

PAAB-479-E1

596-024
5960024
14

1020-25 (7-68)

PROJECT APPRAISAL REPORT (PAR) (U-446)

SECURITY CLASSIFICATION: UNCLASSIFIED

001 PROJECT ID: 596-13-770-024

PAR AS OF: 05 69 FY 63 Thu FY 72

003 U.S. OBLIGATION SPAN: ROCAP/GUATEMALA

004 PROJECT TITLE: BUSINESS ADMINISTRATION

Funding shown according to

006 FUNDING TABLE a / Project phase

AID DOLLAR FINANCING OBLIGATIONS (\$000)	TOTAL	CONTRACT (NON-ADD)	PERSONNEL SERVICES			PARTICIPANTS		COMMODITIES		OTHER COSTS	
			AID	PASA	CONTRACT	DIR. PASA	CONTRACT	DIR. PASA	CONTRACT	DIR. PASA	CONTRACT
CUMULATIVE NET THRU ACTUAL YEAR (FY 1968)	1,245	1245			941		139		34		131
PROPOSED OPERATIONAL YEAR (FY 1969)	632	621			422		11				199
	153	141			1		12				140

CCC VALUE OF P.L. 480 COMMODITIES (\$000) → Thru Actual Year : Operational Year Program :

007 IMPLEMENTING AGENCY TABLE

If contractors or participating agencies are employed, enter the name and contract or PASA number of each in appropriate spaces below; in the case of voluntary agencies, enter name and registration number from M.O. 1551.1, Attachment A. Enter the appropriate descriptive code in columns b and c, using the coding guide provided below.

TYPE CODE b	TYPE CODE c	a. IMPLEMENTING AGENCY	TYPE CODE		d. CONTRACT/ PASA/ VOLAG NO.	e. LEAVE BLANK FOR AID/W USE
			b.	c.		
1. U.S. CONTRACTOR	0. PARTICIPATING AGENCY	1. INCAE CA Institute of Bus. Administration	6	1	Harvard Univ.	
2. LOCAL CONTRACTOR	1. UNIVERSITY					
3. THIRD COUNTRY CONTRACTOR	2. NON-PROFIT INSTITUTION					
4. PARTICIPATING AGENCY	3. ARCHITECTURAL & ENGINEERING	2.				
5. VOLUNTARY AGENCY	4. CONSTRUCTION	3.				
6. OTHER:	5. OTHER COMMERCIAL					
	6. INDIVIDUAL					
	7. OTHER:					

PART I - PROJECT IMPACT

I-A. GENERAL NARRATIVE STATEMENT ON PROJECT EFFECTIVENESS, SIGNIFICANCE & EFFICIENCY.

This summary narrative should begin with a brief (one or two paragraph) statement of the principal events in the history of the project since the last PAR. Following this should come a concise narrative statement which evaluates the overall efficiency, effectiveness and significance of the project from the standpoint of:

- (1) overall performance and effectiveness of project implementation in achieving stated project targets;
- (2) the contribution to achievement of sector and goal plans;
- (3) anticipated results compared to costs, i.e., efficiency in resource utilization;
- (4) the continued relevance, importance and significance of the project to country development and/or the furtherance of U.S. objectives.

Include in the above outline, as necessary and appropriate, significant remedial actions undertaken or planned. The narrative can best be done after the rest of PART I is completed. It should integrate the partial analyses in I-B and I-C into an overall balanced appraisal of the project's impact. The narrative can refer to other sections of the PAR which are pertinent. If the evaluation in the previous PAR has not significantly changed, or if the project is too new to have achieved significant results, this Part should so state.

008 NARRATIVE FOR PART I-A (Continue on form AID 1020-25 I as necessary):

I. History of Project:

The purpose of this project is the development of the first permanent, self-supporting graduate institute of Business Administration in Central America which will enhance managerial competence and a progressive business ethic in support of the Common Market.

