

PD-AAZ-104
60600

AGENCY FOR INTERNATIONAL DEVELOPMENT
R O C A P



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February 27, 1989

FEDEPRICAP
Apartado 539-1002
San Jose
Costa Rica

Subject: Cooperative Agreement No. 596-0149-A-00-9278-00

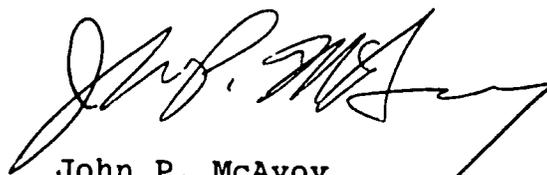
Gentlemen,

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter known as AID or ROCAP) hereby grants to the Federation of Private Sector Entities in Central America and Panama (hereinafter known as Recipient or FEDEPRICAP) the sum of six hundred thousand dollars (\$600,000) to strengthen the Central American private sector's capacity to influence the direction of socioeconomic development in the region, and to increase the knowledge and participation of the private sector in the development process, as more fully described in Attachment No 1 entitled Schedule and Attachment No. 2 entitled Program Description. Subject to availability of funds AID intends to increase the value of this Cooperative Agreement to a million four hundred and fifty thousand United States dollars (\$1,450,000).

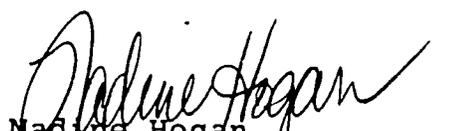
This Agreement is effective and obligation is made as of the date of this letter and shall apply to commitments made by the recipient in furtherance of program objectives during the period beginning with the effective date and ending February 15, 1992. This Cooperative Agreement is made to FEDEPRICAP on the condition that the funds will be administered in accordance with the terms and conditions set forth in Attachment 1 entitled the "Schedule", Attachment 2 entitled "Program Description", Attachment 3, entitled "Standard Provisions" which have been agreed to by your organization.

Please sign the original and five (5) copies of the letter to acknowledge your receipt of this Cooperative Agreement and return the original and four (4) copies to the USAID/Guatemala, attention Regional Contracting Office.

Sincerely,



John P. McAvoy
Regional Grant Officer



Madeline Hogan
ROCAP Regional Director

ACKNOWLEDGED:

By: 
Victor Herrera



Title: President, FEDEPRICAP

Date: FEB 27 1989

Appropriation No.:	72-1191021
Budget Plan Code:	LDSA-89-25596-KG13
PIO/T No.:	596-0149-3-90019
Project No.:	596-0149
Total Estimated Amount:	\$1,450,000
Total Obligated Amount:	\$ 600,000

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions

SCHEDULE

A. Purpose of Agreement

1. The purpose of the Agreement is to strengthen the Central America private sector's capacity to influence the direction of socioeconomic development in the region, and to increase the knowledge and participation of the private sector in the development process, as more fully described in Attachment No. 2 entitled Program Description.

B. Period of Agreement

1. The effective date of this Agreement is the date of signature of Cooperative Agreement letter. The expiration date is February 22, 1992.

2. The total estimated amount of this Agreement for the period shown in B.1. above is \$1,450,000.

3. AID hereby obligates the amount of \$600,000. Additional funds up to the total amount of the Agreement shown in B.2. above may be obligated by AID subject to the availability of funds and to the requirements of the Standard Provision of the Agreement entitled

C. Financial Plan

The following is the Financial Plan for this Agreement. Revisions to this Plan shall be made in accordance with the Standard Provisions.

<u>Components</u>	<u>ROCAP Agreement</u>	<u>FEDEPRICAP</u>	<u>TOTAL</u>
1. FEDEPRICAP Personnel	\$ 559,062	\$ 82,455	\$ 641,517
2. Support Services	\$ 29,844	\$ 4,200	\$ 34,044
3. Admin./Operations	\$ 396,312	\$105,102	\$ 501,414
4. Training	\$ 285,000	-	\$ 285,000
5. Audits	\$ 0	\$ 4,843	\$ 4,843
6. Contingency	\$ 179,782	-	\$ 179,782
TOTAL	\$1,450,000 =====	\$196,600 =====	\$1,646,600 =====

The budget presented above is illustrative in nature, and the Recipient can adjust individual budget lines, with the exception of salary, by a factor not to exceed 10%. Any adjustments exceeding the duration of the Agreement will require the prior written approval of the Grant Officer.

