

NONCAPITAL PROJECT PAPER (P) (P)

I. PROJECT IDENTIFICATION

PROJECT TITLE ECONOMIC AND MANAGEMENT TRAINING		APPENDIX ATTACHED <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
COUNTRY URUGUAY		2. PROJECT NO. (M.O. 1091.2) 528-11-995-096
4. LIFE OF PROJECT BEGIN BY 1974 END BY 1977		1. SUBMISSION DATE 11 16, 1974 <input checked="" type="checkbox"/> ORIGINAL <input type="checkbox"/> REV. NO. _____ CONTR./PASA NO. _____

II. FUNDING (\$000) AND MAN MONTHS (MM) REQUIREMENTS

FUNDING BY FISCAL YEAR	TOTAL \$	C. PERSONNEL		D. PARTICIPANTS		E. COMMODITIES \$	F. OTHER COSTS \$	G. PASA/CONTR.		H. LOCAL EXCHANGE CURRENCY RATE: \$ US (U.S. CURRENCY)		
		(1) \$	(2) MM	(1) \$	(2) MM			(1) \$	(2) MM	(1) U.S. GRANT LOAN	(2) COOP COUNTRY BUDGET	
1974	40			40	43							23
1975	140			140	157							75
1976	140			140	157							77
1977	70			70	70							37
TOTAL	390			390	427							212

III. ORIGINATING OFFICE CLEARANCE

APPROVED BY Steven Campbell	TITLE Program Officer	DATE
APPROVED BY Leonard J. Horvitz	TITLE AID Representative	DATE

IV. PROJECT AUTHORIZATION

Approval for P obligation of \$40,000. Further funding subject to HUD revisions called for in STATE 140845

APPROVED BY	SIGNATURE	DATE	DIR/OFF	SIGNATURE	DATE
AD, IA, AID	Philip Faurett	6/21/74	I/MDP	Lawrence Harrison	6/21/74
AD, AID	Marshall Lucas	6/21/74	I/MDR	John R. Brien	
AD, AID	Jerry Jerry	6/21/74	I/MPSD	Donor Lion	6/21/74

APPROVAL A/AID (See M.O. 1025.1 VIC)

Signature of **Assistant Administrator, IA** effective May 31, 1974

RECORD COPY

ECONOMIC AND MANAGEMENT TRAINING

A. Goal

The goal of this participant training project is to bring about a qualitative improvement in Uruguayan Government performance in the planning, coordination and management of its National Development Program (1973-1977).

Attainment of this goal will result from various ingredients, inter alia, appropriate GOU economic policies, improved data collection and analytical capabilities, institutional and civil service reforms, modernized public administration practices, and, above all, from the selection and training of qualified personnel who will be responsible for the planning and management of the GOU's development effort. Evaluation of progress in attaining the project goal will be qualitatively measured, on the basis of international agency reports (World Bank, CIAP, UN, etc.), on overall development performance and on the extent that GOU agencies which have benefited from such training have improved their functioning. A key indicator of achievement on completion of the project will be the number of persons trained who occupy responsible positions in official institutions in planning and administering development programs. It is assumed that the number of persons trained and their careful placement in key development jobs will be such as to have a positive impact on performance of the institution.

Implicit in goal attainment are the assumptions that Uruguay will maintain a stable political and social environment in which development and reform remain priority GOU objectives.

B. Project Purpose

The purpose is to bring about a significant improvement in the GOU's institutional capacity to plan, coordinate and administer its development-reform programs.

AID's contribution to achieving this purpose will be through a participant training program for qualified middle and upper level personnel in the key GOU development agencies, primarily the National Planning Office (OPP), the Ministry of Economy and Finance and the Central Bank.

The three priority areas in which the GOU has requested that training be provided are: a) macro-economic studies; b) development planning and programming and c) development administration (implementation and evaluation of programs and projects). The project will be closely integrated with and directly complement USAID's Development Studies project, in which short-term advisors will be contracted by USAID to carry out a program of economic development studies for the Planning Office directed toward most of the same areas in which advanced training is being programmed. In addition, this project will directly complement in-country technical assistance being provided to the Planning Office and other key agencies by the IDB, UNDP, and World Bank in priority development fields.

