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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

PERU

PROJECT PAPER

Private Sector Management Improvement

AID/LAC/P-258

Project Number:527-0272

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE

3

COUNTRY/ENTITY

PERU

3. PROJECT NUMBER

527-0272

4. BUREAU/OFFICE

Latin America and Caribbean

05

5. PROJECT TITLE (maximum 40 characters)

Private Sector Management Improvement

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
1 | 2 | 3 | 1 | 9 | 1 |

7. ESTIMATED DATE OF OBLIGATION

(Under "B:" below, enter 1, 2, 3, or 4)

A. Initial FY 8 | 5

B. Quarter 4

C. Final FY 8 | 9

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY 85			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	680	820	1,500	4,979	2,021	7,000
(Grant)	(680)	(820)	(1,500)	(4,979)	(2,021)	(7,000)
(Loan)	(-)	()	()	()	()	()
Other						
U.S.						
Host Country					2,333	2,333
Other Donor(s)						
TOTALS	680	-	-	4,979	4,354	9,333

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) EHR	664	873				1,500		7,000	
(2)									
(3)									
(4)									
TOTALS						1,500		7,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

720 660 840

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code BU R/ED TRNG
B. Amount 2,333 3,000 4,000

13. PROJECT PURPOSE (maximum 480 characters).

To (1) strengthen the capacity of five private institutions to carry out more industry responsive and higher quality management education, training, consulting and applied research; and (2) strengthen linkages between these institutions and the industries they serve.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
0 | 8 | 8 | 8 | | | | 0 | 8 | 9 | 1 |

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

17. APPROVED BY

Signature John A. Sanbrailo

Title Mission Director

Date Signed

MM DD YY
10 | 9 | 18 | 81

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY
10 | 9 | 31 | 81

Project Authorization

Name of Country: Peru
Name of Project: Private Sector Management Improvement
Number of Project: 527-0272

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Private Sector Management Improvement Project for Peru involving planned obligations of not to exceed Seven Million United States Dollars (\$7,000,000) in grant funds ("Grant") over a six and one half (6 1/2) year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is seventy-two months from the date of initial obligation.

2. The project ("Project") consists of assistance to five private Peruvian institutions to strengthen their institutional capacity to carry out more industry responsive and higher quality management education, training, consulting and applied research on private sector management development issues, and to strengthen linkages between these institutions and the industries they serve. AID/Peru is authorized to utilize up to \$600,000 of Project funds to contract for goods and services for project coordination, monitoring and evaluation.

3. The Project Agreement(s), which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Commodities, Nationality of Services
(Grant)

Commodities financed by A.I.D. under the Grant shall have their source and origin in Peru or in the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services financed under the Grant shall have Peru, or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall be financed only on flag vessels of Peru or the United States, except as A.I.D. may otherwise agree in writing.

b. Waivers

i. A.I.D. source and origin regulations are hereby waived to permit the procurement of up to \$500,000 of commodities, including training, data processing equipment and books, from countries included in AID Geographic Code 941.

ii. A.I.D. nationality regulations are hereby waived to permit the procurement of up to \$500,000 of services from suppliers whose nationalities are in countries included in AID Geographic Code 941.

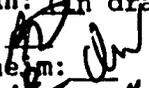

Mission Director


Date

Clearances:

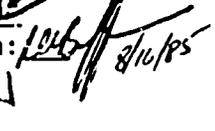
PS:MJohnson: (in draft)

A/DR:MSilverman: (in draft)

A/HNE:ADanart: 

A/DD:GWachtenheim: 

PROG:BRhoads: 

CONT:RBonaffon: 

Drafted by:RLA:DAAdams

PRIVATE SECTOR MANAGEMENT IMPROVEMENT PROJECT
PROJECT NUMBER, 527-0272

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* Not Published with this Project Paper. Copies on file in USAID/Peru, CD Division.

I. SUMMARY AND RECOMMENDATIONS

A. Facesheet

B. Recommendations

It is recommended that a grant be authorized in the amount of US\$7,000,000 for private sector management improvement in Peru. Preferably the grant will be made through a cooperative agreement to a U.S. institution ("prime recipient") which will enter into sub-agreements with five management training institutions in Peru ("participating institutions"); La Asociación de Exportadores (ADEX); la Escuela de Administración de Negocios para Graduados (ESAN); El Instituto Peruano de Administración de Empresas (IPAE); La Universidad del Pacífico (El Pacífico); and La Universidad de Piura (Piura). However, if necessary the grant will be made directly to one or more of the participating Peruvian institutions. The grant will be incrementally funded over six fiscal years.

C. Background

In 1968 a military government was established in Peru that attempted to carry out a transformation of the country's economy. Key elements in this government's strategy included the expropriation of foreign enterprises, the implementation of dramatic land reform programs, the adoption of a system of worker/ownership of major industries (comunidades industriales), and a set of labor stability laws which many believe now impede factor mobility within the modern sector. In addition to this expanded role of the state, the military regime further buttressed the import-substitution model of development that was widespread throughout Latin America.

The general thrust of these measures was to give greater emphasis to improving the distribution of the society's resources in lieu of economic productivity and efficiency. A shift in economic power resulted, causing large numbers of professionals--including administrators of private firms and public institutions--to emigrate, thus weakening the institutional base of administration in all sectors. Furthermore, with few exceptions (ESAN and Pacifico), the teaching of administration became highly politicized around the needs of the social revolution being launched by the GOP. The needs of the private sector were seen as marginal and thus its contribution to the development of Peru slowly took on less importance.

In 1980, the country returned democratic rule and began to formulate a development model whose goal was to strengthen the private sector, rely on market forces to drive economic growth, and integrate Peru more fully into the international economy. The transition has not been easy and Peru faces major obstacles in its attempt to support an open-market, export-led economy: (1) a policy environment which hinders the mobility and efficient use of investment and other resources; (2) a severe shortage of financial

resources available for needed investment, and (3) a shortage of managerial talent and capacity to operate in a competitive market situation. The proposed grant project addresses the third constraint of managerial capacity.

D. Problem, Rationale and Strategy

The high degree of economic protectionism during the 1970's did not foster the type of management practices now required for an open-market economy capable of competing in the international arena. There is a lack of knowledge regarding the international business and agribusiness environments, two important sectors for economic growth. Two other target groups, small businesses and firms outside of Lima, also have a strong potential for growth, yet limited access to management improvement services geared to their needs. Many skills and techniques are out-dated, particularly in the functional areas of information systems, finance, organizational development, research and development (R&D) and production/marketing/distribution systems. Attitudes of risk-taking and entrepreneurship are not prevalent.

During this period, those institutions which have the responsibility for training and educating the human resource base for economic development went through a tandem process. Their programs are out of sync with the development needs of Peru in the 1980's and 1990's. The closing of this gap between the management development needs of Peru's private sector and the services supplied to improve those resources is the central focus of this project.

The USAID Mission deems it essential to leave in place a Peruvian institutional capacity for supplying management improvement services in a continuous and responsive manner, both during the life of the project and after the termination of funding. Five private management training institutions were chosen to participate in this project. Each possesses areas of expertise relevant to the objectives of this project, the basic infrastructure to create more effective educational technology, and a commitment to improving the quality of services delivered to their respective audiences. Taken together, they form a potential network of Peruvian institutions able to address a range of management improvement needs and make a positive impact on the development of the private sector. The strengths of these institutions are summarized below.

ADEX's major strength is its access to the export sector. Its training activities include a variety of specialized trade related subjects not normally covered in a university setting and serving the operational level of export management. ADEX's structure and mandate present two unique opportunities. One is to make programatic links between export promotion and development, and training activities. The other is to link students and employers with job information.

As one of two graduate schools of business in Peru, ESAN has the potential for exercising an important leadership role in both graduate and executive education in key functional areas and in international business. Its excellent library and computer center, combined with current research efforts, provide the base for new curriculum design and diffusion.

IPAE is the country's most distinguished institution for non-degree management education and provides several important strengths to project activities. It has developed an effective market mechanism of supplying short term courses in response to specific demand and is geared to reach middle-level and operational managers. It has a strong interest in and some experience with regional programs. Lastly, through its annual conferences of executives (CADE), it has demonstrated an important ability to bring together leaders of the public, private and educational sectors around salient development issues.

El Pacífico possesses important leadership potential in serving current and future managers at the senior and upper middle levels of management. Its undergraduate and part-time graduate programs in business administration are well known and it is considered a leading research center in Peru. It has the capacity to lead in up-grading undergraduate business education, contribute substantially to improving the information base for new curriculum design, and initiate the development of an agribusiness thrust in management training.

Piura represents an excellent opportunity for strengthening the inter-relationship between current and future managers, with a focus on regional development issues, especially agribusiness. Its undergraduate program in business administration provides a foundation in the basics of management. Its faculty is committed to make the educational process more relevant to the needs of the community and region.

The project strategy supports a coherent, balanced, and integrative approach to the supply of management improvement services for private sector development. Activities have been planned in such a manner as to build upon the particular areas of expertise of each participating institution, while at the same time to stimulate collegial interaction and a healthy degree of competition among them. The Project will strengthen the functional areas of management training needed by modern industries while introducing sectoral thrusts necessary for economic growth, improve the information base for curriculum revision and new program design, foster dialogue and permanent linkages with private industry, decentralize management services and diffuse project benefits, and finally strengthen the human, strategic planning, and financial bases of the participating institutions so that their contributions to private sector development may continue into the next decade.

E. Project Description

The sector goal to which this project contributes is to promote economic growth and employment in Peru by reducing the institutional, attitudinal and policy constraints that are inhibiting private sector production, investment and exports.

The purpose of the project is two-fold: (1) to strengthen the capacity of five private institutions to carry out more industry responsive and higher quality management education, training, consulting and applied research, and (2) to strengthen linkages between these institutions and the industries they serve. The project consists of five inter-related components.

COMPONENT 1: Strengthen Existing Management Programs of Participating Institutions

Activity a: ESAN ESAN will refocus its primary energies on those functional areas that give it leadership ability in management education on the regular MEd and executive development level; management information systems, production and quantitative methods; business policy; and human resources management.

Activity b: El Pacífico El Pacífico will initiate curriculum reforms in its undergraduate degree program, creating new areas of specialization which emphasize applied managerial skills and enterprising: financial management; management information systems; research and development (R&D); marketing and organizational development.

Activity c: Piura Piura will restructure its undergraduate curriculum in functional areas significant to the economy of northern Peru: marketing, production management, entrepreneurship, and management information systems. Simultaneously it will improve its library services to reflect the qualitative improvements being made in management education.

Activity d: ADEX ADEX will strengthen links between its education/training function and other membership services through a modern system of computer-based information on international trade, and the creation of a job information center. It will update curriculum and teaching methodologies for training current and future employees at the operational level of international commerce.

COMPONENT 2: Introduce New Program Elements in Sectors with the Greatest Potential for Growth

Activity a: International Business Formal academic training and special non-degree training programs will be implemented to better serve the special needs of managers engaged in or planning to enter the international business (IB) arena. ESAN will restructure its masters program to offer a new MBA, with an IB minor and revise its executive development program in international business (PACI) so as to better reflect issues of Peru. Piura will introduce IB issues and case studies into their curriculum. El Pacífico will create IB electives for its undergraduate and masters program. IPAE will design and test short-term training programs for mid-level practicing managers in this sector.

Activity b: Agribusiness A new level of awareness will be raised regarding the potentialities and problems of agribusiness management in Peru. Initially a firm information base for this sector will be created by the three degree institutions. A few select faculty at El Pacifico and Piura will receive advanced training in agribusiness and, on their return, agribusiness electives will be established. As the area gains demand, minors will be developed and will be offered. IPAE will design and test short-term training programs for mid-level practicing managers in this sector.

Activity c: Small Business Management An updated information bank around the needs of the small business community will be created through collaborative efforts and housed at ESAN's computer center. Case studies and other teaching materials will be developed, depicting the Peruvian entrepreneurship experience, and used by all the institutions, in degree and non-degree programs. A training of trainers program for entrepreneurship and new business formation will be designed, tested and duplicated.

COMPONENT 3: Facilitate Collaboration Among the Institutions and with the Private Sector

Activity a: Sectoral linkage activities ESAN and El Pacifico will establish national advisory boards for international business and agribusiness respectively; Piura will establish a regional agribusiness advisory board. Each board will provide an on-going mechanism for the exchange of information and resources for research and curriculum development. IPAE will sponsor conferences and fora around significant issues identified by these boards.

Activity b: Applied Research and Consulting Salient management problems in the three sectoral areas will be researched, creating a firm information base for new program development and the design of case studies.

Activity c: Studies for Management Improvement (SMI) Studies of Peruvian management issues which cross sectoral lines will be conducted, improving the information base for curriculum revision and case study writing. A competitive process for granting funds will be established and results will be widely disseminated.

Activity d: Needs Assessment Studies An organized and ongoing effort to assess the development training needs of firms in the private sector will be implemented. Needs assessments will be skill-oriented and results disseminated for program development.

COMPONENT 4: Decentralize and Diffuse Management Services

Activity a: Regional Outreach Under IPAE's leadership, programs for decentralizing management improvement services outside of Lima will be implemented and evaluated in three pilot regions; Piura, Trujillo and Arequipa. The regions will gain the capacity to create training programs reflecting their own management development needs.

Activity b: Development Training Fund (DTF) Other Peruvian educational institutions will have access to scholarships to send business faculty to ESAN and El Pacífico for MBA training, and to the improved information base created under this project.

Activity c: Diffusion Mechanisms In addition, the participating institutions will establish mechanisms for expanding the benefits of this project. They will develop ways to diffuse research findings as well as the design of new curriculum and materials to management training institutions throughout the country.

COMPONENT 5: SUPPORT INSTITUTIONAL DEVELOPMENT

Activity a: Strategic Planning and Financial Development

The participating institutions will have an improved capacity to strategically plan both human and program resources, and to develop self-sustaining financial mechanisms in support of them. ADEX will develop a more rational organizational structure to support its activities.

In addition to these five components, funds will be allocated for overall management and evaluation of the project, and thus is shown as a component.

COMPONENT 6: PROJECT MANAGEMENT AND EVALUATION

Activity a: Technical and Administrative Support

Preferably the project will be implemented through a cooperative agreement with a U.S. institution. This "cooperating institution" will establish a U.S. Advisory Committee composed of senior business educators/administrators with strong experience in Latin America. USAID/Peru will hire a project coordinator to monitor the cooperative agreement and oversee two in-depth evaluations of the project. If a qualified cooperating institution cannot be found within a reasonable time period, the Mission will consider entering directly into grant agreements with the participating institutions.

F. SUMMARY FINANCIAL PLAN
(US\$, 000)

<u>COMPONENT</u>	<u>AID GRANT</u>	<u>PARTICIPATING INSTITUTIONS</u>	<u>TOTAL</u>
I. <u>EXISTING PROGRAMS</u>	1,828	609	2,437
II. <u>NEW ELEMENTS</u>	1,449	483	1,932
III. <u>COLLABORATION</u>	1,172	391	1,563
IV. <u>DECENTRALIZATION AND DIFFUSION</u>	616	205	821
V. <u>INSTITUTIONAL DEVELOPMENT</u>	513	171	684
VI. <u>PROJECT MGMT. & EVALUATION</u>	1,422	474	1,896
PROJECT TOTAL:	\$ <u>7,000,000</u>	\$ <u>2,333,333</u>	\$ <u>9,333,333</u>

G. Project Issues

Several issues were raised during the PID review in AID/W. The Mission's response to these issues appear in Annex II, Exhibit B. Issues raised and resolved during intensive review are discussed in the Technical Analysis, Section IV.C.

H. Summary Findings

The Project Development Committee has reviewed all aspects of the proposed Private Sector Management Improvement Project and concluded that the project is institutionally, financially, economically, technically, socially and environmentally sound and consistent with the development objectives of Peru's private sector and with Mission strategy and objectives.

II. BACKGROUND

A. Country Setting

In 1985, Peru finds itself facing the most severe economic crisis in its modern history. The indicators of this reality are many. For example, in 1970 Peru was the eighth most developed country in the hemisphere; it slipped to sixteenth by 1982. Only five western hemisphere countries--Bolivia, El Salvador, Honduras, Nicaragua, and Haiti--have lower per capita incomes. Real wages have decreased some 35% since 1973, and approximately 60% of the economically active population is currently unemployed or underemployed. Almost six million Peruvians live in conditions of absolute poverty. Another 3.5 million are deemed relatively poor according to World Bank data.

Part of this problem can be traced to Peru's political history over the last two decades. In 1968, a military government was established in Peru that attempted to carry out a transformation of the country's economy. Key elements in this government's strategy included the expropriation of foreign and domestic enterprises, the implementation of dramatic land reform programs, the adoption of a system of worker/ownership of major industries (comunidades industriales), and a set of labor stability laws which many believe impede factor mobility within the modern sector. In addition to this expanded role of the state, the military regime furthered an import-substitution model of development that was widespread throughout Latin America, constraining the flow of foreign capital at a time when development in other Latin American countries was accelerating. The general thrust of these measures was to give greater emphasis to improving the distribution of the society's resources in lieu of economic productivity and efficiency.

These policies resulted in a shift in economic power away from the traditional landed oligarchy in favor of a new industrial elite and public sector wage earners. The policies also caused large numbers of professionals --including administrators of private firms and public institutions--to emigrate, thus weakening the institutional base of administration of all sectors. Furthermore, with few exceptions (ESAN and Pacífico), the teaching of administration became highly politicized around the needs of the social revolution being launched by the GOP. The private sector was seen as marginal, to say the least, and thus its contribution to the development of Peru slowly declined.

In 1980, the country returned to democratic rule and began to formulate a development model whose goal was to strengthen the private sector and rely on market forces to drive economic growth. The GOP tried to reduce some of the inefficiencies imposed by the military regime, it began to relax some abusive taxes, raise some prices of products from state enterprises, began the process of reviewing the impact of administrative controls in the market sector. The result has been a move towards a more open and competitive market and a recognition that development in Peru must be based on a strengthened private sector and orient its activities toward the integration of Peru in the international economy. The world recession, coupled with the series of natural disasters of unprecedented dimensions beginning in 1983, caused losses to the country calculated over one billion dollars. The impacts

of these forces overwhelmed the country's adaptive mechanisms, and the private sector in particular found itself unable to muster the resources necessary to adjust to the changing international economy. Absent a unique nationalistic reaction to the present situation, Peru's future economic options are quite limited. Nearly all feasible means of tackling Peru's problems require a heavy concentration on improving private sector competitiveness and on exports. Therefore, it is more critical than ever that Peru manage efficiently the resources at hand. It is also critical that USAID continue to support the long-term structural transition of its economy needed to improve the lives of low income families.

B. Major Constraints to Economic Development

At the outset, it must be emphasized that Peru's medium term economic prospects are poor. The country has a limited supply of good agricultural land, a steadily declining domestic petroleum supply which may turn the country into an oil importer before the end of the decade, and an endowment of mineral resources whose near and medium term price prospects are poor. Within this context, even an optimum set of policies and investment choices may have difficulty expanding production more rapidly than the rate of population growth.

The chief obstacles to the economic development of Peru are (a) a policy environment which hinders the mobility and efficient use of resources, (b) a severe shortage of investment resources, and (c) a shortage of effective managerial talent and capacity able to operate in difficult policy, economic, and financial environments.

1. Policy Environment

Promulgation of inconsistent, often conflicting and counterproductive policies has inhibited private sector growth and flexibility. Peruvian managers and entrepreneurs operate within an environment in which policy changes are frequently made, in which they have had little input, and in which there has been little sympathy for, or understanding of, the private sector business community.

Yet, in order to operate efficiently and fill the role for which it has potential, the private sector needs a stable legal and managerial environment which allows it to plan. The willingness of a firm to take risks, make long-term investments, and respond to market signals is dependent on this. The current policy environment in Peru does not provide this stability. Thus, firms are both unwilling and unable to flexibly respond to the needs of the economy in the dynamic manner characteristic of a market-led economy. However, capable managers will find ways to adapt and make the most of any situation. Specific policies which negatively affect the private sector business environment include:

a. Fiscal Policy

The GOP followed an expansionary public finance policy between 1980 and 1984 which seriously reduced domestic credit available for working capital and investment loans for private sector firms.

b. Over Regulation and the Growth of the Informal Sector

Several sources, including the Institute for Liberty and Democracy (ILD), have confirmed that a major obstacle to expanded private sector growth is the existence of complex public sector procedures and requirements for obtaining business licenses, inflexible labor laws, and inadequate tax administration.

c. Protectionism

Protectionism has led to inefficiencies and a private sector highly dependent on protected markets and subsidized interest rates. As a result, some Peruvian managers have been reluctant to compete in the international market place. Others lack the information needed for exports. The GOP has made some progress on import liberalization by reducing total tariff protection and by dispersing remaining protection more evenly among subsectors and levels of production. However, some backsliding has occurred.

d. Exchange Rate Policy

Exchange rate policies and regulatory restriction on interest rate deposits between 1980 and 1983 have limited the growth of Peruvian traditional and non-traditional exports and inhibited savings mobilization. This has produced capital flight, with more than half of the money supply (M2) being U.S. dollar denominated, and has retarded domestic credit expansion and investment in viable and productive enterprises.

e. Labor Stability

Rigidities in Peru's labor laws place restrictions on the flexible management of personnel, impose severe inefficiencies on the production process, and create disincentives to job creation. The result is a mismatch of skills with job requirements.

2. General Shortage of Financial Resources

The Peruvian economy as a whole faces severe constraints over the next several years. Resources from external lending, domestic public sector resources, and private financial savings will be in extremely short supply. More rational and efficient use of these resources will be needed.

External lending of all types has been a major source of financing for public and private investment over the last five years. However, in 1983 and 1984, there was contraction in external financing which primarily reflected an increased nervousness on the part of foreign lenders about Peruvian credit worthiness. Indeed, in 1984, Peru's borrowing increasingly took the form of arrearages on debt service obligations to both official and private creditors. It is, therefore, extremely unlikely that substantial new borrowings can be obtained in the near future.

Domestic fiscal resources are similarly in short supply. The GOP needs to reduce the consolidated public sector fiscal deficit from its level of 8.1 percent of GDP in 1984 to a sustainable level of some 4 percent of GDP. Although some cuts in expenditure are possible, the bulk of the improvement will probably have to come from improved revenue collections. The absorption of domestic saving, combined with the low level of financial resource mobilization by the Peruvian banking system, place tight constraints on the expansion of real credit to the private sector.

3. Shortage of Managerial Talent and Capacity

During the 1970's, Peru's domestic manufacturing sector received a high degree of protection not only from tariff barriers, but also from a system of direct controls which prohibited the import of goods which were produced domestically. Under such circumstances, good management practices did not develop. Management schools, while flourishing in number, market time intellectually and looked abroad for pre-made curricula and educational models. Lacking competition and assured of a captive market, firms and schools supplying their managers were not forced to develop quality products. Nor did the established management programs develop the capability to advise firms on how to develop the efficient means of production or marketing and distribution systems that an open market system would have fostered. Instead of concentrating on these aspects of business, managers found it more advantageous to engage in political manipulation to gain increasingly greater amounts of protection, thus accentuating the distortions in the economy. Business schools, to survive, began to accept state involvement in the economy as the status quo. They either retreated to basics or cast about for a variety of ways of supporting public or parastatal administrative requirements.

As described above, between 1978 and 1981, the GOP began to open up the economy. Direct controls were eliminated, and, particularly during the early years of the Belaunde administration, tariffs were reduced. Business managers, especially those in the industrial sector, were suddenly exposed to a totally new situation to which they have had trouble responding. Management training institutions, after years of producing administrators with technocratic skills for a protectionist environment, now have had trouble responding. More importantly, they have had trouble recognizing their own potential and necessary role as leaders for a dynamic and competitively ordered private sector. The Coopers and Lybrand Private Sector Assessment found that Peruvian enterprises are reluctant to venture into export markets. Attitudinally, companies which have traditionally relied on the protected domestic market have a limited understanding of the export process and are somewhat hesitant to compete in those markets, or to open up the domestic market to international competition. Additionally, general management knowledge and skills in the private sector are considered at a low level, which further exacerbates the ability of firms, the sector and the institutions responsible for developing this talent to recognize challenges and lead Peru towards the path of sustained and equitable development.

Without improving the pool of managerial talent available in Peru, the ability of the private sector to play a dynamic role in the development of a market oriented economy in Peru is limited. It now requires

a new type of management training for which there was previously no demand and little or no experience. While a number of management training institutions exist in Peru, these groups have had difficulty in responding to the changing needs of business. They have not always correctly focused on their responsibilities as development institutions for educating the human resources needed to lead Peru's economic development. The means by which management improvement needs are transmitted from the private sector and analyzed by these institutions is weak. Thus, these institutions have not been able to adapt their courses and provide training to those areas which firms now need in order to deal effectively under the new market conditions.

C. The USAID Response

In response to Peru's serious economic problems, the Mission presented, in its approved FY 1986 CDSS, a strategy framework designed to support Peru's efforts to achieve the longer-term structural transformation of its economy needed to improve the lives of low income families. Based on this, the Mission has refined and is implementing a three phased private sector strategy. The goal in encouraging greater private sector involvement in development is to increase productive employment and incomes and increase the human and financial resources available to development activities. This approach recognizes the limit to GOP resources, existing debt constraints, weak public decision making and administration, and the need to strengthen market alternatives to economic development. Importantly, over the medium term, Peru can expect few sources of major investment beyond the domestic and international private sector and must, therefore, depend on better efficiency and resource allocation of the private sector for sustained growth.

In summary, the USAID Private Sector Strategy seeks to accomplish the following objectives:

(1) Support private sector recovery with fast disbursing program assistance that promotes sound macroeconomic reforms and provides private sector liquidity,

(2) Further establish and strengthen the organizational, policy and educational framework for long term, market responsive economic growth, and

(3) Identify, develop and implement discrete project interventions which promote increased exports from, and greater investment in, activities based on efficient resource allocations and domestic and international comparative advantages.

Phase one followed the suggestions of the Coopers and Lybrand Study which recommended emergency relief to the private sector through medium-term working capital loans. It was the belief of the assessment team that before meaningful medium to long-term assistance could be made available to the private sector, it must be given assistance in order to ride out the effects of the unprecedented crises described above. A.I.D. resources are helping to save numerous economically and financially viable firms from bankruptcy by making available needed working capital loans and generally increasing the availability of financial resources to the private sector.

Phase two of the Mission's private sector strategy, of which this project is an essential part, has the goal of assisting, over the medium and long-term, the creation of the basic conditions for private enterprise growth. This will be achieved by (a) addressing the medium to longer-term human resource requirements necessary for growth through strengthening the capacity of key management training institutions to respond to the needs of the private sector; and (b) improving policies that facilitate long-term growth of the private sector. The Mission recognizes that managers are needed to find and take advantage of openings in the present policy environment, and will be critical to creating the demand for an improved policy environment and for exploiting its full potential.

The Private Sector Management Improvement Project, described herein, addresses the changing managerial knowledge, attitudes and skills needed to by a more competitive private sector capable of participating more directly in the international economy. The era of import substitution allowed managers to look inwardly toward a protected and non-competitive domestic market; they now must look outwardly toward exports and shared enterprise strategies with multinational firms in a very competitive international economy. This shift in what might be called a managerial "paradigm" is the basis for designing the components of this part of the second phase of the private sector strategy.

Through the Private Sector Policy and Institutional Development Project, USAID/Peru will promote rational policy changes from within the public sector while, simultaneously, strengthening key Peruvian private sector organizations to participate in the policy formulation process. Increased private sector investments, as well as enhanced levels of production, exports and employment will follow as the participating organizations better analyze and evaluate risk alternatives and discuss/lobby for appropriate policies. At the same time, the Private Sector Management Improvement Project will enhance the private sector's educational network by strengthening the institutional capacity of selected private sector management institutions to respond to the private sector's management needs, thereby strengthening linkages between these institutions and the industries they serve. Taken together, these two projects are intended to reduce the longer-term policy, attitudinal and human resource constraints to private sector development and market-led economic growth. In combination, the management improvement and policy projects lay the institutional, human resource and environmental base for the next phase of the Mission's private sector strategy.

Phase three of the Mission's private sector strategy will address the highest priority sectoral constraints. Projects in the FY86-90 period will support increased exports, investment and employment through activities in non-traditional export promotion, agro-industry development, small enterprise development, and investment promotion. Identification, development and implementation of these activities will be optimized by the macro-economic policy, institutional and human resource framework established in phases one and two. The Private Sector Management Improvement Project provides the technology and human resources necessary to pursue export development, investment promotion, agribusiness and small business development strategies.

D. Definition of the Problem

1. Problem Statement

Peru's current efforts to extricate itself from its difficult economic situation and to return to a role of leadership in hemispheric economic development via a market-oriented economy threaten to be seriously constrained by a shortage of managerial talent in the private sector. The problem to be addressed by this project is the following:

For at least the last two decades there has been a weakening of the competitive private sector both domestically and internationally. As such, Peru must redirect its economic energies toward (a) increasing the competitiveness of the private sector, (b) increasing exports, especially in non-traditional industries, and (c) enhancing production in the agribusiness sector. There has also been a parallel process in key institutions that have the responsibility for training and educating the human resource base for economic development. Many of their programs are simply out of sync with the development needs of Peru in the 1980s and 1990s. The closing of this gap between the development needs of Peru and its current base of human resources to support its model of development is the central focus of this project.

2. Characteristics of the Problem

The more specific characteristics of the problem are addressed below. According to a USAID sponsored study of peruvian management training needs and resources:

a. Supply does not satisfy the specific demand. The schools may be producing, quantitatively, as many graduates as can find appropriate jobs, but many do not have the skills most in demand. Employers will not hire them either because of the poor quality of their training or because of its irrelevance to their needs, or both. While hundreds of graduates of a number of good schools are meeting some of industry's needs, supply and demand do not mesh and many of industry's most critical needs for trained management personnel remain unfulfilled. Some firms, as a last resort, hire unqualified graduates and train them on the job. Such firms do not regard this as a satisfactory way to meet their requirements.

b. Unmet demand, in terms of level of training, is greatest for university level graduates in business administration who, in addition to having been trained as generalist managers, have also specialized in one or more of the currently high priority specializations (e.g., cost accounting, quality control, computer science, personnel administration, systems design, international trade, international economics, etc.).

c. Unmet demand is especially great for three ideal background combinations that are rarely available: (1) the joint major in industrial engineering and business administration, (2) the joint major in agricultural engineering and business administration, and (3) the joint major in computer sciences and business administration.

d. Post-graduate (MBA) educational standards are high and the number of MBA graduates currently being produced appears to be substantially in balance with demand. MBA graduates also are valued for the high quality of their training and command significantly higher starting salaries. However, neither of the two institutions now offering the MBA are at present able to fully meet the need for high-level specialists in foreign trade, international economics, export promotion, agribusiness, or computer science. No institution yet approaches the capability to produce the three most valuable hybrids mentioned above.

e. Unmet demand is greater outside Lima in the burgeoning agribusiness establishments in the key regions, notably Arequipa, Piura, Trujillo, Chiclayo, Cuzco, Pucallpa, Iquitos and Tarapoto. In these areas lie Peru's best hopes for making truly significant advances in the production of profitable exports.

B. Project Setting

1. Overview

The project setting is delimited by the five institutions which are participating in this effort as well as the target audiences toward which the project activities are directed. The demand side of the project are the needs of the targeted audiences and the supply side are the contributions of the participating institutions.

2. Demand Side: Target Audiences in the Private Sector

The results of various Mission studies, as well the Mission's intensive review for this project, point to several types of target audiences toward which project activities will be oriented. They are defined in two ways and pictured in Chart I below.

Audiences are identified as current and future managers at several levels of firm operations, ranging from the decision-makers to program managers to operational supervisors. Present understanding of private sector management problems leads to the conclusion that there are a range of management constraints to being successful and competitive private businesses. As firm size decreases, management functions will be integrated into fewer levels, and in the smallest firms a single management level may include key functions such as decision-making, risk analysis, planning, and supervision of operations. Since business firms are organizational systems, it is only in defining and responding to the different needs of various management levels that the fundamental reorientation toward being competitive can be achieved.

CHART 1: TARGET GROUPS FOR THE PROJECT

INTERESTS	MANAGERS	CURRENT			FUTURE	
		SR	MID	LOW	UNDER GRADE	MBA FT PT
FUNCTIONAL						
- M.I.S.						
- Finance						
- R&D						
- Org. & Human Resources Dev.						
SECTORAL						
- Agribusiness						
- Int'l Bus.						
Small business						
Firms Outside Lima						

Note: Although for schematic simplification, functional and sectoral interests are shown apart, one must, of course, recognize that functional themes are embedded within sectoral interests.

The future managers are slotted into degree-related educational programs. That is, some are enrolled in undergraduate programs while others are in graduate programs, either full-time or part-time. It is important to identify these degree targets since a major emphasis of the project is the improved quality of education found in institutions which offer these degrees. Non-degree training is also of critical importance to the project, but the project considers this type of training under the rubric of "Current Managers" in Chart I. This recognizes that almost all non-degree training is targeted toward those managers who are now working and who seek to upgrade their skills.

Chart I further defines target audiences in two ways. In the first instance, the needs of some managers are identified by the traditional functional criteria. That is, each manager can be identified by his specialty of finance, M.I.S., accounting, marketing, etc. These are important target groups because they represent the basic professional orientation of each manager. Secondly, this project also addresses the unique needs of managers in sectors key to the Peruvian economy. For example, the resources of this project will focus on the four key sectoral areas of agribusiness, international business, small and medium-size² firms and firms located outside of Lima, which have heretofore received little in the way of management training and education.

The identification of these particular audiences connotes special thrusts in programming. Because these relatively new efforts, the focus will be on the design and testing of models for reaching these groups. The third dimension of Chart I introduces the factor of time into the equation of identifying the target groups. That is, the project must address the needs of the export manager in the short-term (which may be related to "how to do it" procedures) as well as medium and long-term needs (which may have more to do with strategic concerns of "growing" an enterprise to the level where it is more diverse and thus capable of exporting more non-traditional goods). The time dimension is critical to the project and implies a dynamic concept of management improvement which recognizes that needs change over time and so too must the institutions which are supplying the education, training, research and consulting for those changing needs.

Whereas the approach of this project is comprehensive in terms of addressing a range of management improvement needs among the target audiences, it is concentrated in terms of resource inputs. The training institutions chosen to participate in this project are described in the next section.

3. Supply Side: Management Institutions Participating in the Project

As explained in Section II.F, the criteria of selectivity, concentration, and continuity were applied in identifying the private management training institutions to participate in this project. The five institutions chosen, in combination, form a potential system of Peruvian institutions able to address the range of management improvement needs associated with the target audiences described above. Each institution has an educational infrastructure capable of creating more effective educational technology and a commitment to playing a dynamic role in Peru's development and to improving the quality of services delivered to their audiences. Taken together, they possess an excellent potential for making a positive impact on the development of the Peruvian private sector.

The five institutions are:

ADEX - La Asociación de Exportadores was created in 1973 as a non-profit professional organization dedicated to the promotion of Peruvian exports, particularly the so-called non-traditional sectors. The major activities of ADEX are: education, training and in-service assistance, information dissemination, and export promotion. ADEX was chosen for this project because it has developed a network of professional activities with a client group that will be of pivotal importance for this project--namely Peru's exporters.

ESAN - La Escuela de Administración de Negocios para Graduados was created in 1963 under the auspices of a grant from USAID with Stanford University, the GOP, and the private sector in Peru. It is one of two graduate schools of business in Peru and offers the following programs: Masters in Business Administration, Advanced Management Studies, Special Administrative Training, and special resource activities

provided by their computer center services and the Institute of Economic Development. The role of ESEN is critical for this project for three reasons. First of all, it has the capability of providing the educational infrastructure required to train managers around the long-term goal of supporting a more competitive, outward looking, market economy. Secondly, it also has the non-degree programs since its executive development program in international commerce (PACI) is now well-established. Finally, it has the potential for exercising roles in the area of graduate and executive education that are fundamental for this project.

IPAE - El Instituto Peruano de Administración de Empresas was created in 1959 by a group of Peruvian executives. It is a non-profit institution dedicated to the study and diffusion of the methods, systems, and practices of administration. Its programs include post-secondary training, management development, extension and outreach, information dissemination, and forum and conferences for top level executives. IPAE was selected for this project because it has a demonstrated capability and interest in decentralizing management training and fostering communication between private business and the academic community. It is the country's most distinguished institution of non-degree education and can thus begin to address the short-term goals of this project without great difficulty.

EL PACIFICO - La Universidad del Pacífico is a private university founded in 1962. It offers an undergraduate degree and masters degree in business administration and economics and is considered a leading research center in Peru. It also offers short-term non-degree seminars, workshops, research, debates and colloquia to the general public. Under this project it will take the lead in up-grading undergraduate business education, contribute substantially to improving the information base for new curriculum design, and initiate the development of an agribusiness thrust in management training.

PIURA - La Universidad de Piura is a private university begun in 1969 situated in the northern region of Peru. In addition to its undergraduate degree programs (which includes a concentration in business administration), it has a variety of outreach programs intended to address development issues in the community and the region. A major activity is its 13-week program for management development. Piura was selected because it has demonstrated that a quality regional university can be developed and sustained outside of Lima and because of its firm commitment to the development of the region.

C. Project Rationale and Strategy

At the beginning of the 1960's, there were essentially no Peruvian institutions capable of educating managers for private sector business responsibilities. IPAE was in its infancy, ESAN and El Pacífico had not yet been organized, and Piura and ADEX were dreams not to be realized for another decade. Twenty five years later the educational setting is totally changed.

The Peruvian institutional base does exist for improving, on a continuing basis, management practices in private industry. The issue is one of qualitative improvement and reorientation of business practice, rather than a quantitative problem of increasing the total number of managers trained. To this end, USAID, has followed three guiding principles in the development of this project: selectivity, concentration and continuity.

The principle of selectivity has been followed in choosing the participating institutions. Crucial elements of this selectivity are a demonstrated record of past accomplishments, reasonable achievement of objectives, potential for improvement, and match between the supply and demand for services offered. Each of the participants has survived serious economic conditions and merits support in their continuing development. Each exhibits potential for making important contributions to Peru's private sector development. Several of the participants have the capability to train and assist educators from other Peruvian institutions as well as disseminate educational technology information, thus expanding the benefits efforts of this project.

The principle of concentration has been followed in the programming of AID funds. AID resources are insufficient to cover all of the institutional development needs of the participants. Funds are concentrated around areas of greatest need, where the participants have a comparative advantage and where potential pay-off is greatest both for the institutions and private sector development. Where possible, the concept of "seed money" has been employed to stimulate contributions from other sources for management improvement services. This is most notable with such mechanisms as declining subsidies for regional outreach and matching grants in research.

Finally, the principle of continuity has guided the institutional development nature of this project. Every effort has been made to build and leave in place, a continuing effort in management improvement. Consideration has been given to faculty and curriculum development, strategic planning and financial development, and stronger linkages with the private sector. Also, substantial attention has been placed on project management needs so as to assure sound technical and administrative support to the participating institutions and the industries they serve.

In response to these criteria, the following strategy for planning project activities has been designed, containing five inter-related components:

1. Strengthen, where necessary, existing degree programs in general management, the core of successful business in any sector. This will be done with a focus on the key functional areas deemed important for supporting Peru's new development thrusts. Management information systems,

marketing, human resources development/productivity, and entrepreneurship are examples of these thrusts.

2. Introduce new elements into degree and non-degree education and training programs, emphasizing the knowledge, skills and attitudes, pertinent for supporting development of key sectors of the Peruvian economy. Special emphasis will be placed on international business (including opportunities within the peruvian context for export product development and marketing as well as joint venture investments and technology transfer), agribusiness, and entrepreneurship (at all levels of an organizations, not just the creation of an organization).

3. Facilitate relevancy and responsiveness in the programs of participating institutions through collaboration among the institutions and with the private sector. Attention will be given to building sectoral linkages between the institutions and the private sector by supporting applied research. The best way to be sure that the gap mentioned above is closed is to link the institution capable of doing applied research to specific sectoral groups--exporters, for example. Through their applied research, the institutions can then begin to reshape both their research and teaching programs.

4. Decentralize and diffuse management improvement services to other training and management education entities. These groups are primarily outside Lima in regions where improved technologies have not been available. Project benefits will be expanded by establishing self-sufficient training functions in the provinces, by providing opportunities to educators at other Peruvian institutions, as well as assuring that all relevant research and information is published and disseminated widely.

5. Support for institutional development efforts so that each of the participating institutions can move toward the goal of strengthened programming with economic self-sufficiency. The project will provide strategic planning assistance to the organizations in order to facilitate long-term development and to enlarge their bases of revenue generation.

The implication of this project strategy is that a mix of activities is required - degree and non-degree efforts as well as a balance of general and specialized management training. Defining this mix includes identification of the particular needs of the various target audiences and the appropriate institutions to implement programs to meet those needs.