D. Special Provisions

1. ROCAP and FEDEPRICAP agree that A.I.D. funds provided pursuant to this agreement shall not be committed, disbursed or otherwise utilized in areas where the provision of such funds would contravene any provision of the Foreign Assistance Act of 1961, as amended. ROCAP shall advise FEDEPRICAP in writing from time to time of such areas.

2. Equipment

No equipment with an item value exceeding \$2500 shall be purchased without the prior approval of the Regional Grant Officer.

3. Subagreements

Pursuant to the General Provision of this contract entitled "Subagreements" the Recipient requires the prior written approval of the Grant Officer before finalizing the subagreements detailed in Attachment No. 2 to this Agreement. The Recipient shall submit, to the COTR and to the Grant Officer at the same time, copies of the proposed subagreements. The copies submitted to the Grant Officer (in English) shall include a memorandum from FEDEPRICAP supporting the negotiated costs entailed in each such agreement. No monies identified in the Financial Plan cost lines for the Subagreements shall be released by AID prior to the Grant Officer's written approval of the particular subagreements.

E. Authorized Geographic Code

The Authorized Geographic Code for procurement of goods and services shall be in accordance with Optional Standard Provision No. 6.

F. Contracting Officer's Technical Representative

1. The Grant Officer's technical representative for the performance of this Cooperative Agreement is the Director, ROCAP/Guatemala, or his designee. This individual shall have the following authority:

- a) Certification of work performed on all vouchers submitted.
- b) Necessary clarifications of, or minor, non-cost-related adjustments to, the program descriptions in Attachment II.
- c) Approval of all reports, plans, timetables or other such technical submissions required under the Program Description.

2. The Recipient must receive prior written authorization for short term technical assistance personnel, and their international travel from the Grant Officer's Technical Representative (CORT). Recipient may submit to the CORT an estimated schedule on a quarterly basis. Any subsequent adjustments to the timing of this technical assistance, or minor adjustments to the length of any particular assignment, shall require the approval of the CORT.

3. Salaries or compensation of short and long-term Specialists require prior written approval by the Regional Agreement Officer.

PROJECT DESCRIPTION

I. Project Summary

In Central America there exist developmental problems which can only be solved on a regional level. The Federation of Private Sector Entities of Central America and Panama (FEDEPRICAP), like the fledgling Central American Parliament, reflects recognition of that fact, as well as the need to address issues within the private and not just the public sector. There is little question as to the demand and need for an organization such as FEDEPRICAP to work regionally to help bring about urgently needed economic recovery. Its existence represents one important response to the recurrent theme of the critical need for greater regional economic and social development underscored in the both the Kissinger and initial Sanford Commission reports.

FEDEPRICAP has been in existence scarcely two years. During that brief time, and with a very small staff, it has been able to develop an impressive track record in working with the private and public sectors throughout Central America in creating a regional consciousness of development problems and the need for cooperation. It has held numerous workshops and seminars on issues of regional economic development, particularly those associated with transportation, capital mobilization and trade. Examples of topics addressed include debt/equity swaps, port tariffs and the role of women in the regional private sector. It has also hosted business round tables and sponsored analyses examining obstacles to regional development. FEDEPRICAP has been active in all countries of the region, working to focus public attention on the pressing need to remove obstacles to greater economic growth.

This project is in large measure a response to the deterioration of the Central American Common Market (CACM), which has left a critical void in efforts to promote regional cooperation and integration as a key strategy to create the conditions necessary for the kinds of changes required for sustained economic growth. It is also a reply to two new economic trends in the region: 1) a focus on export-led growth and development strategies, accompanied by incentives for non-traditional exports; and 2) increasing reliance on the private sector as the motor of economic growth.