MISSION DIRECTOR APPROVAL → SIGNATURE: *William L. Sawyer* DATE:

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This project is implemented through the Central American Institute of Business Administration (INCAE), a non-profit, regional organization, with the contract assistance of the Harvard Business School (HBS). Through an early contract with ROCAP, the HBS provided assistance to INCAE for 1) a series of seminars and short, non-degree, advanced management courses, and 2) development of plans for a permanent graduate institute. However, by 1966, ROCAP felt that there was no real progress toward the formation of a permanent graduate institute. Therefore, in 1967 the emphasis shifted from primarily short-term undergraduate courses. New agreements were entered into with INCAE and HBS which called for establishment of a permanent institute which would provide a 2-year MBA course for classes of approximately 50. Under this agreement, ROCAP is providing financial support directly to INCAE and is also contracting with the HBS to furnish technical assistance and faculty backstopping to INCAE. A revised 3-year plan was approved by all parties in 1968. (*Cont'd on page 1-b)

In addition to having secured legal recognition, INCAE obtained a donation of land outside Managua from the Nicaraguan private sector and a building loan of \$750,000 from the Central American Bank for Economic Integration for the construction of the permanent campus. INCAE officially moved into the new complex in May, 1969. A network of INCAE chapters in each country has been organized by local business leaders to promote the school, recruit students, and launch an ambitious fund-raising drive aimed at raising a \$3 million endowment fund to make INCAE self-supporting.

1. Over-all Efficiency, Effectiveness and Significance of the Project

a. Over-all performance and effectiveness of project implementation in achieving stated project targets. On the whole, the major targets have been achieved. The Institution now offers a two-year graduate program in business administration; continues major efforts towards the endowment fund goal; and is reducing its technical advisory reliance on the Harvard Business School. However, the real measurement of the Institution's effectiveness will be 1) the increased earnings capability of its graduates; 2) the impact of INCAE in the management of their companies; 3) the achievement of the endowment fund goal; and 4) the development of a cohesive, progressive business fraternity which promotes the Central American economic integration movement.

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*Cont'd from page 1-a)

The objectives remain the same (see 1-B-1 and II-A) but the implementation plan was revised in two major respects: 1) external funding requirements now based on operational experience, and 2) staffing requirements reduced by the elimination of unnecessary number of research assistants.

2. The Contribution to Achievement of Sector and Goal Plans

At the 1963 meeting in Costa Rica of the Presidents of Central America and President John Kennedy, it was agreed that a true common market required increased resources devoted to training in business administration. The goal was the development of an international business community cognizant of their responsibility in promoting 1) a progressive business sector and 2) economic integration. A future evaluation will have to determine whether or not the national committees expand their functions beyond fund raising to that of an effective voice in guiding public policy. For instance, it will be interesting to see if the INCAE symposium in the Fall of 1969 (where the President of United Fruit will present his views on the role of foreign companies) elicits a policy statement by the business community for the guidance on foreign investment.

3. Anticipated Results compared to Costs

The major cost to ROCAP for this program has been the direct financial and technical assistance to INCAE for local cost support and the contract with the Harvard Business School to furnish technical assistance and faculty backstopping to INCAE. The effectiveness of these resource inputs has resulted in 1) the institutionalization of INCAE on a graduate level; 2) award of a CAMEI building loan; and 3) organization of the C.A. private sector through a network of national committees. In all probability, this would not have resulted without A.I.D. technical and financial inputs.

4. The continued relevance, importance and significance of the project to country development and/or the furtherance of U.S. objectives. INCAE has reached the critical stage of development wherein AID is phasing-out on the assumption that the Central American private sector will exhibit the willingness and ability to support INCAE, both with students and contributions to the endowment fund. The U.S. objective has been to make INCAE a dynamic, self-supporting graduate institution which will supply increased numbers of trained business managers available in Central America.

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This gap will continue to grow as increasing demands and opportunities are presented by the Central American Common Market. INCAE and the business community, represented by the various national committees, have a vital role to play in determining the future of the institution. If they do not assume responsibility for its support, then the U.S. government will have to reappraise its role. In any case, the need for scholarship loan funds is great enough to merit consideration of an A.I.D. revolving loan fund in 1971. Granting such a small project extension would greatly enhance prospects for later success. However, any extension should be based on demonstrated private sector support during 1970.

