, information services, and cooperation in business education with the National and Catholic Universities. It is, therefore, also supported by dues from member businesses and is controlled by a Board of Directors representing the interests of the business community, in general. The Board is composed of two representatives from FEPRINCO, two from the UIP, and three from the individual company members.

USAID expects to maintain contact with the DFC and to take advantage of its contract services beyond the period of financial support.

The project is closely linked with other USAID activities to remove the existing impediments to development. The DPC is attacking the manpower problem, the Export Promotion Center the marketing problem, and COMESA the credit problem. The barge-limestone project now under study will attack the transportation problem. The DPC has provided assistance in the development and operation of these other USAID projects. The Center is also providing advisory services, particularly feasibility studies, for the National Development Bank, other GOP organizations, and the IDB.

#### D. PLANNED TARGETS, RESULTS AND OUTPUTS

The project is designed to create by the end of FY 1974 an institution which will lead the modernization of private enterprise. The major objective of USAID is, therefore, the creation of a viable institution, although the period of USAID participation would also see the start of important changes in business management.

The Center's viability will be demonstrated by its accomplishments during the period of USAID support, by the competence of its Paraguayan staff and by its own ability to finance its operations. The competence of the staff is the key feature, for the accomplishments depend on the staff, and financing from both fees and membership dues will depend on the quality of the services provided.

The professional staffing plan for the DPC is shown in Table No. 2.

Table No. 2

#### PARAGUAYAN PROFESSIONAL COUNTERPARTS

	On Board	FY '71	FY '72	FY '73	FY '74
Executive Director	1	1	1	1	1
Assistant to PND Officer	1	1	1	1	1
Marketing Counterpart	1	2	3	4	4
Finance Counterpart	1	2	3	3	3
Industrial Production Counterpart	2	2	3	4	4
Investment Promotion Counterpart	1	1	2	2	2
Chief of Training Division	1	1	1	1	1
Totals	8	10	14	16	16

The staff will be trained on the job by USAID advisers (See USAID staffing plan in Table No. 5). USAID will also support participant training in the U.S. and third-countries. Two counterparts have completed one-year courses at the School for Business Administration (ESAN) in Lima, Perú. Four others received training in

Colombia, Mexico and Brazil in marketing, finance, industrial production and investment promotion during FY 1970. During FY 1971, three staff members will be studying in the U.S., two for one year and one for four months. Two counterparts are now in one-year management training programs in Peru and Colombia. Three staff members will be given formal training in the U.S. or third countries in FY 1972, FY 1973, and FY 1974.

Selected output indicators of the Center are shown in Table No. 3.

Table No. 3

OUTPUTS

	Through FY '70	FY '71	FY '72	FY '73	FY '74
Training Courses	90	40	40	40	40
No. of Trainees	3,500	1,500	1,500	1,500	1,500
No. of Management Consultations	50	25 to 40	30 to 40	40 to 50	50 to 60
No. of Investment Consultations and Studies	5	5 to 10	8 to 12	12 to 20	15 to 25
Distribution of Information bulletins	500	8,000	2,200	2,400	2,400
Reference Library (opening)	-	x	-	-	-
General Investment Forums	1	-	1	-	-

By the end of CY 1974, the Center should have, therefore, a record of accomplishments which will prove the value of the institution and the competence of its staff. Financial support for the Center is expected to develop as shown in Table No. 4 and both to depend on and to measure, to a large extent, the quality of work produced.

Table No. 4FINANCING (000 dollars)

	FI '71	FI '72	FI '73	FI '74
Revenue from Training Courses	32	32	32	32
Revenue from Management Consultations	20	35	50	60
Revenue from Investment Studies	15	35	50	60
Membership Dues*	10	20	25	30
FEPRINCO and UIP subsidies	2	-	-	-
<b>Totals</b>	<b>79</b>	<b>122</b>	<b>157</b>	<b>182</b>
*Number of Members (cumulative)	75	150	250	350

E. COURSE OF ACTION

The basic course of action is to provide on-the-job guidance to the Paraguayan staff by both long and short-term contract advisers and to supplement this training with formal courses and observation visits in the U.S. or third countries. USAID will also provide short-term specialists to assist in consulting and in conducting the Center's training courses. The contract advisers will work under the supervision of the Private Enterprise Development Officer. The planned staffing pattern is shown in Table No. 5.

Table No. 5USAID STAFFING PATTERN

Fiscal Years	67	68	69	70	71	72	73	74
Private Enterprise Development Officer	x	x	x	x	x	x	x	x
Industrial Production Adviser			x	x	x	x	x	x
Marketing Management Adviser			x	x	x	x	x	x
Investment Promotion Adviser (long-term)		x	x	x				
Investment Promotion Adviser (short-term) (for three-month assignments)					x	x	x	
Short-term Consultants for Selected Industries (up to five annually for three months each)					x	x	x	
Short-term Instructors for Training Program (10 to 20 annually on one-four weeks contract basis)	x	x	x	x	x	x	x	x

✓ FED Officer may be changed to another project in FY 1974.

✓ On board until March 1974, but financed from FY 1973 funds.

The USAID advisors will work with the EPC staff and will gradually expand activity in each department and place increasing responsibility on their counterparts. For instance, about 70% of the instructors of the Center's training courses are now non-Paraguayan, but that proportion will be decreased to 5-10% by the end of the project.

USAID also provides limited commodity assistance, principally for publications, visual aids, and office equipment imported from the U.S. AID's Regional Technical Aids Center provides Spanish language films, books, pamphlets and other publications.

The Center is headed by an Executive Director, who reports to the Board of Directors. Beneath the Executive Director are the four departments: Training, Technical Consultation, Investment, and Information and Public Relations. Their work is briefly described below:

a. Training: Provides one to four-week management training courses and conferences for top and medium level personnel. Among the courses offered are Cost Accounting and Control for Management, Inventory Control and Warehouse Operations, Motivation, Training within Industry, Marketing Strategy, Quality Control, Industrial Relations, and Personnel Administration. Additional courses of up to one year in length are being prepared to furnish in-depth training in production, marketing and financial management.

b. Technical Consultation: Provides management consultation services in finance, production, and marketing, with emphasis on methods, systems, and operations to increase production, improve quality, lower prices, and increase profits and wages. Specialized consulting services to six different industrial sectors are planned with the assistance of USAID short-term industrial specialists.

c. Investment: Prepares pre-investment or feasibility studies for both private and public potential investors and assists in the implementation of such projects.

d. Information and Public Relations: Publishes a monthly management information bulletin and operates a reference and a film library.

The Center is also undertaking a membership drive to obtain approximately 100 new members each year.