The goal of the project is to contribute to accelerated and sustained economic growth in Central America. The purpose of the project is to strengthen the Central American private sector's capacity to influence the direction of socioeconomic development in

the region, and to increase the knowledge and participation of the private sector in the developmental process. FEDEPRICAP, a regional private sector umbrella organization, will provide technical assistance and training to its members and other private and public organizations involved in or associated with development. FEDEPRICAP's members are the two largest and most influential private sector umbrella organizations in each of the regional nations. They, in turn, represent hundreds of businesses in the agricultural, industrial and service sectors.^{1/}

In an effort to help generate ideas and designs for specific regional initiatives to address constraints in the areas of transportation, finance and trade, FEDEPRICAP will offer four kinds of assistance to its members: (1) It will conduct policy analyses on specific issues related to transportation, finance, and trade and tariffs, focusing on both policy initiatives within the region and potential impacts on the region of proposed policies and legislation by the U.S. and the European Economic Community; (2) It will coordinate and facilitate negotiation of conflicts between and among productive sectors, labor and management, and government and business on selected issues affecting regional development; (3) It will coordinate with its member associations in monitoring activities of relevant legislative committees and executive departments which impact on commerce, trade, finance and development; and (4) It will establish an information network and referral system on trade and investment, finance and credit, and transportation, providing routine information bulletins and referral services in these areas to its members.

II. BACKGROUND

The problems faced by the region are common to many LDCs: Adverse terms of trade, substantial external debt, constricted domestic markets, high unemployment, deteriorating infrastructure, lack of hard currency reserves, capital flight and weak to non-existent capital markets. Moreover, decades of protectionist policies within the CACM have resulted in inefficient production, low standards of quality and limited experience in competitive international markets. Added to these economic and financial problems is the overlay of continuing political turmoil and violence in El Salvador, Nicaragua and Panama.

^{1/} FEDEPRICAP's membership includes private sector organizations in both Nicaragua and Panama. Current U.S. legislation prohibits the use of U.S. financing for activities in these countries. Therefore, until there is a change in U.S. legislation, funds authorized under this project will not be used to finance activities in Panama and Nicaragua.

The economic and political changes since the beginning of the 1980s, have forced the governments, private sector and donor agencies to seek new and effective strategies to create necessary conditions for change which lead to sustained growth and development. This project is directed at supporting such efforts.

Although the current decade has witnessed some movement on the part of the countries in the region to relax protectionist policies, the general situation remains mixed and policy constraints still continue to retard intra-regional trade and commerce. The deterioration of the CACM has been both a cause and effect of the inability of the governments in the region to sustain the type of cooperation necessary for meaningful economic integration. At the same time, there is continued awareness of the need for some kind of regional cooperation and integration to bring about conditions conducive to economic recovery. Leading officials in both the private and public sectors have expressed concern that constraints be removed which impede productive investment, non-traditional exports and employment generation. Given the scale of existing national economies in the region, productive bases, infrastructure deficiencies, lack of adequate financial intermediation instruments and weak investor perceptions, a private sector led effort must be mounted to address cross-border obstacles to growth.

While trade barriers and protectionist policies are instruments of governmental control, the fact is they have been put in place with the support of an influential part of the private sector. (It is also recognized that organized labor has been equally if not more supportive of closed markets and, for that matter, state-owned enterprises). The private sector itself has to act on its behalf and work with respective governments to create necessary conditions for freer and more productive regional trade and commerce, as have, to some degree, Costa Rica and El Salvador, for example. As all countries in the region recognize the failure of import substitution as the prevailing model for development, and turn (or are forced to turn) increasingly to export-led growth, there is a more pressing need than ever to work out intraregional arrangements to do away with trade barriers which impede cooperation in the production, shipment and marketing of goods.

By the same token, both the private and public sectors need to work together to develop policies and mechanisms to open greater and easier accessibility to necessary capital, particularly long term financing. Historically, capital in the region has either been provided by government sponsorship or through closely held private ownership - aside from international companies with independent access to credit. Policies promoting establishment of domestic capital formation vehicles are needed. At the same time, regional mechanisms for capital mobilization should be considered.

Additionally, policies are needed to stem capital flight and create incentives for both domestic and foreign investment, as well as to encourage venture capital. The financial regulatory environment, too, is a major obstacle to capital mobilization. Outmoded and needlessly complex regulations and administrative practices in the financial sector have discouraged potential investors, and limited expansion of greater production of goods and services. Finally, tax law reforms are needed to eliminate price controls over securities and stimulate acquisition of capital through equity and debt securities, rather than only bank borrowing.