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PART I-B - PROJECT EFFECTIVENESS

009 I-B-1 - OUTPUT REPORT AND FORECAST - (See detailed instructions)

1. CODE NO. AID USE ONLY	2. This section is designed to record progress toward the achievement of each project output target which was scheduled in the PIP, Part II. Where progress toward a target is significantly greater or less than scheduled, describe reason(s) beneath the target.	ACTUAL AND PLANNED OUTPUTS (ALL DATA CUMULATIVE)				
		3. ACTUAL CUM. TO DATE	4. AS OF PRIOR JUNE 30		5. PLANNED BY NEXT JUNE 30	6. PROJECTED TOTAL FOR PROJECT LIFE
			a. PLANNED	b. ACTUAL		
	<p>No PIP has been prepared for this project. Output targets are as follows:</p> <ol style="list-style-type: none"> Establish a permanent graduate Institute of Business Administration with the major function of enhancing managerial competence and a progressive business ethic in support of the Common Market. <p>Institute established with a construction loan from CABEI and land donation from the Nicaraguan private sector. The first class will graduate in 1969.</p> <ol style="list-style-type: none"> Develop managerial competency: The Institute graduates the first class in 1969; continues symposiums and short courses in advanced management for the C.A. business community; and develops a C.A. oriented research capacity including original case studies. Establishment of an endowment fund of \$3 million to assure future support for the Institute. The first half is to be raised in C.A., after which a drive will open for U.S. business support. The endowment income has been estimated as 7% of net invested funds. Conversion of pledges to cash is based on a 3-year cycle. 					

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There was an over-estimation of paid in capital in proportion to pledges and an under-estimation of the time required to raise pledges of \$1.5 million in C.A. The appointment of a dynamic new fund director as well as a change in administration should resolve these problems. Regardless of these setbacks, the Institute is providing an example of fund-raising as an efficient technique for an endowment fund to self-perpetuate an institution which is a unique experience in Latin America.

4. Reduce reliance on Harvard Business School staff.

The 3-year plan calls for a phase-out of Harvard staff by 1972. INCAE now plans to recruit staff on a world-wide basis rather than holding to the original plan of a C.A. staff. In addition, faculty members are being trained in the Harvard International Teachers Program (2 in 1968-69) and in the Doctoral Program (1 in 1969).

5. Develop relations with the national universities in order to assist in the improvement of undergraduate level instruction in business administration, both through curriculum revision and through the upgrading of faculty by participation in the INCAE graduate program.

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PART I-C - Continued

C.2 - GENERAL QUESTIONS

These questions concern developments since the prior PAR. For each question place "Y" for Yes, "N" for No, or "NA" for Not Applicable in the right hand column. For each question where "Y" is entered, explain briefly in the space below the table.	MARK IN THIS COL.
013 Have there been any significant, unusual or unanticipated results not covered so far in this PAR?	N
014 Have means, conditions or activities other than project measures had a substantial effect on project output or accomplishments?	Y
015 Have any problems arisen as the result of advice or action or major contributions to the project by another donor?	Y
016 If the answer to 014 or 015 is yes, or for any other reason, is the project now less necessary, unnecessary or subject to modification or earlier termination?	N
017 Have any important lessons, positive or negative, emerged which might have broad applicability?	Y
018 Has this project revealed any requirement for research or new technical aids on which AID/W should take the initiative?	N
019 Do any aspects of the project lend themselves to publicity in newspapers, magazines, television or films in the United States?	Y
020 Has there been a lack of effective cooperating country media coverage? (Make sure AID/W has copies of existing coverage.)	N

021 NARRATIVE FOR PART I-C.2 Identify each explanatory note by the number of the entry to which it pertains. (Continue on form AID 1020-25 I as necessary):

013. One joint capital and management venture which grew out of the first meeting in Antigua, Guatemala is "Ceramica Isthma". A Nicaraguan and Panamanian participant set up a glazed tile factory in Nicaragua. It is expected that other joint ventures will develop which will give impetus to development of multi-national enterprises. There are no other institutions in Central America offering business administration training at the graduate level and employing the modern case method of instruction.