The links between target audiences and the participating institutions receiving project financing are illustrated in the diagram below:

LINKING TARGET AUDIENCES AND RECIPIENTS OF PROJECT INPUTS:

<u>LEVEL I</u> <u>TARGET</u>	<u>LEVEL II</u> <u>Who are</u>	and	<u>LEVEL III</u> <u>Who attend</u> <u>or are</u> <u>reached by:</u>	and	<u>LEVEL IV</u> <u>are serviced by the:</u>
Current and future Managers, with special emphasis in:	Students in Degree		ESAN		. Administration
			IPAE		. Faculty
	and		EL PACIFICO		. Curriculum development
. Agribusiness			PIURA		. Researchers
. Small-Medium size firms	Non-degree Training Programs		ADEX		. Support Facilities (Library, computers, etc.)
. Outside of Lima					

The project strategy supports a coherent, balanced, and integrative approach to the supply of management improvement services for private sector development. Activities have been planned in such a manner as to build upon the particular strength of each participating institution, while at the same time to stimulate collegial interaction and a healthy degree of competition among them. The strategy will support an array of activities whose time dimensions vary from the short-term to the long-term. In a sense, these activities parallel the overall Mission strategy for assisting the private sector in Peru. In the short-term, the project will apply resources to those areas of applied research, curriculum reform and design of special programs whose benefits can be seen in the second year of the project. These short-term skills are necessary for facing the immediacy of the Peruvian economic crisis. In the medium-term of this project, the strategy begins to address the need for bringing about a shift in the thinking and acting of management education and practitioners. In particular, the strategy will focus on the needs of key sectors of development and specific skills within these sectors (export management in agriculture and non-traditional manufacturing industries, for example). Finally, and perhaps more importantly, the project will emphasize the absolute necessity of bringing about a significant shift in the roles now played by the participating institutions and the private sector in the development of Peru. The project must invest significant sums in training those people who will be asked to carry on the responsibility of implementing this leadership role. This is, by necessity, a long-term effort and the project invests in this goal through its commitment to the longer-term (up to 3 years) training needs of key professors at recipient institutions.

G. Relationship to USAID's Development Assistance Strategy

Since the approval of the USAID/Peru's FY 1986-90 CDSS, the Mission has been refining its strategies and building the foundations for the design and implementation of programs and projects which support the efficient use of the scarce resources at Peru's disposal and contribute to increasing incomes and employment. The cornerstone of USAID's longer-term program is the strengthening of priority institutions, primarily in the private sector, to lead Peruvian economic and social development. The Private Sector Management Improvement Project directly supports USAID's overall strategy and is an operational endorsement of the Mission's recognition of the need to develop Peru's human capital requirements as part of addressing major constraints to the development of a market-led economy. This project is a key activity in developing positive public attitudes towards private sector market mechanisms and entrepreneurship and increasing the role of small enterprises in the economy.

H. Relationship to other Donor Activities

The GOP, in cooperation with the World Bank and the IDB, has initiated two public sector management training programs. While neither program is geared specifically at private sector management constraints, they both have an indirect impact. In addition, both are working through Pacifico and ESAN. Therefore, the lessons learned and experiences gained from these two projects will be available for integration with activities under the project. This project then will be supportive of other attempts to improve the efficiency of management education in Peru. UNESCO has also developed training modules in international business which will provide a further springboard for this project. At the macro-economic policy level, both the IMF and the World Bank are working to bring about reforms intended to support market-led growth and increased reliance on the private sector in economic growth.

II. DETAILED PROJECT DESCRIPTION

A. Project Goal and Purpose

The sector goal to which this project contributes is to promote economic growth and employment in Peru by reducing the institutional, attitudinal and policy constraints that are inhibiting private sector production, investment and exports. Specifically, this project addresses the management capacity constraint inhibiting expanded private sector production and the establishment of a more market oriented economy.

The purpose of the project is two-fold, (1) to strengthen the capacity of five private institutions to carry-out more industry responsive and higher quality management education, training, consulting and applied research, and (2) to strengthen linkages between these institutions and the industries they serve.

B. End-of-Project Status

The components of the project are highly inter-related and together will produce a network of management institutions better able to serve private sector firms at this critical time. Specifically, the conditions which will exist at the end of the project include the following:

1. Existing Management Programs Strengthened:

Key functional areas of management education will be improved and adapted to the Peruvian environment. On-going curriculum revision processes will be in place, based on an improved information base of needs assessment and applied research for curriculum and materials development.

2. New Program Elements Introduced:

New degree and non-degree programs will have been implemented for those sectors of the Peruvian economy with the greatest potential for growth: international business, agribusiness, and small business. The programs will address management development issues specific to Peru, based on research and close collaboration with private sector groups. The participating institutions will have an improved capacity to influence management practices in these sectors.

3. Collaborative Mechanisms Among the Institutions and with the Private Sector Established:

The participating institutions will take the leadership in establishing productive linkages with the industries they serve. Two national advisory boards (in international business and agribusiness) and one regional board will be established. Conferences, fora, and top level seminars will be held, focussing on the major development issues faced by the private sector. Relevant applied research on selected sectoral concerns, management improvement studies on issues which cross sectoral lines, and training needs assessments will be conducted both in Lima and the provinces. In turn, the results of this work will be disseminated through other efforts described in point 4 below and thereby forming a continuous up-dating of the information base for curriculum and materials development referred to in points 1 and 2 above.

4. Management Improvement Services Decentralized and Diffused:

On a pilot basis 3 regions will have gained the capacity to plan and implement management training programs relevant to their respective regional development needs. Other Peruvian educational institutions will have access to the improved information base for curriculum and materials development. A select number of faculty from these institutions will have been trained.

5. Institutional Development Enhanced:

The participating institutions will have an increased capacity to plan strategically and develop broader bases of financial support. Specific financing mechanisms to support programs and faculty will be in place.

C. Project Activities

The components of the Project are:

- Component 1: Strengthen Existing Management Programs at Participating Institutions
- Component 2: Introduce New Program Elements for Sectors with Greatest Potential for Growth
- Component 3: Facilitate Collaboration Among the Institutions and with the Private Sector
- Component 4: Decentralize and Diffuse Management Improvement
- Component 5: Institutional Development Support

In addition to these five components a sixth is proposed for overall management and evaluation of the project.

- Component 6: Project Management and Evaluation

1. Strengthen Existing Programs in Management

Statement of Problem

The degree programs at ESAN, PACIFICO and Piura reflect the customary manner of establishing a curriculum around the common functional areas (finance, accounting, marketing, etc.) of management. This reinforces these areas at the expense of both new managerial concerns (business policy, e.g.) and new functional areas (i.e., management information systems). Their attempts to follow similar programs in the United States have given these schools a sense of legitimacy, yet also have shielded them from the need to create those areas of specialization that are most important to Peruvian needs.

Pacifico's programs in administration have evolved out of the discipline of economics. As such, students from Pacifico have always been well-grounded in the theoretical dimensions of their respective fields, but shy in applied knowledge as it relates to resolving the problems of development. As a result of this theoretical perspective, Pacifico has not been in the forefront of developing the new areas of applied management education that are important at the undergraduate level-- informatics, production management and financial management for, example.

All of the three universities have underplayed the role of majors and minors within certain key access fields (where graduates often find their first jobs) marketing and personnel being two examples. All of these programs are lacking in what might be called the "enterprising dimension" of management education. For example, nowhere in the curriculum does one find courses which deal with managing the R & D functions, or new product and service management. These problems are found within the programs at ESAN, Pacifico and Piura. In addition to these generic concerns, the analyses have shown that Piura and ADEX have some special problems that should be noted.

The undergraduate business program at Piura is weak in four areas. First, there is a lack of trained faculty in fields that will become increasingly important for the development of successful businesses in northern Peru. These areas are small and medium-sized business management, production management, marketing, and management information systems. Secondly, the curriculum structure at Piura reflects the nature of a young and aspiring university in that it seeks to guide students throughout their academic careers. However, Piura should be able to introduce flexibility in its curriculum (depending on how one counts, there are 3 to 5 electives in 5 years), and also create some new courses. Piura has proven it can exist and prosper, now it must develop institutionally. Thirdly, the university must expand and diversify its learning resources in management education in order to support this project. For example, in the library there is not a single journal in any field of administration in any language. This means, at best, that professors are four years behind the literature in management (the lapse time required to translate books and get them into circulation). Finally, there is a need to develop new course offerings and introduce new themes to assist Piura to meet the challenges of management education in their region.

In ADEX, two areas of general weakness were found. One concerns the need to develop ADEX as an organization and the other deals with the educational efforts of ADEX as it tries to provide training for a target audience important to this project, namely, lower level functional specialists in the area of export promotion.

ADEX, as a teaching institution (through its School of Foreign Commerce, SFC), reaches a group of managers important in the area of international trade and often overlooked when a project has among its participants the two premier academic institutions in the country. Strategically, however, ADEX's combined educational and professional activities make it an attractive target that can be improved dramatically, with relatively small commitments of resources. In order to do this however, ADEX must address weaknesses in three areas.

First, the information resources available to ADEX are extremely weak. Its library resources tend to represent bureaucratic themes in that one finds ample volumes of information on regulatory procedures and little information having to do with the improvement of the management of exports. Much of this is due to a simple lack of resources. A simple computer hook-up to the information sources available through FOPEX would expand dramatically the information available to the teaching effort. Second, almost all of what the SFC does is on the functional side of international trade (export-import costs, international marketing, trade documentation, etc). These courses need to be up-dated and teaching methodologies improved in order to strengthen its teaching programs.

Finally, one of ADEX's professional activities has a direct impact on its management training functions, namely, that of job information for students. ADEX has chosen to link its professional activities with its educational functions, but the linkage around these personnel needs of employment is weak at best. It has little in the way of a formalized information service, yet the perfect opportunity to bridge educational and service functions is in improving this placement capability.

Response to the Problem

The activities in response to this problem all deal with the basic process of curriculum revision. Since each organization has its own unique problems in this area, the activities in this response section are described by institution.

a. ESAN

The project will put into motion a curriculum revision procedure which begins to address the aforementioned issues in all of ESAN's functional curriculum areas. These areas of curriculum design constitute the core of ESAN's comparative advantage in management education and they must be revised to better reflect the need to raise the level of quality in its management education. This thorough review and redesign of the curriculum, enable the institution to refocus its resources on what it can do best. By engaging in this process over the life of the project, ESAN will be creating a type of strategic planning process that will be supported for six years.

b. Pacifico

The project response to Pacifico's areas of weaknesses is threefold in scope. First, it is suggested that the faculty at Pacifico create areas of new specialization (minors and or majors) in selected fields of the curriculum, particularly in those areas of access functions such as, marketing, financial management, and management information systems, since they are fields of major concern to Pacifico's faculty and to the students as well. Secondly, it is suggested that the faculty consider a series of focused courses around fields in the so-called "enterprise dimension". There are some areas of management today that are seen as key components of creativity in an organization and which must attract special attention since, by definition, they challenge many of the assumptions of the traditional business school curriculum. Enterprising is a more generic concept than new entrepreneurship since it takes as its norm the need to implant creativity at all levels of management, not just the start-up phase. In this segment, two courses are worthy of consideration because they all have as a key theme, the need to bring about change and implant creativity, applied R & D, and market and consumer research. Finally, the project will strengthen the applied fields of management beginning with an area where Pacifico has some expertise, namely, organizational development (OD). Seven Pacifico faculty members have hands-on experience in designing and implementing strategies of OD, yet only at the graduate level have these skills been occasionally taught in an organized way. Experiences at other universities show that students find OD courses to be among the most useful because they require faculty and students to collaborate around the common goal of solving pragmatic problems of management and organizational procedures and structures.

c. Piura

The project response at Piura will be two-pronged in nature. Restructuring the curriculum is the sine quo non of success for Piura and it must become a university-wide commitment. This is said because it appears

that the foundations of everything that happens at the university is beyond any particular area of expertise. That is, Piura's goals are not only academic but spiritual, cultural and moral as well. As such, when one speaks of curriculum reform in this setting, one must recognize that any changes in the course offerings of one area automatically compete with broader university goals. Nevertheless, a multidisciplinary group can be formed at Piura, and with the support of this project, can bring about the desired changes. There is no significant resistance to the changes sought by this project among the faculty and administration. What exists is an institutional inertia that is characteristic of universities that have rather well-planned academic ideas.

The second response is a tandem process to curriculum reform. The reforms in the specific areas mentioned cannot be sustained unless Piura confronts the resource issue. In examining the library collection at Piura, it is quickly seen selected areas of specialization in business administration have received short shrift. However, the university is cognizant of this problem and ready to create the structures and procedures necessary to modify its priorities and be more responsive to regional requirements.

d. ADEX

The response to ADEX are: First, the project will invest in ADEX's need to quickly update its capability to be a center for trade information, not only for its members, but also for the students and practitioners enrolled in its programs. The technology required will be installed and the library resources will be expanded into areas of management improvement, not just the understanding of the rules and regulations of trade. Second, a curriculum revision team will be formed with a dual purpose in mind. Initially it will revise SFC the curriculum around the new bases of information that will become available to the organization. Eventually, it will reorganize the curriculum in order to meet the demands mentioned above. Finally, an internal organization development effort will be launched in order to improve ADEX's capability to link its professional activities to those of its educational efforts.

OUTPUTS

The outputs of this intervention will be several. First of all, ESAN will now link strategic planning to the process of curriculum change and development. As such, it should be able to avoid the trap in which it now finds itself, that is, the mere copying of what goes on elsewhere in the world of MBA curricula. Secondly, its programs of instruction will be more responsive to the development needs of Peru. They will reflect the management needs of Peru and Latin America rather than those of the United States and Europe. Finally, it will refocus its primary energies around those areas that give it leadership capabilities in management education. In the areas of management information systems and computers, business policy, and human resource management, ESAN has the capability of being one of Latin America's leading educational institutions.

Three important outputs will result from the strategy at El Pacífico. In the first instance, several new themes or orientations will be given to the undergraduate curriculum. Applied managerial skills and enterprising will

become areas of curriculum development around which changes can be made to make Pacifico's course offerings more consistent with the needs of the Peruvian economy. Secondly, specialization will be implanted in the curriculum, thus allowing students and faculty to focus their academic interests around areas of critical need to the development of the country. Finally, these combined strategies will enable Pacifico to solidify its position of leadership at the undergraduate level in the professional and applied sciences. It will be able to play, with more sophistication, the development roles being asked of it in other parts of this project (particularly, as it relates to other academic institutions in Peru).

The outputs of Piura will be two. First of all, there will be curriculum development in three of the four areas mentioned (management information systems, marketing, production management and entrepreneurship). The areas mentioned here are the most important fields to strengthen because they all relate directly to this goal of enhancing the productivity of the region's economy. Secondly, Piura will have improved its educational resources by using ESAN's expertise in the area of library information. CENDOC and the Computer Center at ESAN have the demonstrated capability to create the resource infrastructure necessary for quality management education. Piura will have an improved resource facility and a permanent linkage to the area's best resource in this important adjunct of management education.

Three outputs will result from project activities with ADEX. The beginnings of a modern system of computer-based information that can be used for education and trade promotion will be installed. Without this base of information, its life-cycle of development would certainly be short. Secondly, it will learn and adapt procedures for job placement of students, which will enable it to expand its capacity as an organization better able to serve its members. This work will be a key contribution to upgrading the human resources in areas where it has special talents and resources. Finally, the redesign of its curriculum will allow it to better reach the target audience of its trade school in order to support a specialist level below that of management in export trade.

INPUTS

An illustrative list of inputs to this component are listed below:

ESAN;

1. Education for 4 Ph.D. candidates in order to strengthen the above mentioned areas in the ESAN programs. They are distributed as follows:

- a. Management Information Systems
- b. Production and Quantitative Methods. These two areas complement each other and will strengthen the whole area of information systems, especially as it is applied to production technologies.
- c. Business Policy.

d. Human Resources Management.

2. Education of 3 MBA candidates in 3 of the above areas in order to reinforce these areas at 2 levels of expertise.

3. One long-term visiting professor for approximately 12 months in any of the areas mentioned above.

Pacífico

1. Education for 3 Phd candidates in the following fields:

a. Management Information Systems.

b. Financial Management.

c. Production/R & D Management

2. Education for 2 MBA candidates in 2 of the following fields:

a. Management Information Systems.

b. Financial Management.

c. Organizational Development/human Resource Management.

3. One long term visiting faculty in any of the areas above.

4. Two short-term professors for curriculum development work in fields not covered by the long-term advisor.

Piura

1. Education at the MBA level for 3 candidates in any of the above mentioned fields.

2. One long-term visiting faculty member who can assist in the overall restructuring of the curriculum as well as teach and do research in one of the areas to be strengthened.

3. Five months of Peruvian short-term technical assistance to help in redesigning the curriculum and the planning required for improving the library and information services.

4. Library and information technical equipment and funds for the acquisition of books and periodicals.

ADEX

1. Technical and resource investment to purchase minimum computer facilities and library materials.

2. Long-term hiring (3 years) of a Peruvian faculty member to teach in the SFC and provide consulting expertise to the curriculum redesign process.
3. Two months of short-term technical assistance to initiate and design the job placement service.
2. Introduce New Program Elements in Sectors with Greatest Potential for Growth

New program elements must be introduced into the work of the institutions in order to carry out the goals of this project. These elements revolve around the special needs of three sectors--agribusiness, international business and small and medium-sized business--important to stimulating a more productive private sector.

Statement of the Problem

Peru must develop its export sector, refine its capability of importing needed inputs for its productive infrastructure and link its own development to that occurring in the world economy. For this to happen, a trained cadre of managers must emerge during the life of this project, thus requiring the participating institutions to reorder their priorities wherever possible and assume educational leadership for these changes.

International business (IB) is not new to the institutions in this project. However, it is included under this category of new program elements for a very simple reason--so few institutional energies are being put into this area that it is easy to conclude that it is a peripheral program at best in all of the institutions except ADEX. IB in this context would include export product development and marketing, direct foreign investment and technology transfer. In Piura, IB has not been a critical input to its program even though Northern Peru will eventually depend upon exports for its development. Likewise, in ESAN and Pacifico, the traditional thrusts of their functional curricula have shunted sectoral concerns to the side. Finally, the quality of research in this area is practically non-existent. When a school consciously decides to withhold resources from an area, research suffers and virtually depends on the individual interests of selected faculty members. In Latin America, this further weakens the research efforts because there are no incentives associated with these endeavors.

In agribusiness, the overall problem of Peru is the gap mentioned in the problem definition of this Project, --namely, the absolutely critical importance of this sector to the future of the Peruvian economy and the near total lack of institutional resources dedicated to creating the human resources needed to improve management in this sector. Several observations are outlined below:

One of the impacts of the agrarian reform brought about by the Velasco regime was the virtual transfer of human resource training in agribusiness to the public sector, particularly the public universities. Furthermore, a large portion of this training was geared toward the management of cooperatives,

since this institution became an important organizational type in the agricultural sector.

A corollary development emerged along with the transfer of management training to the public sector and that was a type of internationalization of certain types of training in the agribusiness sector beyond the mere management of cooperatives. That is, firms in the distribution and processing side of agribusiness turned to private international consulting contacts for training, believing quite correctly that no private educational institution in Peru could satisfy their needs.

Finally, none of the key private academic institutions in this country has devoted any significant energies to the problems of agribusiness. Some professors have conducted research into problems associated with the agrarian reform, and occasionally one of the participating institutions will sponsor a workshop or seminar on a selected topic in agribusiness. But none of the participating institutions has a single course on agribusiness, nor a strategic thrust for research in this area.

The third area of concern, the process of creating and developing small and medium-sized businesses, is an important sectoral activity for the Peruvian economy. In terms of employment creation, this activity may be more valuable than the "mega" projects associated with the large private and state enterprises. In this regard, Peru finds itself in a position which may be unprecedented in its history--that is, entrepreneurial activity at this level appears to be in a take-off stage. The problem is that most of this activity is taking place in the informal sector. What is positive about this trend is that the entrepreneurial energies appear to be much in evidence and simply need to be channeled in directions most productive for the Peruvian economy.

The participating institutions are very interested in contributing to the process of training the human resources for this effort, but relatively ill-equipped to do so. For example, the phenomenon of the explosion of entrepreneurship in the informal sector has only been treated in theoretical terms by the major universities in this country. The best work in this area is being done by a parallel institution (ILD). Secondly, in none of the degree programs of the participating institutions, does one find courses devoted to the problems of managing small and medium-sized firms. Occasionally, these topics will find their way into other classes (financial institutions, administration, for example), but they do not constitute an area of concentration within the degree programs. Finally, with the exception of IPAE, even the special non-degree seminars that are offered do not present a coherent approach to the problems of management among this target group.

Response to the Problem

Activities under this project should reach several key target audiences with a high-quality message, and should be capable of producing an important change in the managerial capacity in these three areas. The responses to the problems are discussed by project activity, corresponding to the three sectors discussed above.

a. International Business

This activity contains the following:

(1) ESAN will revise its Advanced Program in International Commerce (PACI) in order to make it the nation's leading non-degree training program aimed at the needs of top level managers. PACI is a nine month program that has been taught for nine years and represents a significant entry on the part of ESAN in the field of international business. It suffers in two areas, however. First of all, its orientation is so broad that it misses ESAN's most important market, namely, top executives. Secondly, it still uses many translated case studies and "how to do it" export promotion materials that are not relevant to the Peruvian economy. ESAN will work with an advisory board private sector managers, its own faculty and the assistance provided by this project in order to restructure the orientation of PACI and revise its curriculum.

(2) Within ESAN, a team will be established with the purpose of implementing a modified Masters program with a minor in International Business (MBA-IB), which will extend the current MBA to 15 months. It should be offered to students starting in early 1986. In parallel with this activity, it will be necessary to revise PACI by refining a strategy that will clearly define its respective objectives and future markets.

(3) A special promotion program oriented to all undergraduate and non-degree management training institutions, though not exclusively limited to them, will be put in motion. Its purpose will be to announce the availability of special scholarships to ESAN's IB program for potential instructors/professors willing to return to their universities after graduation. ESAN will prepare for these instructors specialized courses to be taught in the last quarter of the new program, adding to IB topics courses on Education Methodology and Technology in which these participants will be required to:

- (a) prepare a case and teach it,
- (b) conduct a well defined research project so as to better understand this process,
- (c) revise their communication skills-teaching strategies.

(4) ESAN and Pacifico will modify required core courses in the regular MBA and undergraduate programs so as to include a required introductory course in International Business. Pacifico will examine the possibility of establishing a minor at the undergraduate level (i.e. 5-6 courses in international business).

(5) IPAE and ADEX will initiate, as soon as possible, a thorough review of their training needs and materials they are currently using. This will identify areas that need improvement in their material and training skills. They will then prepare materials by working in conjunction with some of the IB professionals either at ESAN or Pacifico.

(6) By the end of the third year, or early part of the fourth year, ESAN and Pacifico might jointly organize and will offer an intensive one-week "Seminar on International Strategies for Peru for the 90's". This seminar would be oriented toward senior managers and would include contributions from some members of the advisory board which will be set up to provide guidance to the IB programs (see Component 3). It would be an initial measure of the program's performance and a way of gaining the commitment of other firms and people to this area.

b. Agribusiness

The basic response to the agribusiness problem will be one of creating a very cooperative strategy among four of the five institutions (only ADEX will not be involved directly). The basic steps are as follows:

- (1) Create an advisory board in agribusiness as soon as possible with 10 leading businessmen, government officials, and experienced academicians who will help refine the development strategy of this academic area on a multi-institutional basis. One representative from ESAN with interest in the area should also be part of this committee.
- (2) Gain the commitment of a selected group of professionals, and, coordinate through them, research efforts in their respective institutions. Also, a few elective courses should emerge from this research.
- (3) Introduce an elective course in agribusiness in Piura's undergraduate program to be taken by students parallel to their course in business policy.
- (4) Bring a doctoral candidate (or if possible a PhD) to work for 2 years in the agribusiness field, probably based in Pacifico, and charge him with the responsibility of strengthening all activities in this sector by working with Piura and Pacifico.
- (5) Sponsor a short management seminar for interested senior managers about the strategic importance and meaning of the problems facing the agribusiness sector. This should be sponsored by all institutions involved and could have the participation of one foreign professor so as to secure the attendance of key people and gain objectivity.
- (6) After teaching the elective course in Piura for 2 years, it would be possible to start offering an adapted version as an elective in one or both Master's programs in Lima. Initially, the agribusiness elective should include both domestic and international topics. If the area gains demand, separate courses could be opened. Furthermore, under the assumption that the area generates even more interest, it will be possible to examine the possibility of creating a minor in either the graduate or undergraduate programs.
- (7) The first research effort should be oriented toward producing a basic technical note (to be used in all training activities) that will describe the main characteristics (number, size, functions) of the members of Peru's agribusiness system, their interrelations, and the trends,

problems and opportunities in the area. This technical note will introduce to all interested persons a common frame of reference and a terminology which later can be part of the common language of all those involved.

(8) Another basic activity will be the creation of an information/resource center among the universities where all previous studies in the area will be available. People involved in other research projects will have to define the areas of research and get funding from this project through matching grants. It would be desirable to undertake a study of a completely integrated vertical system for one of the products with high potential, such as cotton.

(9) No special support is given to any other institutions, except ESAN, which will begin research projects in the area and eventually introduce an agribusiness elective into its MBA.

c. Small Business Management

The project will respond to the problems of small businesses in three ways. Since ESAN has begun a serious research effort around the pragmatic concerns of enterprise growth during the last two years, the project will support these activities because they represent an underlying theme--namely, concentrate resources in institutions which have the potential for quickly making an impact in an important area of the project. These efforts at ESAN are geared toward the creation of an information center about the problems of enterprise growth, which is, in the case of ESAN, a good use of its computer center and the interests of its professors. Secondly, the project will support efforts at case writing and development of materials for courses to be taught in the degree and non-degree programs. In this area, perhaps more than any other, Peruvian institutions cannot rely on translated materials for teaching since the Peruvian entrepreneurship experience is vastly different from that found in Europe or the United States. Finally, in combination with other activities of this Project (see Component 4), certain institutions, under the leadership of IPAE, will be asked to participate and contribute resources toward developing training programs for the small business sector in the provinces.

OUTPUTS

The outputs to the responses described above are multifaceted in scope. With respect to international business, the project will raise IB to a new level of awareness among academics and practitioners. All of the target groups will be reached by the component, either through formal academic training or through non-degree training programs. Secondly, two key academic institutions will have established formal programs in the IB area, thus erasing a history of neglect in this field. In addition, ESAN will be using its program to reach out to other universities through its scholarship aid for professors in the IB area. Thirdly, a number of applied research projects in IB will have been initiated, reversing the present trend. These projects will link the academic institution's network of contacts, now lacking in the area. Fourthly, ESAN will take the leadership in developing the non-degree thrust in international business by redesigning its PACI program. This will give a

policy dimension to this education which is now lacking in the area of international business. Through the creation of the IB advisory Board, the goal of facilitating inter-institutional contacts will be formalized at the national level. This board will oversee the program, but more importantly, it will be a valued resource for the universities in terms of opening doors for research projects, case studies, training and consulting opportunities as well as raising the level of awareness of key people in Peru about the problems of agribusiness.

The outputs regarding agribusiness are more limited in scope than those of other interventions, yet nevertheless important. Perhaps most important is the fact that the response begins by creating a network among a few institutions capable of taking small steps in the direction of improving management in this sector. Secondly, the response allows the project to reach at least a small segment of each of the target audiences. Again, the impact of the strategy will be measured by the quality of those whom it reaches rather than by their total number. Thirdly, the response allows those institutions which have yet to define an overall strategy in this sector a chance to initiate important activities in this area of research.

Lastly, the outputs regarding small business follow. Through the efforts of ESAN, the project will help to create an information bank, easily updateable, around the needs of the small business community. This will create opportunities for research, consulting and teaching for professors in ESAN, Pacifico, and Piura, thus linking them to an important target audience. Throughout the life of the project, teaching materials will be developed that can be used by any of the participating institutions in their training and degree programs. The outreach programs described in Component 4 will reach another important target group, the small business community outside Lima.

INPUTS

An illustrative list of the inputs for this component are listed below by institutions:

ESAN:

International Business

1. Short-term technical assistance for revising the MBA program to include the area of IB.
2. One PhD candidate in the field of IB.
3. Library resources to support the new programs.

Agribusiness

1. Library resources to support new research projects.

Small Business

1. Two short-term advisors to help in the design of training of trainers program.
2. Training of trainers program.
3. Library resources. Some materials will be purchased but others will be generated, such as cases, technical notes, etc.

Pacifico:

International Business

- 1 Short-term technical assistance for revising the undergraduate program to include IB.
2. Two MBA candidates in the area of IB
3. Library resources to support the new IB program

Agribusiness

1. Library resources to support new research projects.
2. One Ph.D. in agribusiness
3. One MBA in agribusiness

Small Business

1. Library resources, some dedicated to the generation of new source materials.
2. Short-term TA exports for curriculum design.

Piura:

International Business

1. Three MBA's who will attend ESAN's MBA-IB program.
2. Library resources to support the area of IB in their curriculum

Agribusiness

1. Library resources to support research and course development.
2. One Ph.D. in agribusiness
3. One long-term visiting professor in agribusiness.
4. Two short-term professors to help in curriculum development.

Small Business

1. Short term technical assistance for help in designing curriculum responses to the problems of small business management.
2. Library resources, some dedicated to generating new materials.

IPAE,

In all three areas, IPAE will design and sponsor sectoral training programs of short-term duration. Some of these programs will be given in the provinces under the auspices of the outreach model described in Component 4. To assist IPAE in these efforts, it will receive short-term technical assistance as needed, and direct program support for testing new programs.

3. Facilitating Collaboration Among the Institutions and With the Private Sector

The purpose of this component is to address issues of linkages among the participating institutions and between the institutions and the target groups in the private sector. The history of collaboration among the participating institutions has been spotty at best, with each one supporting of its own set of clients and target groups. IPAE has done more in this area, which is why it has been assigned major leadership responsibilities in this component. Cooperation between ESAN and El Pacífico has been cautious, generally occurring around selected areas of curriculum development (the World Bank project in public management, for example). However, because resources are so scarce in Peru, and since the nature of modern management requires collaborative efforts to solve problems, this project must begin to create the institutional framework to support this activity. This will be accomplished through four different types of collaboration.

Statement of the Problem

The problem of specifically looking at the needs of key sectors of activity has been mentioned previously. These sectors have tended to form relationships with certain elements of the public sector in order to protect their interests against radical changes in public policy. What has not happened with the same fervor is the development of institutional ties among and across sectoral lines that would enable institutions to become more self-sufficient by building a base of support outside the public arena.

Applied research is one of the means by which institutions begin to understand the needs of each other. However, in the academic institutions participating in this project, research has not always had an applied perspective nor has it been a part of the incentive system for enhancing the prestige of the institutions. Each of these institutions must face three facts about its research. One, involvement in sectoral research areas has not been well-focused and certainly not well organized. The academic institutions

do not know enough about the managerial problems of key sectors of the Peruvian economy. Two, the institutions have not incorporated research into academic programs. Again, this reflects the lack of attention paid to applied research, particularly case-oriented research. Finally, the institutions have not found many ways to collaborate around research, preferring as they have, to merely service their own clients or interest of the faculty.

One of the keys to management success anywhere today is the availability of accurate information about the problems faced by organizations. In Peru, the problem of information deficiency is limited by two fundamental weaknesses. First of all, both the academic institutions and the private sector itself have relied heavily on the transfer of managerial information from abroad. The weakness of this approach is that much of this information is irrelevant to the context of development in Peru. Secondly, and perhaps a corollary to this point, is that the participating institutions have not conducted enough private sector oriented research into the applied problems of management. Their strategy has been to respond to certain client needs rather than develop a strategy to confront these issues within a logical framework of applied research.

The final piece in this component involves a critical weakness in the eyes of the private sector as well as by many in the academic community--namely, the lack of shared perceptions about the specific training needs of the business community. All of the project's institutions are involved in training programs to meet what are basically short-term skill needs of the private sector. The issue here, then, does not pertain to the capability of these institutions to design and put on these programs. The problem centers around the types of programs offered to the private sector. It has been assessed that many of the training needs of the private sector are not being met for various reasons. First of all, many of the programs reflect what is typically "hot" in the seminar business in other parts of the world. It may be MBO one year, operational planning the next, human resources development or accounting after that. The reality of this is that these programs may all have elements of management practice that are useful to know, but, on the whole, they are inappropriate technologies to transfer to Peru. Secondly, with the exception of IPAE, the institutions have not been judicious in trying to understand the real needs of the private sector by going to them in an organized manner and soliciting their ideas. Finally, since there is no permanent contact with the private sector around these matters, the institutions tend to be more short-term oriented in their programs, thus sacrificing more medium and sometimes long-term requirements based on what the market will buy.

Response to the Problem

The response to this problem has been to create four activities as described below.

a. Sectoral Linkage activities

With respect to the sectoral linkage activities, IPAE will be asked to shoulder the leadership role in bringing areas of the private sector together with the universities in activities that address problems they share

in common. Through a series of fora, seminars, workshops, training sessions, national congresses, etc., IPAE will create an arena in which the practitioners and the academics can meet. These events may focus on such topics as international strategies for Peru in the 1990's, export promotion within non-traditional industries, the problems of financing small and medium-sized enterprises, the improvement of productivity in the distribution industries of agribusiness, etc.

Secondly, the project will establish three important advisory boards associated with sectoral problems. Two of these advisory boards--international business at ESAN and agribusiness at El Pacifico--will have national membership and the third--agribusiness at Piura--will be a regional board easily accessible to Piura's programs. All of these boards will, act as practitioner/academic advisors in their area of expertise, provide ways in which the academic community can gain access to, and thus better understand the problems of private sector management, become the key mechanisms by which the academic institutions raise their matching funds for research (described below).

b. Consulting and Applied Research

Research projects will be directed towards the pragmatic needs of the three sectors of interest to the project. These projects will, when possible, foster inter-institutional academic collaboration and will lead to improved programs through curriculum changes especially in those sectors of prime interest.

The response will be threefold in scope. First, the advisory boards will help generate ideas and act as respondents to ideas suggested by the institutions. The boards will approve research projects and will be important sources of information and advice to the research efforts. Secondly, the project will consider criteria such as that offered below for the research projects in order to resolve the problems mentioned above:

- (1) Applied topics related to both teaching and research shall be given preference,
- (2) The studies should be able to lead to other research projects in order to extend the life of the research,
- (3) The institutions must have the capability to carry out the research project,
- (4) The institutions must seek matching funds, wherever possible, to expand the funding base and to begin the process of raising additional research funds,
- (5) The institutions should seek to involve other organizations in the research in order to expand the base of collaboration around research,
- (6) The research project should abide by a reasonable time duration, probably between 6 months and 1 year.

In addition the project will create an approval process designed to insure that the above criteria is included in the project. The four steps in this process are as follows:

(1) Seek advice and approval from the advisory board regarding the match between the project with the above criteria;

(2) Seek the approval of each institution's research committee, assuring that this committee has thoroughly reviewed the project;

(3) Seek the approval of the Dean;

(4) Seek the advice of the technical assistance Chief (COP) especially regarding the criteria outlined above.

c. Studies for Management Improvement (SMI)

Research studies will be selected, carried out, and results diffused on key management problems facing private sector organizations in Peru. Efforts will be made to elicit high quality proposals from a wide variety of sources, including but not limited to the participating institutions. With respect to these studies the project will create a selection and approval process and a diffusion procedure in order to carry out the SMI research and disseminate its results to the largest possible audience. These procedures are described below:

(1) Selection and Approval Process. The criteria used in the last activity for selecting and approving research projects will be incorporated here with the following modifications:

(a) The life of these projects should be more limited since it involves more short-term interventions. Nine months is probably the outside limit of a typical SMI project;

(b) Since it is not desirable to create yet another advisory board for this activity, it is suggested that a small committee made of the Chief of Party (COP), a representative from CONFIEP and a representative from the Institute for Liberty and Democracy, be delegated the responsibility for approving the research projects. This is an important role for the COP and this committee since the funds dedicated to this activity are only illustrative in nature-- that is, each institution is not guaranteed these funds throughout the life of the project. The project intends to create a competitive process, with the funds going to the best projects and not simply to the institutions. The COP will have to play a pivotal role in brokering among the institutions in order to manage these funds around the best projects.

(2) Dissemination Procedures. Once the research is finished, the schools will be required to disseminate the results of the endeavors. There are many ways to do this, but the following are suggested as guidelines:

(a) The research results should be written up in the form of cases in order to be used as teaching materials by all the participating

institutions and others who may have an interest in the problem. In short, "openness" of information must characterize of this activity,

(b) The sponsoring institutions should publish the results of its research in one or all of the following formats:

- Professional journals
- Practitioner magazines
- Research reports
- "Papers in Progress Series" which are first versions of the research to be distributed to any interested party.
- Short books and monographs where appropriate.

d. Needs Assessment Studies (NAS)

The project will set in motion an organized and ongoing effort to assess the management training needs of firms in the private sector. This will be a quasi-research effort aimed at improving, in the shortest term possible, the management of private enterprises. It will therefore be skill-oriented but it will not lose sight of the long-term needs of this sector. For example, strategic planning and management are serious deficiencies in the private sector which are long-term oriented but can nevertheless be the subject of very good seminars. Results will be shared among institutions and will contribute to planning of manpower training, designing of responses, and strengthening of linkages with the private sector. The procedure for doing this research will be as follows:

(1) Over the life of the project, each of the recipient institutions will be asked to sponsor three needs assessment studies that reflect its areas of strength in management education. In the case of ADEX, this NAS research will be limited to understanding the operational problems of export management in order to upgrade its programs in export trade. The problems associated with higher levels of management in export industries will be addressed by ESAN through its NAS research.

(2) The Chief of Party, in cooperation with the sponsoring institutions, will approve the granting of funds for the NAS research. The COP must be involved in order to assure a proper balance among these studies throughout the project.

(3) The results of these studies should be shared, at least in summary form, with the other participating institutions and with all interested parties in the management community. Once again, openness of information is necessary in order to create the infrastructure for collaboration that underlies the philosophy of this project.

OUTPUTS

As a result of this project, each of the institutions will be involved, in more formal ways, in the process of linking its activities to key sectors of the Peruvian economy. They will now have direct feedback from practitioners regarding the effectiveness of their programs. As such, the gap

that was identified earlier in this paper between the academic institutions and the needs of the private sector will begin to narrow. Secondly, IPAE will coordinate and sponsor a series of special conferences, seminars, and fora, as described above. Whereas the specific plans for these events will emerge from the advisory board meetings, several possible events have been identified in Component 2 of the project description, namely, "Peru's International Strategies for 1990's", and a senior level forum on the special management problems of the agribusiness sector.

Thirdly, well-funded research projects will now be directed toward the pragmatic needs of the sectors being investigated. Moreover, academic practitioner collaboration will be fostered, thus strengthening the support base for this work in the future. These research projects will lead to further changes in the curriculum, especially as they strengthen the new program elements created in agribusiness, international business and small business. The competitive selection process for SMI funds will sharpen the focus of these projects as well as the capability of each institution to respond to the needs of the private sector. This activity will also have other important linkage impacts since the information generated will be turned into case studies and other research/teaching materials in order to be distributed to a wide audience.

Finally, as a result of this activity, the project will have created an ongoing network of assessment activities among the participating institutions. All of the studies will be shared among the institutions and thus will help in the planning of manpower training among these organizations. Furthermore, the network will extend to the private sector at large, thereby directly involving them in important matters of curriculum development and probably some research design. The sense of estrangement that now exists should begin to weaken as this ongoing linkage develops throughout the lifetime of the project. In addition, this important activity will be extended to the three provinces of Trujillo, Arequipa and Piura as part of IPAE's support to outreach programs described in Component Four. That is, IPAE will conduct needs assessment activities both in Lima, as part of its regular program activities, and in the three provinces in order to determine the needs for training associated with the outreach model. Lastly, these institutions will have other opportunities open up as a result of this type of research activity. For example, more consulting opportunities should spin-off of this effort, thus enlarging the base of contact with the private sector.

INPUTS

ESAN

1. Advisory Board in international business requiring short-term Peruvian and/or outside help.
2. Six months of short-term technical assistance in the three areas of international business, agribusiness and small business and research funds.
3. Research assigned to SMI projects.
4. Research assigned to NAS activities.

PACIFICO

1. Advisory Board in agribusiness requiring short term Peruvian and/or outside help.
2. Six months of short-term technical assistance in the areas of international business, agribusiness and small business and research funds.
3. Research assigned to SMI projects.
4. Research assigned to NAS activities.

PIURA

1. Local Advisory Board in agribusiness.
2. Three months short-term technical assistance in sectoral research and research funds.
3. Research assigned to SMI projects.
4. Research assigned to NAS activities.

IPAE

1. Sectoral linkage activities (seminar, fora, etc.) supported with short-term technical assistance.
2. Research assigned to NAS activities.

ADEX

1. Research assigned to NAS activities.
4. Decentralize and Diffuse Management Improvement Services

Statement of the Problem

The problem here is how to expand the benefits of the project in the most cost effective manner. Regions outside of Lima are in desperate need of improved management programs, which are more directly responsive to their regional development efforts. These regional areas possess high potential for contributing to the economic growth of the country in the sectors highlighted earlier: small business, agribusiness, and international business. Yet, access to management development services is limited, as is the know-how to link into and compete in national and international marketing systems.