The UNDP is currently planning to assist the GOU in organizing a middle-level in-country administrative training capacity and this project will reinforce the UNDP efforts in this area.

In addition, the IDB and the IBERD will both be providing in-country advisory assistance to the GOU in selected development areas in which AID will be supporting external training under this project. In this way, the AID training project will directly complement and support technical assistance activities of other agencies in key development areas. For the most part, these agencies will not be providing external training in connection with their in-country advisory services. The GOU prefers AID assistance for external training in light of its highly regarded capabilities for placement and support of medium and long term academic and professional training.

C. Project Rationale

The rationale for this project is contained in the Mission's FY 1975 DAP and in the FY 1975 FZS for Uruguay. Given the economic stagnation and negative development outlook over the past 20 years, Uruguay's most capable economists and planners have often gone abroad or moved into other activities. Now that development prospects have begun to improve and GOU development agencies are moving actively to carry out their new responsibilities, a serious lack of trained professionals in practically every key field will undoubtedly constrain the GOU's capacities in policy planning, programming and implementation.

Unfortunately, there is no adequate educational institution capable of training development personnel. The National University has, up to now, remained apart from the development process and was never able to establish either the proper environment or capability for professional training in relevant disciplines. Prior to the recent GOU intervention of the University (December, 1973), its Faculty of Economic Sciences and Administration did offer courses in various aspects of development economics and management but the quality and ideological orientation of most of the courses made the training of little value for work in the public sector. While recent modifications and personnel changes in the University might improve this situation, any improvement will not have an appreciable effect for a number of years.

This lack of trained professionals is most seriously felt in the National Planning and Budget Office which has been assigned the primary role for planning, coordinating and managing the GOU's development -reform programs. While there are a number of competent people currently working in the Planning Office, they mostly lack professional training in the areas in which they are working. For some time, the Planning Office has considered this to be one of its primary constraints to carrying out its assigned responsibilities.

The Planning Office is currently divided into two divisions: the Planning Division and the Budget Division. The Planning Division is in charge of all Central Government planning and is composed of sub-divisions responsible for macro-economic programming, social sector programming, financial studies, industrial sector, agricultural sector, external (Foreign trade) sector, construction and housing, projects and investment and a general legal division. The Budget Division is composed of two sub-divisions dealing with budget management and fiscal studies.

The Planning Office has requested USAID assistance in upgrading the technical skills of personnel in its sub-divisions. This would be accomplished by providing both short and long-term training for qualified employees in both the United States and other Latin American countries. In some cases, such personnel would be sent for graduate-level degrees in special development fields while others would be enrolled for semester courses

in graduate programs or in specialized short-term courses such as the Harvard Summer School Course on Public Enterprise Management.

In addition, the Planning Office considers that its macro-economic and sectoral planning, in large measure, depends on the professional capabilities and analytical inputs of other key agencies such as the Ministry of Economy and Finance and the Central Bank. Accordingly, it has requested AID assistance in training key personnel working in the economic studies and policy units of these institutions. For example, the Monetary Studies Section of the Central Bank is primarily responsible for preparing the annual monetary budget including balance of payments projections. The economic advisory staff of the Ministry of Economy and Finance is responsible for formulating the Annual Economic Program and Budget (Rendición de Cuentas). Each of these agencies recognize their needs in strengthening the professional capacities of their respective economic studies units and, through the Planning Office, have requested AID training assistance in this regard.

The project duration will extend from FY 1974 through FY 1977. During FY 1974, five participants will be programmed but will expand in FY 1975 and 1976 to an annual level of 14 participants. The programming of this activity over four fiscal years is designed to permit the training of a sufficient number of qualified specialists to have a meaningful impact on the performance of the sponsoring institutions. During this period, we also anticipate that these training activities will directly complement and support the Mission's Economic Development Studies project in that graduates of the training project will be prepared for professional assignments in priority fields in which the AID short-term advisors have been working.