According to INCAE officials, the undeveloped land value of the site is \$1 million.

Business administration is not a closed profession in Central America, nor is it legally regulated as is law and medicine. Therefore, INCAE is not interested in government recognition. INCAE does seek to keep up high standards so it can qualify for accreditation by the American Association of Collegiate Schools of Business.

014. INCAE will be a success only if the private sector supports the endowment fund. Otherwise there will be no financial base for the institute.

015. The IDB and OAS delay in notifying INCAE that they were withholding the second year of scholarships and not granting new scholarships in 1968-69 hurt INCAE recruitment and required that operating income be used for scholarships.

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- 17. A developing higher education institution requires that priority be given scholarship resources.
- 19. The fund raising drive for the endowment fund is the first such effort on a large scale undertaken in Central America.

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PART II - IMPLEMENTATION REPORT

II-A - STATUS OF SCHEDULE

022 A-1 - INDIVIDUAL ACTIONS (See detailed instructions M.O. 1026.1). This is a listing of major actions or steps which were scheduled for physical start or continuing implementation in the reporting period as reflected in the Project Implementation Plan, Part I.

IP EM ID.	MAJOR ACTIONS OR STEPS; CAUSES AND RESULTS OF DELAYS; REMEDIAL STEPS	(b) STATUS - PLACE AN "X" IN ONE COLUMN		
		(1) BEHIND SCHEDULE	(2) ON SCHEDULE	(3) AHEAD OF SCHEDULE
	<p>No PIP prepared for this project. The following revised 3-year plan was approved for the period July 1968 through June 1971.</p> <p>1. A two year program leading to the MBA degree; with a class graduating each year.</p> <p>2. Development of a full-time faculty of nine Central Americans. At the present time, there are 4 full-time and 3 part time C.A. faculty and 4 U.S. for a total of 9.</p> <p>3. Gradually decreasing use of Harvard faculty in full-time teaching roles. The plan is that the number of Harvard staff will decrease at the rate of 4-4-2-1 over the 1968-1971 period.</p> <p>4. Use of Harvard faculty in coaching roles for "in-service training" as indigenous faculty is augmented. The Harvard staff act as advisors in development of the faculty.</p> <p>5. Development of local teaching materials, using two full time case writers (Cont. on p. 5-a)</p> <p>6. Growth of library facility in terms of contents, organization, and staff experience. The next "in-service training" is for the librarian who will be trained this Summer by the Baker Library librarian.</p> <p>7. Continued reliance on national committees in each Central American country for fund raising, student recruitment, case leads and assistance in placement.</p> <p>8. Fund raising from the Central American private sector for endowment funds,</p>		<p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p>	

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scholarships, and unrestricted funds, \$1,500,000 goal. Fund raising from U.S. business and foundations for similar purposes, \$1,500,000 goal. The C.A. drive is behind schedule, totaling pledges of \$1 million and paid in capital \$400,000 (as of May 1969). The U.S. drive is postponed since it cannot begin until the C.A. share is pledged. Appointment of a new fund raising chairman, the director of External Affairs, is expected to put the drive on target.

9. Further development of the INCAE campus and physical facilities. Major requirements are sports and recreational facilities, married students and visiting faculty housing.

10. Summer courses for experienced executives, after 1968 to be ordinarily held on the INCAE campus. These will begin July 30, 1969.

11. Short courses throughout C.A. for experienced executives. Beginning in March 1969, a systematic package plan of 7 seminars was initiated. These courses may be taken individually or in sequence.

12. Research program, sponsored by individual companies, industries, banks and governments. A greater demand has developed for executive training courses rather than research services. This has resulted in development of special short courses, e.g. for the Bank of Nicaragua and IDB employees. In this respect, INCAE acts as a management training contractor.