Several concerns emerge regarding the extension of improved management education and training in Peru. First, there has been a tendency among Lima-based institutions to perceive demand in the regions for management education as limited and thus the "building" of a regional institution or university is costly. Coupled with the fact that Limeños do not wish to spend

long periods of time outside of the capital, institutions have avoided any notion of creating a permanent presence in the regions. The result has been that programs exported to the regional areas are sporadic and largely reflect the interest of a particular institution in Lima, rather than the priority of felt needs of managers outside of Lima.

Second, as shown earlier in the paper, certain areas of management education are not presently being addressed by current university programs. If this is true of the participating institutions who are considered leaders, it is even more prevalent in other universities in and outside of Lima. Many universities are staffed by people who have training only tangentially related to business administration-economics and organizational sociology, for example. All of these schools, particularly in the regions, have limited resources. Funds for training profesors are in short supply or not available.

Lastly, it is recognized that the participating institutions will make many qualitative improvements in their curriculum and teaching under the components of this project. However, the desired impact on private sector development can only be achieved if other training institutions can gain access to these same benefits, namely research findings, revised curriculum, and new programs. The sharing and diffusion of such information has not been common practice among these autonomous institutions, but necessary for the success of this project.

Response to the Problem

Three specific activities have been designed in response to the problems related to decentralization and diffusion of management improvement services.

Regional Outreach Program

IPAE has made important efforts in extending management training into regions outside of Lima. At present it has a regional training director who resides in Arequipa, linking demand for courses with required resources from Lima, and it is exploring the start-up of programs in several other regions. IPAE is in discussions with a training institution in Trujillo and with various regional chambers of commerce, including the one in Piura. Its goal in all cases is to establish regional training functions which are responsive to the business needs of that area and, over time, financially and administratively self-sufficient.

The intention of this project activity is to strengthen IPAE's regional outreach efforts on a pilot basis in three regional areas: Arequipa, Trujillo and Piura. It is believed that by drawing on the informational, training and institutional resources available under this project, IPAE's outreach program can be greatly enhanced.

Whereas outreach will vary depending upon the particular situation in each of the regions, a general approach has been designed showing how the joint efforts of the participating institutions can strengthen IPAE's efforts at decentralizing management education. The goal of these efforts is to enhance the capability of regional areas to provide management training programs which reflect their own needs rather than those of a Lima-based

organization. Implicit in this goal is to "institutionalize" in some manner the processes of needs assessment, training design, program evaluation and curriculum revision. Either a regional office, with a director, must be created, or an already-existing regional institution must be found to take on this responsibility. IPAE, in communication with local chambers of commerce and other institutions, will identify this entity or individual. The job of the participating institutions, under IPAE's leadership, will be to transfer the necessary information, training, and resources to this entity until they are capable of sustaining their own work independently.

Several salient characteristics are contained in the generic approach presented in this project.

(1) The administrative mechanism established by IPAE will foster collaboration and participation from the four Lima-based institutions, with IPAE as the lead organization. The University of Piura will be involved only for the pilot program in Piura. Outreach efforts have should bolster Piura's own work and wherever possible not detract from the university's own commitment to the region. IPAE will create and manage the outreach programs, but the other institutions can participate in several ways; advanced training of regional directors at ESAN or Pacifico; applied research; curriculum design; and during the initial stages, teaching of specific programs.

(2) There will be strong connections between economic development and increased demand for management education. One way the institutions may create demand for their services is through their programs in regional development. For example, both ESAN and Pacifico have initiated research projects around the problems of decentralizing Peru's pattern of economic development. Since both schools are committed to this goal, these projects could become the basis for creating training programs in the regions. Problems of enterprise growth, entrepreneurial training, export management, etc., are examples of training programs which could be developed out of the research thrusts supported by this project.

(3) Since capital has always been a severe barrier to entry into this training market, a phase-out or declining subsidy is proposed for grant financing. That is, the project will begin by financing all the activities of an outreach program, except where construction is involved. However, over time, the outreach program must become self-financing and thus the project will install a declining subsidy over the life of this activity.

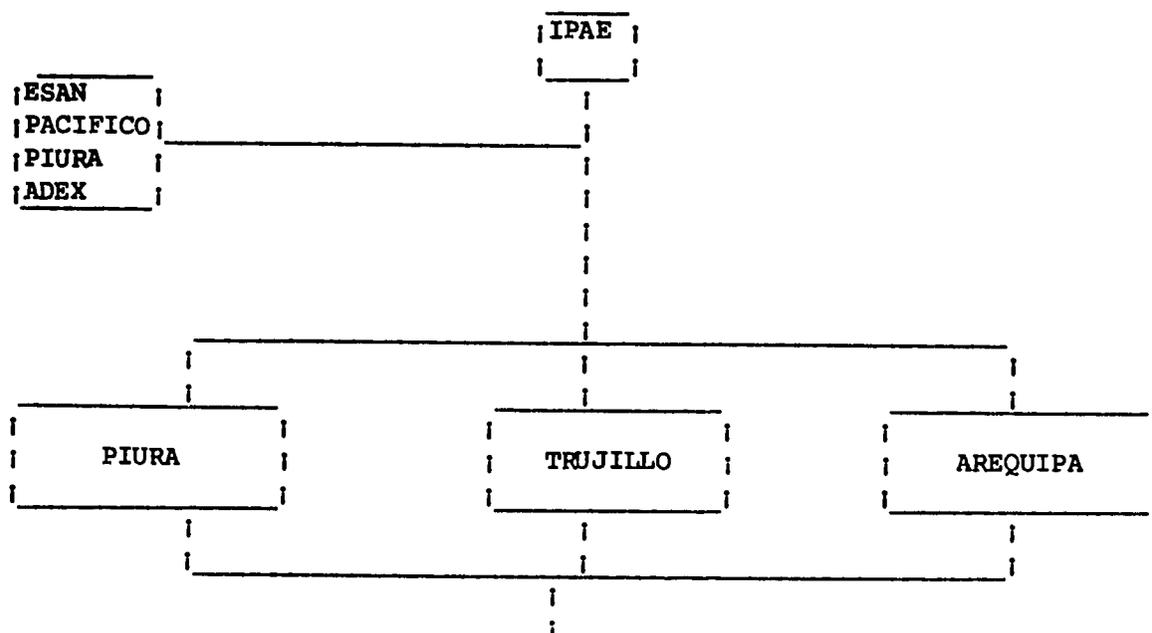
The chart on the following page schematically presents the a generic regional outreach program which will be refined for each region.

Development Training Fund

The second activity proposed under the component of decentralizing and diffusing management improvement services is the establishment of a development training fund (DTF) for business educators at other Peruvian institutions. As presently designed, the fund will provide full-scholarships and expenses for a total of eighteen MBA candidates. ESAN will have the responsibility for educating six of these candidates in the area of

international business and six candidates in any general area of the MBA program. All of ESAN's candidates will come from the provinces and will stay at the school about 15 months (3 additional months beyond the normal MBA program). The additional quarter of education will be devoted to more specialized training in the major, training in how to teach management education, and training in how to provide research and consulting services to the private sector. The six candidates who will go to Pacifico will by necessity come from the Lima-Callao area, since its MBA program is part-time and lasts for about 2 and 1/2 years. Thus, these MBA students will receive full scholarships and some additional expenses, but no living allowances. They will be required to work, as do all of Pacifico's students. While at Pacifico, they will receive the same type of additional training that was added to the ESAN program since this will be important for their academic careers. The project will require that all of these educators return to their universities in order to transfer their base of knowledge and skills.

PROVINCE MODEL OF NON-DEGREE EDUCATION



Activities in All Provinces

1. Select a Director for each city and establish an office.
2. Provide appropriate training for the Director (special courses, IPAE seminars, perhaps even an MBA).
3. Establish close working relationships with the local private sector, especially the Chambers of Commerce.
4. Establish close working relationships with local academic and non-degree institutions.
5. With assistance of the participating institutions (where necessary), conduct needs assessment studies to identify the local training needs.
6. With assistance of the participating institutions (where necessary), design and give the seminars, workshops and training programs.
7. Encourage ESAN and Pacífico to conduct regional economic development studies. After briefings and training programs around the results of these studies wherever appropriate.

Other Diffusion Mechanisms

The programs outlined above will create important channels for expanding the benefits of this project to other educators and training institutions in Peru. However, the need to extend benefits is so important to the goals of this project, that a separate activity has been identified to emphasize its priority.

The participating institutions will commit themselves to extending their network to other schools throughout the country. In addition to training educators, ESAN and El Pacífico, and eventually Piura, will establish other mechanisms to help disseminate the improved information base created by this project. Some of these mechanisms will include: distributing research reports and sponsoring round table discussions on important findings, sending case materials and course syllabi to other training institutions, sharing outlines of special programs (e.g. PACI) and workshops developed by this project, and inviting professors and students from other institutions to all seminars, workshops, and for a sponsored under the components of this project.

OUTPUTS

Several important outputs will be achieved through the activities described above.

First, self-financing training functions will be established and evaluated in three regions: Arequipa, Trujillo and Piura. Through this process the private sectors in the three pilot regions will have increased access to training programs relevant to their management development needs. Additionally, a linkage between the private sector and the government's interest in decentralizing development will have been established. This is critically important because the private sector must show that it can exercise leadership around this important public policy objective of decentralizing development.

Second, selected faculty resources for management education will be up-graded among non participating institutions. Even though some of these candidates will serve the Lima-Callao region (where there is also a dearth of good management education beyond ESAN and Pacífico), the majority will come from the provinces and return there. A related outcome will be ESAN's involvement in decentralized education. It will have to recruit in the provinces and begin to understand how to plan this type of education beyond the confines of Lima.

Third, the benefits gained under other components of this project will be disseminated and used by other Peruvian institutions in their management and business administration programs, thus expanding the impact on Peru's private sector development.

INPUTS

Illustrative list of:

a. Outreach Program - IPAE

Financing for a declining subsidy arrangement between IPAE and the regional training entity, over five years, will be provided. An approximate total of \$120,000 will be allocated to each pilot region to cover all operating costs, except construction. The possible sources of future income will be tuition fees, consulting, government subsidy's for successful economic development work, and contributions from the local private sector.

b. Development Training Fund-ESAN and El Pacifico

Full scholarships and living expenses for 12 MBAs at ESAN. Full scholarships and some additional expenses for 6 MBA candidates at El Pacifico.

c. Other Diffusion Mechanisms-All Institutions

Items generated by this activity will be supported by contributions from the participating institutions, such as mailing costs and tuition waivers for short courses, seminars, and workshops.

5. Institutional Development Support

Statement of the Problem

Of the five participating institutions, four (ESAN, El Pacifico, Piura, and ADEX) have expressed concern about long range strategic planning. Three (ESAN, Piura, and ADEX) have exhibited some financial difficulties. Whereas the specific issues faced by each institution do differ, certain variables related to planning and financial development are similar, and include: faculty salaries, little money available for program redesign, a lack of funds for research, few resources for faculty improvement activities, and, most importantly of all, limited knowledge of strategic planning for long term financial growth. These problems are not uncommon to private education entities in other countries, but are perhaps exacerbated by the present economic situation in Peru.

All of the institutions targeted for this activity face a strain on their human and financial resources, often stimulating the implementation of short-run solutions to longer-range problems. In some cases, like ESAN, the result has been a straying from the essential mission of the institution. During the past few years, in order to cover operating deficits, it has increased the number of short-term offerings with many of its full-time faculty teaching in those courses, leaving considerably less time for MBA teaching and research.

In the case of PIURA, almost the opposite phenomenon exists in turn, inhibiting the integration of current issues into the curriculum, impeding the process of finding practical work experiences for its students, and diminishing private sector contributions to training and research efforts.

ADEX has been pulled between the demands of an educational program and the other services it offers its membership in export promotion and development. It operates on a small budget, minimal full-time staff, and yet possesses a large and important mandate-namely, help foment exports in Peru. Part-time staff and faculty are poorly paid, there is little continuity in programming, and there is a lack of coordination between the school and ADEX's other activities.

El Pacifico is a mature institution and it appears to be well managed and is strong financially in the short-term. Nevertheless, planning links to financial self-sufficiency need to be strengthened. It supplied to the project committee an almost herculean list of objectives, yet no financial strategy was attached. Its financial horizon is defined by its operational budget and leaves little room for more long term of budgeting and planning requirements.

In all cases, the short-run financial constraints faced by these institutions have prevented them from developing a longer-run strategic focus within private sector education and development.

Response to the Problem

Most of the activities defined in Components 1-4 will support, over a six-year period, the strategic directions of the institutions. Nevertheless, it is deemed essential that the interventions implied by those activities be done in the context of institutional planning and development so that the desired changes can be sustained after the AID grant ends. The following activity has been designed to support continuous long-range planning and to help develop self-sustaining financial mechanisms appropriate to each institution.

a. Strategic Planning and Financial Development

Assistance for this effort is recommended in a number of ways. First, the primary technical responsibility of the Chief of Party (COP) will be to support the strategic planning process with the participating institutions. The contractual arrangements for this project (see Part V) will place a COP in-country for a 2 1/2 year period, starting in January 1986. This person will be of prime importance in helping the institutions integrate the various project efforts into their long range planning and development process.

To augment the COP's efforts, intermittent short-term assistance will be provided to the three universities and ADEX in the specialized areas of educational finance and fund-raising. The intention would be to spread these interventions over several years of the project to allow for check points, monitoring, and follow through. With this combined assistance the objectives of this activity will be as follows:

(1) Each institution will strengthen its capacity to carry out long-term financial planning.

(2) This strategic planning will fix responsibilities with the governing structure of each institution (board of directors, for example), in the area of financial planning and fund raising. In short, it is believed that boards have not helped enough with the financial needs of the institutions.

(3) Each institution will design a fund raising campaign with specific interim targets over a 5 year period which is consistent with the limited resource environment of Peru. (For example, capital funds donations are relatively easy to obtain, endowments are difficult.) The goal of this campaign will be to broaden the base of financial support to each institution as a key part of the mid-term evaluation, USAID will review and analyze the progress each participating institution has made among the first three years of the project towards financial self-sufficiency and improvements in key financial criteria. Based on the findings, USAID will consider additional resources to those institutions which have shown a broader level of resource support from the private sector and other entities. These resources could possibly come through an amendment to the project.

Next, it is proposed that the three university deans and/or their designees travel to institutions similar to their own in other Latin American countries and the United States. The visitations would provide them the opportunity to exchange ideas with peers in other countries and to see first hand how other educational entities have tackled both the programatic and institutional challenges of their work. For example, several universities in Colombia (Los Andes, Cali) have initiated programs in agribusiness that could be helpful to both Pacifico and Piura in establishing their similar programs. ESAN could learn a great deal about programs in top management and international business from Getulio Vargas in Brazil, INCAE in Costa Rica and Monterrey Institute of Technology in Mexico. Moreover, all of these institutions have begun to address issues of program planning and budgeting with a vision toward a more stable financial future. In short, the project believes the deans must become the leaders in the new strategic thrusts of their schools and the more interaction they have with others who are doing this, the better will be the chance for supporting this activity in the project.

Lastly, the particular problems faced by ADEX suggest a need to rationalize its various functions through an organizational development effort. Because of the impact of organizational structure and communication on the quality of services offered (and supported by this project), it is recommended that this OD effort be implemented during the first 18 months of the project. In essence, ADEX needs more than strategic planning; it must first of all design a system of organization and management which allows it to function as the hybrid organization it wants to become-professional and quasi-educational.

Outputs

Several outputs are expected as a result of the activities described above. At ADEX there will be a more rational organizational structure to support its activities and to link the activities of the school with the other services it offers. For all of the targeted institutions, there will be an improved capacity in strategic planning and thus a clearer alignment of

institutional missions, programs, and effective utilization of human and financial resources. Additionally, each will have the capability to establish sustainable financing mechanisms appropriate to their organizational environment. The types of mechanisms they may develop will be defined with the help of technical assistance, and will include a broad range of new contacts with alumni, private sector groups and hopefully international groups. As mentioned above AID will monitor progress closely, to determine whether or not additional resources in more direct support might be appropriate.

Inputs

Suggested inputs are: 30 months TA from Chief of Party in strategic planning and financial development for all institutions.

ADEX - 4 months of Peruvian technical assistance in organizational development, and
- 2 months foreign TA in strategic financing mechanisms.

ESAN - 1 month visit trips for Dean and designee, and
- 2 months foreign TA in strategic financing mechanisms.

EL PACIFICO - 1 month visit trips for Dean and designee, and
- 2 months foreign TA in strategic financing mechanisms.

PIURA - 1 month visit trips for Dean and designee, and
- 2 months foreign TA in strategic financing mechanisms.

7. Project Management and Evaluation

Statement of the Problem

The number of components, activities, and participating institutions provides an inter-related, yet complex project. The activities vary in nature and scope and the institutions themselves are a variety in terms of educational mission, needs, and widely different faculties. Each has its own distinct institutional personality. Successful implementation requires ongoing technical and administrative support.

There is a need for on-going in-country project coordination, particularly during the first half of the project's life. Support must be given in the start-up of activities within and among institutions. Follow through and continuity are essential elements. In comparing the present and planned portfolio of USAID/Peru with its staffing, there is little personnel available for this important task.

Another important need is for a solid technical and administrative link in the U.S. Appropriate long and short-term TA must be identified, good placements for the participant trainees must be made, and evaluative advice, from experienced practitioners, must be available to the school administrators. Experience in other education projects points to problems in fulfilling this need.

First, the high costs and difficulties in obtaining long-term visiting faculty is recognized. Length of sabbaticals, tenure requirements in the U.S. universities, present shortage of faculty in U.S. business schools, and salary and administrative overhead requirements pose serious constraints. In attempting to keep the project design realistic, long-term in-country assistance has been kept to a minimum, with a higher reliance on short-term interventions.

Second, the traditional "sister institution" mechanism often used for technical and administrative support has not always proven effective. Often projects are entered into by a university because of the keen personal interest of a dean or one faculty member. If that person moves to another institution, the oversight of a particular project may suffer because of diminished interest. Concern for a successful project lies with individuals, with institutions not just universities.

Response to the Problem

a. Technical and Administrative Support

Given the combination of issues involved in administrative and technical support, a unique project management structure is proposed, containing three essential elements: a contractual arrangement with a U.S. cooperating institution, organization, or consortium; a U.S. Advisory Committee composed of senior business educators/administrators with strong experience in Latin America, and substantial project coordination in-country.

The technical and administrative link in the U.S. can be provided by a cooperative arrangement with a U.S. institution or consortium with demonstrated experience with higher education in developing countries, the procurement of technical assistance, the placement of students, and AID contracting procedures. In turn, the cooperating organization would be responsible for establishing and coordinating a U.S. Advisory Committee.

It is recommended that the composition of the advisory committee reflect the needs of the project. The five committee members should represent different size universities (big state, medium private, small private), as well as sectoral and functional interests (agribusiness, international business, MIS, Non-Formal Education, etc.). Their role will be to lend assistance to the cooperating institution in identifying TA and placing degree candidates, provide evaluative advice to other elements of the project, and give technical guidance and support to the administrators of the recipient institutions.

It would be expected that over the life of the project each committee member will provide up to one month of technical assistance. Additionally, the cooperating organization would convene this committee on a bi-annual basis and each member would travel at least once to Peru during the annual project evaluation periods.

The efforts of the cooperating institution will be augmented by a Chief-of-Party in-country over a 2 1/2 year period. In addition to the technical assistance responsibilities cited in Component 5, this person will

carry-out all in-country management responsibilities for the cooperating institution, including the coordination of short-term technical assistance. Additionally, USAID/Peru will hire a project coordinator, who will work closely with the COP in monitoring activities and assessing progress. Twice during the life of the project, the coordinator will oversee in-depth evaluations of the project.

Suggested Outputs

The result of this project management structure would be continuity in programming, implementation, evaluation, and monitoring, efficient administrative support, responsive to the needs of the participating institutions, and long-term guidance to school administrators.

Inputs

For all institutions:

- Home Office Support of Cooperating Organization
- U.S. Advisory Committee (5pm TA plus annual meetings with cooperating institutions)
- Project Evaluation Costs
- 1 Project Coordinator (2 years, U.S., 3-4 years, Peruvian)

IV. PROJECT ANALYSIS

A. Institutional Analysis

This section evaluates each institution's, (1) programmatic and/or institutional weaknesses regarding the components and activities of this project, (2) absorptive capacity relative to the inputs to this project, (3) capacity to carry out the project, and (4) financial capability to carry out the project.

ESAN

The project requests ESAN to: modify its present MBA curriculum and create new minors in this program, modify its current non-degree program in international business and initiate new training programs in the non-degree area, become a key leader in disseminating MBA educational benefits to other academic and private sector organizations in Peru, upgrade its current applied research activities and launch new programs of research in agribusiness and small business management, upgrade its current faculty, link strategic planning with new mechanisms of financial management in order to become more financially self-sufficient by the end of the project.

ESAN must address several issues before it can effectively manage the changes that are implicit in the above activities. A major structural change in the MBA program is inherent in the above activities. The MBA program could be extended to 15 months to accommodate the IB candidates and the new students from regional universities. ESAN has considered this issue before and recognizes that the absence of minors in its program is a curriculum weakness. The capacity to initiate this change exists and the project should support the implementation of this change.

ESAN will play pivotal leadership roles in non-degree programs and in relating to the private sector. Strengthening its non-degree program in international business should not be a burden, but without changes in the procedures of the organization, it is doubtful that ESAN would effectively play the leadership role. Therefore, the project description and the technical analyses establish a set of guidelines for ESAN in order to give some structure to this process.

ESAN must initiate some changes in its research program in order to take on new areas as well as strengthen traditional areas to make them more applied in nature. All of the academic institutions participating in this project must begin to focus more on the pragmatic needs of a competitive private sector. Again, the project paper provides guidelines to ESAN and the others where deemed appropriate.

ESAN must upgrade its current faculty in the areas specified in the project description. Since this can only be done through long-term training, the issue of the impact of this training on the school becomes relevant. All the academic institutions in this project must face this problem and make adjustments to counteract the loss of a full-time professor for up to three years. ESAN can manage this transition period with the hiring of part-time professors to teach selected courses. As such, the curriculum changes can be initiated by the Council of Professors but some of the courses will be taught with part-time faculty.

ESAN must begin to broaden its vision about its financial future. ESAN has had only one year without operating losses since 1978 and suffers a severe liquidity problem every year. Its income from special programs is high, since it gets only 14.24 percent of its revenue from MBA tuition sources. There is a lack of income outside these two traditional sources. In fact, in 1983, only 0.21% of revenues came from gifts or quasi-endowments. Therefore, the project paper supports strategic planning and the establishment of a financial plan and mechanisms to broaden the base of revenues at ESAN.

PACIFICO

Pacifico has about the same level of resource inputs to that of ESAN but its span of activities is slightly less complicated. The project intervention in Pacifico will address the need for: curriculum reforms of its undergraduate degree program, emphasizing some new functional areas (MIS, for example) and some new sectoral concerns (agribusiness and international business); applied research in sectoral areas; new leadership roles with the University of Piura and with the private sector; upgrading its current faculty; confronting the issue of strategic financial planning.

There should be little concern about Pacifico's ability to absorb the inputs for curriculum revisions and make the necessary changes stipulated in the project description. These are changes that were already being contemplated and now the project gives the school a resource base upon which it can make these changes. In the area of research design, Pacifico has the capacity to better orient its research around the pragmatic needs of the

private sector and especially those in the agribusiness sector. With respect to its new leadership roles in the private sector and with Piura, the project assigns to Pacifico a required joint effort with Piura in developing a program in agribusiness. This linkage is very important for both schools. Likewise, Pacifico must find ways to better align itself with the perceived needs of the private sector to create a forward looking arena for problem solving in its degree and non-degree programs. A basic set of guidelines for this effort are described in the project description. Regarding Pacifico's inputs to long-term faculty training, it is believed that it too can manage the absence of these professors via the hiring of short term faculty.

Pacifico must address its financial future in a more organized manner. The problem it faces is not as critical as that of ESAN. In short, it operates well on a year to year basis. Yet, it too must broaden its base of financial support. Over the past few years, Pacifico has seen the number of its private donors decline (from 152 in 1980 to 19 in 1983), thus weakening its base of outside revenue sources. Pacifico has the ability to correct this situation and suggestions and guidelines are provided for the school under Component VI in the project description.

PIURA

Of the three academic institutions, Piura faces the greatest challenge in carrying out the goals of the project. The resources being channeled into the school are significant and the expectations are high. The project asks Piura to: make significant changes in the curriculum, including the creation of an agribusiness program; commit faculty resources to training; begin applied research; increase library resources emphasizing professional collections; strengthen its system of strategic planning and financial management.

There is little room for electives in the degree program and the project is asking that Piura find a way to build more flexibility into the curriculum. The Piura faculty agree that changes should be made yet, as it is pointed out in the project description, these changes must be seen as attractive payoffs. Although change is likely, the long-term technical assistance will have to work closely with the university to see that these modifications are made.

A second issue facing Piura is the amount of training being assigned to the school and the impact of this training on the day-to-day operations of the school. Piura does not have ready access to part-time teachers in Lima. Therefore, the following procedures are recommended:

1. Departures must be well-spaced in order to lessen the impact of the loss of key faculty members for at least one year;
2. Visiting professors should be scheduled to come to Piura during critical periods of this training component;
3. Compensation to faculty members should be initiated as a contribution in kind to this project in order to compensate for greater

teaching loads,

4. Wherever possible, Piura should hire part-time faculty to replace those on training leaves.

There is currently little research being done at Piura and the library resources to support that effort are minimal, to say the least. Piura continues to live with the myth that teaching and research are not well linked and it justifies the lack of research by saying that the faculty members are so student-oriented that they do not have time for research. There is little solid evidence for this conclusion (e.g., the teaching loads of 2 to 3 courses per semester are by no means high) and thus Piura must face the issue of moving some of its resources into research. This project provides that incentive and gives Piura perhaps its strongest base ever for supporting research. The problem is more a traditional preference than lack of capacity because an underlying interest among most faculty members in research exists. As this begins to unfold, the demand for increased professional publications should cause Piura to face the reality of enhancing its collection. In both these areas-- research and library resources-- in-country assistance is provided to Piura by linking its research efforts to those of Pacifico and by providing library resource consulting through the auspices of CENDOC at ESAN.

In the area of financial planning, Piura's problem is unlike that of either ESAN's or Pacifico's. Gifts amount to about 30 percent of revenues. Among all of the institutions in this project, it has the beginnings of a solid base of external support for its programs. This support is not yet in the form of endowment gifts (most of it consists of yearly sustentation gifts), but at least the foundation for expanded donations exists. Strategic planning at Piura should begin to tie the development plans of the future to this base of revenue in order to begin to raise faculty salaries and general support funds.

IPAE

The demands being made on IPAE by this project are by no means dramatic changes from what it has been doing well for years. In fact, the project seeks to enhance IPAE's capability for strong leadership in: refining training in key sectoral areas of the Peruvian economy; providing leadership in the activities linking the academic community and the private sector; and extending management education to regions outside of Lima

In none of these areas does there are major issues of adjustment for IPAE. As an institution, IPAE has already entered the business of providing training around sectoral needs and this project seeks only to focus its efforts around the three sectors included herein. Furthermore, the project has assigned key leadership roles to IPAE in the component of facilitating collaboration among the private sector because it has an already demonstrated capability to accelerate this key activity. Finally, IPAE is now involved in the decentralization of management education and the project will assist IPAE to assume the position of leadership by involving the other four institutions in this outreach program. In essence, there are few if any problems regarding IPAE. Its financial house appears to be in order because its four major

revenue sources have remained steady over the period 1978-1984, a no minor accomplishment since this was a period of major economic recession in most of IPAE's markets.

ADEX

ADEX is an important institution for the goals of this project, even though it is agreed that the weaknesses of this institution are the most apparent of the participating organizations. As such, the approach of the project is to go slowly with ADEX, not overload it with activities, and expect its contributions to the project objectives to increase in stages through the life of the project. As a result of its participation in the project ADEX must: reform curriculum in certificate and non-degree programs; install a computer-based information system; engage in limited areas of applied research; and initiate a thorough organizational development process and institutionalize on-going strategic planning.

There are some gaps and weaknesses in the curriculum of ADEX's programs because there are no well-qualified, full-time professors to monitor the evolution of curriculum. Changes are piecemeal and often unrelated to other areas because they occur through the efforts of part-time faculty. In order to rectify this problem, the project will provide ADEX with a full time professor for three years who will assist in redesigning the curriculum and defining the role of ADEX in research. This second task of the professor --research-- is important because ADEX must enter the business of doing research around assessing the needs of its members and defining the problems they face as managers involved in international trade.

The technical and resource inputs recommended for ADEX, should present few difficulties to the current organization. The computer system being implemented is already functional and is sponsored by FOPEX. Whatever assistance in installation and training ADEX needs in this area, it can receive from FOPEX.

Finally, ADEX will begin a program of organization development and strategic planning. In the documents made available during intensive review ADEX projected a future that was essentially beyond any means that it would have in the next decade. This, coupled with the fact that ADEX is financially the weakest of the participating institutions (it is a highly leveraged institution where even small changes in its revenue base could render it nearly bankrupt), led to the conclusion that ADEX must begin a development strategy that has the following goals.

1. Design a rational growth strategy based on the activities now being supported by this project.
2. With the TA experts in organizational development sponsored by this project, design a plan to change its organization and management system in order to carry out the strategy defined in point 1.
3. Design a financial plan in order to develop a steady base of revenue generation which allows the school to finance the changes being sponsored by AID beyond the life of this project.

B. FINANCIAL ANALYSIS

The total cost of this seven year Project is estimated to be \$9,333,333 of which up to \$7,000,000 will be contributed by AID through a grant. The participating institutions will finance 25% of the total cost, or \$2,333,333 with cash or in-kind contributions. AID'S contribution will finance the procurement of long and short term technical assistance which is estimated to be approximately 214 person/months, commodity procurement, research studies and participant training. Additionally, grant funds will also defray the costs of scheduled project evaluations and financial management reviews.

The following tables are included in this discussion to facilitate budget analysis.

Table I	- Summary Financial Plan
Table II	- Summary Cost Estimate and Financial Plan
Table III	- Make-up of Project By Output
Graph I	- Make-up of Project by Output
Graph II	- AID Financing By Institutions
Table IV	- Project Costs By Participating Institutions
Table V	- Methods of Implementation and Financing

Annex II, Exhibit D contains additional detailed financial tables on projected obligations and expenditures.

Graphs

Most of the funds to be obligated in this project will finance the development of educational programs and training activities for five Peruvian institutions of higher learning. Graph No. 1 shows a breakout of AID funding by the six outputs. While no fixed distribution of funds is anticipated, Graph No. 2, "AID Financing by Institution", demonstrates how these funds have been distributed at this budgeting stage.

Budget Costing Considerations

Standard AID cost factors for activities such as academic training, short-term and long term technical assistance and estimates for local cost financing were used. A provision for inflation of 6.5% per annum beginning in the second project year has been built into all dollar financed transactions. No provision for inflation for local currency costs was deemed necessary considering that devaluation of the sol continues to outdistance any real increases in dollar costs.

Methods of Implementation and Financing

There are no deviations from the AID preferred methods of financing. Table V demonstrates that approximately \$6,590,000 of AID grant funds will be used to finance a cooperative agreement with a U.S. non-profit or educational institution utilizing either the Letter of Credit - Treasury Financial Communication System (LOC-TFCS) or the Letter of Credit - Federal Reserve Bank (LOC-FRB) financing mechanism. AID/W will decide which method will be used

TABLE I
 ARI FINANCIAL PLAN
 (THOUSAND US\$)

COMPONENT	AID	HC	TOTAL
	=====	=====	=====
I. STRENGTHEN EXISTING MGMT. PROGRAM.	1,828	609	2,437
ESAN	652	217	869
PACIFICO	540	180	720
PIURA	478	159	637
IPAE	0	0	0
ADEX	158	53	211
II. INTRODUCE NEW PROG.ELEMENTS IN SECTORS WITH GREATEST POTENTIAL.	1,449	483	1,932
II.A INTERNATIONAL BUSINESS	499	166	665
II.B AGRIBUSINESS	735	245	980
II.C SMALL BUSINESS MANAG.	215	72	287
III.FACIL.COLABORATION AMONG THE INSTITUT.& WITH THE PRIV.SEC	1,172	391	1,563
III.A SECTORIAL LINKAGE ACT	210	70	280
III.B CONSUL&APPLIED RESEAR	533	178	711
III.C RESEARCH SMI	278	93	371
III.D RESEARCH NAS	150	50	200
IV. DECENTRALIZE MANG.IMPROV. SERVICE OUTSIDE LIMA AND EXPAND PROJECT BENEFITS TO EDUCATORS AT OTHER PERUVIAN INSTITUTIONS.	616	205	821
IV.A DEVELOP.TRAINING FUND	211	70	281
IV.B DEVELOP.TEST OUTREACH	360	120	480
IV.C TRAINING NEEDS ASSES.	45	15	60
V. INSTITUTION DEVELOP.SUPPORT.	513	171	684
V.A STRATEGIC PLANNING & FINANCIAL DEVELOPMENT	513	171	684
V.A.1 Dean's Package	75	25	100
V.A.2 Short term TA experts planning and develop.	97	32	129
V.A.3 Peruvian short terms TA in organiz. develo	23	8	31
V.A.4 LT Strategic Planning TA (Chief of Party)	318	106	424
VI.PROJECT MANAG.& EVALUATION.	1,422	474	1,896
VI.A TECH.& ADMIN.SUPPORT	1,422	474	1,896
VI.A.1 P.oj.coordin.&deputy	390	130	520
VI.A.2 Home Ofc.Support for cooperating institut	706	235	941
VI.A.3 U.S.Advisory Committ	150	50	200
VI.A.4 Proj.Evaluation Cost and fin mgnt review	175	58	233
TOTAL	7,000	2,333	9,333
	=====	=====	=====

TABLE II
SUMMARY COST ESTIMATE AND FINANCIAL PLAN
(THOUSAND US\$)

USE	SOURCE	AID GRANT			HC			GRAND
		FX	LC	AID TOTAL	FX	LC	HC TOTAL	TOTAL
I. TECHNICAL ASSISTANCE		3054	921	3975	0	1325	1325	5300
Short term		1260	23	1284	0	428	428	1711
Long term		1793	898	2691	0	897	897	3588
II. STUDIES		0	888	888	0	296	296	1184
III. TRAINING		1526	211	1737	0	579	579	2316
IV. COMMODITIES		400	0	400	0	133	133	533
TOTAL		4979	2021	7000	0	2333	2333	9333

TABLE III
MAKE UP OF PROJECT BY OUTPUT
(AID GRANT)
(THOUSAND US\$)

INPUTS	OUTPUTS						
	STRENGTHEN	NEW PROG	COLLABORAT	DESCENTRAL	INST. DEVEL	PROJ. MNG. E	TOTAL
TECHNICAL ASSISTANCE	504	897	233	405	513	1,422	3,975
Short Term	398	475	23	0	123	225	1,245
Long Term	106	422	210	405	390	1,197	2,730
STUDIES							
TRAINING	1,149	377	0	211	0	0	1,737
COMMODITIES	175	175	938	0	0	0	1,288
TOTAL	1,828	1,449	1,172	616	513	1,422	7,000

PROJECT COSTS BY PARTICIPATING INSTITUTION
(AID GRANT AND HOST COUNTRY CONTRIBUTION)
(THOUSAND US\$)

INPUT	%	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91	TOTAL
AID GRANT	75	821	1811	1749	1091	992	536	7000
HOST COUNTRY	25	274	604	583	364	331	179	2333
ESAN		90	189	196	89	86	34	685
PACIFICO		57	154	191	132	72	35	640
PIURA		44	158	76	56	102	29	465
IPAE		51	59	68	58	50	56	342
ADEX		32	43	51	29	21	25	201
TOTAL	100	1095	2415	2332	1454	1323	715	9333

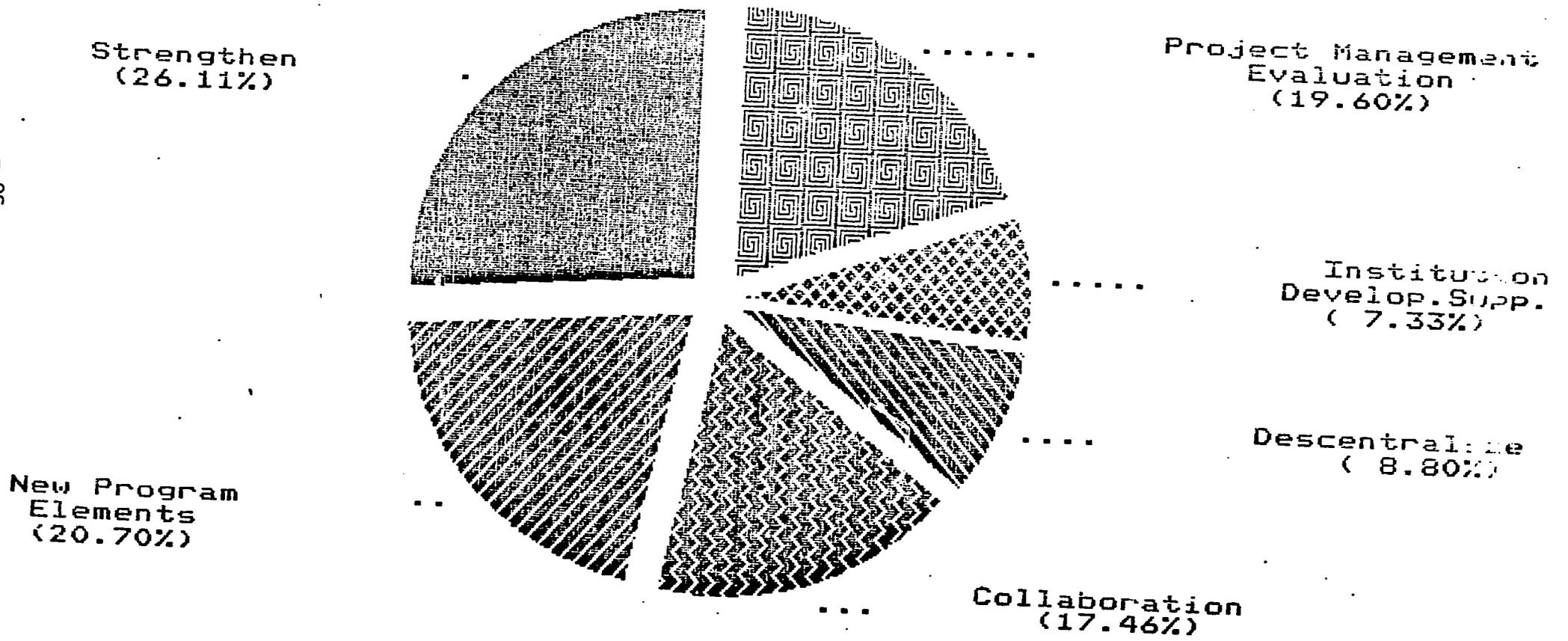
TABLE V.
METHODS OF IMPLEMENTATION AND FINANCING

METHOD OF IMPLEMENTATION	METHOD OF FINANCING	APPROXIMATE AMOUNT (THOUSAND US\$)
AID Direct Cooperative Agreement:		6,565
Technical assistance.	LOC-TFCS * or LOC-FRB **	3,800
Research studies.	LOC-TFCS * or LOC-FRB **	888
Training.	LOC-TFCS * or LOC-FRB **	1,477
Commodities.	LOC-TFCS * or LOC-FRB **	400
AID Direct Contracts:		435
PSCS.	Direct payment	260
Project evaluations.	Direct payment	50
Financial management reviews.	Direct payment	125
	TOTAL	7,000

* Letter of Credit - Treasury Financial Communication System.