The GOU is fully aware and accepts the limited duration of the training project during which time it hopes to prepare a nucleus of trained specialists who will not only be capable of effectively planning and managing the development effort but will also organize in-country training in their respective disciplines. At the termination of this program, the GOU considers that the country's economic progress will have reached a point at which trained Uruguayans will be returning in increasing numbers to engage actively in the development effort and that the GOU will by then be in a position to self-finance its continuing external training requirements.

D. Project Outputs

The outputs of this project will be 39 trained professionals over the FY 1974-77 period. Those professionals will receive both short and longer term training in both academic and specialized institutions in the U.S. and elsewhere in Latin America. During FY 1974, five participants will be selected for training in accordance with approved training plans and in areas of importance to the GOU development efforts as indicated above. Each of the participants selected will, on completion of training, be assigned to specific positions in the Planning Office or other development agencies. There follows an illustrative program of training for FY 1974 and FY 1975, which reflects both GOU priorities and specific training requests.

FY 1974 Program

(a) Industrial Economics

(One participant working toward Master's Degree in Industrial Economics)

Est. year costs \$ 10,000

The National Planning Office is developing its capabilities in the area of industrial sector planning and programming, responsibilities which have been increased since the San Miguel meeting in September, 1973. Aside from basic sectoral planning, the Planning Office has major new responsibilities for coordinating activities under the new Foreign Investment and Industrial Promotion laws, recently promulgated by the Presidency. In this regard, it must develop an institutional capacity to prepare economic evaluations of proposed industrial investments to ensure their feasibility and conformity with National Development Plan priorities. In addition, there is a need for qualified industrial economists who can formulate coherent industrial sector policies and strategies needed to give practical effect to the new laws. The Planning Office proposes to send a participant for graduate level training (1½ or 2 years) to a recognized U.S. institution, who on completion of training would be assigned as Chief or Assistant Chief of the Planning Office's Industry Division. The USAID also plans to provide short term assistance to the GOU in preparing an industrial export program as required for formulating an Export Development Loan. The training herein contemplated will permit the Planning Office to prepare such a program on its own in the future.

(b) Tax and Fiscal Policy Studies

(One participant to work for Master's Degree in Tax and Fiscal Policy)

1st. year costs \$ 10,000

The GOU's proposed annual Economic Program and Budget for 1974 (Rendición de Cuentas) contains provisions for a major reorganization of the tax administration system and a long-awaited revision of the tax code. It also declares the tax system to be an essential instrument for national development. This is a welcome change since in the past the development implications of the tax system were ever adequately taken into account. In line with the decision to reform the tax system, the Planning Office now has begun to organize a small fiscal studies staff to carry out a program of research to analyze the fiscal and overall development implications of the existing tax system, as well as any proposed changes in that system.

Since the USAID's Tax Assistance Group is actively assisting the GOU's Tax Office in its administrative reform, the Planning Office has requested that AID finance two participants in tax policy studies during the life of the project. Those participants will, on completion of training, be assigned as Chief and Assistant Chief of the Fiscal Studies Staff. The Planning Office plans to request short term advisory assistance from AID to carry out tax policy studies under the Development Studies project. It is proposed that the second participant in this field begin training during FY 1975.

(c) Macro-Economic Studies

(One participant to work on Master's Degree in Development Economics).

1st. year costs \$ 10,000

There are very few professionally trained development economists in Uruguay with a Master's degree. The Planning Office has requested AID to finance graduate level training for three economists in macro-economic studies, who, on completion of training, would be assigned to the senior positions in the Program Section of the Planning Office. The first participant would be programmed in FY 1974 and on return from training would be assigned primary responsibility for rationalization of development models being prepared

by the Planning Office. The second and third participants in this field will be programmed for FY 1975.

(d) Monetary Studies

(One participant for CEMIA Course on Monetary Policies. CEMIA - Latin American Center for Monetary Studies in Mexico City).