5. (Cont'd) Only summer case writers were hired due to a lack of qualified case writers and funds. This has not been satisfactory since the cases do not always fulfill the curriculum needs. INCAE has experimented with free lance case writing and in the long run will seek to enlist graduates to write original, indigenous case studies for a fee.

x

x

x

x

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PART II - Continued

023

II-A.2 - OVERALL TIMELINESS

In general, project implementation is (place an "X" in one block):

(a) On schedule	X
(b) Ahead of schedule	
(c) Behind schedule	
(1) AID/W Program Approval	
(2) Implementing Agency (Contractor/Participating Agency/Voluntary Agency)	
(3) Technicians	
(4) Participants	
(5) Commodities (non-FFF)	
(6) Cooperating Country	X
(7) Commodities (FFF)	
(8) Other (specify):	

BLOCK (c): If marked, place an "X" in any of the blocks one thru eight that apply. This is limited to key aspects of implementation, e.g., timely delivery of commodities, return of participants to assume their project responsibilities, cooperating country funding, arrival of technicians.

II-B - RESOURCE INPUTS

This section appraises the effectiveness of U.S. resource inputs. There follow illustrative lists of factors, grouped under Implementing Agency, Participant Training and Commodities, that might influence the effectiveness of each of these types of project resources. In the blocks after only those factors which significantly affect project accomplishments, write the letter P if effect is positive or satisfactory, or the letter N if effect is negative or less than satisfactory.

1. FACTORS-IMPLEMENTING AGENCY (Contract/Participating Agency/Voluntary Agency)

024 IF NO IMPLEMENTING AGENCY IN THIS PROJECT. PLACE AN "X" IN THIS BLOCK:		032 Quality, comprehensiveness and candor of required reports	P
025 Adequacy of technical knowledge	P	033 Promptness of required reports	
026 Understanding of project purposes	P	034 Adherence to work schedule	
027 Project planning and management	P	035 Working relations with Americans	
028 Ability to adapt technical knowledge to local situation		036 Working relations with cooperating country nationals	
029 Effective use of participant training element		037 Adaptation to local working and living environment	P
030 Ability to train and utilize local staff		038 Home office backstopping and substantive interest	P
031 Adherence to AID administrative and other requirements		039 Timely recruiting of qualified technicians	
		040 Other (describe):	

2. FACTORS-PARTICIPANT TRAINING

041 IF NO PARTICIPANT ELEMENT IN PROJECT. PLACE AN "X" IN THIS BLOCK:		TRAINING UTILIZATION AND FOLLOW UP	
PREDEPARTURE		052 Appropriateness of original selection	
042 English language ability	P	053 Relevance of training for present project purposes	P
043 Availability of host country funding		054 Appropriateness of post-training placement	
044 Host country operational considerations (e.g., selection procedures)		055 Utility of training regardless of changes in project	
045 Technical/professional qualifications	P	056 Ability to get meritorious ideas accepted by supervisors	
046 Quality of technical orientation		057 Adequacy of performance	P
047 Quality of general orientation		058 Continuance on project	
048 Participants' collaboration in planning content of program		059 Availability of necessary facilities and equipment	
049 Collaboration by participants' supervisors in planning training		060 Mission or contractor follow-up activity	
050 Participants' availability for training		061 Other (describe):	
051 Other (describe):			

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PART II-B - Continued

3. FACTORS-COMMODITIES

PLACE AN "X" APPROPRIATE BLOCK:	062 FFF	063 NON-FFF	X	064 NO COMMODITY ELEMENT		
					072 Control measures against damage and deterioration in shipment.	
065 Timeliness of AID/W program approval (i.e., PIO, C, Transfer Authorization).					073 Control measures against deterioration in storage.	P
066 Quality of commodities, adherence to specifications, marking.					074 Readiness and availability of facilities.	
067 Timeliness in procurement or reconditioning.					075 Appropriateness of use of commodities.	P
068 Timeliness of shipment to port of entry.					076 Maintenance and spares support.	
069 Adequacy of port and inland storage facilities.					077 Adequacy of property records, accounting and controls.	P
070 Timeliness of shipment from port to site.					078 Other (Describe):	
071 Control measures against loss and theft.						P

Indicate in a concise narrative statement (under the heading a. Overall Implementation Performance, below) your summary appraisal of the status of project implementation, covering both significant achievements and problem areas. This should include any comments about the adequacy of provision of direct hire technicians as well as an overall appraisal of the comments provided under the three headings (b, c & d) which follow. For projects which include a dollar input for generation of local currency to meet local cost requirements, indicate the status of that input (see Detailed Instructions).