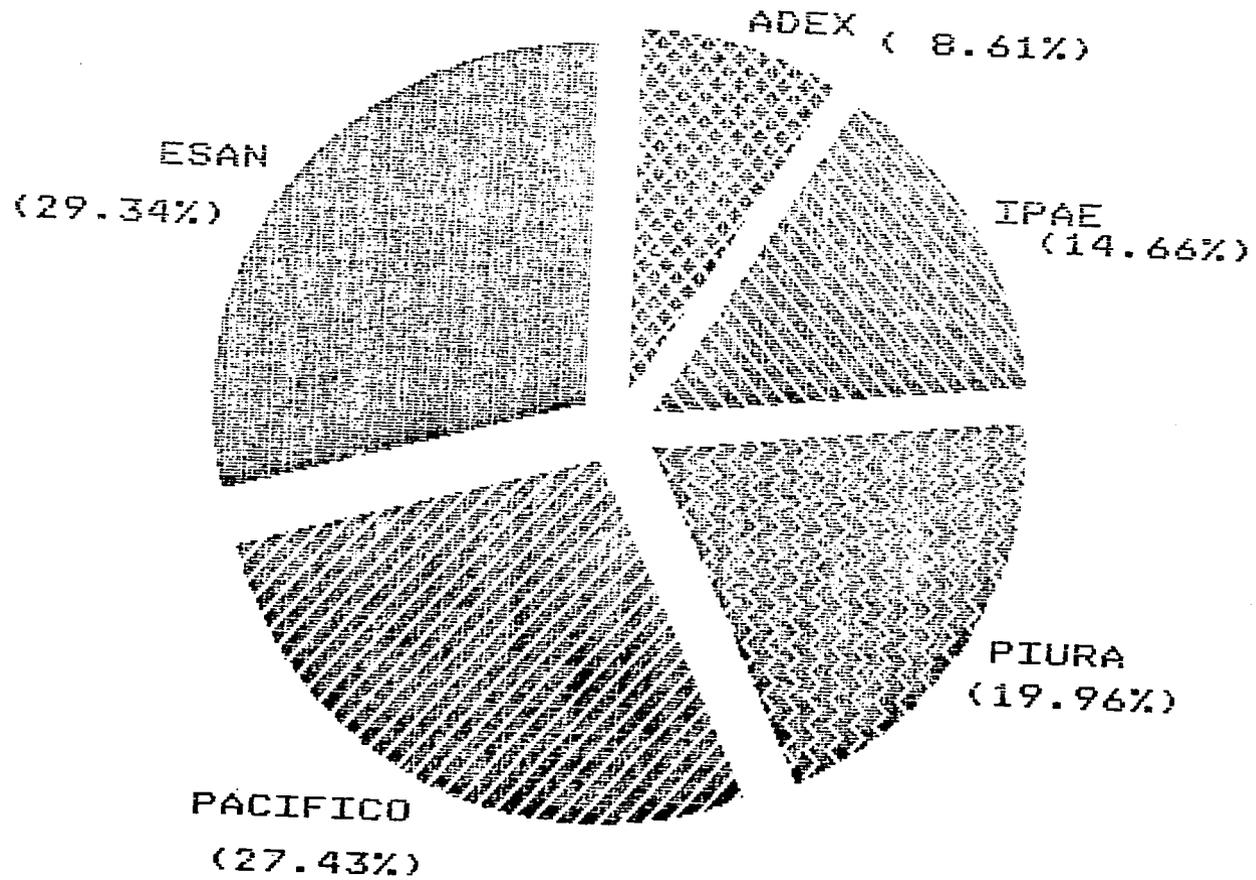
GRAPH No. 1

Private Sector Management Improvement Make Up of Project By Outputs



GRAPH No. 2

Private Sector Management Improvement
AID Financings By Institutions



after the cooperative agreement is signed. AID intends to contract directly with an expatriate to function as project coordinator for approximately two and a half years. He will be replaced subsequently by a Peruvian project coordinator for a remainder of the project life. Total cost of these PSC's is estimated at \$520,000. Project evaluations and financial management reviews envisioned for this project will be carried out through AID direct contracts with outside consultants, with estimated costs of \$100,000 and \$50,000 respectively. In addition, \$25,000 for an initial financial management review of the five participating institutions have been included in the funding for the cooperative agreement.

The design of this project will require the recipient of the cooperative agreement to present its billings to AID in accordance with the component breakout of the project budget to provide for proper accounting classifications.

An analysis of the financial viability of the five participating institutions follows in the next section.

2. Summary of Analysis of Each Institutions

This section of the Project Paper Presents a summary of the financial analyses of each participating institutions. The financial analysis of the five institutions selected for inclusion in the Private Sector Management Improvement Project is based on an examination of the financial statements of these institutions over the period 1978-1984, and interviews with the head accountant of those institutions. The primary purpose of this analysis is to determine the long-run financial viability of these institutions.

Financial records were generally adequate for analysis. Problems of particular institutions and necessary caveats and adjustments to reported financial information are included in the detailed analysis in Annex II, Exhibit M.

IPAE

IPAE is the second largest of the institutions being considered for the project, based on assets, capital or revenue. IPAE's revenue growth was the highest of all institutions over 1978-81, but only ADEX had more difficulty with declining revenue over 1981-83, and the decline in revenue continued through 1984*. However, since 1978, the net operating revenue of IPAE has been continuously positive, indicating that IPAE managed well in an unanticipated decline.

*Donations at IPAE are not considered a part of revenue. They are typically small, irregular and devoted to a particular project, i.e. a new building. Nonetheless, the addition of donations to the operating revenue in 1984 (donations amounted to 6 percent, a large share historically) would have produced a total revenue increase in 1983-84, rather than the reported decrease.

IPAE has plans for expansion, including more improvements to the present campus and the development of a sub-campus on land in Monterrico made available to IPAE by the government in 1982. To assist in this expansion, IPAE has requested assistance from the Interamerican Development Bank. Until such support is available, IPAE will have to rely on local credit and its own revenue.

IPAE's four major revenue sources have been relatively level over the period 1978-1984. Financially IPAE is a fairly stable organization which should be able to absorb the proposed levels of funding and maintaining support for activities supported by the project well after the PACD.

ADEX- ASOCIACION DE EXPORTADORES

ADEX is the smallest and financially weakest of the institutions being considered by A.I.D. for inclusion in the project. ADEX appears to be a highly leveraged (indebted) institution. Such an institution ADEX is at risk in that relatively small losses can render it technically insolvent. If an institution such as ADEX has difficulty paying its immediately due bills this condition may be recognized and bankruptcy forced. With a current ratio less than one, as at ADEX, current liabilities (and future liabilities) have to be paid from new revenue. It is important then either that revenue be growing or that net revenue not be negative.

In the case of ADEX, revenue has increased, and net operating revenue has been at least slightly positive since 1978. ADEX could afford no less in their stability of its revenue and net revenue, but it has had that minimum over the last four years. The relatively greater growth in ADEX revenue has been from its school ECEX. Overtime regular degree programs have grown compared to specialized extension courses, and the education section as a whole has grown from .24 to .37 of total revenue. With no unforeseen problems ADEX should be able to maintain its present financial performance and maintain project activities after the project.

PIURA

Measured by total revenue, Piura is the one in the middle, by rate of growth, it is the one at the top. Piura reports required financial information to the government. It has no audited financial statements, however this is not to imply that what Piura has provided in its report is incorrect, or that failure to follow GAAP in all cases is wrong. The accounting statements of a private, non-profit institution simply have to meet the desires of those who supply the institution with resources. They may not need further accounting, and to supply it would be a waste of economic resources.

Those who supply resources to Piura are remarkable in both the level and consistency of their support. Private gifts account for between 60 and 64 percent in five of the six years between 1978 and 1983. (For private schools in the United States gifts would run about 24 per cent). Tuition and fees accounted for some 30 percent of revenue before 1982 and about one

quarter since that time. Revenue from short courses and seminars came to be important in 1981, but declined previous levels by 1983. There are also a few goods sold from the engineering departments at Piura. Revenues at Piura have consistently exceeded expenditures, by a remarkably wide margin, in 1982 and 1983 by 50 percent. These profit on revenue rates may be somewhat overstated due to the absence of non-cash charges, particularly depreciation, but a fairly high profit rate is still implied. In spite of the above Piura has found itself in times of tight liquidity.

Since financial information about Piura is somewhat limited and imperfect, it is difficult to feel completely comfortable with an unassessment. Still, basic conditions do appear solid and Piura should have the financial strength to carry out project and to continue support for new activities over the long-term.

El Pacífico

El Pacífico has the highest revenue of the five institutions being considered for the project, and more than double the capital of the others. Growth rates have been high. Net operating revenue has been high, in the range of 22 to 32 percent over 1979-1983. Debt ratios at El Pacífico look good to excellent. There has been a reasonably steady expansion of student enrollment. El Pacífico appears to be in a solid financial condition, perhaps better than many small U.S. universities. Any conclusions about their abilities to implement the proposed activities and maintain support after the project would have to be positive.

ESAN

Measured by total revenue ESAN is the fourth largest of the institutions being considered by AID for the project. Revenue growth trends place ESAN as the lowest of the higher education institutions. Net operating revenue at ESAN has not been positive at ESAN since 1978. Preliminary results indicate that 1984 was a year of operating losses as well, although it has been indicated that 1985 seems to be in the black. Other institutions have felt temporary liquidity squeezes. For ESAN the condition has been permanent

ESAN has consistently had one of the highest ratios of the five institutions, though usually lower than ADEX. However in 1981 this debt to total assets of ratio dropped sharply. This drop in attributable mostly to a rise in assets. In turn much of the asset increase in 1981 is due to the first of the re-evaluations, and the acquisition of computer facilities valued as \$1,183,000 in 1981 from the National Beer Company.

Tuition and fees at ESAN have consistently amounted to 70 to 80 percent of ESAN revenue. Enrollment in ESAN's masters program has fluctuated in the range of 80 to 100 over the last fifteen years. ESAN, however, is not highly dependent upon masters student revenue, which over 1982-1984 varied between 14 and 24 percent of total ESAN revenue. A much greater reliance is found on other programs. It is not clear that this emphasis, though perhaps immediately necessary due to financial difficulties, is in the long-run best interest of ESAN. The success of ESAN's outreach activity depends to a

considerable extent upon its reputation for academic quality in the masters program. It is not evident that ESAN has a clear strategy nor a high priority interest in masters student recruitment.

Aside from the computer center, gifts as a regular revenue source have been less important for ESAN than other educational institutions in Peru. Some ESAN gifts also have a counterpart in ESAN services, for small business and rural development from CIDA through the University of Laval, for services to Penn State, and most recently for services in public administration training to the World Bank. Preliminary 1984 data indicate that 25 percent of 1984 revenue at ESAN came from the World Bank.

ESAN has been trying to build an endowment fund, a fondo institucional, whose capital contributions are not to be used for expenditures. These contributions have not been large, amounting to \$28,000 in 1983.

ESAN's long-run viability is not seriously in question, due in part to its substantial net worth, but more importantly due to the quality of its human resources. But in the short-run ESAN is likely to continue distracted by financial difficulties.

CONCLUSIONS

The prospects for long-run financial viability seem reasonable for all five institutions being considered for this project. A ranking of the institutions, in order of their financial strength would run Pacífico, IPAE, Piura, ESAN, ADEX. Only ESAN and ADEX seem likely to face any serious financial difficulty. The condition at ESAN is improving and ESAN has a net worth that would allow it time to cope with any future problems. ADEX has a much smaller margin of safety, but recent experience in operating without losses and increasing membership support suggest that its continued operation is not seriously in question. There is no reason to expect that the magnitude of the financial investments will endanger the financial viability of any institutions and the level of activities established by this project should be capable of being maintained in the future.

Accounting and financial management in the five institutions appear adequate for their needs and the requirements of the project. More standard financial reporting should be encouraged at Piura. Technical assistance in fund raising would be appropriate for Pacífico, Piura and ESAN. Although Pacífico and Piura are certainly not lacking in levels of support from the community, more appropriate forms might be devised. Alumni support systems need to be developed, as do closer relations with multinational corporations. These are areas in which technical assistance would be of particular value.

C. Technical Analysis

Since this project consists of a variety of components and activities, a number of issues about the technical aspects of these activities should be addressed by the Mission. Five activities are particularly important for this analysis.

1. Mix of Activities

The project consists of components which are degree-oriented, non-degree oriented and shared activities. They also have a time dimension associated with their impacts which is either short-term (activities which can be started immediately, and whose impacts will be felt within the first year of the project), medium to long term (activities than can be started soon but whose impact will not be seen until at least year 3 of the project), and activities whose impact will be felt over the life of the project.

Degree activities are those directly related to either the MBA or the undergraduate degree; non-degree are those associated with special training programs and shared activities would be things like research whose results may be of equal value to degree and non-degree activities.

Several points should be made about this mix of activities. In the first place, the mix is relatively balanced between the two important activities of degree and non-degree programs. Another way of saying this, is that the project has a balanced time framework between short-term and long-term interventions. Secondly, therefore, both urgently needed skills in certain functional areas are being addressed (marketing and computing, for example) and certain other long-term concerns are included within the life of the project enhancement of key sectoral activities -- (agriculture, international business and small business development). Therefore, the project is investing resources in refining and developing skills as well as in changing attitudes, knowledge and procedures required to make the private sector more competitive in the future. Finally, the mix of activities has an underlying bias of creating -- not just transferring -- the knowledge and technology from the context of Peru's development needs. As such, both the short-term and the long-term interventions will seek to promote a type of collaboration whose benefits will be long-term in that they avoid the managerial "fads" (e.g. transactional analysis) or the quick-fix so common to those who only think in terms of transferring technology from one context to another ("The one Minute Manager", for example).

2. Sectoral Versus Functional Activities

Somewhat related to the above discussions on the mix of activities, are the resources which flow into programs whose orientation is functional versus sectoral. As was pointed out earlier in the project paper, business schools have traditionally preferred to upgrade their functional areas of expertise at the expense of sectoral concerns. Once again, project seeks a balance between these areas, which in the case of Peru, means that the project must insist that the participating institutions develop new thrusts in the activities aimed at strengthening sectoral activities. The private sector cannot become competitive by simply channeling educational resources into functional activities. Therefore, this project has consciously designed interventions to address the needs of those in agriculture, international business and small business, and especially those involved in these activities in the provinces. This new balance of activities will prompt the participating institutions to amplify their programatic emphases and will also

begin to narrow the gap that now exists between these key sectors and the educational institutions.

3. Incentives for Retaining Professors

One of the risks associated with providing funds to educate professors at the MBA and Ph.d. level, is that these professors will gain very marketable skills and not want to return to the universities which have sponsored their post-graduate training. This is a reality of any Latin American educational environment. The participating institutions must adopt some form of re-entry policy which has the following characteristics:

a. A contractual arrangement which requires that the trained professor repay part or all of the scholarship received if he/she does not return to the institution for a specialized period of time,

b. Each school should design a program of regular communications with its degree candidates who are studying abroad. This might include brief reports on the progress of the study program as well as selected communication from the school regarding events of interest to the faculty members,

c. All faculty should receive full-time, regular appointments upon return to the school. Under no circumstances should they be given part-time contracts,

d. Ph.d. candidates should return to the school after passing their qualifying exams (normally, at the end of the second year) in order to make a presentation to faculty and interested students on the progress of their work. Wherever possible, the doctoral candidates should design a dissertation that would be of interest to him as well as to the school,

e. Professors receiving scholarships should spend time at the school -- preferably a year or two as a research and/or teaching assistant -- before receiving the financial support to study abroad.

4. Agribusiness Demand and Overall Demand

From the moment the project decided to support teaching, training and research in the area of agribusiness, the issue about the demand for these activities became relevant. That is, given the fact that the dominant organizational form in the sector is a cooperative, can one expect the demand for agribusiness education to be high? The answer to the question is "no", especially during the initial phases of the project. This is why the project begins slowly with only selected interventions. In a sense the project will help to tap a latent demand that exists but at present is not widespread. Furthermore, the demand which exists is probably stronger in the provinces, which is why attention has been focused on Piura. It seems that political conditions in this sector are beginning to evolve to the point where private sector firms will be more actively involved in all phases of agricultural production and distribution, and, once this trend takes hold, the demand may accelerate quite rapidly. The educational institutions can play a

significant developmental role here if, through this project, they can become leaders in the process of stimulating a demand for new private sector institutions in this critical area of the Peruvian economy.

The issue of the overall demand for the activities of this project should be seen in the light of the above discussion. If one merely looks at demand in terms of the supply of managers and the demand for training, one might say that the market has cleared -- that is, demand and supply are about where they should be. This, however, begs the issue of current economic activities in Peru and the demand for managers. If Peru continues along its present path of development, the demand for managers will not exceed the supply. However in those areas that are the key sectors for a more outreach oriented development, there is now and will be during the life of this project a shortage of managers. Thus, the issue of demand seen only through the macro data of market clearing prices is not sufficient.

5. Leadership Role of the Participating Institution

Finally, the issue of leadership as it relates to the roles being played by the five institutions is raised. In the past, each of them has been identified by the private sector, and in most cases the academic community, as being a leader within a certain realm of activities. ESAN opened the doors for quality education at the MBA level; Pacífico did likewise at the undergraduate level in economics and its related professions; Piura was perhaps the most distinguished institution that decentralized university education in Peru; IPAE created a very needed niche in the market of management training and executive conferences, and ADEX became the nation's leading professional organization in the key area of international commerce, especially export promotion. But, the issue to be raised here pertains to the current leadership roles and capabilities of these institutions. In short, all of them reflect a somewhat reduced presence in the arena of leadership around key areas of development.

More importantly, therefore, for the goals of this project, one must ask whether these institutions once again can play a more assertive type of leadership. They can and the project is designed to provide mechanisms to support this leadership function among the institutions. The key word here is "among" because each institution must define its own arena of leadership through collaboration that concentrates resources around the changes that must be made in the development of the country. The mechanisms for providing the initial structure for this activity are as follows:

1. Advisory Boards which link the activities of this project to all participating institutions, to associate institutions (those professors who receive degrees from one of the participating institutions, for example) and to the private sector in general,

2. Specific linkage mechanisms in certain programs, especially research and training, which require collaboration among the institutions,

3. The model of institutional development which links the financial future of each institution to a broader base of the private economy. In the past, these institutions have received the majority of their financial aid from public and/or nonprofit organizations. They should continue to seek these resources, but they must broaden their base of support to the private sector. These resources will come to the institutions once they are seen as leaders in a model of development consistent with the needs of the private sector,

4. The needs assessment activities and the management improvement studies will require that all of the institutions constantly seek to upgrade their curriculum and research in order to play a leadership role in meeting the needs of the private sector.

In other words, the project design recognizes that in today's economy, leadership occurs through a network of activities, not in isolation. In this project, the activities have created the beginning infrastructure for this network, recognizing that these institutions have a demonstrated capability for leadership, but lack the impulse to develop this leadership under assumptions that have changed since they actively promoted their wares as leaders of management education.

D. Summary Economic Analysis

The economic analysis of an institutional and human resources development project such as the Private Sector Management Improvement Project can be carried out, at least conceptually, in three ways. The first way is to determine whether the activities and the project are cost effective. The principal thrust of this project is to strengthen the institutional capacity of selected organizations to deliver management improvement services. The project has as its focus qualitative improvements of the educational network. Thus, it is difficult to define cost effectiveness in other than a qualitative manner. For considerations advanced in the technical analysis and in the consultant's reports, it is the judgement of the Project Development Committee that a conscious attempt has been made to support a cost effective approach to achieve the outputs and that the project is reasonably priced relative to what it is intended to accomplish.

A second way to consider the project economically is to ask whether the objectives of the project are sufficiently great to warrant the associated costs or whether other objectives would warrant higher priority attention. In this case the response is clear. In the Mission's CDSS, its Private Sector Strategy, the PID, and its most recently approved action plan the improvement of managerial capacity in the private sector is of fundamental importance to the development of a market-oriented economy critical to Peru's future. This position has been confirmed by leading educators, private sector businessmen and independent consultants. This project seeks to create conditions for private enterprise growth where entrepreneurs and more appropriately qualified managers are able to exploit the advantages of an improved policy environment and contribute to a more productive and vibrant private sector.

Lastly, one can attempt to quantitatively estimate, the returns to such an investment. The conceptual framework for such an economic evaluation is a partial equilibrium model of supply, demand and labor income of managers as well as the social benefits generated from the investment such as greater efficiency of resource utilization greater understanding of management issues affecting the private sector, improved capacity to trade in the world market and other productive investment opportunities. Full implementation of such a model is not possible given the data available however sufficient data has been assembled to analyze the demand and supply for managers, determine whether investments in management education can be justified on a cost/benefit basis and to make specific recommendations regarding this projects return on investment. Overall the analysis suggests that the activities of the Project are justifiable in economic terms.

It appears that the market for managers in Peru is reasonably efficient as it generates and transmits the appropriate signals with respect to quantities, qualities and prices. The market also suggests that strictly in quantitative terms, an over supply of "managers" will be quite possible in the coming years. The analysis concludes that only managers educated in institutions of recognized quality will be able to find work and that only these institutions will be able to fill their classrooms.

Taking into consideration this information, that the Project concentrates its efforts in improving the quality of their training and skills base instead of increasing the supply. Thus, it is necessary to distinguish the costs and benefits of such quality improvements from the costs and benefits of management training programs.

Costs

There are three main costs to management training. Institutional expenses, forgone student earnings, and project costs. It is assumed that forgone student earnings would be the same, regardless of the quality of the training. Thus, they have not been considered. Then an effort was made to determine which of the project and institutional costs were additional (i.e. could not be incurred if the project would not take place). It was assumed that ESAN and El Pacífico would invest in some training without the project and that some technical assistance would also be acquired by the institutions. The annual budget was then modified to exclude these items for purposes of this analysis.

Benefits

The benefits of this project are reflected in the improved quality of the managers that will receive training at the institutions participating in the project. The social benefit of this improvement in quality is reflected in the additional income received by higher quality managers.

An estimate has been made of the greatest improvement in quality that might be achieved by the project as indicated by potential wage differentials. (See Table D for estimates of wages.) It was assumed that full benefits would begin to accrue in year two of the project and that they would continue for nineteen years.

Using \$500/mo. as an average entrance salary for a person with a BS, it can be seen that society values a year of ESAN training at \$214/mo. and a two-year MBA from the U.S. at \$457/mo. In order to compare the two, it was assumed that one year of training in the United States would have half the value of two years, or $1/2 \times 457 = \$229/\text{mo.}$ Thus, improving the quality of ESAN's courses so that they have the same value as U.S. courses calls for a \$15/mo. improvement. Using this figure as an average for what might be achieved by all participating institutions, annual benefits would equal $\$15/\text{mo.} \times 12 \text{ mo.} \times 1,208 \text{ students}$ (see Table C for number of students) = \$217,440/yr. of increased salaries. Table A summarizes the costs and estimated benefits of this project over twenty years at a 10% discount rate with these assumptions.

It is very possible, however, that the project will not be able to achieve an improvement in the quality of management training such that domestically trained students are seen as being as valuable as U.S. trained students. Table B shows that at least 40% of this difference must be achieved for this project to break even at a 10% discount rate.

Investments in management education in Peru from this perspective are clearly cost effective and the concentration on qualitative improvements to management education is an appropriate focus for this project.

TABLE A

Value of Quality Improvements
Equals \$15/mo.

<u>Year</u>	<u>Costs</u> <u>(\$)</u>	<u>PVO Costs</u> <u>at 10%</u>	<u>Benefits</u> <u>(\$)</u>	<u>PV Benefits</u> <u>at 10%</u>
1	828,000	828,000	0	0
2	1,603,158	1,457,416	217,440	197,673
3	1,581,715	1,307,203	434,880	359,405
4	981,484	737,403	652,320	490,098
5	792,751	541,460	869,760	594,058
6	555,712	345,053	1,087,200	675,066
7	0	0	1,304,640	736,435
8	0	0	1,522,080	781,068
9	0	0	1,739,520	811,499
10	0	0	1,956,960	829,942
11	0	0	2,174,400	838,325
12	0	0	2,391,840	838,325
13	0	0	2,609,280	831,397
14	0	0	2,826,720	818,800
15	0	0	3,044,160	801,622
16	0	0	3,261,600	780,801
17	0	0	3,479,040	757,140
18	0	0	3,696,480	731,329
19	0	0	3,913,920	703,953
20	0	0	4,131,360	675,510
		<u>5,216,535</u>		<u>13,252,446</u>

TABLE B

% Improvement Compared with ESAN/U.S. MBA Differential

<u>Improvement in Quality</u>	<u>NPV of Costs</u>	<u>NPV of Benefits</u>	<u>Net Benefits</u>
10%	5,216,535	1,325,245	-3,891,290
20%	5,216,535	2,650,489	-2,566,046
30%	5,216,535	3,975,734	-1,240,801
40%	5,216,535	5,300,978	84,443
50%	5,216,535	6,626,223	1,409,688
60%	5,216,535	7,951,468	2,734,933
70%	5,216,535	9,276,712	4,060,177
80%	5,216,535	10,601,957	5,385,422
90%	5,216,535	11,927,201	6,710,666
100%	5,216,535	13,252,446	8,035,911

TABLE C

Number of Students Graduating in
Management Training Per Year

	<u>Students</u>	<u>Student Years*</u>
<u>ESAN</u>		
MBA	90	90
Non-Degree (1 wk courses)	950	27
<u>Pacífico</u>		
MBA	10	10
BS	75	75
Non-Degree (1 wk courses)	150	4
<u>IPAE</u>		
Non-Degree (1 mo. ave. course)	7,600	844
<u>ADEX</u>		
Non-Degree (1 mo. ave. course)	700	78
<u>Piura</u>		
BS	<u>80</u>	<u>80</u>
T O T A L		1,208

* Student years were calculated using either 35 weeks or 9 months as a full year of training. Thus 35 students receiving one week of training is assumed to equal one student receiving one full year of training.

TABLE D

Estimates of Entrance Salaries that Firms Are Likely
to Pay to Candidates With Differential
Types of Education

<u>Type of Education</u>	<u>Month Salary US\$ Per Month</u>
Ph.D. USA	1,137.94
MBA USA	957.32
Magister ESAN - 1 year	714.52
Magister Pacifico - 2 year	707.00
Lcdo. Católica	466.44
Lcdo. Lima	462.69
Lcdo. Pacifico	528.37
Lcdo. San Marcos	385.18

Source: Survey of Experts

E. Social Analysis Summary

This social analysis is a summary of the study which is included, in Spanish, as Exhibit K of Annex II. In general, the study concludes the project will have a positive impact on Peruvian social development and finds no underlying socio-cultural reasons for not proceeding with the project. There are however, a number of constraints associated with the implementation of the various components of the project and a few suggestions regarding target audiences that must be consciously addressed by the project activities. Both of these points are discussed herein.

1. Implementation Constraints

The constraints discussed in this section should not be seen as barriers or impediments to the implementation of the project. That is, they do not prevent the project from realizing its goals. They do, however, constitute a series of factors that must be taken into consideration as the activities of the project unfold. If not, then the goals of the project might have a more limited impact.

a. Organizational Structure of the Peruvian Economy

The Peruvian economy is still dominated by the small - to medium-sized family enterprise. Thus, management improvement has a social dimension as well as a technical component. That is, the characteristics of the Peruvian extended family are imparted to the context of management via the family enterprise and any effort to change and improve management must take this fact into consideration. For example, the family may be more interested in security and control than in risk taking and competition. In short, a number of family concerns extend themselves into the managerial arena and they must become a part of any strategy for change.

b. Socio Cultural Values and Change

Closely aligned with the above point, is the broader arena of socio-cultural values that levy constraints upon the desire to bring about managerial reforms. According to the study, the following values are worthy of mention here.

First of all, as mentioned above, the notion of risk taking and competitive behavior may be circumscribed by other values that emphasize stability and control. Obviously, these values would impede the growth process of a firm as well as its ability to compete in the international arena of management. Secondly authoritarianism, which has pervaded all sectors of Peruvian life, is very much alive in the management of organizations. This leads to very stilted organizational structures that are difficult to change. Finally, in this milieu of organizational rigidity, one finds a high level of distrust among employees. This lack of confidence makes it difficult to implant more flexible and collegial styles of management that depend on cooperation and trust in order to carry out the work of the organization.

c. Inappropriate Economies of Organization Scale

Every country must develop an array of small, medium and large enterprises in order to modernize its economy. When this pattern of enterprise growth is distorted, then the needs of development will not find their appropriate organizational scale. For example, in many Latin American countries, and especially Peru, the private sector is characterized by over-supply of small enterprises and a dearth of larger firms. In many cases, the sector of large enterprises is dominated by the state via its public corporations. What does not happen in this environment is the natural evolution of enterprises from small businesses to larger corporations. The impact of this trend is that the skills for managing the diversity of enterprises required for a modern economy are not developed. This is a serious problem in Peru and should be addressed by this project.

d. Role of Private Sector Managers

For many historical reasons, the managers of private enterprises in Peru have not been seen as promoters of progressive change. They are associated with old oligarchies, monopolistic enterprises and behaviors oriented toward the protection of narrowly-defined self interests. There is every indication today that indeed these are mere stereotypes not consistent with the roles now being played by the private sector. Yet, the impressions still linger in the minds of many Peruvians. This is a constraint to this project and to the Missions's overall private sector strategy since the private sector is being asked to play new leadership roles in the creation of a different development model for Peru.

2. Target Audiences

The social analysis points out a bias that may be inherent to two of the institutions selected for this project-namely ESAN and Pacifico. In short, the overwhelming majority of the graduates from these two schools seek employment in the larger private enterprises and the more prestigious public firms. In addition, the management programs at these two academic institutions reinforce this bias since their curriculum is based on the problems of the larger firms. Suffice it to say, the project must direct its special attention to the needs of that target audience left out of this curriculum, the small and medium-sized firms, especially the family enterprise.

The second target audience that must receive special attention is that group of private sector enterprises found outside the geographical limits of Lima-Callao. The bias of centralization so characteristic of the political and social environment of Peru has pervaded as well as the academic life of this country. Programs of research, training and consulting have given short shrift to the development needs of people in the province and thus the level of knowledge about these problems is even more underdeveloped in these areas. This target audience is critical for the development of Peru and it must be reached by this project.

3. Conclusions

The project development committee believes that the analysis completed has important implications for project success and that the project design incorporated its findings. The project gives special emphasis to the disadvantaged groups found among the small business sector and managers in the provinces; the outreach model described herein addresses the needs of these groups. Moreover, the project design is very cognizant of the constraints. Resources are dedicated to the problem of changing attitudes and behaviour among managers, to the problems of the family enterprise in the private sector and especially to the role of the private sector as the lead sector in creating a new model of development. Indeed, this is the foundation of this project, and, should it be successfully implemented, the private sector will be seen as a new source of leadership for Peru and not simply as a force for sustaining an economic mechanism out of touch with the broader goals of Peruvian development.

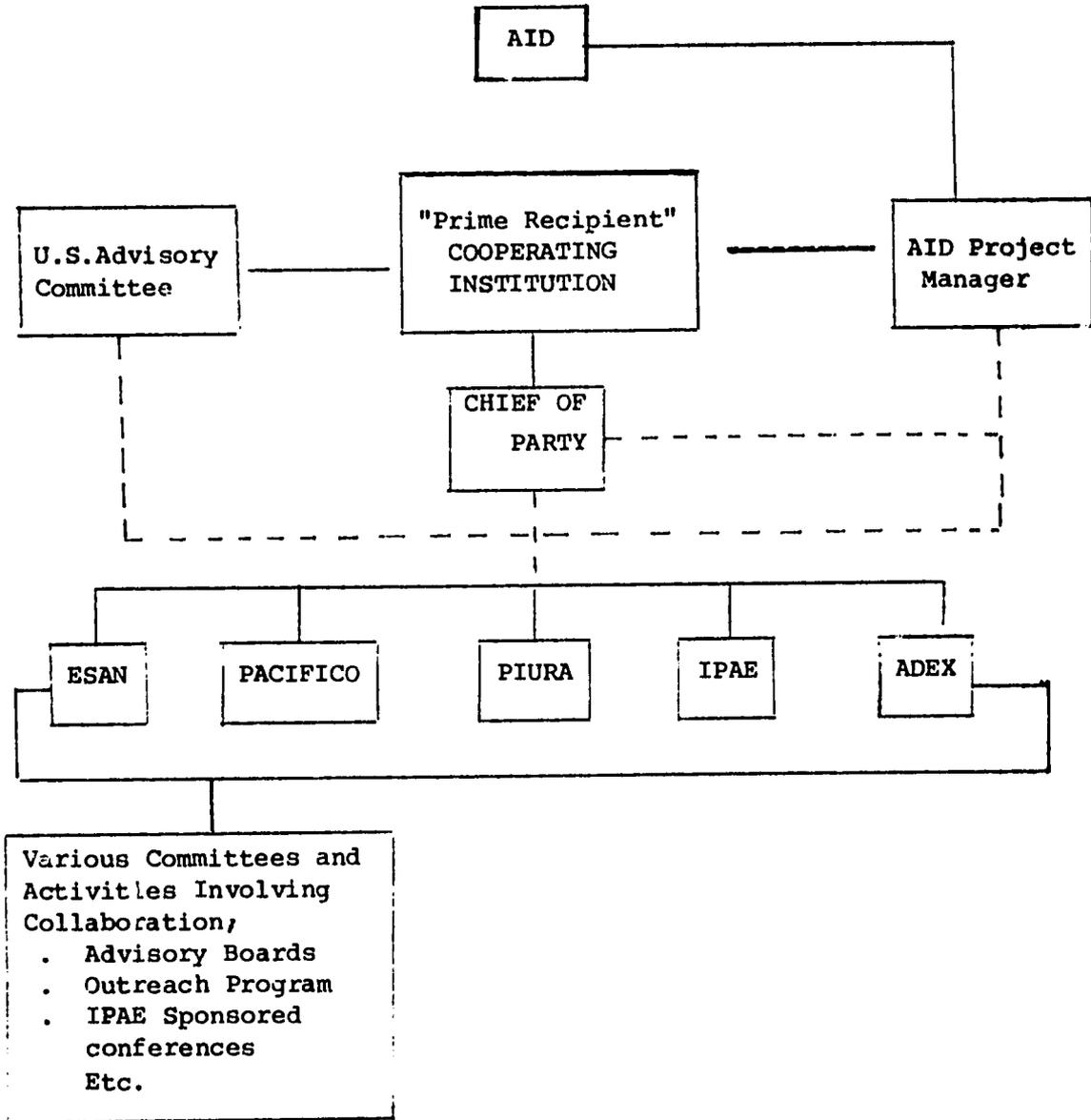
F. Environmental Analysis

A review of the Project during PID development resulted in a recommendation by the Mission that an Initial Environmental Examination was not required because the Project's activities are within the classes of actions described in Section 216.2 paragraph c(2)(i) and c(2)(xiv), "Categorical Exclusions" of 22 CFR, part 216. Annex I, Exhibit D contains the "Environmental Threshold Decision" as approved by the AA/LAC.

V. IMPLEMENTATION ARRANGEMENTS

A. Administration

The anticipated organizational structure for implementing the project is depicted in the diagram below, illustrating basic lines of communication and responsibility:



1. Overview

USAID fully expects to obligate and implement the project through a cooperative agreement with a U.S. institution or consortium, "the prime recipient." However, the process of selecting a prime recipient and negotiating an agreement may not be possible in FY 85. Therefore, an alternative contingency obligation procedure has been considered. Should it

be required, USAID could negotiate and obligate separate grant agreements with one or more of the five participating organizations for available FY 85 funds. Future planned obligations would be channeled through a cooperative agreement with funding provided in FY 85 supporting certain components and activities which could be most easily broken-out from under the cooperative agreement. All Peruvian participating institutions have been briefed on and advised of the expected cooperative agreement process, they are also aware of the possibility of individual grants should a cooperative agreement not be possible this FY.

2. The Cooperating Institution: "Prime Recipient"

AID expects to sign a cooperative agreement with a U.S. prime recipient. This will obligate grant funds and establish the main project implementing relationship for AID. The prime recipient has responsibility for implementing almost all project activities. The prime recipient will be selected by USAID/Peru in collaboration with the participating Peruvian institutions, based on applications for assistance submitted by qualified and interested US organizations and/or consortium. Once the cooperative agreement is signed with AID, the prime recipient will in turn negotiate and sign sub-agreements with each of the participating institutions. These sub-agreements will outline project activities, resources available, responsibilities of the participants, conditions precedent to the disbursement of funds, reporting requirements, implementation arrangements and any other documentation required by AID.

The major responsibilities of the prime recipient will be to:

. Provide all short and long-term technical assistance to the project in line with the goals of the project and responsive to the needs of the institutions.

. Place participant trainees in carefully selected educational programs.

. Procurement of a limited amount of commodities needed by the project.

. Insure adequate project planning and start-up of activities, oversee disbursement of funds for specific activities in-country (e.g. outreach program, advisory committees, special studies and applied research, development training fund).

. Monitor all activities and evaluate project progress annually with the participating institutions.

To carry out these responsibilities several key implementation mechanisms will be utilized. They are the following:

a. U.S. Advisory Committee

To replace the traditional "sister institution" mechanism, the prime recipient is expected to form a 5-member advisory committee, whose major functions will be to: (a) lend guidance and reference in identifying qualified technical assistance and placing degree candidates in appropriate programs; (b) provide evaluative advice to other aspects of the project, and (c) give technical guidance and support to the administrator of the prime recipient (and its member institutions).

The prime recipient will identify potential candidates in their proposal and form this committee in consultation with the local participating institutions and USAID. Criteria for selecting committee members should include:

. Experience and interest in Latin American management education,

. A range of expertise should be represented, with each member possessing at least one of the following areas:

- Agribusiness
- International Business/Trade
- Strategic Planning and Financial Development
- Small Business Formation and Entrepreneurship
- Management Information Systems
- Non-Degree Training

Additionally, a secondary expertise for at least one should be organizational development.

. The committee, in aggregate, should demonstrate good access to technical resources, i.e. a range of business schools: large public, medium, and small private in size.

The prime recipient will frequently communicate with the committee, seeking their assistance in identifying appropriate technical assistance and placement for long-term training. Also, in their advisory role, each member of the advisory committee will visit Peru and provide up to a month of technical assistance to the project. It is expected that these visits will occur during the time of annual evaluation in-country. Following these visits, the board will be convened by the prime recipient to review the progress of the project. These board meetings will be held once a year. Cost for all the above will be financed under the cooperative agreement.

b. Chief of Party

The prime recipient will provide a Chief-of-Party in country beginning in the fourth month of the project for 2.5 years. This corresponds to the heaviest period of short-term technical assistance and the start-up of major activities. This person will be the primary representative of the prime recipient in-country. This is a position critical to the success of the project and maintenance of good relations with each participating institution.

The management and technical responsibilities of the Chief of Party will include:

a) Plan technical assistance, training, commodity and other requirements with the participating institutions.

b) Develop and negotiate sub-agreements with participating institutions.

c) Develop an in-country resource list of Peruvian technical assistance resources.

d) Coordinate and manage technical assistance and training needs to the home office.

e) Supervise all prime recipient personnel working in Peru under the project.

f) Provide advice and guidance to the advisory boards being formed by the participating institutions with the private sector.

g) Provide guidance to the council for the outreach program.

h) Oversee the administration of funds for applied research, scholarships, local honoriums and travel.

i) Facilitate collaboration between the institutions.

j) Provide technical assistance in strategic planning and financial development under the institutional development component of the project.

k) Monitor project progress.

l) Communicate regularly with the AID Project Coordinator.

m) Fulfill all AID reporting requirements.

c. Other Project Backstopping

The prime recipient will provide sufficient home office support to carry-out its responsibilities. Additionally, before the Chief of Party arrives in country, and after his/her departure, the prime recipient will have established efficient forms of communication with the participating institutions for project implementation and monitoring purposes.

3. Peruvian Participating Institutions

a. Coordination

Primary responsibility for the coordination and implementation of project activities by the participating institutions lies with the administrator of each of the participating institutions. The governing board of each institution will have its senior administrator responsible for project execution. The administrators should be those individuals holding the following positions:

The Dean of ESAN,
The Rector of El Pacífico,
The Dean of Business Administration at Piura,
The General Manager of IPAE, and
The Executive Secretary of ADEX

Each of these individuals will work closely with the Chief of Party in devising technical assistance and training plans, and evaluating the progress of the project. Additionally, in those cases where an institution is responsible for establishing an advisory board, the administrator will take the lead in soliciting private sector participation and chairing those meetings.

For other specific activities, the administrators will formally appoint a designee for implementation responsibility and communicate this to the prime recipient. Additionally, the administrators will regularly meet with the USAID Project Coordinator.

b. Advisory Boards

Three sectoral advisory boards are recommended in Component 3 of the project description: one for international business under the direction of ESAN; one for agribusiness under the direction of El Pacífico; and a local advisory board for agribusiness in Piura, under the direction of the University of Piura. It is intended that the last board will coordinate with the national agribusiness board in Lima through the communication of the Rector of El Pacifico (or his designee) and the Dean of Business Administration at Piura.

These Boards will be formed during the first year of the project for the purpose of fostering linkages and collaboration among the institutions and with the private sector about salient management development issues of the designated sectors. Specifically, their functions will be five-fold:

- a) generate ideas for relevant applied research projects,
- b) identify needs for special training programs,
- c) provide guidance for curriculum revision in the selected areas,

d) disseminate information generated by applied research and provide guidance to IPAE and the other institutions regarding the timing and content for sector-wide conferences and fora, and

e) stimulate private sector interest in and contributions to the activities of the institutions, particularly in the area of applied research.

The two Lima-based advisory boards will be composed of representatives from each of the participating institutions and up to seven representatives from the private and public sectors. A representative from the National Agrarian University at La Molina will be invited to join the national agribusiness board. The institutions in charge of forming these boards will detail the proposed composition in its first operational plan for the project. Limited honoriums and travel expenses will be covered under the cooperating agreement and administered through the Chief-of-Party.

c. Applied Research Fund

Funds for applied research are available for: (1) sectoral research, (2) studies for management improvement issues in all sectors, and (3) needs assessment. Guidelines for criteria in selecting research proposals are outlined in the project description. Whereas the Chief of Party has the final authority in disbursing money for specific research projects, the institutions will work closely with him in forming, adjusting and following guidelines and criteria. All proposals submitted for consideration must have the approval of the school administrators and, as appropriate, the advisory board, the Studies for Management Improvement committee and/or the private sector firms which may be analyzed in the study. It is the responsibility of each institution to seek private sector contributions for their research proposals. The AID funds will be used to attract matching grants of varying percentages through the life of the project. Whereas the formulae to be followed for matching grants will be specifically defined by the Chief of Party and participating institutions at the beginning of each year, the following schedule is recommended:

	<u>AID GRANT</u>	<u>PRIVATE SECTOR CONTRIBUTION</u>
Year 1	100%	0
Year 2	90%	10%
Year 3	80%	20%
Year 4	70%	30%
Year 5	60%	40%
Year 6	50%	50%

d. Development Training Fund

ESAN and El Pacifico will work with the Prime Recipient in establishing procedures for awarding scholarships to educators at other Peruvian institutions. Prior to any disbursements each institution will present a plan for identifying potential recipients, criteria for selection, and changes in masters program to give these educators opportunities for refining their teaching skills, and follow-up support to the educators and their respective institutions, once they have completed their studies.