Total Cost per course per student \$ 3,000

The Central Bank has three employees who have received training at the CEMIA course. Due to the high quality of the course and the Bank's need to broaden the base of its Monetary Studies Division, the Bank and the Planning Office have requested that one participant be programmed for the course in FY 1974 and one in FY 1975.

(e) Public Enterprise Management

(One participant for Harvard University Workshop on Public Enterprise Policy and Management).

Total Cost \$ 7,000

Public enterprises comprise a major segment of Uruguay's industrial and service sectors including power, communications, railroads, cement, petroleum refining, fishing, water, airlines, etc. At the San Miguel meeting in 1973, a major program of administrative and financial reform of these enterprises was announced. For the most part, they have been poorly managed, overstaffed, and have been a heavy fiscal burden to the GOU in covering their operating deficits. The Planning Office has requested participant training for two technicians (one in FY 1974 and one in FY 1975) who will on return from training, be responsible for monitoring public enterprises operations in the Planning Office and who also will carry out organization and management studies for selected enterprises as needed. They would also be available for assuming senior management jobs in the state enterprises.

FY 1975 Program

(a) Industrial Economics

(One participant working toward Master's Degree in Industrial Economics).

1st. year costs \$ 10,000

Second year of participant begun in FY 1974 \$ 10,000

(See rationale above).

(b) Tax and Fiscal Policy Studies

(One participant to begin first year of Master's Program in Tax Policy).

1st. year costs \$ 10,000

Second year of participant begun in FY 1974 \$ 10,000

(See rationale above)

(c) Macro-Economic Studies

(Two participants to work towards Master's Degrees in Development Economics).

First year cost of two participants	\$ 20,000
-------------------------------------	-----------

Second year of participant begun in FY 1974	\$ 10,000
---	-----------

(See rationale above)

(d) Transportation Economics and Planning

(One participant working toward Master's degree in Transportation Economics)

1st. year cost	\$ 10,000
----------------	-----------

At present the GOU has neither a national transport plan nor personnel capable of preparing such a plan. The need for a transportation plan has been recently emphasized to the government due to recent approval of an IDB credit for maintenance of the national highway system, a possible acquisition from U.S. defense stocks by AFE (the national railroad) of new rolling stock, a proposed IDB loan for agricultural access roads and others. In view of this need, the GOU has arranged for the UNDP to finance and carry out under IBRD supervision a long term transportation planning survey to guide rational transport investments over the next 5 to 10 years. In order to prepare its own technicians to develop an institutional capacity in transportation planning, the GOU has requested AID assistance in providing graduate training for one participant in this area.

(e) Project Evaluation

(One participant in one semester graduate level university program specializing in Project Evaluation)

Cost of Participant	\$ 8,000
---------------------	----------

As a result of the recent promulgation of its Industrial Development and Foreign Investment laws, the GOU anticipates that there will be a considerable increase in industrial investment in Uruguay in the next several years. At present, the Industrial Division of the Planning Office does not have trained technicians capable of determining the most preferable investment proposals from the GOU's point of view. The government has thus requested assistance in training a technician in this area who would be employed in the Industrial Division of the Planning Office upon his return to Uruguay.

(f) Monetary Studies

(Two participants to CEMLA course on Monetary Studies)

Total Cost	\$ 6,000
------------	----------

(See rationale above).

(g) Public Enterprise Management

(One student to Harvard Workshop on Public Enterprise Policy and Management).

Cost \$ 7,000

(See rationale above).

(h) Monetary Studies.

(One participant in first year of Master's program specializing in Monetary Studies.

First year cost \$ 10,000

(See rationale above).

(i) Unspecified additional training during FY 1975: \$ 29,000.

The Planning Office has proposed that part of the training funds proposed for FY 1975 be left unprogrammed at this time to give it some flexibility to arrange training to meet special development needs unforeseen at this time. For example, the Planning Office anticipates that certain priority training needs will be identified in the course of the special economic studies program to be financed by AID and to be carried out under the supervision of Dr. Larry A. Sjaastad of the University of Chicago.