Discuss separately (under separate headings b, c & d) the status of Implementing Agency Actions, Participants and Commodities. Where above listed factors are causing significant problems (marked H), describe briefly in the appropriate narrative section: (1) the cause and source of the problem, (2) the consequences of not correcting it, and (3) what corrective action has been taken, called for, or planned by the Mission. Identify each factor discussed by its number.

079 **NARRATIVE FOR PART II-B:** (After narrative section a. Overall Implementation Performance, below, follow, on form AID 1020-25 I as needed, with the following narrative section headings: b. Implementing Agency, c. Participants, d. Commodities. List all narrative section headings in order. For any headings which are not applicable, mark them as such and follow immediately below with the next narrative section heading.)

a. Overall Implementation Performance.

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PART III - ROLE OF THE COOPERATING COUNTRIES

The following list of illustrative items are to be considered by the evaluator. In the block after only those items which significantly affect project effectiveness, write the letter P if the effect of the item is positive or satisfactory, or the letter N if the effect of the item is negative or less than satisfactory.

SPECIFIC OPERATIONAL FACTORS:

090 Coordination and cooperation within and between ministries.	
091 Coordination and cooperation of LDC gov't. with public and private institutions and private enterprise.	
092 Availability of reliable data for project planning, control and evaluation.	
093 Competence and/or continuity in executive leadership of project.	P
094 Host country project funding.	
095 Legislative changes relevant to project purposes.	
096 Existence and adequacy of a project-related LDC organization.	
097 Resolution of procedural and bureaucratic problems.	
098 Availability of LDC physical resource inputs and/or supporting services and facilities.	P
099 Maintenance of facilities and equipment.	
090 Resolution of tribal, class or caste problems.	
091 Receptivity to change and innovation.	
092 Political conditions specific to project.	P
093 Capacity to transform ideas into actions, i.e., ability to implement project plans.	
094 Intent and/or capacity to sustain and expand the impact of the project after U.S. inputs are terminated.	P
095 Extent of LDC efforts to widen the dissemination of project benefits and services.	
096 Utilization of trained manpower (e.g., participants, counterpart technicians) in project operations.	
097 Enforcement of relevant procedures (e.g., newly established tax collection and audit system).	
098 Other: Achievement of fund raising goal for endowment fund	N
HOST COUNTRY COUNTERPART TECHNICIAN FACTORS:	
099 Level of technical education and/or technical experience.	
100 Planning and management skills.	P
101 Amount of technician man years available.	
102 Continuity of staff.	
103 Willingness to work in rural areas.	
104 Pay and allowances.	
105 Other:	

In the space below for narrative provide a succinct discussion and overall appraisal of the quality of country performance related to this project, particularly over the past year. Consider important trends and prospects. See Detailed Instructions for an illustrative list of considerations to be covered.

For only those items marked N include brief statements covering the nature of the problem, its impact on the achievement of project targets (i.e., its importance) and the nature and cost of corrective action taken or planned. Identify each explanatory note.

106 NARRATIVE FOR PART III (Continue on form AID 1020-25 I):

083. Change in administration should give impetus to program in terms of increased support from C.A. private sector.

where

092. Funds must be invested in the country/collected which does not allow for the highest return on the investment but businessmen are reluctant to have liquid investment go out of country. This also allays the fears of monetary authorities, but one runs the risk of devaluation. Also, in Costa Rica, El Salvador and Guatemala there are foreign exchange problems and lack of freedom of capital movements. The solution is incorporation of the local INCAE committee which can then transfer funds to INCAE to finance local students.

098.-094.-098. The network of INCAE chapters in each country will have to improve the fund raising record if the institution is to carry on

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after the planned A.I.D. phase-out.

100. The growing Central Americanization of INCAE evidenced by the administrative change and phase-out of Harvard is an indication of their ability to assume progressive responsibility.