Since El Pacifico's MBA is a part-time program, the program will focus on those educators with access to Lima. ESAN will focus its efforts on non-Lima areas, with the educator living in Lima for the 15-month period and receiving a stipend for living expenses as part of the scholarship award.

4. AID Project Monitoring

Through funds provided by this grant, USAID will hire, under a personal services contract (PSC), a project coordinator. The major responsibility of this coordinator will be to coordinate and monitor the cooperative agreement, insuring compliance to project objectives and AID procedures, and maintain an ongoing USAID relationship. The USAID contractor will maintain formal and informal communication with the Prime Recipient's Chief of Party, interpret AID regulations, review and prepare quarterly status reports, and review annual work plan and activities requiring AID approval. Specific AID approvals under the cooperative agreement are the following:

- i. all understandings including all subordinate agreements and/or contracts with these institutions;
- ii. all long-term (1 year or more) technical assistance contractors and trainees; and
- iii. research, including Studies for Management Improvement and consulting activities and/or contracts, of over \$25,000 and/or (6) months in duration.

Additionally, the coordinator will plan and implement two major evaluations, for which grant funds are allocated, at the end of the third and sixth year of the project as well as financial management reviews of the participating institutions in years one, three and six.

Initially the coordinator will be a U.S. PSC, with a background in project administration, and management education and training. This person will be in country 2 - 2.5 years. Toward the end of his/her tour, a Peruvian PSC will be hired to carry out the USAID coordination and monitoring responsibilities through the remaining life of the project.

B. Implementation Plan

The following implementation plan has been designed in order to define resource needs and to describe resource levels. Requirements, resource levels, and timing are presented as an example of one way in which the Project could be implemented.

1. Technical Assistance

Because of the wide range of needs across sectors and in the varying participating institutions a substantial amount of assistance will be required for (a) design of applied research, (b) curriculum revision, (c) new program development, and (d) institutional development. Ten and one-half person-years of long-term assistance are planned, of which 3 person years will be provided by Peruvian sources. Approximately 49 person months of short-term assistance is envisioned. (A detailed technical assistance plan is included in Annex II, Exhibit E-1). All technical assistance will be financed and administered under the Cooperative Agreement.

a. Long-Term Advisors

i. Chief of Party (also providing technical assistance in strategic planning and financial development for 30 months.)

ii. Visiting Faculty to ESAN (in Management Information Systems (MIS), Production and Quantitative Methods, or Business Policy) for 12 months.

iii. Visiting Faculty to El Pacifico (in MIS, Financial Management, or Organizational Development/Human Resource Management) for 12 months.

iv. Visiting Faculty to Piura (in general undergraduate business administration) for 12 months.

v. Peruvian Trainer/Educator in International Trade and Commerce at ADEX for 36 months.

vi. Visiting Faculty shared by El Pacifico and Piura in Agribusiness for 24 months.

b. Short-Term Consultants

i. ESAN will receive approximately 16 person months of technical assistance, largely for curriculum and research design in the IB area, but also for research design in agribusiness and small business management, the training of trainers in small business and entrepreneurship, and for its own institutional development.

ii. El Pacifico will receive approximately 11 person months of technical assistance for curriculum revision in functional management areas, research design in all three of the sectoral areas, and institutional development.

iii. Piura will receive approximately 14 person-months of technical assistance for the development of library and information services, restructuring of curriculum, and research design for agribusiness and small business management.

iv. Most of IPAE's allocations in this project are direct costs for the design and testing of new programs, such as outreach, or in implementing specialized activities in the sectoral areas. Whereas it has been assessed that IPAE will probably not require outside assistance to carry out these duties, up to 3 person months of TA is available under the allocations for sectoral training programs.

v. ADEX will receive 8 person months of technical assistance for its organizational development effort, needs assessment and job placement function, and institutional development.

It is planned to use most of the short-term technical assistance during the first three years of the project, so as to initiate certain program changes and research efforts as early as possible. For instance, starting international business TA during the first year of the project will enable ESAN to implement the MBA-IB minor by the beginning of its school year during the second year of the project (April '87) and the new PACI program by the 3rd year of the project.

Long-term technical assistance is scheduled for different reasons. Visiting faculty will be scheduled during the peak of the participant training program so as to off-set some of the short-fall of a depleted faculty. The long-term faculty in agribusiness is scheduled later due to the reasons discussed in the technical analysis.

Table V-I, which follows, depicts the planned overall scheduling of technical assistance. It does not include the additional 5 PM of general guidance provided by members of the U.S. advisory committee.

2. Training

It has been estimated that 24 faculty members from the degree training schools will receive training during the life of the project. Of this total 10 are PhD candidates (7 in functional areas, 1 in international business, and 2 in agribusiness). Eleven MBA candidates will study abroad (8 in functional areas, 2 in international business, and 1 in agribusiness). The remaining three are faculty from Piura who will study at ESAN in the new MBA-IB program. (The proposed phasing for degree training is illustrated in Table V-2. A more detailed training plan is contained in Annex II, Exhibit E-2, including target dates for the Dean's trips). All training will be organized, financed, managed and administered under the Cooperative Agreement.

TABLE V-1
PROPOSED PHASING OF TECHNICAL ASSISTANCE
(In person-months and Number of Consultants)

	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		YEAR 6		ALL YEARS	
	PM	No. of Const.	PM	No. of Const.	PM	No. of Const.	PM	No. of Const.	PM	No. of Const.	PM	No. of Const.	PM	No. of Const.
A. Long-Term														
1. Chief of Party & Inst. Dev. Advisor	8	1	12	1	10	1							30	1
2. Visiting Faculty at ESPN					12	1							12	1
3. Visiting Faculty at Pacifico					12	1							12	1
4. Visiting Faculty at Piura			12	1									12	1
5. Peruvian Trainer/Educator at ADEX			12	1	12	1	12	1	12	1	12	1	60	1
6. Agribusiness Visiting Faculty (Pacifico-Piura)							12	1	12	1			24	1
TOTAL	8	1	36	3	46	4	24	2	24	2	12	1	150	6

TABLE V-1 (continued)
PROPOSED PHASING OF TECHNICAL ASSISTANCE
(In person-months and Number of Consultants)

	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		YEAR 6		ALL YEARS	
	PM	No. of Const.	PM	No. of Const.										
B. <u>Short-Term</u>														
1. <u>ESAN</u>	5	3	7	5	4	3	-	-	-	-	-	-	16	11
2. <u>EL PACIFICO</u>	3	2	6	3	2	1	-	-	-	-	-	-	11	6
3. <u>PIURA</u>	4	2	4	2	6	4	-	-	-	-	-	-	14	8
4. <u>IPAE</u>	-	-	(3)	(3)	-	-	-	-	-	-	-	-	(3)	(3)
5. <u>ADEX</u>	4	1	3	2	1	1							8	4
TOTAL	16	8	20	12	13	9	-	-	-	-	-	-	49	29

TABLE V-2
PROPOSED PHASING OF TRAINING *

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	ALL YEARS
ESAN		1 Phd (in functional area) 1 Phd-IB 1 MBA	2 Phd	1 Phd	2 MBA		5 Phd 3 MBA
(Nos. out)		(3)	(5)	(4/5)	(4/5)	(3)	
EL PACIFICO		1 Phd (in functional area) 1 Phd-Agrib. 1 MBA (IB)	1 Phd 1 MBA 1 MBA (in agrib.)	1 Phd		1 MBA 1 MBA (IB)	4 Phd 3 MBA 2 MBA-IB
(Nos. out)		(3)	(6)	(5/6)	(3/4)	(2/3)	
PIURA		1 Phd agribusiness 1 MBA 1 ESAN		1 MBA 1 ESAN MBA (IB)	1 MBA 1 ESAN MBA (IB)		1 Phd 3 MBA 3 MBA (IB)
(Nos. out)		(3)	(2)	(2/3)	(3)	(2)	
TOTAL:	9	(9)	5 (13)	4 (11/14)	6 (9/12)	1 (7/8)	24 Trained

* Note: It is anticipated that the first group of trainees will depart in September 1986, the beginning of Year 2 of the project.

3. Equipment and Materials

Because equipment purchases are to be designed based on further analysis of participating institution needs, and are limited under this project, a detailed plan for commodity procurement has not been provided. Anticipated purchases include: library resources for ESAN, El Pacifico, Piura and ADEX; a computer hook-up for ADEX; and cataloging equipment for Piura's library.

Library resources will be identified on a continuing basis by the participating institutions, in conjunction with technical assistance for curriculum revision, new program design, and research. The prime recipient will establish a system with these institutions for ordering library resources on a bi-annual basis. Most purchases will occur during the first three years of the project.

Specifications for ADEX's computer hook-up will be easily defined by ADEX in a consultation with FOPEX. Piura will receive short-term technical assistance (most likely from ESAN's library center) by April of the first year to define its library and information needs, including specifications for equipment. Purchases can be made off the shelf locally and within the first 18 months of the project.

4. Schedule for Year One

The tasks involved in project start-up and initial implementation during Year One are chartered below:

<u>Month</u>	
June - 3	USAID reviews and approves PP; holds conference in U.S. (June 24) with potential prime recipients of the cooperating agreement regarding technical requirements and schedule.
- 2	Meetings with participating institutions.
- 1	Interested U.S. institutions submit application, (August 9). USAID and participating institutions review applications.
Sep. 85	Decision made on prime recipient; Cooperative Agreement signed.
Oct.	Prime recipient negotiates and signs sub-agreements with participating institutions; discusses C.P's to disbursements; reviews candidates for U.S. advisory committee.
Nov.	Participating institutions prepare C.P's; operating plans for each component for the remainder of first year.
Dec.	Operating plans reviewed and submitted to USAID for approval.
Jan. 86	Chief of Party (COP) arrives in-country. AID Project Coordinator arrives in-country.

- Feb. COP finalizes scopes-of-work for short-term TA scheduled for next 6 months; with institutions COP identifies potential Peruvian sources for TA, COP communicates foreign short-term TA requirements to home office. Candidates for long-term training in second year selected.
- March Advisory committees form and meet. IPAE convenes council for Outreach Program and commences initial steps in provinces. Initial proposals for applied research are reviewed, approved, and disbursements made.
- April During following 5 months, short-term TA commences in following areas:
- May 4 pm for ADEX OD effort
1 pm for ESAN IB Minor
- June 1 pm for El Pacifico IB elective
2 pm for Piura library and information service
- July 2 pm for PACI revisions,
2 pm for IB research design at ESAN and El Pacifico,
design and approval of operational year 2 annual plan,
preparation for annual evaluation
- Aug 2 pm for small business research design at Piura
2 pm for small business research design at ESAN and El Pacifico.
start of annual evaluation

C. Disbursement Procedures

No deviation from established AID disbursement procedures for cooperative agreements is anticipated. The prime recipient will establish disbursement procedures for local currency costs in a manner acceptable to AID. All procedures will be transmitted to the prime recipient through the grant agreement document and subsequent Implementation Letters.

D. Procurement Procedures

1. Source, Origin, and Nationality

Goods and services and their suppliers under the agreement shall have their source and origin and nationality, as applicable, in Peru or the U.S. (Code 000). Up to \$500,000 for procurement, and \$250,000 for training and technical assistance respectively will be allowed from 941 Countries of the AID Geographic Code Book, unless AID otherwise agrees in writing. The prime recipient ((COP) and home office) and the USAID project coordinator will assure that these requirements are adhered to.

2. Procurement

All project procurement, with the exception of contracting and funding for the two major project evaluations will be carried out directly by the prime recipient. Equipment purchases will be a minimum: library

resources, a computer hook-up for ADEX, and cataloging equipment for Piura's library. As mentioned above, development of the technical specifications for the equipment and resources will be the responsibility of the schools receiving the supplies, in collaboration with the Chief of Party or other appropriate TA.

All technical assistance will be provided by the prime recipient. The participating institutions are expected to submit an annual TA plan as part of its annual operation plan. Additionally, they are responsible for drafting scopes of work for each long and short-term advisor, in collaboration with the Chief of Party. Where possible, Peruvian sources for TA will be identified and used. Foreign TA needs will be communicated to the prime recipient's home office, where responsibility will be taken to identify and supply TA resources.

All training will be organized and financed under the cooperative agreement, in consultation with the participating organizations.

E. Evaluation Plan

The participating institutions and the prime recipient will conduct an evaluation of the project each year, in conjunction with the USAID project coordinator. In addition to the participation of the Prime Recipient's Chief of Party, it is expected that at least one of the U.S. advisory board members will be present each year. Annual evaluations will be "formative" in nature and focus primarily on "process" issues, that is, whether activities are being implemented according to plan, what problems need to be resolved, and what mid-course corrections are called for.

In addition to regular annual evaluations, two special evaluations will be conducted. The first will be an in-depth examination of the extent to which the project is achieving its higher-order objectives. Attention will be paid to the private sector demand for the management improvement services offered by the participating institutions, particularly in the new program areas. As a key part of the mid-term evaluation, USAID will review and analyze the progress each participating institution has made towards financial self-sufficiency and improvements in key financial criteria. Based on the findings, USAID will consider the provision of additional resources to the institutions which have shown the ability to broader financial support from the private sector and other entities. The in-depth evaluation will be conducted at the half-way point of the project, at the end of year 3.

The second special evaluation will be an impact evaluation at the end of the project. This evaluation will assess the extent to which the project has achieved intended objectives, describe the unintended outcomes that have resulted, and document the lessons that have been learned from the project.

The in-depth and impact evaluations of the project will be conducted by outside consultant teams. The two evaluations will each require approximately 12 persons weeks of services. In addition, three financial management reviews of each of the participating institutions will be carried out in years one, three and six. The prime recipient will contract locally

for the first of the financial management reviews in order to assure its full knowledge of each institutions capabilities. Both the special evaluations and the last two financial management reviews will be financed by AID directly to assure their objectivity.

F. AID Approvals and Negotiating Status

1. AID Approvals

Section V, (A) Administration, (4) AID Project Monitoring describes AID approvals. These consist of AID approvals of annual work plans and sub-agreements with participating institutions. None of these are unusual and none should delay project start-up.

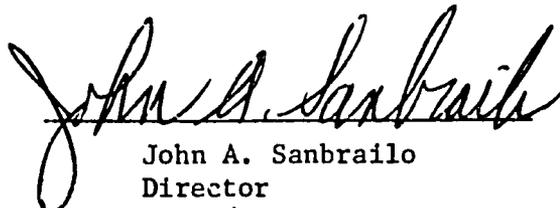
2. Negotiating Status

USAID has met extensively with the selected participating institutions, discussing the objectives, concepts, and possible activities of this project. General amounts of assistance and the contractual arrangement (cooperative agreement) to be employed for project implementation have been reviewed.

CERTIFICATION PURSUANT TO SECTION 611(e) OF
THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, John A. Sanbrailo, the principal officer of the Agency for International Development in Peru, having taken into account, among other factors, the maintenance and utilization of projects in Peru previously financed or assisted by the United States, do hereby certify that in my judgment Peru has both the financial capability and human resources capability to effectively maintain and utilize the proposed Project: PRIVATE SECTOR MANAGEMENT IMPROVEMENT.

9/18/85
Date


John A. Sanbrailo
Director
USAID/Peru

COUNTRY CHECKLIST

A. GENERAL CRITERIA FOR COUNTRY ELEGIBILITY

- | | |
|---|----------------|
| 1. <u>FAA Sec. 481, FY 1985 Continuing Resolution Sec. 528.</u> Has it been determined or certified to the Congress by the President that the government of the recipient country has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substance (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971) which are cultivated, produced or processed illicitly, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents, or from entering the United States unlawfully? | No. |
| 2. <u>FAA Sec. 620(c).</u> If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? | Not Applicable |
| 3. <u>FAA Sec. 620(e)(1).</u> If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or | Not Applicable |

control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

4. FAA Sec. 620(a), 620(f), 620(D), FY 1985 Continuing Resolution Sec. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Syria, Vietnam, Libya, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver? No
5. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property? No
6. FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC? No
7. FAA Sec. 620(o), Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? No
8. FAA Sec. 620(q), FY 1985 Continuing Resolution Sec. 518. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or

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principal on any U.S. loan under a program for which the appropriation bill (or continuing resolution) appropriates funds?

9. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? Not Applicable
10. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No
11. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? No. Peru is not in arrears on its payment of U.N obligations. This was taken into account in the Administrator's FY 1985 Taking Into Account Memorandum.
12. FAA Sec. 620A, FY 1985 Continuing Resolution Sec. 521. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual group which has committed an act of international terrorism? Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime? No
13. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? No

14. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or denoted a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) No
15. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? Yes, however this has been taken into account in the Administrator's 1985 Taking Into Account Memorandum.
16. FY 1985 Continuing Resolution. If assistance is from the population functional account, does the country (or organization) include as part of its population planning programs involuntary abortion? Not applicable
17. FY 1985 Continuing Resolution Sec. 530. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States? No

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria.

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

No such determination has been made.

2. Economic Support fund Country Criteria.

Not Applicable.

a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

Cleared by: RLA;AAdams (telcon 8/13/85)

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PROJECT CHECKLIST

A. GENERAL CRITERIA FOR PROJECT

1. FY 1985 Continuing Resolution Sec. 525,
FAA Sec. 634A, Sec. 653(b).

(a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)?

(a) A Congressional Notification for the Project was sent on June , 1985 and expires on June , 1985.
(b) Yes.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

(a) Yes
(b) Yes

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

No further legislative action is required.

4. FAA Sec. 611(b), FY 1985 Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? (See AID Handbook 3 for new guidelines.)

The Project is not a water or water-related land resource project.

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has the Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

The Mission Director's section 611(e) certification is included in the Project Paper and the AA/LAC has taken into consideration Peru's capability to maintain and utilize the Project.

6. FAA Sec. 209. Is project susceptible to

The Project is not susceptible to execution as

execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

9. FAA Sec. 612(b), 636(h); FY 1985 Continuing Resolution Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

12. FY 1985 Continuing Resolution Sec. 522. If assistance is for the production of any

part of a regional or multi lateral project.

The Project will encourage Peru's efforts to increase the flow of international trade by improving the managerial capacity of the country to support and export led model of development; to foster private initiative and competition through support to selected private institutions provide industry responsive management improvement services; and to discourage monopolistic practices by raising attitudes regarding the importance of competition and entrepreneurship.

This Project will encourage U.S. private trade and investment abroad by strengthening Peru's private sector. The Project will also encourage private U.S. participation in the foreign assistance program in Peru by utilizing U.S. technical assistance and training and through the procurement of U.S. educational commodities.

The five private participating institutions will contribute the equivalent of US\$ 2.67 million to meet the costs of carrying out this Project.

No

Yes

No

commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16? Does the project or program take into consideration the problem of the destruction of tropical forests?

An IEE has been carried out for this Project and a negative determination was made. No.

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?

Not applicable

15. FY 1985 Continuing Resolution Sec. 536. Is disbursement of the assistance conditioned solely on the basis of any multilateral institution?

No.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the selfhelp efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

(a) The Project goal is to strengthen the private sector to lead economic recovery, expand productive employment and incomes, increase foreign exchange earnings and increase the human resources available to the private sector to assist it to play a more dynamic leadership role in Peru's development during the 1980's and 1990's. This project focuses on addressing the management capacity constraint inhibiting private sector production and the transition to an open market economy. With the objective that resulting benefits will improve the lives of the poor and benefit small producers and consumers in general on a sustained basis. (b) The Project will provide training for entrepreneurs in enterprising and new business formation and will study and train for management needs of small businesses. (c) The Project will assist private peruvian management institutions to design their own indigenous courses and programs which will be taught by Peruvians. (d) Women will participate on an equal basis in the Project. (e) A high priority under the Project involves analyses of Peru's management constraints for its export sector, including how much constraints affect its trade with other countries in the region.

b. FAA Sec. 103, 103A, 104, 105, 106.
Does the project fit the criteria for the type of funds (functional account) being used?

Yes

c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

The Project contemplates the design, implementation and testing of management technologies appropriate for Peru.

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

Yes. The private participating institutions will contribute the equivalent of US\$2.67 million as their counterpart contribution, which constitutes 25% of the total cost of the Project.

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than \$100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character.

No

f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

The Project purpose is to strengthen the institutional capacity of selected private institutions to carry-out more industry responsive education, training, consulting and applied research on management development issues and to strengthen linkages between these institutions and the industries they serve. Assistance will be provided to strengthen existing management programs and introduce new

program elements oriented to sectors with the greatest potential for growth. The Project will also foster the creation of an institutional network capable of responding to a broad range of private sector management improvement needs, improve linkages between private enterprise and the participating institution and improve the resource base for curriculum and program development. Provision for decentralizing management improvement services to areas outside of Lima and for diffusing project benefits to a larger audience are included as well as specific support to the institutional development efforts of the participating institution's in strategic planning and financial sustainability.

2. Development Assistance Project Criteria
(Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest. N/A

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? N/A

3. Economic Support Fund
Project Criteria

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102? N/A

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? N/A

c. FAA Sec. 534. Will ESF funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives? N/A

d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N/A

Project Authorization

Name of Country: Peru
Name of Project: Private Sector Management Improvement
Number of Project: 527-0272

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Private Sector Management Improvement Project for Peru involving planned obligations of not to exceed Seven Million United States Dollars (\$7,000,000) in grant funds ("Grant") over a six and one half (6 1/2) year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is seventy-two months from the date of initial obligation.

2. The project ("Project") consists of assistance to five private Peruvian institutions to strengthen their institutional capacity to carry out more industry responsive and higher quality management education, training, consulting and applied research on private sector management development issues, and to strengthen linkages between these institutions and the industries they serve. AID/Peru is authorized to utilize up to \$600,000 of Project funds to contract for goods and services for project coordination, monitoring and evaluation.

3. The Project Agreement(s), which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Commodities, Nationality of Services (Grant)

Commodities financed by A.I.D. under the Grant shall have their source and origin in Peru or in the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services financed under the Grant shall have Peru, or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall be financed only on flag vessels of Peru or the United States, except as A.I.D. may otherwise agree in writing.

b. Waivers

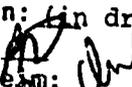
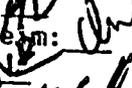
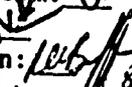
i. A.I.D. source and origin regulations are hereby waived to permit the procurement of up to \$500,000 of commodities, including training, data processing equipment and books, from countries included in AID Geographic Code 941.

ii. A.I.D. nationality regulations are hereby waived to permit the procurement of up to \$500,000 of services from suppliers whose nationalities are in countries included in AID Geographic Code 941.


Mission Director

9/18/85
Date

Clearances:

PS:MJohnson: (in draft)
A/DR:MSilverman: (in draft)
A/HNE:ADanart: 
A/DD:GWachtenheim: 
PROG:BRhoads: 
CONT:RBonnaffon:  8/16/85

Drafted by:RLA:DAAdams

Environmental Threshold Decision

Project Location : Peru

Project Title and Number : Private Sector Management Improvement
527-0272

Funding : \$7.0 Million Grant

Life of Project : FY '85 - FY '90

IEE Prepared by : USAID/Peru

Recommended Threshold Decision : Catagorial Exclusion

Bureau Threshold Decision : Concurrence with recommendation

Action : Copy to John Sanbrailo.
Director USAID/Peru
: Copy to Eric Zallman, LAC/DR
: Copy to IEE file

Date

Jim Hester
Regional Environmental Advisor
Bureau for Latin America and
the Caribbean

DO NOT REMOVE FROM BACKING SHEET UNTIL READY FOR FILE

UNCLASSIFIED STATE 178490

ACTION: AID-2 INFO AMB DCM CBRON

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IOC: DISM 222 217
12 JUN 85 1333
CN: 48999
SERG: AID
DIST: AID

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ACTION TAKEN:	
DATE:	
INITIALS:	

all date 6/14

AIDAC FOR RICEARD WELDON

F.O. 12356: N/A
TAGS: N/A

SUBJECT: IEE APPROVAL FOR PROJECT NUMBER 527-0272

INITIAL ENVIRONMENTAL EXAMINATION FOR PERU PRIVATE
SECTOR MANAGEMENT IMPROVEMENT PROJECT, NUMBER 527-0272,
WAS APPROVED ON JUNE 11, 1985. IEE NUMBER IS
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FILES. SHULTZ
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ENVIRONMENTAL DETERMINATION

Project Location: Peru

Project Title and Number: Private Sector Management Improvement -
527-0272

Funding: FY 85: \$6,750,000 Grant

Project Purpose and Activities: To (1) strengthen the institutional capacity of selected private institutions to carry out more industry responsive and higher quality management education, training, consulting and applied research on private sector development issues; and (2) forge linkages between these institutions and the industries they serve through the following activities:

- (a) Strengthening of select undergraduate management programs;
- (b) Strengthening of ESAN;
- (c) Strengthening of non-academic management programs and use of market information.
- (d) Implementation of management and policy studies on private sector development.

Statement for Categorical Exclusion

It is the opinion of the USAID/Peru Project Committee that the Project does not require an Initial Environmental Examination, because its activities are within the classes of actions described in Section 216.2, Paragraph c (i) and c (xiv) "Categorical Exclusions of 22CFR Part 216."

"Section 216.2 c(2)(i)"

"Education, technical assistance or training programs except to the extent such programs include activities directly affecting the environment."

"Section 216.2 c(2) (xiv)"

"Studies, projects or programs intended to develop the capability of recipient countries to engage in development planning, except to the extent designed to result in activities directly affecting the environment".

Concurrence of Mission Director

I have reviewed the above statement and concur in the determination that the Project "Private Sector Management Improvement" does not require an Initial Environmental Examination.

12/7/84
Date

George A. Hill
George A. Hill
Acting Director
USAID/Peru

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INFO AMB DCM, PERU 85 01 27

ANNEX I
Exhibit E

CA

VZCZCFE0978
PP RUEEPE
DE RUEEBC #2055/21 0142227
ZNR UUNUU ZZE
P 142022Z JAN 85 ZDE CTG RUEEPE 022055Z
FM SECSTATE WASHDC
TO AMEMBASSY LIMA PRIORITY 9662
BT
UNCLAS STATE 012055

LOC: 027 248
16 JAN 85 1429
CN: 23483
CHFG: AID
DIST: AID

*Corrected
Version*

ACTION: PS (FILS)
INFO: DR
CD
PROG
D
DD

AIDAC
E.O. 12356: N/A
TAGS:

SUBJECT: PRIVATE SECTOR MANAGEMENT IMPROVEMENT (527-0272)
PID REVIEW

1. THE DAEC REVIEWED AND APPROVED SUBJECT PID ON DECEMBER 21, 1984. GUIDANCE TO ASSIST USAID IN PREPARATION OF THE PP FOLLOWS IN PARAS 2-5.
2. PROBLEM DEFINITION. THE PID IDENTIFIES THREE MAJOR CONSTRAINTS - MACRO-ECONOMIC POLICIES, FINANCIAL RESOURCES, AND MANAGEMENT CAPACITY - WHICH PERU MUST ADDRESS IN ATTEMPTING TO SHIFT ITS ECONOMIC MODEL AWAY FROM IMPORT SUBSTITUTION TOWARDS ONE OF EXPORT LED EQUITABLE GROWTH. WHILE THE MISSION IS WORKING ON RESOLVING THESE CONSTRAINTS, THE PROSPECTS FOR RESOLVING THEM IN A WAY WHICH ENCOURAGES DEVELOPMENT OF THE NEW MODEL WERE NOT CLEAR. ALSO, IT WAS NOT CLEAR WHETHER THERE ARE OTHER MAJOR CONSTRAINTS - E.G. LACK OF EXPERIENCED ENTREPRENEURS AND TOP EXECUTIVES, DISINCENTIVES TO EXPORTING IN ADDITION TO MACROECONOMIC POLICIES - WHICH ALSO NEED TO BE ADDRESSED. THE PP SHOULD INCLUDE A MORE IN-DEPTH ANALYSIS OF THE CONSTRAINTS. IN ADDITION TO MANAGEMENT, OF SHIFTING TO AN EXPORT LED ECONOMY, ANALYZE THEIR INTERRELATIONSHIPS, EXPLAIN THE MISSION STRATEGY FOR DEALING WITH THEM, AND DISCUSS THE PROSPECTS FOR THEIR RESOLUTION.
3. PROJECT STRATEGY. OPERATIONAL LEVEL MANAGERS AND THEIR SPECIFIC DEFICIENCIES WERE NOT WELL DEFINED IN THE PID. THUS IT WAS DIFFICULT TO SEE CLEARLY WHETHER THE PROPOSED ACTIVITY MIX IS THE BEST, OR EVEN A GOOD WAY TO UPGRADE MANAGERIAL CAPABILITY. MAJOR CONCERNS WERE: THE DEGREE TO WHICH MANAGEMENT EDUCATION AND TRAINING PROGRAMS SHOULD ATTEMPT TO PROVIDE STUDENTS WITH ANALYTICAL TOOLS AND SUBSTANTIVE KNOWLEDGE NORMALLY NEEDED BY BUSINESS FIRMS, OR EMPHASIZE EDUCATION AND TRAINING IN AREAS OF PERCEIVED DEFICIENCY (IF INDEED THEY CAN BE REMEDIATED THROUGH BETTER QUALITY EDUCATION AND TRAINING PROGRAMS); AND WHETHER THE PROPOSED ACTIVITY MIX PROVIDES AN APPROPRIATE BALANCE BETWEEN LONG AND SHORT TERM BENEFITS FOR PERU'S PRIVATE SECTOR AND THE ECONOMY AS A WHOLE. WITH REGARDS TO THE

FORMER, EFFORTS SHOULD BE DIRECTED TO IMPROVING THE QUALITY OF DEGREE PROGRAMS BY CONCENTRATING ON DEVELOPMENT OF GENERAL MANAGERIAL SKILLS, AND OF NON-DEGREE PROGRAMS BY EMPHASIZING IMPROVEMENTS IN SKILLS DEFICIENCY AREAS. WITH REGARDS TO THE LATTER, THE ACTIVITY MIX DESCRIBED IN THE PID APPEARS TO OFFER MEDIUM TO LONG-TERM SOLUTIONS TO WHAT IS PRESENTED AS A CRITICAL SHORT-TERM PROBLEM. THERE WAS CONSIDERABLE SENTIMENT FOR CONCENTRATING RESOURCES ON EDUCATION/TRAINING PROGRAMS WHICH HAVE SHORT RUN IMPACT (E.G. BY HELPING IN-SERVICE MANAGERS IMPROVE THEIR PERFORMANCE AND MOVE TO HIGHER LEVELS OF RESPONSIBILITY). DURING INTENSIVE REVIEW, THE MISSION SHOULD IDENTIFY SKILLS DEFICIENCY AREAS MORE PRECISELY, ASSESS THE DEGREE TO WHICH THEY CAN BE RESOLVED THROUGH MANAGEMENT EDUCATION/TRAINING PROGRAMS, AND CONSIDER INCREASING THE RELATIVE AMOUNT OF RESOURCES TARGETED FOR NON-ACADEMIC IN-SERVICE TRAINING AS OPPOSED TO LONGER TERM ACTIVITIES (E.G. INSTITUTION BUILDING, CURRICULUM DEVELOPMENT, RESEARCH, ETC.).

4. PROJECT IMPLEMENTATION. THE PID PROPOSES TO IMPLEMENT THE PROJECT THROUGH GRANTS TO FIVE DIFFERENT PRIVATE SECTOR INSTITUTIONS. WHILE THE PID CLEARLY IDENTIFIES SOME OF THE COMPLEXITIES OF THE PROPOSED ARRANGEMENT AND THE PROBLEMS WITH ALTERNATIVE SOLUTIONS, THE PROPOSED ARRANGEMENT SEEMS UNNECESSARILY CUMBERSOME. IMPLEMENTATION ARRANGEMENTS WHICH PLACE A SINGLE PERUVIAN INSTITUTION IN THE LEAD ROLE IN PROJECT ADMINISTRATION SHOULD BE SOUGHT, EVEN IF THE RISK OF SOME LOSS IN EFFICIENCY INCREASES AS A RESULT. ONE POSSIBILITY WOULD BE IMPLEMENTATION THROUGH A CONSORTIUM OF MANAGEMENT DEVELOPMENT INSTITUTIONS. IT WAS ALSO SUGGESTED THAT THE MISSION INVESTIGATE THE POSSIBILITY OF

IMPLEMENTING THE PROJECT THROUGH A COLLABORATIVE ASSISTANCE AGREEMENT WITH A U.S. INSTITUTION. ONE OF THE BENEFITS FROM SUCH AN ARRANGEMENT WOULD BE RESOLUTION OF SOME OF THE DIFFICULTIES (E.G. NEED FOR MULTIPLE YEARLY OBLIGATIONS) WITH THE PROPOSED SOLUTION.

5. MANAGEMENT STUDIES COMPONENT. THE DAEC DISCUSSED THE RELATIONSHIP BETWEEN THE PARTICIPATING TRAINING INSTITUTIONS AND THE MANAGEMENT IMPROVEMENT AND POLICY STUDIES COMPONENT. THE PID LEAVES UNCLEAR WHO WILL MANAGE AND COORDINATE THIS COMPONENT. FURTHERMORE, THERE WAS CONCERN THAT IF THE EDUCATIONAL INSTITUTIONS JOINTLY DECIDE WHICH PROPOSALS TO FUND, THERE IS A DANGER THAT THE INSTITUTIONS WOULD GIVE MORE WEIGHT TO SHARING THE FUNDS EQUALLY THAN APPROVING PROPOSALS ON THEIR MERITS AND RELEVANCE. IT WAS SUGGESTED THAT ESAN COULD PLAY A MAJOR ROLE IN ADMINISTERING THIS COMPONENT. HOWEVER, TO INCREASE THE CHANCES FOR OBJECTIVITY IN THE APPROVAL PROCESS, DECISIONS ON FUNDING OF SPECIFIC PROPOSALS SHOULD

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BE MADE BY A BOARD OR COMMITTEE COMPRISED PRIMARILY OF PRIVATE SECTOR REPRESENTATIVES WITHOUT STRONG LINES TO ANY OF THE POTENTIAL RECIPIENTS. IN ADDITION, THE PP SHOULD DEVELOP CRITERIA FOR THE SELECTION OF STUDIES AND RESEARCH TO BE CONDUCTED UNDER THIS COMPONENT IN ORDER TO ASSURE THAT SUCH STUDIES/RESEARCH WILL RELATE CLOSELY TO THE PURPOSES OF THE PROJECT AND WILL BE AIMED AT IMPROVING MANAGEMENT EDUCATION.

6. OTHER CONCERNS AND CLARIFICATIONS. DURING THE REVIEW PROCESS, MISSION REPRESENTATIVES ALSO AGREED TO THE FOLLOWING.

A. RESPONSIVENESS TO GRAY AMENDMENT. THE USE OF SMALL BUSINESSES AND MINORITY OWNED FIRMS IN PROJECT DEVELOPMENT AND IMPLEMENTATION WILL BE MAXIMIZED.

B. ECONOMIC AND FINANCIAL ANALYSIS. THE COST EFFECTIVENESS OF THE PROJECT WILL BE DEMONSTRATED TO THE MAXIMUM EXTENT POSSIBLE BY INVESTIGATING, QUANTIFYING AND COMPARING DIFFERENT ALTERNATIVES TO MANAGEMENT EDUCATION. IN ADDITION THE JOB MARKET WILL BE ANALYZED TO DETERMINE IF PERUVIAN FIRMS PAY HIGHER SALARIES TO MANAGERS THAT HAVE RECEIVED HIGHER QUALITY EDUCATION. THE FINANCIAL AND ECONOMIC BENEFITS OF BETTER TRAINED MANAGERS WILL BE QUANTIFIED AND AN ATTEMPT WILL BE MADE TO CALCULATE THE ECONOMIC RATE OF RETURN OF MANAGEMENT TRAINING.

C. SOCIAL SOUNDNESS. THE PROJECT'S EQUITY IMPLICATIONS AND WAYS TO ASSURE THAT ECONOMICALLY AND SOCIALLY

DISADVANTAGED GROUPS ARE NOT EXCLUDED FROM PARTICIPATING IN OR BENEFITTING FROM THE PROJECT WILL BE EXPLORED AND CONSIDERATION WILL BE GIVEN TO INCLUDING SPECIAL PROVISIONS TO FOSTER GREATER ACCESS TO MANAGEMENT EDUCATION FOR SUCH GROUPS.

D. LINKAGE OF PERUVIAN MANAGEMENT EDUCATION/TRAINING INSTITUTIONS AND THE PRIVATE SECTOR. IT WAS AGREED THAT THE PROJECT DESIGN WOULD INCLUDE A MECHANISM FOR CONTINUING THE RESEARCH AND CURRICULUM DEVELOPMENT ACTIVITIES AFTER THE PROJECT ENDS. TO CONTINUE TO IMPROVE THE RELEVANCE OF EDUCATION AND TRAINING OFFERED, CONTINUING CONSULTATION WITH THE PRIVATE SECTOR WOULD BE NEEDED. THIS CONSULTATION WOULD BEST BE ACHIEVED BY USING EXISTING PRIVATE SECTOR GROUPS FOR OUTREACH TO THE PRIVATE SECTOR, IN PREFERENCE TO DIRECT CONTACT WITH A LIMITED NUMBER OF PRIVATE SECTOR FIRMS BY THE EDUCATIONAL INSTITUTIONS THEMSELVES.

E. PERMANENCE OF TECHNOLOGY TRANSFER. THE PROJECT DESIGN WILL INCLUDE PROVISIONS FOR DEVELOPING PERMANENT INSTITUTIONAL LINKS BETWEEN PERUVIAN INSTITUTIONS ASSISTED BY THE PROJECT TO IMPROVE DELIVERY OF MANAGEMENT EDUCATION

FOR THE, EFFORTS SHOULD BE DIRECTED TO IMPROVING THE QUALITY OF DEGREE PROGRAMS BY CONCENTRATING ON DEVELOPMENT OF GENERAL MANAGERIAL SKILLS, AND OF NON-DEGREE PROGRAMS BY EMPHASIZING IMPROVEMENTS IN SKILLS DEFICIENCY AREAS. WITH REGARDS TO THE LATTER, THE ACTIVITY MIX DESCRIBED IN THE PID APPEARS TO OFFER MEDIAN TO LONG-TERM SOLUTIONS TO WHAT IS PERCEIVED AS A CRITICAL SHORT-TERM PROBLEM. THERE WAS CONSIDERABLE SENTIMENT FOR CONCENTRATING RESOURCES ON EDUCATION/TRAINING PROGRAMS WHICH HAVE SHORT RUN IMPACT (E.G. BY HELPING IN-SERVICE MANAGERS IMPROVE THEIR PERFORMANCE AND MOVE TO HIGHER LEVELS OF RESPONSIBILITY). DURING INTENSIVE REVIEW, THE MISSION SHOULD IDENTIFY SKILLS DEFICIENCY AREAS MORE PRECISELY, ASSESS THE DEGREE TO WHICH THEY CAN BE RESOLVED THROUGH MANAGEMENT EDUCATION/TRAINING PROGRAMS, AND CONSIDER INCREASING THE RELATIVE AMOUNT OF RESOURCES TARGETED FOR NON-ACADEMIC IN-SERVICE TRAINING AS OPPOSED TO LONGER TERM ACTIVITIES (E.G. INSTITUTION BUILDING, CURRICULUM DEVELOPMENT, RESEARCH, ETC.).

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AND TRAINING AND OUTSIDE INSTITUTIONS IN THE FOREFRONT OF
MANAGEMENT EDUCATION. THIS WILL HELP TO INSURE CONTINUING
TRANSFER OF TECHNOLOGY AND MANAGEMENT SCIENCE TO PERUVIAN
INSTITUTIONS AFTER THE PROJECT ENDS.

6. EVALUATIONS. THE PP WILL DESCRIBE THE NUMBER AND TYPE
OF EVALUATIONS TO BE CARRIED OUT OVER THE LIFE OF THE
PROJECT.

7. PROJECT APPROVAL AUTHORITY. THE MISSION'S REQUEST
THAT THE MISSION DIRECTOR BE DELEGATED AUTHORITY TO
APPROVE THE PROJECT WAS APPROVED. SHULTZ

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UNIVERSIDAD DEL PACÍFICO
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RECTORADO

Lima, 9 de agosto de 1985.

Señor
John Sanbrailo,
Director de la
Agencia para el Desarrollo internacional-AID.
Av. España 386.
Ciudad.

De mi mayor consideración:

Me es muy grato dirigirme a Usted para confirmarle el interés de esta Universidad por participar en el proyecto de "Mejoramiento Gerencial del Sector Privado", por cuanto el mismo busca apoyar uno de los principales objetivos de esta Casa de estudios, cual es facilitar el desarrollo del personal responsable de las empresas nacionales facilitándoles adquirir la tecnología y los conocimientos referidos para el mejoramiento de estas.