Proposed Program for FY 1976(a) Industrial EconomicsSecond year of part- \$ 10,000
icipant begun in FY 1975

(See rationale above)

(b) Tax and Fiscal Policy StudiesSecond year of part- \$ 10,000
icipant begun in FY 1975

(See rationale above).

(c) Macro-Economic StudiesSecond year of two part- \$ 20,000
icipants begun in FY 1975

(See rationale above)

(d) Transportation Economics and PlanningSecond year of part- \$ 10,000
icipant begun in FY 1975(See rationale above)

(e) Monetary Studies

Second year of participant \$ 10,000
 begun in FY 1975

(See rationale above)

In addition to the above continuing participants, additional long and short-term participants will be selected according to emerging GOU priorities and training requirements, including those identified through the AID Development Studies project. Total cost during FY 1976 would be \$ 140,000.

FY 1977 Program

It is planned that by the end of FY 1977 the GOU will have developed its own training capacity. Hence, this will serve as a phase-out year for the Management and Economic Training Project. No new long term trainees will be selected for initiation of training during this year and FY 1977 funds will be utilized primarily to provide second year funding for Masters Students whose first year of training was initiated with FY 1976 funds. Total cost to USAID during this year will not exceed \$ 70,000.

E. PROJECT INPUTS

USAID: Inputs to the project would be \$ 40,000 during FY 1974, \$ 140,000 during FY 1975, \$ 140,000 during FY 1976 and \$ 70,000 during FY 1977 to finance the cost of training courses, supplies and materials and per diem at applicable rates for all approved participants. In addition, the Mission's Training Office, in conjunction with AID/SER/IT will provide administrative support for participants and will assist the GOU and approved participants in locating suitable training activities when such assistance is required.

Government of Uruguay: The GOU has agreed to continue paying salaries of all participants during their training and to provide international transportation for all training activities. In addition to the above, the GOU will assign its representatives to a selection committee to be formed of GOU and USAID personnel and to provide administrative support for the Committee. Finally, the GOU will gradually assume a larger role in overall administration of the program and will assure that returned participants and parent agencies comply with the terms of the training as established by the committee. In response to current AID policies, official assurances have been received from the GOU Planning Office that its contribution to the project will be at least the following:

<u>Category</u>	<u>FY 1974</u>	<u>FY 1975</u>	<u>FY 1976</u>	<u>FY 1977</u>	<u>TOTAL</u>
Salaries of Trainees	17,200	62,800	62,800	28,000	170,800
International Travel Costs	4,500	10,600	10,600	5,500	31,200
Project Administration	1,000	2,000	4,000	3,000	10,000
<u>Total:</u>	22,700	75,400	77,400	36,500	212,000

The above amounts equal 35% of the total project costs during the period of active AID involvement. The Mission has reviewed the above projections and finds the GOU's assurances satisfactory.

Trainees

The trainees will commit themselves to spend a minimum of three months in the service of their sponsoring organizations for every one month of training provided to them. In addition, trainees will agree to utilize their training to the maximum extent upon return to Uruguay and to pass on the knowledge gained from training to other government employees.

The above conditions have been discussed with representatives of the GOU Office of Planning and Budget and are acceptable to it.

The Planning Office will have primary responsibility within the GOU for coordinating this project and assuring its success.

ANNEX APROGRAM SUMMARY

<u>Fiscal Year</u>	<u>N° Participants</u>	<u>N° M.M.</u>	<u>Estimated Cost USAID (Obligations) US\$</u>	<u>Estimated Cost to GOU * US\$</u>
1974	5	43	40,000	22,700
1975	14	157	140,000	75,400
1976	14	157	140,000	77,400
1977	6	70	70,000	36,500
<u>TOTAL:</u>	<u>39</u>	<u>427</u>	<u>390,000</u>	<u>212,000</u>

* Includes payment of average salary of \$ 400 per month, international travel and overall project administration costs.