Como es de su conocimiento, la Universidad del Pacífico -además de mantener la excelencia académica de los estudios que imparte a nivel de pregrado y de postgrado- está interesada en diseñar e implementar nuevos programas, desarrollar material didáctico y fortalecer su capacidad para llevar a cabo educación gerencial, capacitación, consultoría e investigación del más alto nivel. Por ello, la participación en el referido proyecto permitiría a esta Casa fortalecer sus tareas docentes básicas, intensificar su orientación hacia aquellos sectores claves para el desarrollo del país, y consolidar su liderazgo ante el sector privado, comprometiendo a enlazar el planeamiento estratégico con mecanismos de autofinanciación los cuales ampliará y diversificará la base financiera de la Universidad, resultando muy importante en su autofinanciamiento al término del proyecto. La AID y la Universidad del Pacífico identificará metas apropiadas que demuestren mejorar en esta última área y que puedan ser alcanzados durante la ejecución del proyecto; tales como mejoras en el patrimonio de la Universidad, y crecimiento real y diversificado de las contribuciones del sector privado. El documento adjunto describe más ampliamente nuestro entendimiento del diseño del proyecto en lo relacionado con la participación de la Universidad.



UNIVERSIDAD DEL PACÍFICO

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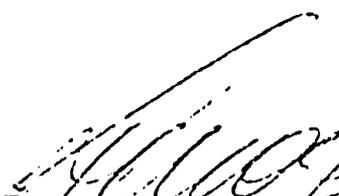
Aún cuando los niveles específicos de recursos dependerán de negociaciones posteriores y del avance de la implementación del proyecto; entendemos que el costo aproximado de las actividades con la Universidad del Pacífico durante los seis años de vida del proyecto, se estima en US\$2,570,000. La Universidad acuerda apoyar al Proyecto con los recursos de contrapartida que fueran necesarios para llevar a cabo con éxito las actividades del Proyecto. Es nuestro entendimiento que la Universidad deberá contribuir con aproximadamente el equivalente de US\$650,000 en bienes, servicio y/o moneda local; y requerimos que la AID financie el resto mediante una donación de US\$1,920,000.

El Consejo Universitario de nuestro centro docente ha tomado conocimiento y decidido apoyar nuestra participación en el proyecto de Mejoramiento Gerencial del Sector Privado. El mismo acordó autorizar al suscrito a negociar e implementar la donación propuesta, en representación de la Universidad.

Igualmente, el Consejo Universitario ha tomado nota del documento adjunto con la modificación en el inciso d) del componente 3, el cual quedaría redactado de la siguiente manera: "La Universidad del Pacífico participará sola o con otras instituciones del proyecto en foros y conferencias dedicadas a transferir y difundir las tecnologías administrativas que resulte de los estudios de investigación y trabajos de diseño curricular".

Sin otro particular, hacemos propicia la ocasión para expresarle el testimonio de nuestra más alta y distinguida deferencia.

Muy atentamente,


Estuardo Marrou Loayza
Rector



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Introduction

The purpose of the MI project is (1) to strengthen the capacity of ADEX, ESAN, IPAE, the University of the Pacific and the University of Piura to carry out more industry responsive and higher quality management education, training, consulting and applied research; and (2) to strengthen linkages between these institutions and the industries they serve. The project design acknowledges the individuality of each institution as well as the need in today's economy to concentrate resources and take advantage of collaborative modes whenever possible in order to maximize the educational and private sector leadership roles of these institutions.

AID expects to negotiate a cooperative agreement with a U.S. institution, the "prime recipient." The major project implementing relationship will then be between the participating institutions and the prime recipient. The prime recipient will assist the five Peruvian institutions participating in the project to achieve the project's purposes. As such, the prime recipient will have to collaborate closely with each participating institution to assist it to successfully identify; program and monitor all the assistance it will receive under the project. The University's project manager will work closely with the prime recipient's representatives in designing technical assistance, research, training and procurement plans and evaluating the progress of the project. Once the Cooperative Agreement is signed with AID, the prime recipient and the participating institutions will in turn; negotiate and sign sub-agreements. These sub-agreements will outline project activities, resource levels, responsibilities, conditions precedent to disbursement of funds, reporting requirements, implementation arrangements.

Overview of Project Components

Component 1: Strengthening Existing Management Programs of Participating Institutions

The project will provide the University with the resources to initiate curriculum reforms in its undergraduate degree program, creating new areas of specialization which emphasize applied managerial skills and enterprising: financial management; management information systems; research and development (R&D); marketing and organizational development. These resources will include opportunities for advanced training for selected faculty members, technical assistance in research and program design, support for research studies, some educational materials and improvements to the University's library resources.

Component 2: Introducing New Program Elements in
Sectors with the Greatest Potential for Growth

Activity a: International Business - The project will support the implementation of formal academic training and special non-degree programs to better serve the special needs of managers engaged in or planning to enter the international business (IB) arena. IB in this context would include export production development and marketing, direct foreign investment and technology transfer. The project will assist the University to create IB electives for its undergraduate and masters program.

Activity b: Agribusiness - A new level of awareness will be raised regarding the potentialities and problems of agribusiness management in Peru. The project will assist the University to develop a firm information base for this sector. The project will support select faculty members at the University to receive advanced training in agribusiness and the establishment of electives in agribusiness on their return.

Activity c: Small Business Management - The project will support the University to develop case studies and other teaching materials depicting the Peruvian entrepreneurship experience for both degree and non-degree programs.

Component 3: Facilitating Collaboration Among the
Institutions and with the Private Sector

As stated earlier the project is designed to have a multiplier effect on the impact of individual activities and expand the leadership role of participating institutions. The project will achieve this objective by supporting more collaborative working relationships among the institutions as appropriate.

a) The project will support the University to establish a national advisory board for agribusiness. This board will be an on-going mechanism for the exchange of information and resources for research and curriculum development. A regional board for agribusiness on the northern coast and a national advisory board for international business will be established under the auspices of the University of Piura and ESAN respectively.

b) Project resources to the University will support the design, implementation, and dissemination of applied research and consulting activities on salient management problems in the three sectoral areas. These studies will contribute to a firm information base which will be used for program development and the design of case studies. The project will also assist the University to assess the development training needs of the private sector in business administration.

c) The project will also support studies of Peruvian management issues which cross sectoral lines. These studies will be conducted in order to improve the information base for curriculum revision and case study writing. A competitive process for granting funds will be established and results will be widely disseminated.

d) The University will participate with other project institutions in fora and conferences dedicated to the transfer and diffusion of management technologies resulting from research studies and curriculum design work. (*)

Component 4: Decentralizing and Diffusing Management Services

Project resources will provide six peruvian business faculty at other peruvian educational institutions with scholarships to the University for MBA training and with access to the improved information base created under this project. In addition, the University and the other participating institutions will establish means for expanding the benefits of this project to management training schools throughout the country.

Component 5: Supporting Institutional Development

The project will assist the University to improve its capacity to strategically plan both its human and program resources and to develop self-sustaining financial mechanisms in support of them which will enlarge its financial base. Project resources will support the University's efforts to broaden and increase its financial base and allow it to make greater progress towards financial self-sufficiency.

(*) redacción sugerida

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Lima, 5 de Agosto de 1985

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Señor
John A. Sanbrailo
Director
Agencia para el Desarrollo Internacional - AID
Ciudad.-

Estimado Sr. Director:

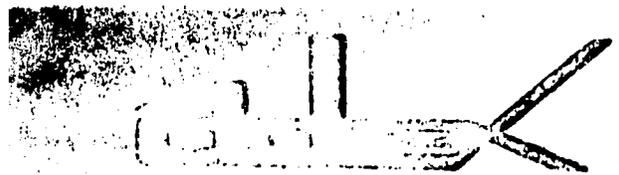
La presente tiene por objeto confirmar el interés de la Asociación de Exportadores (ADEX), en participar en el proyecto de Mejoramiento Gerencial del Sector Privado. Este proyecto apoya uno de los mayores esfuerzos de ADEX y de nuestra Escuela de Comercio Exterior (ECEX) - que es el desarrollo de gerentes peruanos poseedores de la tecnología y los conocimientos necesarios para el sector de exportación.

Como es de su conocimiento, ADEX está interesada en fortalecer la Escuela de Comercio Exterior en sus niveles facultativos, diseño e implementar nuevos programas, desarrollar nuevo material didáctico y fortalecer su capacidad para llevar a cabo educación gerencial, capacitación, consultoría, e investigación del más alto nivel. La participación en este Programa con la A.I.D. permitiría a la Asociación de Exportadores y a la Escuela de Comercio Exterior: fortalecer sus programas principales, intensificar su orientación hacia aquellos sectores de exportación no-tradicional para el desarrollo del país; fortalecer su liderazgo ante exportadores del sector privado; alcanzar su autofinanciación más rápidamente; y mejorar su diversificación de la base de los recursos de la Asociación. La A.I.D. y ADEX identificarán metas apropiadas que demuestren mejoras en estas dos últimas áreas y que puedan ser alcanzadas durante la ejecución del proyecto; tales como mejoras en el patrimonio del Instituto, y crecimiento real y diversificado de las contribuciones del sector privado. El documento adjunto describe más ampliamente nuestro entendimiento del diseño del proyecto en lo relacionado con la participación de ADEX.

Aún cuando los niveles específicos de recursos dependerán de negociaciones posteriores y del avance de la implementación del proyecto; entendemos que el costo aproximado de las actividades con ADEX durante los seis años de vida del proyecto, se estima en \$ 800,000. ADEX acuerda apoyar al Proyecto con los recursos de contrapartida que fueran necesarios para llevar a cabo con éxito las actividades del Proyecto. Es nuestro entendimiento que ADEX deberá contribuir con aproximadamente - el equivalente de \$ 200,000 en bienes, y/o servicios; y requerimos que la A.I.D. financie el resto mediante una donación de \$ 600,000.

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ASOCIACION DE EXPORTADORES
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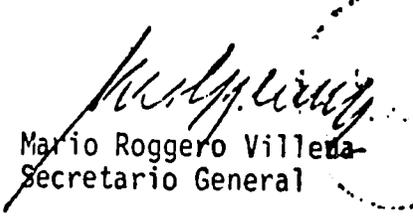
El Directorio de ADEX ha tomado conocimiento y decidido apoyar nuestra participación en el proyecto de Mejoramiento Gerencial del Sector Privado. El mismo, autoriza al Sr. Mario Roggero, Secretario General a negociar, e implementar la donación propuesta, en representación de ADEX.

Sin otro particular, hacemos propicia la oportunidad para reiterar a Ud. Los sentimientos de nuestra especial consideración y estima.

Atentamente,



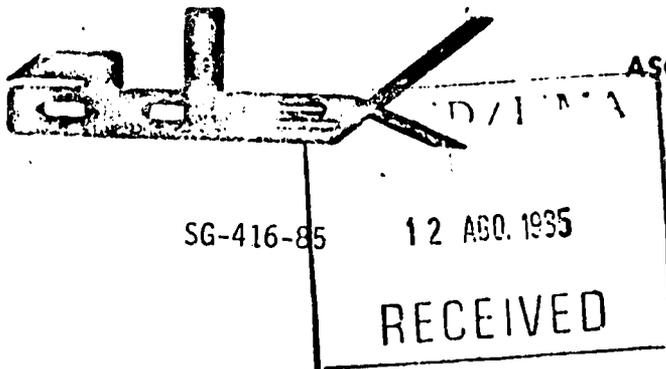
Genzalo Garland
Presidente



Mario Roggero Villeda
Secretario General

MRV/plm

ASOCIACION DE EXPORTADORES
SECRETARIA GENERAL



Lima, 5 de Agosto de 1985

Rec. del 8/22

Señor
John A. Sanbrailo
Director
Agencia para el Desarrollo Internacional - AID
Ciudad.-

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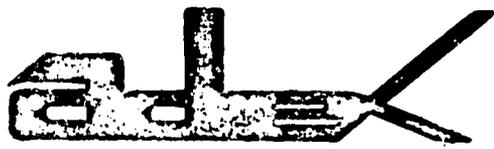
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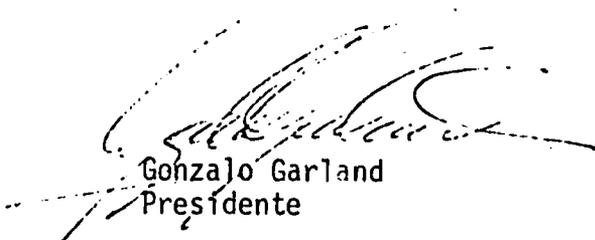
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El Directorio de ADEX ha tomado conocimiento y decidido apoyar nuestra participación en el proyecto de Mejoramiento Gerencial del Sector Privado. El mismo, autoriza al Sr. Mario Roggero, Secretario General a negociar, e implementar la donación propuesta, en representación de ADEX.

Sin otro particular, hacemos propicia la oportunidad para reiterar a Ud. los sentimientos de nuestra especial consideración y estima.

Atentamente,



Gonzalo Garland
Presidente



Mario Roggero Villeda
Secretario General

MRV/plm

Introduction

The purpose of the MI project is (1) to strengthen the capacity of ADEX, ESAN, IPAE, the University of the Pacifico and the University of Piura to carry out more industry responsive and higher quality management education, training, consulting and applied research; and (2) to strengthen linkages between these institutions and the industries they serve. The project design acknowledges the individuality of each institution as well as the need in today's economy to concentrate resources and take advantage of collaborative modes whenever possible in order to maximize the leadership roles of these institutions.

AID expects to negotiate a cooperative agreement with a U.S. institution, the "prime recipient." The major project implementing relationship will then be between the participating institutions and the prime recipient. The prime recipient will assist the five Peruvian institutions participating in the project to achieve the project's purposes. As such, the prime recipient will have to collaborate closely with each participating institution to assist it to successfully identify; program and monitor all the assistance it will receive under the project. ADEX's project manager will work closely with the prime recipient's representatives in designing technical assistance, research, training and procurement plans and evaluating the progress of the project. Once the Cooperative Agreement is signed with AID, the prime recipient and the participating institutions will in turn; negotiate and sign sub-agreements. These sub-agreements will outline project activities, resource levels, responsibilities, conditions precedent to disbursement of funds, reporting requirements, implementation arrangements. Such resources would include technical assistance in research and program design, a small computer hook-up, and funds for needs assessments studies.

Overview of Project Component

Strengthen Existing Management Programs of Participating Institution

The project will assist ADEX to: a) strengthen links between its education/training function and other membership services through a modern system of computer-based information on international trade, and the creation of a job information center; and b) to up-date the School of Foreign Trade's (SFC) curriculum and teaching methodologies for training current and future employees at the operational level of export oriented private sector enterprises.

Facilitating Collaboration Among the Institutions and with the Private Sector

As stated earlier the project is designed to have a multiplier effect on the impact of individual activities and expand the leadership role of participating institutions. The project will achieve this objective by supporting more collaborative working relationships among the institutions as appropriate.

The project will assist ADEX and the SFC to organize and carry out an ongoing effort to assess the operational training needs of export firms in the private sector. The needs assessments research will focus on understanding the operational problems of export management in order to upgrade the SFC's program in export trade. Needs assessments will be skill oriented and results disseminated for program development. The project will also support studies of Peruvian management issues which cross sectoral lines. Studies will be conducted to improve the information base for curriculum revision and case study writing. A competitive process for granting funds will be established and results will be widely disseminated.

Support to Institutional Development

The project will assist ADEX to improve its capacity to plan strategically both its human and program resources and to implement self-sustaining financial mechanisms in support of them. As it is critical for ADEX to strengthen its financial position in order to better accomplish its professional and training roles without outside assistance project resources will support it to broaden and increase its financial base and allow ADEX to make greater progress towards financial self-sufficiency. The project will also assist ADEX to rationalize its organizational structure to best support its activities.

INSTITUTO PERUANO DE ADMINISTRACION DE EMPRESAS

Agosto 13, 1985.

Señor
JOHN A. SANBRATLO
DIRECTOR
AGENCIA PARA EL DESARROLLO
INTERNACIONAL - AID
Presente.

Estimado Sr. Director :

La presente tiene por objeto confirmar el interés del Instituto Peruano de Administración de Empresas (IPAE), en participar en el proyecto de Mejoramiento Gerencial del Sector Privado. Este proyecto apoya uno de los principales objetivos del Instituto que es el desarrollo de gerentes peruanos poseedores de la tecnología y los conocimientos necesarios para el mejoramiento de la empresa peruana.

Como es de su conocimiento, IPAE está interesada en fortalecer sus niveles facultativos, diseño e implementar nuevos programas, desarrollar nuevo material didáctico y fortalecer su capacidad para llevar a cabo educación gerencial, capacitación, consultoría, e investigación del más alto nivel. La participación en este Programa con la A.I.D. permitirá al Instituto : fortalecer sus programas principales, intensificar su orientación hacia aquellos sectores claves para el desarrollo del país; fortalecer su liderazgo ante el sector privado; comprometiéndose a enlazar el planeamiento estratégico con mecanismos de autofinanciación - los cuales ampliará y diversificará la base financiera del Instituto, resultado muy importante en su autofinanciamiento al término del proyecto. La A.I.D. y el Instituto Peruano de Administración de Empresas identificarán metas apropiadas que demuestren mejorar en esta última área y que puedan ser alcanzados durante la ejecución del proyecto; tales como mejoras en el patrimonio del Instituto, y crecimiento real y diversificado de las contribuciones del sector privado. El documento adjunto describe más ampliamente nuestro entendimiento del diseño del proyecto en lo relacionado con la participación de IPAE.

Aún cuando los niveles específicos de recursos dependerán de negociaciones posteriores y del avance de la implementación del proyecto; entendemos que el costo aproximado de las actividades con IPAE durante los seis años de vida del proyecto, se estima en \$ 1,370,000. IPAE acuerda apoyar al Proyecto con los recursos de contrapartida que fueran necesarios para llevar a cabo con éxito las actividades del Proyecto. Es nuestro entendimiento que IPAE deberá contribuir con aproximadamente el equivalente de \$ 345,000 en bienes, servicios y/o moneda local; y requerimos que la A.I.D. financie el resto mediante una donación de \$ 1,025,000.

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INSTITUTO PERUANO DE ADMINISTRACION DE EMPRESAS

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El Directorio de IPAE ha tomado conocimiento y decidido apoyar nuestra participación en el proyecto de Mejoramiento Gerencial del Sector Privado. El mismo, acordó autorizar el suscrito a negociar, e implementar la donación propuesta, en representación del Instituto.

Sin otro particular, queremos aprovechar la oportunidad para reiterar a Ud. los sentimientos de nuestra consideración y estima.

Muy atentamente,


ALFONSO COSTA C.
GERENTE GENERAL
IPAE

APK/gc.

UNIVERSIDAD DE PIURA

APARTADO 563
PIURA - PERU



Sr. Jhon A. Sanbrailo
Director
Agencia para el Desarrollo Internacional- AID
Av. España 386
Lima , PERU

Estimado Sr. Director:

La presente tiene por objeto confirmar el interés de la Universidad de Piura en participar en el Proyecto de Mejoramiento Gerencial del Sector Privado . Este proyecto apoya uno de los principales objetivos de la Universidad, que es el desarrollo de los gerentes peruanos de manera que posean la tecnología y los conocimientos necesarios para el mejoramiento de la empresa peruana.

Como es de su conocimiento, la Universidad de Piura está interesada en fortalecer sus niveles facultativos, diseñar e implementar nuevos programas, desarrollar nuevo material didáctico y fortalecer su capacidad para llevar a cabo educación gerencial, capacitación, consultoría, e investigación del más alto nivel. La participación en este programa con la A.I.D. permitiría a la Universidad: Fortalecer sus programas principales, intensificar su orientación hacia aquellos sectores claves para el desarrollo del país; fortalecer su liderazgo en la región ante el sector privado; comprometiéndose a enlazar el planeamiento estratégico con mecanismos de autofinanciación, los cuales ampliarán y diversificarán la base financiera de la Universidad, resultando muy importante en su autofinanciamiento al término del proyecto.

El documento adjunto describe más ampliamente un diseño previo del proyecto, en el que lo relacionado con la participación de la Universidad debe ser puntualizado en sucesivas negociaciones y especificado en el subcontrato correspondiente.

Aun cuando los niveles específicos de recursos dependerán de negociaciones posteriores y del avance de la implementación del proyecto; entendemos que el costo aproximado de las actividades con la Universidad de Piura durante los seis años de vida del proyecto, se estima en U.S. \$1,870,000. La Universidad acuerda apoyar el proyecto con los recursos de contrapartida que estime necesarios para llevar a cabo con éxito las actividades del proyecto; los que representarán aproximadamente el equivalente a U.S.\$ 470,000 en bienes y/o servicios y requerimos que la .I.D. financie el resto mediante una donación de U.S. \$,400,000.

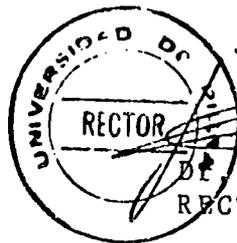
124



El Consejo Superior de la Universidad ha tomado conocimiento y decidido apoyar nuestra participación en el Proyecto de Mejoramiento Gerencial del Sector Privado.

Sin otro particular, queremos aprovechar la oportunidad para reiterar a Uds. los sentimientos de nuestra consideración y estima.

Atentamente,



José Navarro Pascual
Dr. José Navarro Pascual.
RECTOR

Introduction

The purpose of the MI project is (1) to strengthen the capacity of ADEX, ESAN, IPAE, the University of the Pacifico and the University of Piura to carry out more industry responsive and higher quality management education, training, consulting and applied research; and (2) to strengthen linkages between these institutions and the industries they serve. The project design acknowledges the individuality of each institution as well as the need in today's economy to concentrate resources and take advantage of collaborative modes whenever possible in order to maximize the leadership roles of these institutions.

AID expects to negotiate a cooperative agreement with a U.S. institution, the "prime recipient." The major project implementing relationship will then be between the participating institutions and the prime recipient. The prime recipient will assist the five Peruvian institutions participating in the project to achieve the project's purposes. As such, the prime recipient will have to collaborate closely with each participating institution to assist it to successfully identify; program and monitor all the assistance it will receive under the project. The University's project manager will work closely with the prime recipient's representatives in designing technical assistance, research, training and procurement plans and evaluating the progress of the project. Once the Cooperative Agreement is signed with AID, the prime recipient and the participating institutions will in turn negotiate and sign sub-agreements. These sub-agreements will outline project activities, resource levels, responsibilities, conditions precedent to disbursement of funds, reporting requirements, implementation arrangements.

Overview of Project Components

Component 1: Strengthening Existing Management Programs of Participating Institutions

The project will assist the Universidad de Piura to redefine and strengthen its undergraduate degree program in functional areas significant to the economy of northern Peru; marketing, production management, entrepreneurship, and management information systems. Such resources will provide the University with advanced training opportunities for selected faculty, technical assistance in research and program design, improvements to its library resources, reflect the qualitative improvements being made in management education and some educational materials.

Component 2: Introducing New Program Elements in Sectors with the Greatest Potential for Growth

Activity a: International Business - Formal academic training and special non-degree training programs will be implemented to better serve the special needs of managers engaged in or planning to enter the international business (IB) arena. IB in this context would include export production development and marketing, direct foreign investment and technology transfer. The project will support the University to introduce IB issues and case studies into its curriculum.

Activity b: Agribusiness - A new level of awareness will be raised regarding the potentialities and problems of agribusiness management in Peru. Initially the project will support the creation of a firm information base for this sector for curriculum development. The project will provide select faculty members of the University with advanced training in agribusiness, and on their return, will support the establishment of agribusiness electives. As this area gains demand, minors will be developed and offered.

Activity c: Small Business Management - The project will assist the University to develop case studies and other materials depicting the Peruvian entrepreneurship experience, it will also provide support for library resources in this area as well as the other areas.

Component 3: Facilitating Collaboration Among the Institutions and with the Private Sector

As stated earlier the project is designed to have a multiplier effect on the impact of individual activities and expand the leadership role of participating institutions. The project will achieve this objective by supporting more collaborative working relationships among the institutions as appropriate.

a) Sectoral linkage activities - The project will assist the University to establish a regional agribusiness advisory board which will provide an on-going mechanism for the exchange of information and resources for research and curriculum development. National advisory boards for agribusiness and international business will be created under the auspices of the University of the Pacific and ESAN respectively.

b) Applied Research and Consulting - The project will assist the University to research salient management problems in the three above sectoral areas in order to create a firm information base for new program development and the design of case studies.

c) The project will also support the University to implement an organized and on-going effort to assess the management training needs of private sector companies in the region. These needs assessments will be skill oriented and results disseminated for program development.

d) Project resources will also finance the carrying out of studies of Peruvian management issues which cross-cut sectoral lines. Results will be aimed at improving the information base for curriculum revision and case study writing. A competitive process for granting funds will be established and results will be widely disseminated.

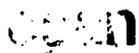
Component 4: Decentralization and Diffusion of Management Services

The project will support programs for the decentralization of management improvement services in three pilot regions outside of Lima through the establishment, under IPAE's leadership, of financially and administratively independent regional training functions which are responsive to the business needs of that zone. Outreach efforts in the region of Piura should complement the University's own work and whenever possible support the University's own commitment to the region.

Component 5: Support to Institutional Development

The project will assist the University to improve its capacity to strategically plan both its human and program resources, and to commit itself to developing self-sustaining financial mechanisms which will broaden its financial base in support of management improvement activities. Project resources will support the University's efforts to broaden and increase its financial base and allow it to make greater progress towards financial self-sufficiency.

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Escuela de administración de negocios para graduados
 MONTERRICO CHICO

ANNEX I
 Exhibit F

CASILLA POSTAL 1016
 LIMA 100 - PERU
 TELEFONO 35-1760
 CABLE: ESAN

USAID / LIMA
 31 JUL 1985
 RECEIVED

Monterrico Chico, 31 de julio de 1985

ACTION CE
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 DATE: *07/18/85*
 INITIALS: *MA*

Señor don
 John A. Sanbrailo
 Director
 Agencia para el Desarrollo
 Internacional (AID)
 Av. España N° 386,
 L I M A. -

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Estimado Sr. Director:

La presente tiene por objeto confirmar el interés de la Escuela de Administración de Negocios para Graduados (ESAN), en participar en el proyecto de Mejoramiento Gerencial del Sector Privado. Este proyecto apoya uno de los principales objetivos de ESAN, que es el desarrollo de gerentes peruanos poseedores de la tecnología y los conocimientos necesarios para el mejoramiento de la empresa peruana.

Como es de su conocimiento, ESAN está interesada en fortalecer su facultad, diseñar e implementar nuevos programas, desarrollar nuevo material didáctico y fortalecer su capacidad para llevar a cabo educación gerencial, capacitación, consultoría, e investigación del más alto nivel. La participación en este Programa con la A.I.D. permitirá a ESAN: fortalecer sus programas principales, intensificar su orientación hacia aquellos sectores claves para el desarrollo del país; fortalecer su liderazgo ante el sector privado; comprometiéndose a enlazar el planeamiento estratégico con mecanismos de autofinanciación los cuales ampliará y diversificará la base financiera de ESAN, resultando muy importante en su autofinanciamiento al término del proyecto. La A.I.D. y la Escuela de Administración de Negocios para Graduados (ESAN) identificarán metas apropiadas que demuestren mejorar en esta última área y que puedan ser alcanzados durante la ejecución del proyecto; tales como mejoras en el patrimonio de la escuela, y crecimiento real y diversificado de las contribuciones del sector privado. El documento adjunto describe más ampliamente nuestro entendimiento del diseño del proyecto en lo relacionado con la participación de ESAN.

Aún cuando los niveles específicos de recursos dependerán de negociaciones posteriores y del avance de la implementación del proyecto; entendemos que el costo aproximado de las actividades con ESAN durante los seis años de vida del proyecto, se estima en \$ 2,750,000. ESAN acuerda apoyar al Proyecto con los recursos de contrapartida que

- 2 -

fueran necesarios para llevar a cabo con éxito las actividades del Proyecto. Es nuestro entendimiento que ESAN deberá contribuir con aproximadamente el equivalente de \$ 700,000 en bienes, servicio y/o moneda local; y requerimos que la A.I.D. financie el resto mediante una donación de \$ 2,055,000.

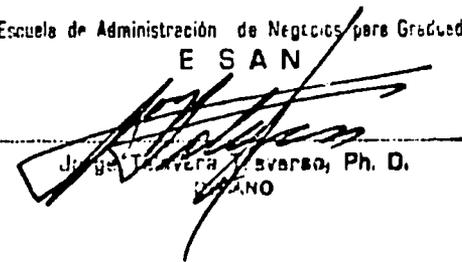
El Consejo de Profesores de ESAN ha tomado conocimiento y decidido apoyar nuestra participación en el proyecto de Mejoramiento Gerencial del Sector Privado. El mismo, acordó autorizar al suscrito a negociar, e implementar la donación propuesta, en representación de ESAN.

Sin otro particular, queremos aprovechar la oportunidad para reiterar a usted los sentimientos de nuestra consideración y estima.

Atentamente,

Escuela de Administración de Negocios para Graduados

E S A N


Jorge Traverza, Ph. D.

PRESIDENTE

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Introduction

The purpose of the MI project is (1) to strengthen the capacity of ADEX, ESAN, IPAE, the University of the Pacifico and the University of Piura to carry out more industry responsive and higher quality management education, training, consulting and applied research; and (2) to strengthen linkages between these institutions and the industries they serve. The project design acknowledges the individuality of each institution as well as the need in today's economy to concentrate resources and take advantage of collaborative modes whenever possible in order to maximize the educational and private sector leadership roles of these institutions.

AID expects to negotiate a cooperative agreement with a U.S. institution, the "prime recipient." The major project implementing relationship will then be between the participating institutions and the prime recipient. The prime recipient will assist the five Peruvian institutions participating in the project to achieve the project's purposes. As such, the prime recipient will have to collaborate closely with each participating institution to assist it to successfully identify; program and monitor all the assistance it will receive under the project. ESAN's project manager will work closely with the prime recipient's representatives in designing technical assistance, research, training and procurement plans and evaluating the progress of the project. Once the Cooperative Agreement is signed with AID, the prime recipient and the participating institutions will in turn; negotiate and sign sub-agreements. These sub-agreements will outline project activities, resource levels, responsibilities, conditions precedent to disbursement of funds, reporting requirements, implementation arrangements. Such resources will provide ESAN with advanced training opportunities for select members of its faculty, technical assistance in research and program design, funds for research studies, improvements to its library resources and some educational materials.

Overview of Project Components

Component 1: Strengthening Existing Management Programs of Participating Institutions

The project will provide the resources to refine and strengthen the primary energies of ESAN in those functional areas that give it leadership ability in management education. This is at the regular MBA and executive development levels in the areas of: management information systems, production and quantitative methods; business policy; and human resource management.

Component 2: Introduction of New Program Elements in Sectors with the Greatest Potential for Growth

Activity a: International Business - The project will support the implementation of short academic training and special non-degree training programs to better serve the needs of managers engaged in or planning to enter the international business (IB) arena. IB in this context would include export production development and marketing, direct foreign investment and technology transfer. The project will assist ESAN to restructure its masters program to offer a new MBA, with an IB minor and revise its executive development program in international business (PACI) so as to better reflect management issues of Peru.

Activity b: Agribusiness - In support of Peru's efforts to increase agricultural production and marketing, the project will assist ESAN, as well as the Universities of El Pacifico and Piura, to design and carry out research on agribusiness management and to create a firm information base for this sector. Research results will be used to improve awareness regarding the potentials and problems of agribusiness in Peru as well as for curriculum development and course design.

Activity c: Small Business Management - The project will support ESAN to create an updated information bank around the needs of the small business community which will be housed at ESAN's computer center. Project resources will support development of case studies and other teaching materials for degree and non-degree programs which depict the Peruvian entrepreneurship experience. The project will assist ESAN to design, test and duplicate a program to train trainers in entrepreneurship.

Component 3: Facilitating Collaboration Among the Institutions and with the Private Sector

As stated earlier the project is designed to have a multiplier effect on the impact of individual activities and expand the leadership role of participating institutions. The project will achieve this objective by supporting more collaborative working relationships among the institutions as appropriate.

a) The project will assist ESAN to establish a national advisory board for international business. This board will provide an on-going mechanism for the exchange of information and resources for research and curriculum development. Similar boards for agribusiness at the national and regional levels will be created under the auspices of the Universities of Pacifico and Piura respectively.

b) Project resources to ESAN will support the design, implementation and dissemination of applied research and consulting activities on salient management problems in the three sectoral areas. These will create a firm information base for new program development and the design of case studies. The project will also assist ESAN to implement an organized and on-going effort to assess the management training needs of companies in the private sector.

c) The project will also support studies of Peruvian management issues which cross sectoral lines in order to improve the information base for decision-making and policy writing. A competitive process will be established for granting these funds and results will be widely disseminated.

d) ESAN will participate with other project institutions in fora and conferences dedicated to the transfer and diffusion of management technologies resultive from research studies and curriculum design work.

**Component 4: Decentralization and Diffusion
of Management Services**

Project resources will provide 12 peruvian business administration educators at other Peruvian educational institutions with access to scholarships to ESAN for MBA training and to the improved information base created under the project. In addition, ESAN and the other participating institutions will establish mechanisms for expanding the benefits of this project to management training institutions throughout the country.

Component 5: Support Institutional Development

The project will assist ESAN to improve its capacity to strategically plan both its human and program resources, and to implement self-sustaining financial mechanisms in support of them. Project resources will support ESAN's to broaden and increase its financial base and allow ESAN to make greater progress towards financial self-sufficiency.



N.º 1 GM

9 AGO. 1985

RECEIVED

UNIVERSIDAD DEL PACIFICO

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ANNEX I
Exhibit F

Lima, 9 de agosto de 1985.

Señor
 John Sanbrailo,
 Director de la
 Agencia para el Desarrollo internacional-AID.
 Av. España 306.
 Ciudad.

De mi mayor consideración:

Me es muy grato dirigirme a Usted para confirmarle el interés de esta Universidad por participar en el proyecto de "Mejoramiento Gerencial del Sector Privado", por cuanto el mismo busca apoyar uno de los principales objetivos de esta Casa de Estudios, cual es facilitar el desarrollo del personal responsable de las empresas nacionales facilitándoles adquirir la tecnología y los conocimientos referidos para el mejoramiento de estas.

Como es de su conocimiento, la Universidad del Pacífico -además de mantener la excelencia académica de los estudios que imparte a nivel de pregrado y de postgrado- está interesada en diseñar e implementar nuevos programas, desarrollar material didáctico y fortalecer su capacidad para llevar a cabo educación gerencial, capacitación, consultoría e investigación del más alto nivel. Por ello, la participación en el referido proyecto permitiría a esta Casa fortalecer sus tareas docentes básicas, intensificar su orientación hacia aquellos sectores claves para el desarrollo del país, y consolidar su liderazgo ante el sector privado, comprometiéndose a enlazar el planeamiento estratégico con mecanismos de autofinanciación los cuales ampliará y diversificará la base financiera de la Universidad, resultando muy importante en su autofinanciamiento al término del proyecto. La AID y la Universidad del Pacífico identificará metas apropiadas que demuestren mejorar en esta última área y que puedan ser alcanzados durante la ejecución del proyecto; tales como mejoras en el patrimonio de la Universidad, y crecimiento real y diversificado de las contribuciones del sector privado. El documento adjunto describe más ampliamente nuestro entendimiento del diseño del proyecto en lo relacionado con la participación de la Universidad.

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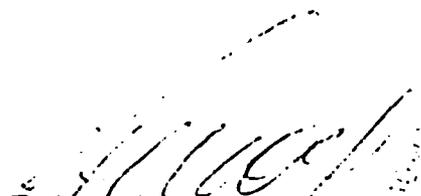
Aún cuando los niveles específicos de recursos dependerán de negociaciones posteriores y del avance de la implementación del proyecto; entendemos que el costo aproximado de las actividades con la Universidad del Pacífico durante los seis años de vida del proyecto, se estima en US\$2,570,000. La Universidad acuerda apoyar al Proyecto con los recursos de contrapartida que fueran necesarios para llevar a cabo con éxito las actividades del Proyecto. Es nuestro entendimiento que la Universidad deberá contribuir con aproximadamente el equivalente de US\$650,000 en bienes, servicio y/o moneda local; y requerimos que la AID financie el resto mediante una donación de US\$1,920,000.

El Consejo Universitario de nuestro centro docente ha tomado conocimiento y decidido apoyar nuestra participación en el proyecto de Mejoramiento Gerencial del Sector Privado. El mismo acordó autorizar al suscrito a negociar e implementar la donación propuesta, en representación de la Universidad.

Igualmente, el Consejo Universitario ha tomado nota del documento adjunto con la modificación en el inciso d) del componente 3, el cual quedaría redactado de la siguiente manera: "La Universidad del Pacífico participará sola o con otras instituciones del proyecto en foros y conferencias dedicadas a transferir y difundir las tecnologías administrativas que resulte de los estudios de investigación y trabajos de diseño curricular".

Sin otro particular, hacemos propicia la ocasión para expresarle el testimonio de nuestra más alta y distinguida deferencia.

Muy atentamente,


Estuardo Marrou Loayza
Rector

Adjunto: lo señalado
EML/sc.



Introduction

The purpose of the MI project is (1) to strengthen the capacity of ADEX, ESAN, IPAE, the University of the Pacific and the University of Piura to carry out more industry responsive and higher quality management education, training, consulting and applied research; and (2) to strengthen linkages between these institutions and the industries they serve. The project design acknowledges the individuality of each institution as well as the need in today's economy to concentrate resources and take advantage of collaborative modes whenever possible in order to maximize the educational and private sector leadership roles of these institutions.

AID expects to negotiate a cooperative agreement with a U.S. institution, the "prime recipient." The major project implementing relationship will then be between the participating institutions and the prime recipient. The prime recipient will assist the five Peruvian institutions participating in the project to achieve the project's purposes. As such, the prime recipient will have to collaborate closely with each participating institution to assist it to successfully identify; program and monitor all the assistance it will receive under the project. The University's project manager will work closely with the prime recipient's representatives in designing technical assistance, research, training and procurement plans and evaluating the progress of the project. Once the Cooperative Agreement is signed with AID, the prime recipient and the participating institutions will in turn; negotiate and sign sub-agreements. These sub-agreements will outline project activities, resource levels, responsibilities, conditions precedent to disbursement of funds, reporting requirements, implementation arrangements.

Overview of Project Components

Component 1: Strengthening Existing Management Programs of Participating Institutions

The project will provide the University with the resources to initiate curriculum reforms in its undergraduate degree program, creating new areas of specialization which emphasize applied managerial skills and enterprising: financial management; management information systems; research and development (R&D); marketing and organizational development. These resources will include opportunities for advanced training for selected faculty members, technical assistance in research and program design, support for research studies, some educational materials and improvements to the University's library resources.

Component 2: Introducing New Program Elements in
Sectors with the Greatest Potential for Growth

Activity a: International Business - The project will support the implementation of formal academic training and special non-degree programs to better serve the special needs of managers engaged in or planning to enter the international business (IB) arena. IB in this context would include export production development and marketing, direct foreign investment and technology transfer. The project will assist the University to create IB electives for its undergraduate and masters program.

Activity b: Agribusiness - A new level of awareness will be raised regarding the potentialities and problems of agribusiness management in Peru. The project will assist the University to develop a firm information base for this sector. The project will support select faculty members at the University to receive advanced training in agribusiness and the establishment of electives in agribusiness on their return.

Activity c: Small Business Management - The project will support the University to develop case studies and other teaching materials depicting the Peruvian entrepreneurship experience for both degree and non-degree programs.

Component 3: Facilitating Collaboration Among the
Institutions and with the Private Sector

As stated earlier the project is designed to have a multiplier effect on the impact of individual activities and expand the leadership role of participating institutions. The project will achieve this objective by supporting more collaborative working relationships among the institutions as appropriate.

a) The project will support the University to establish a national advisory board for agribusiness. This board will be an on-going mechanism for the exchange of information and resources for research and curriculum development. A regional board for agribusiness on the northern coast and a national advisory board for international business will be established under the auspices of the University of Piura and ESAN respectively.

b) Project resources to the University will support the design, implementation, and dissemination of applied research and consulting activities on salient management problems in the three sectoral areas. These studies will contribute to a firm information base which will be used for program development and the design of case studies. The project will also assist the University to assess the development training needs of the private sector in business administration.

c) The project will also support studies of Peruvian management issues which cross sectoral lines. These studies will be conducted in order to improve the information base for curriculum revision and case study writing. A competitive process for granting funds will be established and results will be widely disseminated.

13/3/83

d) The University will participate with other project institutions in fora and conferences dedicated to the transfer and diffusion of management technologies resulting from research studies and curriculum design work. (*)

Component 4: Decentralizing and Diffusing Management Services

Project resources will provide six peruvian business faculty at other peruvian educational institutions with scholarships to the University for MBA training and with access to the improved information base created under this project. In addition, the University and the other participating institutions will establish means for expanding the benefits of this project to management training schools throughout the country.

Component 5: Supporting Institutional Development

The project will assist the University to improve its capacity to strategically plan both its human and program resources and to develop self-sustaining financial mechanisms in support of them which will enlarge its financial base. Project resources will support the University's efforts to broaden and increase its financial base and allow it to make greater progress towards financial self-sufficiency.

(*) redacción sugerida

Project Title & Number: Private Sector Management Improvement Project

ANNEX II
Exhibit A

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS																																				
<p>Program or Sector Goal: To promote economic growth and employment in Peru by reducing institutional, attitudinal and policy constraints that are inhibiting private sector production investment and exports.</p>	<p>Measures of Goal Achievement:</p> <ol style="list-style-type: none"> 1. Increased percentage of exports to GNP. 2. Increased productivity in the private sector. 3. Increased output in non-traditional industries. 4. Increased output of agriculture sector. 	<ol style="list-style-type: none"> 1. Measures of exports and GNP. 2. Productivity measures in private sector. 3. Output of non-traditional industries. 4. Output of private sector contribution to agriculture. 	<p>Assumptions for achieving goal targets:</p> <ol style="list-style-type: none"> 1. Changes at policy level regarding international commerce, non-traditional industries and agriculture. 2. Changes in attitudes of individuals among private sector managers. 3. GNP continued support for free market economy and increasing foreign exchange earnings. 																																				
<p>Project Purpose: To (1) strengthen the institutional capacity of selected private institutions to carry out more industry responsive and higher quality management education, training, consulting and applied research on private sector development issues; and (2) strengthen linkages between these institutions and the industries they serve.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ol style="list-style-type: none"> 1. A network of management training institutions serving private sector in transition toward a market-oriented competitive economy. 2. Key functional areas of management education improved and adapted to Peruvian economy. 3. Improved capacity of institutions to influence management success in international business, agribusiness and small business. 4. Collaborative mechanisms established among the institutions and the private sector. 5. Decentralization and diffusion of management services to regions and institutions outside Lima. 6. Improved capacity of institutions to plan strategically and establish self-sustaining financial mechanisms. 7. Improved capacity of the private sector and the participating institution to analyze management issues. 	<ol style="list-style-type: none"> 1. Evaluation 2. Evaluation, including visits of U.S. advisory committee. 3. Evaluation, including that of sectoral advisory boards. 4. Evaluation, including that of U.S. advisory board and sectoral advisory boards. 5. Evaluation 6. Audit and review of cost structure and sources of revenue. 7. Evaluation, including that of U.S. advisory board and sectoral advisory boards. 	<ol style="list-style-type: none"> 1. Participating institutions capability of improving and/or cleaning programs. 2. Willingness of private sector to collaborate with participating institutions. 3. Willingness of institutions to collaborate among themselves. 																																				
<p>Outputs:</p> <ol style="list-style-type: none"> 1. Selected graduate and undergraduate programs will be more responsive to private sector needs. 2. New programs introduced in areas of international business, agribusiness and small business. 3. Institutions and private sector jointly participate in sectoral linkage activities. 4. Regions outside Lima gain capacity to create relevant management education programs. 5. Application and dissemination of applied research, management improvement studies and management needs assessment. 6. Project benefits extended to other Peruvian educational institutions. 	<p>Magnitude of Outputs:</p> <ol style="list-style-type: none"> 1. 4 advisors in functional areas at ESAN 4 advisors in functional areas at Pacifico 4 advisors in functional areas at Pura 2. 1B advisor at ESAN FNCI revisited at ESAN 1B electives at Pacifico and Pura Agribusiness electives at Pacifico and Pura Small business electives at ESAN, Pacifico and Pura Training of trainers program at ESAN for entrepreneurship training 3 sectoral training programs at DME 3 sectoral advisory boards formed 3 national conferences held 3 special workshops for senior level executives 6 special workshops for mid-level managers 3 regional training offices established 18 training programs held in each of the 3 training offices 3 MBA's trained for outreach program 10 case studies distributed to institutions outside Lima 5 seminars on research results 10 articles distributed to institutions outside Lima 15 needs assessment studies distributed 10 management improvement studies distributed 18 MBA's trained 10 follow-up visits by ESAN and Pacifico to institutions in DME program 	<ol style="list-style-type: none"> 1. Evaluation 2. Evaluation 3. Evaluation and advisory board reports and meeting records 4. DME evaluations, regional office records 5. Evaluation and progress reports 6. Audit/evaluation 	<p>Assumptions for achieving outputs:</p> <ol style="list-style-type: none"> 1. Capacity of institutions to initiate changes 2. Ability to create and/or tap the demand for new programs 3. Collaboration of institutions and private sector around research activities 																																				
<p>Inputs:</p> <ol style="list-style-type: none"> 1. Strengthen existing programs <ul style="list-style-type: none"> LT training ST technical assistance LT visiting faculty Library and other equipment 2. Introduce new program elements <ul style="list-style-type: none"> LT training ST technical assistance LT visiting faculty Library resources Support for testing new training programs 3. Collaboration with private sector <ul style="list-style-type: none"> Start-up funds for advisory boards ST technical assistance Funds for applied research - SMC and MAS 4. Decentralize and diffuse management services operating expenses to test outreach programs Funds for 18 scholarships 5. Institutional development <ul style="list-style-type: none"> LT technical assistance ST technical assistance Funds for DME's visits 6. Project management and evaluation <ul style="list-style-type: none"> Home office support US advisory committee P.S.C. for project manager Evaluation costs 	<p>Implementation Target (Type and Quantity)</p> <table border="1"> <thead> <tr> <th></th> <th>AID GRANT</th> <th>PARTICIPING INSTIT.</th> <th>UDM.</th> </tr> </thead> <tbody> <tr> <td>Existing Programs</td> <td>1,844,803</td> <td>634,934</td> <td>2,459,737</td> </tr> <tr> <td>New Elements</td> <td>1,439,594</td> <td>486,531</td> <td>1,945,125</td> </tr> <tr> <td>Collaboration</td> <td>1,221,594</td> <td>437,158</td> <td>1,628,752</td> </tr> <tr> <td>Dissem. and Diffusion</td> <td>610,250</td> <td>205,417</td> <td>821,667</td> </tr> <tr> <td>Inst'l Dev.</td> <td>514,767</td> <td>171,589</td> <td>686,356</td> </tr> <tr> <td>Project Mgmt.</td> <td></td> <td></td> <td></td> </tr> <tr> <td>4 Evaluation</td> <td>1,342,992</td> <td>447,664</td> <td>1,790,656</td> </tr> <tr> <td>TOTAL:</td> <td>\$7,000,000</td> <td>2,333,333</td> <td>9,333,333</td> </tr> </tbody> </table>		AID GRANT	PARTICIPING INSTIT.	UDM.	Existing Programs	1,844,803	634,934	2,459,737	New Elements	1,439,594	486,531	1,945,125	Collaboration	1,221,594	437,158	1,628,752	Dissem. and Diffusion	610,250	205,417	821,667	Inst'l Dev.	514,767	171,589	686,356	Project Mgmt.				4 Evaluation	1,342,992	447,664	1,790,656	TOTAL:	\$7,000,000	2,333,333	9,333,333	<ol style="list-style-type: none"> 1. USAID records 2. Private recipient records 3. Participating institutions records 	<p>Assumptions for providing inputs:</p> <ol style="list-style-type: none"> 1. all funds available on a timely basis. 2. no unsupported problems in meeting conditions and covenants set forth in grant agreements
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Response to PID Guidance Issues

In this section, the project paper responds to the issues raised in the PID Guidance Cable regarding the design and implementation of the Management Improvement Project.

1. Problem Definition

The Guidance Cable correctly addresses the multifaceted issues of constraints to the launching of an export-led development model for Peru. Since that time the Mission has extensively dealt with these issues in the preparation of its Private Sector Strategy. In the background section to the project paper, the Mission discusses in depth the barriers associated with the shift from import substitution to export driven economic development and how the Mission's strategy addresses them. In particular, the role of managerial leadership is shown to be a key ingredient to this process. This management constraint is further addressed throughout the project since it is indeed the foundation of the project's strategy and its components.

2. Mix of Activities

The project strategy endorses a mix of activities (short-term to long-term training & education, degree & non-degree programs, applied research & sectoral-oriented research, functional & sector-specific programs, etc.) in order to satisfy the goals of the project. Indeed, the design of the project parallels the overall design of the Mission's Private Sector Strategy. Short-term interventions are made through non-degree programs and problem-oriented research, medium-term activities by program modifications which are geared toward education and training required for the shift toward export-led growth, and long-term interventions seek to change attitudes and thus behaviors of both the practitioners and the educators in management education.

3. Project Implementation

The issues addressed here deal with what appears to be a cumbersome implementation strategy due to the fact that five separate Peruvian institutions are involved in the project. The Mission has decided to implement the project through a Cooperative Agreement with an organization in the United States that will then sign sub-agreements with each of the institutions and manage the project in Peru, if a suitable organization can be identified and an acceptable agreement negotiated this fiscal year. The Mission although highly cognizant of the implications of direct agreements with the participating institutions intends this as the fall back position.

The U.S. organization will be present in Peru via its Chief Party and the COP will have the lead responsibility of managing the project activities among the five participating institutions. Each of the institutions has been assigned key leadership roles in the project (for example, international commerce at ESAM and agribusiness at Pacifico), but all institutions realize that the COP will be managing collaborative activities among them in order to create a network of management activities in Peru. In addition, the project has created an advisory committee in the U.S. whose responsibility will be to offer advice and assistance (for example, locating technical assistance) to the organization charged with the management of the project under the Cooperative Agreement.

4. Management Studies Component

The project design has created an activity (studies for management improvement - SMI) whose goal is to improve the overall quality of management education in Peru. The PID Cable and the Mission realize that this activity should not become the particular jurisdiction of any single organization, nor indeed of only those institution involved in the project. Therefore, the project paper has created a selection and approval process, managed by a committee of private sector representatives, for any individual or institution that may wish to conduct research in this area.

5. Other Issues

a. The project will maximize the use of small businesses and minority firms wherever possible in all phases of its programs.

b. The economic viability and the financial soundness of the project have been illustrated by the analyses completed of the institutions and of the environment for this project. The economic benefit shown to be more than adequate and the market for managers was thoroughly described in the Economic Analysis.

c. The "social soundness" of the project was evaluated and the constraints to the project implementation are discussed in the Social Analysis. In addition, the question of access to the project benefits was addressed in the project design, particularly in Component 4. Women will participate on an equal basis in the project.

d. Various mechanisms have been designed in the project components to assure that the goals of the program and its benefits will extend to all areas of the private sector and will also last beyond the life of the project. A primary goal of the project design is to create a new and ongoing network of activities needed to bring about a change in the development orientation of the private sector.

e. The project has created a number of advisory committees and collaborative mechanisms whose task is to not only assure the transfer of technology to the private sector beyond the life of the project, but, more

importantly, these mechanisms will provide a foundation for "creating" the technology of development necessary for the management of an export-led growth process. The Mission believes that this dual process of transferring and creating managerial knowledge is the appropriate foundation for changing a model of development.

f. The project paper has described the type and frequency of evaluations that will be used throughout the life of the project.

INSTITUTIONAL ANALYSIS

In this section, the institutional characteristics are reviewed in so far as they relate to the purposes of this project. In particular, this section addresses the capacity of each organization to contribute to the "strengthening of the institutional network of management development by linking training, education and research to the needs of private sector organizations, specially those engaged in the promotion of exports." With this overview in mind, the following is concluded: Four of the participating institutions--namely ESAN, IPAE, Universidad del Pacífico and Universidad de Piura--are well-established, well-managed, and thoroughly capable of carrying out the objectives of this project. The fifth institution, ADEX, is the weakest among the group, although it should be able to make an important contribution to the project. What follows below is an in-depth review of these five institutions.

ASOCIACION DE EXPORTADORES - ADEX

The Association of Exporters (ADEX) was created in 1973 as a non-profit professional organization dedicated to the promotion of Peruvian exports, particularly the so-called non-traditional sectors. As important secondary goals to this key activity, ADEX also tries to facilitate all forms of international commerce among its members and attempts to play an important role in developing the trade ties that are necessary for the emergence of sub-regional integration in the Andean Pact.

As a professional organization, ADEX must attract to its membership the majority of exporters in Peru. This would appear to be the case today since its roster of participating members now includes more than 1000 exporters from virtually all sectors of the Peruvian economy. Membership dues are scaled according to a formula of size and capability to pay and the organization appears to have the capability of not only holding on to its traditional membership, but also of attracting new exporters to its roles. As such, one would likely conclude that ADEX is engaged in a number of activities considered to be very important by Peruvian exporters. These activities appear to be in four key areas.

Activities of ADEX

1. Education. In 1975, ADEX established the School for International Commerce (ECE) for the purpose of offering a wide variety of courses for executives, managers and technical people in the area of export management. Virtually all of the courses are taught by part-time faculty members who have college level training and/or degrees and experience in the area of export management. The courses of ECE vary in length and time and they are basically designed to meet the specific needs of the ADEX members.

Within the structure of this School, ADEX formed in 1983 the Advanced Technological Institute for International Commerce (ITESCEX). The Institute sponsors a five semester post-secondary program of education

centered around the more broadly-based area of international business and commerce. Again, the faculty are part-time professors who, on the whole, rely more on experience than academic training as a basis of expertise. After completing the 5 semester curriculum, the students receive a professional degree entitled "International Administrator."

2. Training and in-service activities. Over the years, ADEX has offered literally hundreds of workshops, seminars, general purpose technical and managerial training sessions, and specific in-house training for organizations. They call upon their team of part-time faculty to teach these sessions and the results have generally been favorable. This is an important activity for ADEX because it is based on its capability to diagnose the needs of its clients, design appropriate training programs to meet those needs, and finally, deliver an acceptable product in the form of a training program.

3. Information dissemination. ADEX has established a documents and information center which also houses under its roof a small library. It publishes a weekly bulletin of export-related information and it also publishes the annual Directory of Exporters. The center would like to expand its operations into other areas--for example, the establishment of a sophisticated information bank on international commerce--but this seems unlikely at the present. ADEX does carry out market studies for its clients and it does provide specific information requested by its users.

4. Export promotion activities. One might say that all of the activities of ADEX are export-related. This is probably true, but it does perform some very specific roles that are included under this rubric. ADEX has been very instrumental in creating international interest in Peru by its participation in certain trade fairs, it has been in the forefront of creating bi-national trade linkages between Peru and other countries, and it has also played leadership roles in the signing of cooperative trade agreements among Peru and other countries. In all, these are a series of very important activities that are useful services to the clients of ADEX.

Organization and Management

Since ADEX makes use of many part-time employees, its basic administrative structure and staffing characteristics are rather simply-defined. Table I is an organization chart of the basic structure of ADEX.

The General Assembly consists of all members who in turn select the board of directors, which, under the bi-laws, must contain representatives from every key sector of the export economy (for example, fishing, agriculture, textiles, etc). The executive committee is selected by the board of directors and it has the responsibility for designing an overall strategy and action plan for the organization. The general secretary is hired by the executive committee and he/she is responsible for the day-to-day management of ADEX. Several comments, are appropriate to make about the administrative apparatus of ADEX.

1. The quality of some of the full-time managerial staff appears to be uneven. It may reflect the classic problem of this type of

organization--namely, the volunteers who serve on committees and boards are far more imaginative and hard working than are the permanent staff.

2. Questions remain about some of the strategic goals of the organization. For example, should they be so actively involved in the "education business," especially when this function must be staffed by all part-time people?

3. Third, the current full-time staff has little understanding of the capabilities of this organization. For example, in their requests submitted to USAID for this project, they would like to create a very sophisticated R&D center, yet they have virtually no research infrastructure in place.

4. Finally, they are clearly understaffed.

Conclusions

Although organizationally weak, ADEX should have the capacity to participate fully in achieving its role in the project. Positively, one must observe,

A. They have existed under rather dire circumstances for 12 years; they indeed have staying power;

B. They are one of the few organizations in Peru that can identify the needs of an important group for this project (exporters) and design educational programs which address those needs;

C. They are a private sector organization that has at least a minimal level of trust and respect from key institutions in the private sector.

On the negative side, the following should be pointed out:

A. They are probably involved in too many activities, with very few resources, thus creating a significant problem of quality control in their programs;

B. USAID should insist that ADEX cut back its expansionary plans for the future and concentrate on improving its service functions to its clients including its training function.

ESCUELA SUPERIOR DE ADMINISTRACION DE NEGOCIOS - ESAN

La Escuela de Administraci3n de Negocios para Graduados (ESAN) was created in 1963 under the auspices of a grant from USAID with Stanford University, the Government of Peru and the private sector in Peru. ESAN's primary goal is simply stated in the statutes under which it was founded: "The purpose of ESAN is to promote and accelerate the socio-economic development of Peru and Latin America through the teaching of administration in both private and public institutions and through the generation of information related to development by the involvement of the school in research activities". ESAN was the first graduate school of business created in Latin America and this year it will graduate its 22nd class in the masters program. It is an autonomous nonprofit academic institution yet its Masters Degree in Administration--as well as its other special degrees--are awarded in the name of the Government of Peru. Under their general strategic characteristics, ESAN has identified the following objectives as being critical for its future:

1. Maintain a flexible and decentralized organizational structure in order to adjust to the changes in its environment;
2. Be a center for research and development in order to promote economic growth, improve the teaching of administration and solve managerially related problems of development;
3. Be a center of post-graduate education for those interested in advanced management education, whether they are full-time or part-time students, or managers from the private or public sector;
4. Be a center of academic excellence in order to improve the quality of management education not only at ESAN but in other institutions as well;
5. Maintain and seek to always improve its relationships with the management community in order to serve its needs and aspirations;
6. Create an "Institutional Fund" whose goal will be to raise at least 20% of its annual budget in the form of sustentation donations or endowment funds.

In order to carry forth these goals and objectives, ESAN is involved in a wide variety of programs. These are summarized in the following section.

Activities of ESAN

1. Masters Program in Administration. This remains the key program in ESAN now and will be in the future. It is a one-year masters program modeled after similar MBA programs found in the United States. Average enrollments are about 80 students per class (full-time) and 20 students per class (part-time).
2. Advanced Management Programs. These are non-degree yet graduate level programs in specialized fields of management. They are taught in a part-time format, usually 2 to 3 nights per week for a period of about 9

months. They cover the gamut of management fields from marketing, finance and accounting to economics, human resource management and international trade. Enrollments vary from 20 to 70 students and they remain an important linkage of ESAN to the working community of managers.

3. Special Administrative Programs. These are programs of short duration--one to two weeks--that are taught either as open seminars or specially designed programs for a particular organization. The themes are more narrowly-defined than those of the Advanced Management Programs and they reflect the specialized training needs of the management community. Common among these programs would be sales training, supervisory management, trade promotion, budgeting, leadership, organization development, etc.

4. Resource activities. Included under this broad category would be several key activities of ESAN. The library is not only a resource center for the teaching and research activities of the school, but it also provides an array of information related services to the business community--market and legal informaion, for example. ESAN's computing center is rapidly becoming a sophisticated outreach component of the school and it will offer computer-based services for the business community. The Institute for Economic Development has sponsored a number of research projects, seminars and conferences on the leading issues of development in Peru, Latin America-international debt, energy, and agro-business are among the most recent examples.

In summary, the wide variety of activities which ESAN supports suggests that it is becoming a mature school of management development.

Faculty Resources

The full-time faculty at ESAN consists of 16 professors with the following breakdown: 5 Ph.d's, and 11 MBA's. The part-time faculty varies from year to year but averages about 3 to 5 per year. All have MBA degrees.

Organization and Management

ESAN enjoys the luxury of being independent of the state academic bureaucracy yet it still is permitted to award its degrees in the name of the Government of Peru. This is important both in terms of the institutional flexibility the school has and the legitimacy and recognition that the Government of Peru gives to the School. In Table II one finds a sketch of the organizational structure and below this structure is analyzed.

In its structure and management, ESAN has tried to create high levels of participation among key sectors of the society. In the Board of Directors, one finds representatives from government, other academic institutions, the business community, graduates of ESAN, and professors and administrators

currently employed by the School. This broad base of support is strategically important for maintaining the unique structure of state-approved autonomy. The Board oversees the long-term march of the School and it plays key linkage roles with the community at large.

The internal organization and management of the School is a very typical academic structure of participative/functional administration. The Dean and the Council of Professors operate in a collegial manner in making decisions about the various activities of ESAN described above. All levels of academic rank are represented in the Council as are the key functional areas of the School. This collegial decision making process, combined with functional decentralization as seen in Table II, gives the School a very clean, simple and effective way to manage its operations. Furthermore, since the School is small, interaction across functional lines tends to be very informal and time-efficient. Although a few areas of administration seem to be overloaded with activities and thus somewhat understaffed--for example, special programs and advanced programs--one could safely conclude that, on the whole, ESAN has an effective team of managers and a simple structure which allows these managers to carry out their obligations.

Conclusions

The tone of this analysis has purposely been upbeat because it is believed that ESAN is a proven entity in Peru and it has demonstrated that it can survive through some very hazardous times. Yet, it is worthy to end this analysis by projecting forward from this base of optimism and identifying several key challenges that will determine the ability of ESAN to enter and manage well its forthcoming phase of mature development. The following issues seem to be paramount in this discussion:

1. The curriculum content of some of ESAN's key programs (Masters and Advanced Management) is much in need of revision. This refers to program designs and what they do or do not emphasize (little emphasis on export-led development, for example) as well as key functional areas that are weak, to say the least (business policy, human resource management, international business).

2. Faculty time is dispersed across all of the teaching requirements associated with the programs mentioned above. This has two important impacts. One, faculty members have little time to upgrade their own skills and upgrade the content of what they teach. Two, faculty members are not "producing" much in the way of research.

3. ESAN must become one of Peru's leading centers for applied research in problems related to the management of development. To date, ESAN has done a comendable job of "transferring" information and technology from other countries to the Peruvian context. This quite simply is no longer sufficient. Professors at ESAN must begin to "produce" information that reflects the real needs of development in Peru and Latin America and ESAN must begin to build into their activities the incentives necessary to change this reality.

4. Finally, ESAN, like all the institutions being considered for this project, must devote more resources to the improvement of its faculty and key staff members. The School needs to have a well-defined career and professional development strategy to attract, upgrade and retain the human resources it will need in the future. Limited resources are always a part of the problem, but there is a trap here in this argument--limited resources will be a problem until the School has a more viable strategy for reaching out and attracting these resources. Once it does, it can then begin to think about the real needs of developing its base of human resources. In summary, it is felt that ESAN must address some key issues in order to be a leading participant in this project. However, it appears that ESAN has the institutional capacity to accomplish this task and therefore will make a significant contribution to the project.

INSTITUTO PERUANO DE ADMINISTRACION DE EMPRESAS - IPAE

The Instituto Peruano de Administracion de Empresas (IPAE) is the product of a group of Peruvian executives who believed that better management was a sine qua non to the economic development of the country. The organization was created in 1959 as a non-profit institution dedicated to the study and diffusion of the methods, systems and practices of administration. To accomplish this broadly-stated goal, IPAE has defined the following objectives as being fundamental to its mission:

1. Contribute to the economic and social development of the country by improving the management productivity of all enterprises,
2. Serve as a forum for constantly analyzing the development problems of the country and for initiating reforms to solve these problems,
3. Provide and promote linkages among managers within Peru and their counterparts elsewhere in order to improve the quality of management.

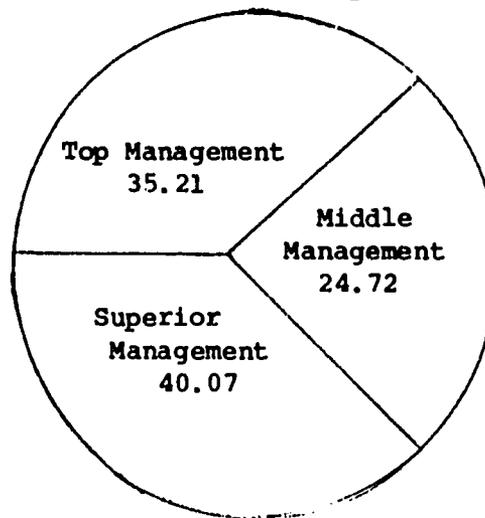
In order to place in motion their goals and objectives, IPAE is involved in a variety of management education activities. Those most important are summarized in the following section.

Activities of IPAE

1. Higher education. IPAE has a post-secondary institution of higher education called the Advanced School of Professional Education. Students must complete eight semesters of applied administration education after which they receive a state-approved degree titled "Professional Degree". The faculty in this institute are part-time for the most part and are noted for their experience in fields of administration.

2. Management development programs. This may well be the core of the impact that IPAE has on the managerial community in Peru. These short-term courses, which range in time from several hours to several weeks, reach a

cross section of managers in Peru. For example, in 1983, with more than 7600 participants in some 267 programs, IPAE's management development activities reached a diverse audience as is shown in the pie chart below:



The course titles range from highly specialized fields such as logistics, sales and supervision, to more general courses on management such as the "Integrated Modules on Management Education." The majority of the teachers are practicing experts in their fields although some academic specialists are used as well.

3. Forum activities. Every year, IPAE sponsors a number of highly respected forums for top level executives that address key strategic issues for the development of the country. The Annual Conference of Executives, CADE, has become perhaps the leading event of its type in Peru and indeed is a model for other countries as well. The more frequent "Forums for Top Executives", FADE, bring together top managers from all over the country to discuss more specific problems related to management and development. The speakers at these forum activities are outstanding Peruvian and international experts in their fields and the conferences are well-attended and receive very positive evaluation on the part of the participants.

4. Extension and outreach programs. IPAE has begun a series of programs all aimed at reaching a broader audience through the decentralization of its activities. On the one hand, new modules of instruction have been developed for teaching via the method of correspondence between the student and the faculty. Even more important, is the dedication to offering an increasing number of forums and management development programs in the rural areas of the country where this type of education has been sparse in the past. IPAE has demonstrated that it can play a leading role in this decentralization process and the figures seem to bear them out: In 1984, they taught over 62,000 student hours of courses in cities outside Lima.

5. Information dissemination. IPAE has the makings of a good library that serves the teaching activities of its advanced school as well as the service needs of its clients. In addition, it also publishes a quasi-professional journal entitled "Gerencia" (Management) in which the contributing authors--both academics and practitioners--address issues related

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to management and development. Finally, each year IPAE publishes its summary of the CADE conference in the form of a proceedings publication which includes all the major themes discussed at the conference.

In order to support these five major categories of activities, IPAE has a somewhat complicated administrative structure which is discussed below.

Organization and Management

The unique feature of the organization and management of IPAE is the role played by its members or associates. One can easily see this by reference to Table III. The members constitute the supreme decision making body or the group with final authority--namely, the General Assembly-- and they dominate the entire administrative apparatus through their participation in the board of directors and its executive committee, the council of consultation (composed of all past presidents) and finally, the major committees of the organization. Thus, IPAE has created a hybrid type of functional management where a relatively small professional staff under the rubric of general administration works closely with a volunteer staff of members who dedicate their time to the management of IPAE's activities. It is a somewhat unique managerial system yet it reflects the strength of what IPAE has been able to accomplish. It is indeed an organization very dependent on volunteer efforts since the overwhelming majority of its work is done by part-time employees (part-time teachers, for example). At the same time, it relies on a very small, well-trained and highly dedicated group of technical and professional managers.

Normally, when one finds this type of organizational structure, two problems became paramount - quality control and output control. The latter in this case would refer to IPAE's ability to understand the needs of its clients and design and deliver, in an effective manner, programs that meet these needs. However, on reviewing the documents and the history of IPAE's operations, one could by no means say this is a problem for IPAE. The problem of quality control, however, does exist to some extent. No institution that depends on part-time help to the degree found at IPAE could maintain a consistent level of academic quality throughout all of its programs. This is simply a problem of part-time education everywhere. However, the results of the course evaluations at IPAE are good to excellent and one would have to say that they manage this problem well within the limits under which they have to work. The nature of IPAE is not going to change much in the near future and the project team believes that they have demonstrated a fairly high level of art in managing a part-time educational institution.

Conclusions

IPAE has demonstrated to the Peruvian community that it is a viable and active component in the development process. Its organizational capabilities are sound and it should continue to make a significant contribution to improving management in Peru. The following points are considered important in terms of analyzing the institutional capabilities of IPAE for the purposes of this project:

1. It should build upon its strengths and not try to stray too far from these strengths. In other words, dramatically new programs (such as the creation of an MBA program) would be a questionable use of scarce resources;

2. As a corollary to this point, IPAE must be careful not to enter every sector of economic activity simply because a need exists. This market model is laudable but they cannot be all things to all groups. In this regard, they should move very slowly in the direction of any new programs in the agriculture sector;

3. IPAE is and should be an important actor in the work involved in the decentralization of management education in Peru. Yet one caveat must be openly expressed. The problem of quality control in these distant areas will be even more difficult than those encountered in Lima. In this regard, IPAE should recognize the limits of its organization and management system in maintaining a consistently high level of quality instruction.

UNIVERSIDAD EL PACIFICO

The Universidad El Pacífico is a private university founded in 1962 by a group of community citizens concerned about the quality of higher education in the general fields of socioeconomics and administration. El Pacífico has maintained ties with two important groups or institutions in the community --one being religious (the Jesuits) the other commercial (important sectors of the business community). These two groups have given both financial and programatic guidance to the university and have provided a solid base of long-term support for El Pacífico. The broad goals or principles of the university reflect the ties to these two groups and are listed as follows:

1. The equality of people will be respected regardless of race, sex or socio-economic condition;

2. The need to create scientifically competent professional people is a foundation for the development of Peru;

3. The university must foment the development of a scientific and humanistically-based education in order to solve the problems of the country;

4. The university must serve the needs of the country;

5. The university will be a forum for the interchange of ideas among the academic community and the people at large in Peru.

In essence, this creation of a humanistically-based professional education is the uniqueness of the El Pacífico and it has served it well for more than two decades.

Activities of the University El Pacífico

Although El Pacífico is not a large university, it is nevertheless a very mature institution that is involved in an array of activities twelve months

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out of the year. For the purposes of this institutional analysis, these activities are summarized in four categories.

1. Academic activities

The University offers an undergraduate degree in its major program areas, a limited number of masters degrees in more specialized fields, and it is contemplating the creation of a doctoral program in economics. Its stated goal for the future is to grow "vertically" -- that is, rather than create more programs at the undergraduate level, it wants to upgrade the quality of these programs while it also enhances its more limited offerings at the graduate level. The majority of its faculty members are full-time, an adequate number have Ph.d. degrees, and a small but significant number are involved in both teaching and research activities.

2. Research activities

The University has made a long-term commitment to become a leading research center in Peru and Latin America. Of the institutions participating in this project, it is by far the leader in this category of activities. Research at the university is both applied (particularly in the area of administration) and theoretical (mainly in economics). Its aims are to enhance the teaching activities, create new ways of thinking about the development problems of Peru, serve the needs of its constituent groups in society (especially the business community) and enhance the academic careers of the professors. It is an excellent model of research for Peru and should be supported by the efforts of this project.

3. Outreach activities

A mature university is one that becomes a center of intellectual life for the community as a whole. As a private and highly specialized university, it would have been very easy for El Pacífico to become an elite island of intellectual activity not well-linked to the community. Just the opposite, however, is true. One could hardly find a night during the year when El Pacífico is not reaching out to the community at large. Through short-term seminars (special management topics for example), workshops (on urban development), research briefings (in the area of public management), political debates, televised colloquia on important national and international issues, etc., El Pacífico has created a network of activities that foment the type of "town and gown" interchange so necessary for the modern university.

4. Institutional commitments

Finally, a few brief words are in order about the commitments that the administration of El Pacífico has made to the process of institutional development. They have constantly tried to simplify and decentralize the administrative structure, they have consistently dedicated funds to make improvements in the library and the computer center, and they are creating a career development plan for all employees of the university, both academic and non-academic. These activities, combined with a now concerted effort to raise sustentation and endowment funds, would appear to indicate that the

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University is making a significant commitment to its own institutional development.

Faculty Resources

The University of Pacifico has a large faculty and is broken down as follows:

Full-time (42)

Part-Time (66)

Organization and Management

The University has perhaps the most complex organizational structure of the five institutions being analyzed in this report. Yet this is understandable since Pacific is a well-established and mature academic institution involved, as we have seen, in a wide variety of activities. As it shown in Table IV, El Pacifico like ESAN, has adopted a participative-functional organizational structure.

Table IV is a simplified picture of this structure but it does capture the structural characteristics of the university which are important for this project. The top level of the organization is a virtual arena of participation among all of the stakeholders in the university -- professors, administrators, students, alumni, religious groups and community supporters. Its decisions are made collegially and it charges the Office of the Rector with the duties of managing the university. The Rector is a very strong voice in the affairs of the University but he also takes great care to work participatively with the various administrative and academic departments. Below his office, the organization of El Pacifico is very traditional in the sense that one line connects to administrative activities, another to programatic activities and finally another to the academic departments. Since the majority of the activities of this project will fall into the two academic areas of the graduate school and the school of administration and accounting, a few words are in order about these two entities.

They are both under the direction of two of Pacifico's most experienced and distinguished scholars. Messrs. Bustamante and Romero have made significant contributions to the academic life of Pacific and their expressed support for this program is critical. They manage an energetic faculty and they both have many years of project management experience, including projects equivalent in amount and complexity to the one being considered here. In short, they have a demonstrated institutional capability to integrate this project into their activities, as does, it should be said, the university as a whole.

Conclusions

The conclusions for El Pacifico will be brief. They are a well-managed, highly respected academic institution in Peru and they should be a significant asset to the project.

Even though they are well-linked to the community at large, their history of working closely with other academic institutions is spotty. This is particularly true regarding ESAN and this is an issue that must be addressed by the project. Institutional rivalry exists between the two schools but this past behavior must begin to subside if a key-goal of the project (networking among institutions) is to be met.

UNIVERSIDAD DE PIURA

La Universidad de Piura (UDP) is a private university begun in 1969 through a unique network of collaboration between a group of very dedicated Peruvians and an international group associated with the Catholic lay association known as Opus Dei. A similar group of individuals in Spain created the Universidad de Navarra in Barcelona and, in Mexico, they formed a business school in Mexico City known as IPADE. It is important to mention these connections for two reasons. In the first instance, this international association has served the UDP well since it provides them with a linkage to other well-respected academic institutions in Spain and Mexico. Secondly, this religious foundation is an important variable in the functioning of the university. As they state in their published documents, one goal of the UDP is to impart a Christian perspective on life, culture and especially work. It is a theme that pervades the university and the educational process. Within this broad definition of the philosophical goal of the UDP, the following more specific objectives appear to be vital in the life of the university:

1. Consolidate the academic prestige of the university in Peru and abroad by maintaining the highest level of academic excellence achievable,
2. Develop the "integrated" professional person by combining rigorous professional education with the moral development,
3. Promote individualized instruction by maintaining close ties between faculty and students,
4. Become an active service agent in Northern Peru in order to apply the educational resources of the university to the resolution of the problems of development in the region.

The student body at the UDP is young, since there are no graduate programs, and they broadly represent the social class structure of Peru. The chart below captures this enrollment pattern:

Social Background Of Students

1. Workers and peasants	24%
2. Public and private sector employees	23%
3. Small business people	16%
4. Technician	12%
5. Professionals	9%
6. Military	5%
7. Others	11%

Activities of the University of Piura

The UDP is involved in basically three categories of activities. Each is briefly explained below.

1. Academic programs

The UDP has four programs in which it grants an undergraduate degree after five years of study. First, a student may receive a degree in liberal arts. The curriculum of this program is fairly standard and is based on a broad sweep of the sciences and humanities. Secondly, students may complete a degree in the "Sciences of Information". This has more to do with career training in fields such as journalism and public relations than with the information sciences (computers, for example). Thirdly, students may receive a degree in the administration of enterprises by completing a standard undergraduate program of business education. Finally, the UDP has a good program in engineering, especially industrial engineering, and students again pursue what appears to be a normal curriculum in this field.

2. Research activities

The UDP has its own print shop and it does produce a series of articles and books that are primarily in-house documents written by professors for use in their own classes. The quality of these publications is mixed but they are beginning to generate information relevant to their own context of development, especially in the fields of administration. The university also publishes a magazine called "Amigos" (Friends) in which professors and other people associated with the UDP contribute articles. In all, however, this activity is not currently a strength of the university's activities.

Conclusions

UDP should will play an important role in the project, although it must pay particular attention to the following points:

1. The training of the faculty at Piura is quite minimal and must be upgraded for Piura to be an effective participant in this project. Also, they are in need of visiting professors perhaps more than any of the other institutions;

2. Their library and research facilities are simply out of date and inadequate. The library contains resources which pertain to administration and management. Most of the professors at the UDP are full-time and do not teach heavy loads, on the average. Thus, there is room in their schedules for research related to the problems of regional development;

3. The UDP has begun to establish rather informal linkages with other academic institutions in Peru, but this process must be accelerated. In particular, they could learn much by interacting with ESAN and the Pacifico, and it appears that they are ready to take this step;

4. Finally, the UDP must find a way to involve itself in the specific problems associated with agribusiness. The economy of Northern Peru is an agricultural economy and the UDP is the most logical university to move away from its standard education program and embrace the needs of this important sector of the Peruvian economy. Should they do so, they will indeed become a key component in this project.

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3. Regional Outreach

This is an important area of involvement for the UDP since they are beginning to address the critical problems of development in the Northern region of Peru. Indeed, they might well be the most highly respected academic institution in the area addressing these problems. Every year the UDP sponsors the Program for Management Development where participants from the community meet for one day a week for thirteen weeks. It is a basic management program and the results have been well-received by the business community in the region. In addition to this program, the UDP sponsors a wide variety of outreach programs through the media of seminars, workshops, lectures and small-scale research projects.

Organization and Management

Among the institutions reviewed for this program, the UDP has the simplest organizational structure. The university is small, contacts are purposely kept very informal, and every attempt is made to keep the bureaucracy from interfering with the very personalized mission of the organization. The board of directors primarily consists of people who represent basic support groups for the university and they monitor the strategic mission of the school and engage in fund raising activities. This area of fund raising has been very successful at Piura, perhaps another indicator of the importance of the network which created the school. Even though they raise 80% of their funds in Lima, they raise them.

The internal management of the school resolves around the traditional model where each department is headed by a dean and the dean, in consultation with the professors and the Rector, establishes the policies pertinent to his area. The UDP gives every sign of a being a well-managed, polished organization.

Faculty Resources

The present faculty of Piura consists of the following breakdown:

Full-Time Professors (11)

1 Ph.d.
3 MBA's
7 BA's

Part-Time Professors (13)

1 Phd
3 MBA's
9 BA's

Visiting Professors (4)

3 Ph.d.'s
2 MBA's
1 BA

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TABLE I
SUMMARY FINANCIAL PLAN
(THOUSAND US\$)

COMPONENT	AID	HC	TOTAL
	-----	-----	-----
I. STRENGTHEN EXISTING MGMT. PROGRAM.	1,829	609	2,437
ESAN	652	217	869
PACIFICO	540	180	720
PIURA	478	159	637
IPAE	0	0	0
ADEX	158	53	211
II. INTRODUCE NEW PRGS.ELEMENTS IN SECTORS WITH GREATEST POTENTIAL.	1,449	483	1,932
II.A INTERNATIONAL BUSINESS	499	166	665
II.B AGRIBUSINESS	735	245	980
II.C SMALL BUSINESS MANAG.	215	72	287
III.FACIL.COLABORATION AMONG THE INSTITUT.& WITH THE PRIV.SEC	1,172	391	1,563
III.A SECTORIAL LINKAGE ACT	210	70	280
III.B CONSUL&AFFLIED RESEAR	533	178	711
III.C RESEARCH SNI	278	93	371
III.D RESEARCH NAS	150	50	200
IV. DECENTRALIZE MANG.IMPROV. SERVICE OUTSIDE LIMA AND EXPAND PROJECT BENEFITS TO EDUCATORS AT OTHER PERUVIAN INSTITUTIONS.	616	205	821
IV.A DEVELOP.TRAINING FUND	211	70	281
IV.B DEVELOP.TEST OUTREACH	360	120	480
IV.C TRAINING NEEDS ASSES.	45	15	60
V. INSTITUTION DEVELOP.SUPPORT.	513	171	684
V.A STRATEGIC PLANNING & FINANCIAL DEVELOPMENT	513	171	684
V.A.1 Dean's Package	75	25	100
V.A.2 Short term TA experts planning and develop.	97	32	129
V.A.3 Peruvian short term TA in organiz. develo	23	8	31
V.A.4 LT Strategic Planning TA (Chief of Party)	318	106	424
VI.PROJECT MANAG.& EVALUATION.	1,422	474	1,896
VI.A TECH.& ADMIN.SUPPORT	1,422	474	1,896
VI.A.1 Proj.coord.in.deputy	390	130	520
VI.A.2 Home Ofc.Support for cooperating institut	706	235	941
VI.A.3 U.S.Advisory Comitt	150	50	200
VI.A.4 Proj.Evaluation Cost and fin mgmt review	175	58	233
TOTAL	7,000	2,333	9,333

SUMMARY COST ESTIMATE AND FINANCIAL PLAN
(THOUSAND US\$)

USE	SOURCE	AID GRANT			HC			GRAND TOTAL
		FX	LC	AID TOTAL	FX	LC	HC TOTAL	
I. TECHNICAL ASSISTANCE		3054	921	3975	0	1325	1325	5300
Short term		1260	23	1284	0	428	428	1711
Long term		1793	898	2691	0	897	897	3588
II. STUDIES		0	888	888	0	296	296	1184
III. TRAINING		1526	211	1737	0	579	579	2316
IV. COMMODITIES		400	0	400	0	133	133	533
TOTAL		4979	2021	7000	0	2333	2333	9333

TABLE III
MAKE UP OF PROJECT BY OUTPUT
(AID GRANT)
(THOUSAND US\$)

INPUTS	OUTPUTS						TOTAL
	STRENGTHEN	NEW PRG	COLLABORAT	DESCENTRAL	INST. DEVEL	PROJ. MNG. E	
TECHNICAL ASSISTANCE	504	997	233	405	513	1,422	3,975
Short Term	398	475	23	0	123	225	1,245
Long Term	106	422	210	405	390	1,197	2,730
STUDIES							
TRAINING	1,149	377	0	211	0	0	1,737
COMMODITIES	175	175	938	0	0	0	1,288
TOTAL	1,828	1,449	1,172	615	513	1,422	7,000

TABLE IV
PROJECT COSTS BY PARTICIPATING INSTITUTION
(AID GRANT AND HOST COUNTRY CONTRIBUTION)
(THOUSAND US\$)

INPUT	%	FY 85	FY 87	FY 88	FY 89	FY 90	FY 91	TOTAL
AID GRANT	75	921	1811	1749	1091	992	536	7000
HOST COUNTRY	25	274	604	593	364	331	179	2333
ESAN		90	189	196	89	86	34	585
PACIFICO		57	154	191	132	72	35	640
PIUSA		44	158	76	56	102	29	465
IPAE		51	59	68	58	50	56	342
ADEX		32	43	51	29	21	25	201
TOTAL	100	1095	2415	2332	1454	1323	715	8333

TABLE V
METHODS OF IMPLEMENTATION AND FINANCING

METHOD OF IMPLEMENTATION	METHOD OF FINANCING	APPROXIMATE AMOUNT
		(THOUSAND US\$)
AID Direct Cooperative Agreement:		6,565
Technical assistance.	LOC-TFCS * or LOC-FRB **	3,800
Research studies.	LOC-TFCS * or LOC-FRB **	888
Training.	LOC-TFCS * or LOC-FRB **	1,477
Commodities.	LOC-TFCS * or LOC-FRB **	400
AID Direct Contracts:		435
PSCS.	Direct payment	260
Project evaluations.	Direct payment	50
Financial management reviews.	Direct payment	125
TOTAL		7,000

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TABLE VI
GRANT FUNDS BY PARTICIPATING ORGANIZATION BY FY

(THOUSANDS US\$)

INSTITUTION	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91	TOTAL
ESAN	270	568	588	267	259	163	2,055
PACIFICO	170	463	573	395	215	104	1,920
PIURA	131	474	229	169	307	57	1,397
IFAE	153	177	204	174	150	153	1,026
ADEX	97	129	154	85	63	74	603
TOTAL	821	1,811	1,748	1,091	994	536	7,001

TABLE VII
EXPENDITURES BY PROJECT INPUT BY FY
(AID GRANT)
(THOUSAND US\$)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91	TOTAL
I. TECHNICAL ASSISTANCE	518	941	1099	653	331	433	3975
Short term	130	305	533	199	0	116	1284
Long term	388	636	566	454	331	316	2691
II. STUDIES							
III. TRAINING	0	567	362	290	519	0	1737
IV. COMMODITIES	303	303	288	148	143	103	1288
TOTAL	821	1811	1749	1091	992	536	7000

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TABLE VIII
OBLIGATIONS AND EXPENDITURES BY FY
(AID GRANT)
(THOUSAND US\$)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91	TOTAL
INITIAL BALANCE	0	1,500	2,179	1,869	1,620	1,529	537	
OBLIGATIONS	1,500	1,500	1,500	1,500	1,000	0	0	7,
EXPENDITURES	0	821	1,810	1,749	1,091	992	536	6,
BALANCE	1,500	2,179	1,869	1,620	1,529	537	1	

TABLE IX
EXPENDITURES BY PROJECT COMPONENT BY FY
(AID GRANT)
(THOUSAND US\$)

COMPONENT	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91	TOTAL
I. STRENGTHEN EXISTING MGMT. PROGRAM	99	512	708	251	244	14	1,828
II. INTRODUCE NEW PROG.ELEMENTS IN SECTORS WITH GREATEST POTENTIAL	201	589	122	226	273	39	1,450
III.FACIL.COLLABORATION AMONG THE INSTITUT.& WITH THE PRIV.SEC	242	205	252	158	172	142	1,171
IV. DECENTRALIZE MANG.IMPRV. SERVICE OUTSIDE LIMA AND EXPAND PROJECT BENEFITS TO EDUCATORS AT OTHER PERUVIAN	68	104	141	134	104	65	616
V. INSTITUTION DEVELOP.SUPPORT	36	157	175	134	0	0	512
VI.PROJECT MANAG.& EVALUATION (INCLUDES FINAN MGMT REVIEW)	175	233	351	188	199	276	1,422
TOTAL	821	1,810	1,749	1,091	992	536	6,999

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COMPONENT ADEX	UNIT COST	1	2	3	4	5	6	TOTAL AMOUNT
		AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	
	6.50							
I. STRENGTHEN EXISTING MNG. PROGRAM		41,000	42,365	31,342	17,079	12,865	13,701	158,352
I.D Short term TA expert	11,000	11,000	11,715	0	0	0	0	22,715
I.F Tech resour. invest for computer, library res	0	30,000	20,000	20,000	5,000	0	0	75,000
I.S Peruvian Professor	10,000	0	10,650	11,342	12,079	12,865	13,701	60,637
								0
								0
III. FACIL. COOPERATION AMONG THE INSTITUT. & WITH THE PRIV. SEC		10,000	5,000	15,000	5,000	10,000	5,000	50,000
III.C RESEARCH		0	5,000	5,000	5,000	5,000	5,000	25,000
III.C.1 Research in SMI	0	0	5,000	5,000	5,000	5,000	5,000	25,000
III.C RESEARCH		10,000	0	10,000	0	5,000	0	25,000
								0
III.C.1 Research in MAS	0	10,000	0	10,000	0	5,000	0	25,000
IV. INSTITUTION DEVELOP. SUPPORT		11,000	35,145	37,429	26,575	0	0	110,149
IV.A STRATEGIC PLANNING & FINANCIAL DEVELOPMENT		11,000	35,145	37,429	26,575	0	0	110,149
IV.A.2 Short term TA experts planning and develop.	11,000	0	11,715	12,476	0	0	0	24,191
IV.A.3 Peruvian short terms TA in organiz. develop	5,500	11,000	11,715					22,715
IV.A.4 Strategic Planning TA (Chief of Party)	11,000	0	11,715	24,953	26,575	0	0	63,243
								0
VI. PROJECT MNGS. & EVALUATION		35,000	46,535	70,105	37,687	39,812	55,227	284,366
VI.A TECH. & ADMIN. SUPPORT		35,000	46,535	70,105	37,687	39,812	55,227	284,366
VI.A.1 Proj. coordin. & deputy		10,000	20,235	26,541	8,528	9,082	3,644	76,031
- Coordinator	19,000	0	20,235	21,550	0	0	0	41,785
- Assist. coordinator	2,660	0	0	0	3,213	3,422	3,644	10,280
- Start up	10,000	10,000	0	0	0	0	0	10,000
- Post chief party	4,400	0	0	4,991	5,315	5,660	0	15,966
VI.A.2 Host Ofc. Support for cooperating institut	20,000	20,000	21,300	22,685	24,159	25,729	27,402	141,275
VI.A.3 U.S. Advisory Committ		5,000	5,000	5,000	5,000	5,000	5,000	30,000
VI.A.4 Proj. Evaluation Cost and budget review	14,000	0	0	15,879	0	0	19,181	35,060
TOTAL ADEX		97,000	129,045	153,876	86,342	82,676	73,928	602,867

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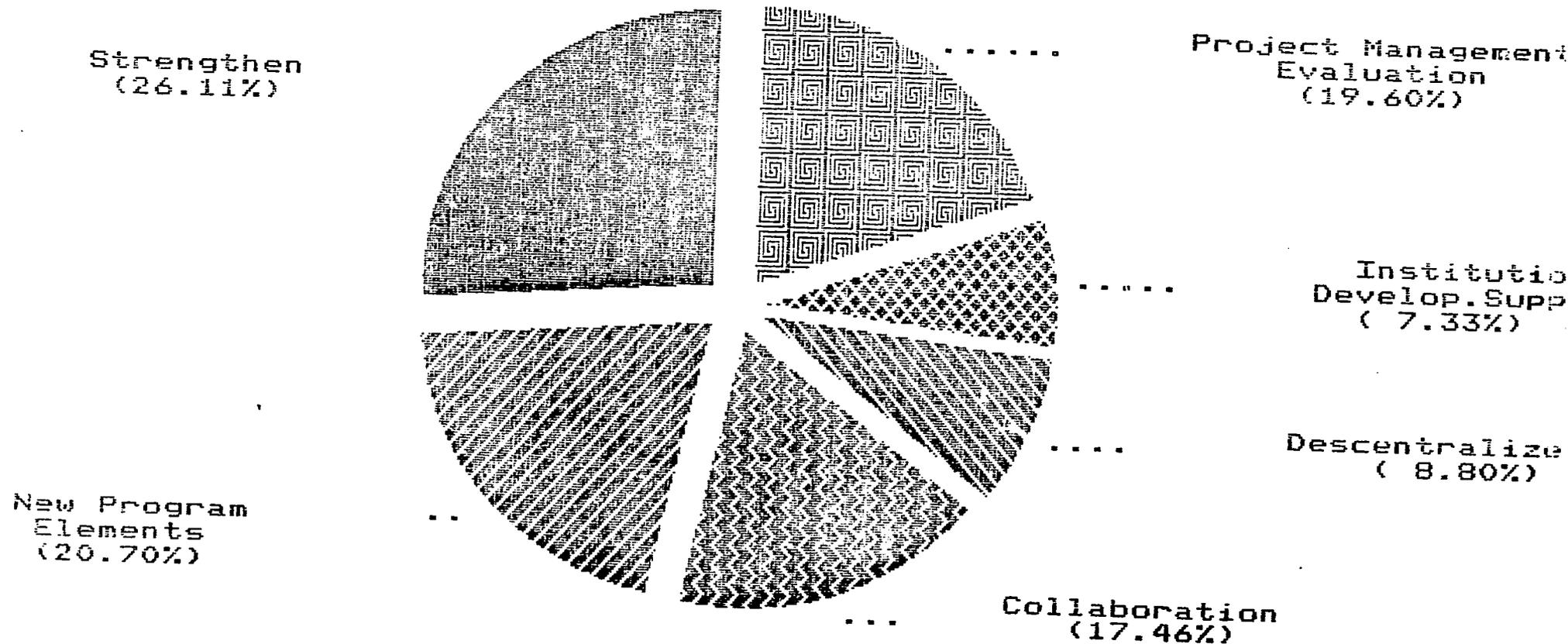
COMPONENT PIURA	UNIT COST	AMOUNT					TOTAL	
		1	2	3	4	5	6	AMOUNT
I. STRENGTHEN EXISTING MNG. PROGRAM	6.50	47,000	261,105	47,476	64,358	57,891	0	477,830
I.B MBA Candidates	45,000	0	47,925	0	54,358	57,891	0	160,174
I.C Visiting Professor	150,000	0	159,750	0	0	0	0	159,750
I.D Short Term TA expert	11,000	22,000	23,430	12,476	0	0	0	57,906
I.E Library resources	0	25,000	30,000	35,000	10,000	0	0	160,000
II. INTRODUCE NEW PROG. ELEMENTS IN SECTORS WITH GREATEST POTENTIAL		16,000	107,980	17,476	23,119	192,970	20,551	378,097
II.A INTERNATIONAL BUSINESS		0	0	0	18,119	0	20,551	38,671
II.A.B MBA Candidates to attend ESAN's IB pro	15,000	0	0	0	18,119	0	20,551	38,671
II.B AGRIBUSINESS		0	86,265	12,476	0	192,970	0	291,711
II.B.3 Phd in agribusiness	70,000	0	74,550	0	0	0	0	74,550
II.B.5 Short term TA expert curric.&research des	11,000	0	11,715	12,476	0	0	0	24,191
II.B.6 Long term visiting professor split with Pacifico (2 years)	150,000	0	0	0	0	192,970	0	192,970
II.C SMALL BUSINESS MANAG.		16,000	21,715	5,000	5,000	0	0	47,715
II.C.3 Library resources	0	5,000	10,000	5,000	5,000	0	0	25,000
II.C.4 Short term TA for curriculum design	11,000	11,000	11,715	0	0	0	0	22,715
III. FACIL. COLLABORATION AMONG THE INSTITUT. & WITH THE PRIV. SEC		33,000	22,000	44,476	17,000	16,000	11,000	143,476
III.A SECTORIAL LINKAGE ACT		2,000	2,000	2,000	2,000	1,000	1,000	10,000
III.A.3 Local Advis. Board	0	2,000	2,000	2,000	2,000	1,000	1,000	10,000
III.B CONSUL/APPLIED RESEAR		21,000	15,000	27,476	10,000	5,000	5,000	83,476
III.B.1 Research in IB, Agri business & small bus.	0	10,000	15,000	15,000	10,000	5,000	5,000	60,000
III.B.2 Short term TA exper in agribusiness & small bus. reserch	11,000	11,000	0	12,476	0	0	0	23,476
III.C RESEARCH		0	5,000	5,000	5,000	5,000	5,000	25,000
III.C.1 Research in SMI	0	0	5,000	5,000	5,000	5,000	5,000	25,000
III.D RESEARCH		10,000	0	10,000	0	5,000	0	25,000
III.D.1 Research in RAS	0	10,000	0	10,000	0	5,000	0	25,000
V. INSTITUTION DEVELOP. SUPPORT		0	36,715	49,906	26,575	0	0	113,196
V.A STRATEGIC PLANNING & FINANCIAL DEVELOPMENT		0	36,715	49,906	26,575	0	0	113,196
V.A.1 Dean's Package	0	0	25,000	0	0	0	0	25,000
V.A.2 Short term TA experts planning and develop.	11,000	0	0	24,953	0	0	0	24,953
V.A.4 LT Strategic Planning TA (Chief of Party)	11,000	0	11,715	24,953	26,575	0	0	63,243
VI. PROJECT MANAG. & EVALUATION		35,000	46,535	70,105	37,687	39,812	55,227	284,366
VI.A TECH. & ADMIN. SUPPORT		35,000	46,535	70,105	37,687	39,812	55,227	284,366
VI.A.1 Proj. coordin. & deputy		10,000	20,235	26,541	8,528	9,082	3,644	78,031
- Coordinator	19,000	0	20,235	21,550	0	0	0	41,785
- Assist. coordinato	2,660	0	0	0	3,213	3,422	3,644	10,280
- Start up	10,000	10,000	0	0	0	0	0	10,000
- Post chief party	4,400	0	0	4,991	5,315	5,660	0	15,966
VI.A.2 Home Ofc. Support for cooperating institut	20,000	20,000	21,300	22,685	24,159	25,729	27,402	141,275
VI.A.3 U.S. Advisory Committ		5,000	5,000	5,000	5,000	5,000	5,000	30,000
VI.A.4 Proj. Evaluation Cost and fin agmt review	14,000	0	0	15,879	0	0	19,181	35,000
TOTAL PIURA		131,000	474,335	229,440	188,739	306,673	86,779	1,396,965

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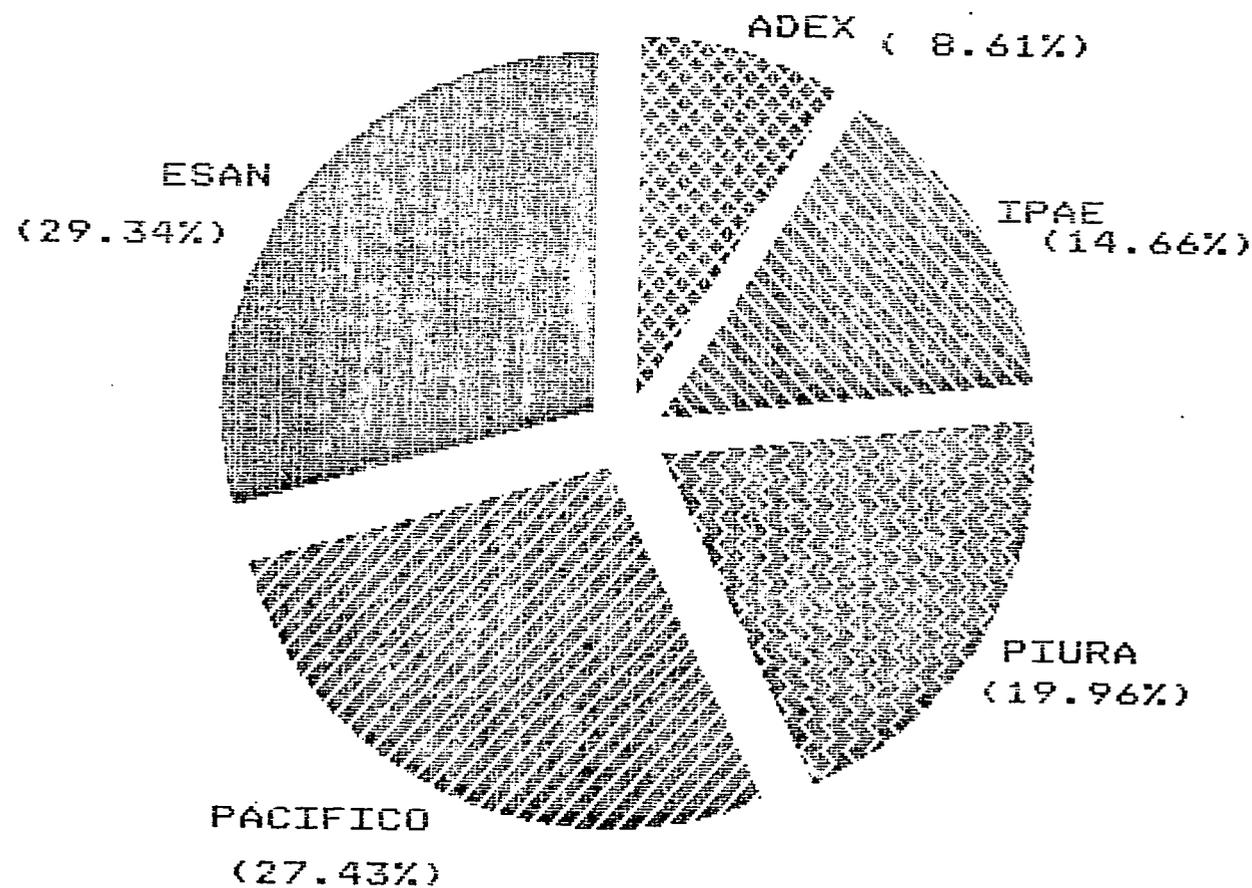
COMPONENT IPAC	UNIT COST	1	2	3	4	5	6	TOTAL
II. INTRODUCE NEW PROG. ELEMENTS IN SECTORS WITH GREATEST POTENTIAL	0.50	20,000	20,390	20,805	21,240	21,719	19,221	122,382
II.A INTERNATIONAL BUSINESS		7,000	7,000	7,000	7,000	7,000	5,000	40,000
II.A.9 Sector Train. Progr. I	0	7,000	7,000	7,000	7,000	7,000	5,000	40,000
II.B AGRIBUSINESS		7,000	7,000	7,000	7,000	7,000	5,000	40,000
II.B.7 Sect. train. progr. II		7,000	7,000	7,000	7,000	7,000	5,000	40,000
II.C SMALL BUSINESS MANAG.		6,000	6,390	6,805	7,240	7,719	6,221	42,382
II.C.6 Sectoral train. progr in small busin. manag	6,000	6,000	6,390	6,805	7,240	7,719	6,221	42,382
III. FACIL. COLLABORATION AMONG THE INSTITUT. & WITH THE PRIV. SECT		30,000	30,000	30,000	20,000	20,000	30,000	150,000
III.A SECTORIAL LINKAGE ACT		30,000	30,000	30,000	20,000	20,000	30,000	150,000
III.A.4 Sectoral linkage act	0	30,000	30,000	30,000	20,000	20,000	30,000	150,000
IV. DECENTRALIZE MANAG. INV. SV. SERVICE OUTSIDE LIMA AND EXPAND PROJECT BENEFITS TO EDUCATORS AT OTHER PERUVIAN INSTITUTIONS		60,000	60,000	60,000	60,000	60,000	60,000	405,000
IV.B DEVELOP. TEST OUTREACH		60,000	60,000	60,000	60,000	60,000	60,000	360,000
IV.B.1 Province outreach pro	0	60,000	60,000	60,000	60,000	60,000	60,000	360,000
IV.C TRAINING NEEDS ASSES.		8,000	8,000	8,000	8,000	8,000	5,000	45,000
IV.C.1 Province needs asses program.	0	8,000	8,000	8,000	8,000	8,000	5,000	45,000
V. INSTITUTION DEVELOP. SUPPORT		0	11,770	25,188	26,950	0	0	63,908
V.A STRATEGIC PLANNING & FINANCIAL DEVELOPMENT		0	11,770	25,188	26,950	0	0	63,908
V.A.4 LT Strategic Planning TA (Chief of Party)	11,000	0	11,770	25,188	26,950	0	0	63,908
VI. PROJECT MANAG. & EVALUATION		35,000	46,535	70,105	37,687	39,812	55,227	284,366
VI.A TECH. & ADMIN. SUPPORT		35,000	46,535	70,105	37,687	39,812	55,227	284,366
VI.A.1 Proj. coordn. ldeputy		10,000	20,235	26,541	8,528	9,082	3,644	78,031
- Coordinator	19,000	0	20,235	21,550	0	0	0	41,785
- Assst. coordinator	2,000	0	0	0	3,213	3,422	3,644	10,280
- Start up	10,000	10,000	0	0	0	0	0	10,000
- Post chief party	4,400	0	0	4,991	5,315	5,660	0	15,966
VI.A.2 Home Ofc. Support for cooperating institut	20,000	20,000	21,300	22,685	24,159	25,729	27,402	141,275
VI.A.3 U.S. Advisory Comsitt		5,000	5,000	5,000	5,000	5,000	5,000	30,000
VI.A.4 Proj. Evaluation Cost and fin agmt review	14,600	0	0	15,079	0	0	19,181	35,060
TOTAL IPAC		153,000	176,695	204,698	173,885	149,531	122,448	1,025,656

COMPONENT PACIFIC	UNIT COST	AMOUNT						TOTAL AMOUNT
		1	2	3	4	5	6	
STRENGTHEN EXISTING MNG. PROGRAM	6.50	11,000	88,265	300,570	84,556	57,891	0	540,282
1.A Pnd Candidates	70,000	0	74,550	79,396	84,556	0	0	238,502
1.B MFA Candidates	45,000	0	0	51,040	0	57,891	0	108,931
1.C Visiting Professor	150,000	0	0	170,134	0	0	0	170,134
1.D Short Term TA expert	11,000	11,000	11,715	0	0	0	0	22,715
II. INTRODUCE NEW PROG. ELEMENTS IN SECTORS WITH GREATEST POTENTIAL		47,000	201,050	73,517	181,192	57,891	0	560,650
II.A INTERNATIONAL BUSINESS		19,000	72,865	3,000	0	57,891	0	152,756
II.A.2 Short Term TA expert curriculum revision	11,000	0	11,715	0	0	0	0	11,715
II.A.4 Short Term TA expert research design	11,000	11,000	0	0	0	0	0	11,000
II.A.6 Library resources	0	8,000	13,000	3,000	0	0	0	24,000
II.A.7 MFA candidates	45,000	0	48,150	0	0	57,891	0	106,041
II.A.8 AGRIBUSINESS		19,000	102,470	54,040	181,192	0	0	356,702
II.B.1 Short Term TA expert research design	11,000	11,000	11,770	0	0	0	0	22,770
II.B.2 Library resources	0	8,000	13,000	3,000	0	0	0	24,000
II.B.3 MFA in agribusiness	70,000	0	77,700	0	0	0	0	147,700
II.B.4 MFA in agribusiness	45,000	0	0	51,040	0	0	0	51,040
II.B.6 Long term visiting professor split with FIUSA	150,000	0	0	0	0	0	0	0
II.C SMALL BUSINESS MANAG.		9,000	25,715	18,476	0	0	0	53,191
II.C.1 Short Term TA expert research design	11,000	0	11,715	12,476	0	0	0	24,191
II.C.3 Library resources	0	9,000	14,000	4,000	0	0	0	27,000
III. FACILITATION AMONG THE INSTITUTIONS WITH THE PPPY. SEC		77,000	74,000	79,000	58,000	53,000	48,293	389,293
III.A SECTORIAL LANGUAGE ACT		3,000	5,000	5,000	4,000	4,000	4,000	25,000
III.A.2 Adv. Board Agribus	0	3,000	5,000	5,000	4,000	4,000	4,000	25,000
III.B CONSULT/APPLIED RESEAR		45,000	50,000	45,000	25,000	25,000	25,000	225,000
III.B.1 Research in IB, Agri business/anal. bus.	0	45,000	50,000	45,000	35,000	25,000	25,000	225,000
III.C RESEARCH		19,000	19,000	19,000	19,000	19,000	19,293	114,293
III.C.1 Research in SMI	0	19,000	19,000	19,000	19,000	19,000	0	114,293
III.D RESEARCH		10,000	0	10,000	0	5,000	0	25,000
III.D.1 Research in MAS	0	10,000	0	10,000	0	5,000	0	25,000
IV. GENERALISE MANG. IMPROV. SERVICE OUTSIDE LIMA AND EXPAND PROJECT BENEFITS TO EDUCATORS AT OTHER PCPLUM INSTITUTIONS		0	6,250	12,500	6,250	6,250	0	31,250
IV.A DEVELOP. TRAINING FUND		0	6,250	12,500	6,250	6,250	0	31,250
IV.A.2 MFA scholarships for Lima Callao	6,250	0	6,250	12,500	6,250	6,250	0	31,250
V. INSTITUTION DEVELOP. SUPPORT		0	48,430	37,664	26,950	0	0	112,044
V.A STRATEGIC PLANNING & FINANCIAL DEVELOPMENT		0	48,430	37,664	26,950	0	0	112,044
V.A.1 Dean's Package	0	0	25,000	0	0	0	0	25,000
V.A.2 Short term TA experts planning and develop.	11,000	0	11,715	12,476	0	0	0	24,191
V.A.4 Strategic Planning TA (Chief of Party)	11,000	0	11,715	25,188	26,950	0	0	63,953
VI. PROJECT MANAG. & EVALUATION		35,000	46,535	70,105	37,687	39,812	55,227	284,366
VI.A TECH. & ADMIN. SUPPORT		35,000	46,535	70,105	37,687	39,812	55,227	284,366
VI.A.1 Proj. coordin. (deputy)		10,000	20,225	26,541	8,528	9,682	3,644	78,021
- Coordinator	19,000	0	20,225	21,550	0	0	0	41,775
- Assist. coordinator	2,660	0	0	0	3,213	2,422	3,644	19,299
- Start up	10,000	10,000	0	0	0	0	0	15,966
- Post close party	4,100	0	0	4,991	5,315	5,660	0	15,966
VI.A.2 Non-TEC. Support for cooperating institut	20,000	20,000	21,500	22,685	24,159	25,725	27,462	141,275
VI.A.3 J.S. Advisory Committ		5,000	5,000	5,000	5,000	5,000	5,000	20,000
VI.A.4 Proj. Evaluation Cost and fin agst review	14,000	0	0	15,679	0	0	19,181	35,000
TOTAL PACIFIC		170,000	482,530	573,255	394,636	214,844	105,520	1,918,856

Private Sector Management Improvement Make Up of Project By Outputs



Private Sector Management Improvement
AID Financing By Institutions



TECHNICAL ASSISTANCE PLAN

The following are examples of the Technical Assistance needs of the Project, by component, and their occurrence overtime:

<u>Component</u>	<u>PM</u>	<u>Description</u>
<u>I. Strengthen Existing Programs</u>		
a. ESAN	12	LT visiting faculty in MIS, production and quantitative methods, or business policy.
b. El Pacifico	12	LT visiting faculty in MIS, financial mgmt, or OD/human resource mgmt.
	2	ST for curriculum design in areas not covered by LT faculty above.
c. Piura	2	LT visiting faculty - undergraduate business administration.
	3	ST for specialized curriculum design not covered by LT faculty above.
	2	ST library and information systems specialist*.
d. ADEX	36	LT Trainer/Educator international trade operations.
	2	ST international commerce personnel specialist
<u>II. New Elements</u>		
a. International Business (IB)	4	ST Int'l Commerce Expert for PACI Revision
	3	ST IB faculty for curriculum design at ESAN and El Pacifico.
	1	ST IB management trainer at IPAE **

- b. Agribusiness
 - 24 LT visiting faculty in agribusiness, shared by El Pacifico and Piura.
 - 2 ST faculty for specialized areas of agribusiness curriculum design at Piura.
 - 1 ST Agribusiness management trainer at IPAE **.
- c. Small Business
 - 2 ST trainers in small business and entrepreneurship at ESAN.
 - 2 ST small business faculty for curriculum design at Piura.
 - 1 ST small business management trainer at IPAE **

III. Collaboration

- a. Sectoral Linkages - -
- b. Applied Research 15 ST applied research design experts in sectoral areas at ESAN, El Pacifico, and Piura.
- c. Studies for Mgmt Improvement - -
- d. Needs Assessment - -

IV. Decentralization & Diffussion - -

V. Institutional Development

- a. Strategic Planning & Financial Development
 - 30 Chief-of-Party - LT advisor in strategic planning at all institutions.
 - 8 ST expertise in specialized areas of financial development at ESAN, El Pacifico, Piura, and ADEX.
 - 4 ST expertise for ADEX's organizational development *

COP and institutions identify Peruvian sources of TA; COP communicates foreign short-term TA to home office. Piura and COP select LT faculty.

March Scopes of work drafted for short-term TA; PACI revisions; IB research design; small business research design. Foreign TA needs communicated to home office.

April 4 pm for ADEX OD effort commences
2 pm for PIURA's library and information services commences.

May 2 pm for IB curriculum design (ESAN's IB minor and El Pacifico's elective) commences.
2 pm for IB research design commences at ESAN and El Pacifico.

June Arrangements for first LT visiting faculty to Piura finalized. Qualifications for LT visiting faculty at ESAN and El Pacifico submitted to home office.

July 2 pm for PACI revisions commence.
1 pm for small business research design commences at Piura.

August 2 pm for small business research design commences at El Pacifico and ESAN.
Member of U.S. Advisory Committee arrives for first annual evaluation and consults with school administrators.

Year Two

September TA schedule for year two proposed by each institution
LT visiting faculty for Piura arrives
Scopes of work prepared for ADEX's job placement function and LT trainer/educator
Home office submits candidates for LT faculty to ESAN and El Pacifico.

October Scopes of work prepared for short-term TA; agribusiness research design; curriculum revision at El Pacifico; small business training program at ESAN

Selections made for 2 LT visiting faculty at ESAN and El Pacifico.

November Foreign TA needs communicated to home office
1 pm follow-up on IB curriculum revision
2 pm follow-up on IB research design
Scopes of work prepared for short-term TA; financial development mechanisms at ESAN, El Pacifico, Piura, ADEX and communicated to home office.

December 2 pm for ADEX's job placement function commences.

1987 January 1 pm follow-up on PACI revisions
2 pm for agribusiness research design commences at ESAN, El Pacifico, Piura.
2 pm for small business training program at ESAN commences.

February 2 pm for curriculum revision at El Pacifico commences
2 pm for finance mechanisms commences for El Pacifico and Esan
LT trainer/ educator for ADEX commences.

March Scopes of work prepared for ST curriculum revision at Piura.
2 pm follow-up on small business research design

April 1 pm for finance mechanism at ADEX commences

May 3 pm for curriculum revision at Piura

June Arrangements for LT visiting faculty to ESAN and El Pacifico finalized.
Qualifications for LT visiting faculty in agribusiness submitted to home office.

July 1 pm for finance mechanisms at Piura.

August Member of U.S. Advisory Committee arrives for 2nd annual evaluation and consults with school administrators

LT Faculty At Piura leaves

Year Three

September TA schedule for year three proposed by each institution

2 LT visiting faculty for ESAN and Pacifico arrive

Home office submits candidate for LT agribusiness faculty

October El Pacifico and Piura select LT visiting faculty in agribusiness

Scopes of Work prepared for remaining new short-term TA: curriculum design in agribusiness and small business for Piura, and communicated to home office

November 2 pm follow-up on agribusiness research design

December -

1988 January 2 pm follow-up on finance mechanisms at ESAN and El Pacifico

2 pm curriculum design in agribusiness at Piura

February 1 pm follow-up on finance mechanisms at ADEX

March 1 pm follow-up on PACI revision at ESAN

April 2 pm curriculum design in small business management at Piura

May -

June Arrangements for LT agribusiness faculty finalized

1pm follow-up on finance mechanisms at Piura

July Member of U.S. advisory committee arrives for annual evaluation and consults with school administrators.

Chief of Party leaves, following annual evaluation

August USAID manages contracted in-depth evaluation (est. 3 pm TA)
2 LT visiting faculty at ESAN and El Pacifico leave

Year Four

September LT visiting faculty in agribusiness arrives for 2 year period working at El Pacifico and Piura
Short-term TA program has been completed.

1989 January -

August Member of U.S. Advisory Committee arrives for annual evaluation and consults with school administrators.

Year Five

September LT visiting faculty in agribusiness continues work at El Pacifico and Piura.

1990 January LT trainer/educator at ADEX leaves

August Member of U.S. Advisory Committee arrives for annual evaluation and consults with school administrators.
Following evaluation, LT visiting faculty in agribusiness leaves.

Year Six

September -

1991 January -

August USAID manages contracted impact evaluation of Project (est. 3 pm TA)

ILLUSTRATIVE
PARTICIPANT TRAINING PLAN

Year One

1985 September

October Each institution identifies selection process and establishes written procedures for retaining faculty (see Technical Analysis, Section IV.C. for guidelines).

November Candidates for first round of training selected.

December Consult prime recipient for programs and placement assistance.

1986 January

Submit applications for programs beginning U.S. fall '86.

February

March COP works with Deans and administrators to plan their
April visitation trips, communicates to U.S. advisory
committees.

May Acceptance notices received.

June (If any, submit applications for following U.S. spring semester - Jan '87).

July Documentation finalized for trainees.

August First annual evaluation of project, during visit of U.S. advisory committee member, firm plans (if necessary) for trips of deans and administrators.

Year Two

September First group of participant trainees leave; ESAN - 1 Phd in functional area, 1 IB Phd, 1 MBA; Pacifico - 1 Phd in functional area, 1 Phd in agribusiness, 1 IB-MBA; Piura - 1 Phd in agribusiness, 1 MBA.

Annual operational plans include training plans for year two.

October Candidates for second round of training selected.

November Consult prime recipient for programs and placement assistance.

Deans and administrators begin visitation trips according to plans made.

December

1987 January Submit applications for programs beginning U.S. Fall '87 (if any, trainees depart for programs beginning U.S. spring semester).

February

March Piura sends one candidate of ESAN's new MBA-IB program.

April

May Acceptance notices received.

June (If any, submit applications for following U.S. spring semester-Jan '88).

July Documentation finalized for trainees.

August Second annual evaluation of project.

Year Three

September Second group of participant trainees leave; ESAN - 2 Phd candidates in functional areas; Pacifico - 1 Phd and 1 MBA in functional areas and 1 MBA in agribusiness.

Annual operational plans include training plans for year three.

October Candidates for third round of training selected.

November Consult prime recipient for programs and placement assistance.

December

1988 January Submit applications for programs beginning U.S. fall '88 (if any, trainees depart for programs beginning U.S. spring semester).

February

March

April

May Acceptance notices received

June (if any, submit applications for following U.S. spring semester Jan. '89)

First IB-MBA returns to Piura.

July Documentation finalized for trainees.

August Three overseas MBA's completed and return to respective institutions

Three to five Phd's have finished course work and return for visits, and possibly to do dissertations in Peru.

Third annual evaluation of project.

Year Four

September Third group of participants trainees leave: ESAN - 1 Phd, Pacifico - 1Phd, Piura - 1 MBA

Operational plans include training plans for year four.

October Candidates for fourth round of training selected.

November Consult prime recipient for programs and placement assistance.

December

1989 January Submit applications for programs beginning U.S. fall '89

(if any, trainees depart for programs beginning U.S. spring semester.

February

March Piura sends candidate to ESAN's MBA - IB program

April

251

May Acceptance notices received.

June

July Documentation finalized for trainees.

August Two overseas MBA's return to respective institutions. Up to 5 Phd's have completed all requirements and return to teach in their respective institutions.

Fourth annual evaluation of project.

Year Five

September Last group of participant trainees leave: ESAN - 2 MBA, Pacifico - 1 functional MBA and 1 IB - MBA, Piura - 1 MBA.

October

November

December

1990 January

February

March Piura sends last candidate to ESAN's MBA-IB program.

April

May

June Second IB-MBA returns to Piura.

July

August One overseas MBA returns to Piura

Up to three additional Phd's completed and return to teach in respective institutions

Two other Phd candidates complete course work return for visits, and if possible remain in Peru to do dissertations.

Fifth annual evaluation of project.

Year Six

September

October

November

December

1991 January

February

March

April

May

June Last IB-MBA returns to Piura.

July

August Last 5 MBA's return to respective institutions.
Last 2 Phd's completed and resume full teaching load at
respective institutions.
Last annual evaluation of project.

Summary of Research Ideas

Since this project allocates major resources to various types of applied research, this Section summarizes ideas for appropriate research projects that evolved out of the analyses associated with the components. This summary will be discussed below in three sections: (1) agribusiness research, (2) action research and (3) general management research. The list is only illustrative and is by no means intended to be comprehensive.

Agribusiness Research

The most difficult task of this project is to institutionalize in the five participating organizations the needs and concerns of the agribusiness sector. There is a high-level of interest in this area by the Peruvian institutions but the base of knowledge regarding the problems of agribusiness is weak. The ideas listed here attempt to broaden this base of understanding.

1. What is the definition of agribusiness in Peru? More importantly, what is the role of the private sector in the development of the agribusiness sector?

2. How can the private sector create a new presence in the various phases of agribusiness (production, processing, distribution, etc.)?

3. What are the training/consulting/research needs of firms and managers involved in this sector? What is the meaning of managerial performance in agribusiness?

4. How can agriculture become a comparative advantage in the area of Peruvian international trade? In which subsector of agribusiness should resources be directed in order to create this comparative advantage?

5. What are the managerial mechanisms that must be improved in order to make agriculture a key sector in an export-led model of development for Peru? What is the managerial infrastructure required for exporting in this sector?

Action Research

Action research is a hybrid of research and consulting whose goal is to improve managerial performance, especially in the private sector. The meaning of "action" is that the research is designed to bring about managerial change in organizations. The following topics are illustrative of this concept:

1. What are the characteristics of high performing firms in Peru? That is, what are the success models? How can these characteristics be summarized in order to develop the notion of a Peruvian-oriented model of organizational performance?

2. What are the chain of events (a decision making model) that lead to high levels of performance around a particular function - exporting, for example? That is, if three organizations involved in exporting were selected, how could we identify their chain of "success factors" involved in tapping export markets?

3. How can managerial performance be linked to the needs of development in Peru? For example, if three needs of development are competitive behavior, integration and export-oriented decision making, how can organizations contribute to this development if they are not competitive, not well integrated and avoid the risks of exporting? In other words, how can the needs for development become the managerial ethos of organizations?

General Management

The topics included under this rubric are not related to a specific theme as were those discussed above. They are, nevertheless, important areas of concern for improving managerial performance in Peru.

1. What are the characteristics of entrepreneurship in Peru? What do successful entrepreneurs do in this environment (see the work of the ILD as a first step)? How can management training institutions teach entrepreneurship?

2. Why do enterprises stay small in Peru? What are the stages of growth among Peruvian firms? What are the impediments to growth? Why are entrepreneurs and managers in Peru not creating the appropriate economies of organizational scale required for development?

3. What is the role of labor legislation in the development of enterprises in the private sector? Do labor stability laws create disincentives for growth in the private sector?

4. What are the barriers to linking applied knowledge to the needs of managers in Peru? Is this knowledge being created by Peruvian institutions or merely transferred from other countries? How can a network of knowledge creation/knowledge application be created in Peru?

5. What must the private sector do in order to be seen as a positive force for change in Peru? What traditions impede this effort and how can managers begin to be linked, in a positive manner, with the broader aspirations of development at the societal level?

6. What are the mechanisms for export promotion in Peru? What policies must be changed in order to give managers the appropriate "administrative infrastructure" for increasing exports?

7. What is the role of multinational corporations in an export-led development model for Peru? What types of "shared enterprise strategies" (consortia, co-production, etc.) are viable relationships between Peruvian firms and foreign multinational enterprises?

8. How can strategic-planning be initiated in firms operating under conditions of instability? What are the barriers to managing liquidity under conditions of economic instability?

9. How can small and medium-sized firms use management information systems? What are the most important uses of computer technology for these firms.