Another critical area for policy reform is transportation. As the countries of Central America turn increasingly toward exports as a major strategy to create growth, it is essential that they be able to provide quality products at competitive prices. Transportation in the Isthmus is a key factor cost, currently contributing 30 to 50 percent of the c.i.f. value of non-traditional export products which, in turn, constitute about 40 percent of all regional exports. Transportation is a vital component of regional economic integration and cooperation, as well as an essential ingredient in accessibility to external markets. Transportation systems of different countries are not independent, but either linked physically or through transportation providers. Thus, as transportation policy decisions in one country can affect the entire region, there is a clear need for the republics to work to take advantage of economies of scale to solve common problems.

III. Program Description

A. Project Goal and Purpose

The goal of the project is to contribute to accelerated and sustained growth in Central America.

The purpose of the project is to strengthen the Central American private sector's capacity to influence the direction of socioeconomic development in the region, and to increase the knowledge and participation of the private sector in the developmental process.

B. Beneficiaries

The direct beneficiaries of the project will be those Central American businesses and their personnel who will capitalize on the benefits of a climate in which there exists freer and more productive trade, easier and greater access to capital, and less expensive, more efficient transportation. Investors, both foreign and regional, will also benefit as they are able to increase investment opportunities and corresponding returns. The governments in the region will also benefit from increased gross tax revenues

generated as the result of greater and more profitable private sector activity. The ultimate beneficiaries will be the regional population as a whole, which will benefit from lower consumer costs, employment generation, economic growth and improved income distribution.

The countries in the region as a whole will derive further direct and indirect benefit. The regional economy will be brought into better balance, GDP will rise in the primary, secondary and tertiary sectors, and government gross tax receipts will increase. Expanded public revenues will permit continuation and even expansion of essential social services in education, health and housing, for which adequate funding levels continue to be threatened by a lack of sufficient resources.

Immediate results are not anticipated. It will take time to accomplish the critical and frequently delicate tasks involved. Negotiating common positions among the FEDEPRICAP membership, conducting the appropriate issues analyses and successfully securing the necessary policy and administrative reforms require a certain, though not limitless, amount of patience and tenacity.

C. Project Components

In order to assist in the development of the regional private sector as the main engine of economic growth for regional recovery, FEDEPRICAP will focus on three project components: 1) transportation; 2) capital mobilization; and 3) trade.

FEDEPRICAP has several objectives, including representation of private sector interests at the regional level, promotion of a greater awareness of the role of the private sector in socioeconomic development, gaining access as a full partner at the regional policy table, and support of free enterprise and democratic institutions.

Implementation of each project component will depend on four task areas constituting the set of services FEDEPRICAP will provide to its members: 1) policy analysis; 2) negotiation; 3) representation; and 4) an information network and referral system.

1. Substantive Focus

Given the many pressing development needs of the region, the limited resources available to address problems, and the newly emerging institutional capacity of FEDEPRICAP to unify and represent the private sector, it is essential that project activities focus on an important but manageable range of topics. Based on extensive interviews with FEDEPRICAP members, private sector leaders,

government officials, international donors, and academic experts, FEDEPRICAP leaders agree that the initial programmatic thrust should be in the areas of capital mobilization, transportation, and trade. Efforts in these areas need to focus above all on creating the conditions necessary for positive change.

a. Transportation

Given the essential role played by transportation in the costing and shipment of products, especially non-traditional exports, it will be necessary for FEDEPRICAP to focus clearly and aggressively on developing solutions to pressing and persistent problems. Several issues need to be addressed, and it will be critical for FEDEPRICAP to identify in priority order a manageable set of problem areas for action. These include, inter alia, excessive paperwork and processing delays at border crossings which are costly to producers, especially where perishables are involved; empty backhauls as the result of prohibitions against foreign truckers from picking up international freight, which add needlessly to the cost of products, reducing productivity and competitiveness and the lack of a regional brokerage system for international shipments carried by truck.

While many of the steps required to achievement improvements in intra-regional transportation networks are relatively straightforward in concept, creating the awareness and political conditions necessary for change will require concerted effort on the part of FEDEPRICAP and its members. Failure to address these concerns effectively will result in the continued existence of a major set of barriers to greater trade and economic development.

b. Capital Mobilization.

One of the primary objectives of FEDEPRICAP will be to encourage the development of financial instruments to mobilize capital for productive investment. In Central America, the commercial banking industry is not geared to provide long-term investment capital, finance companies have had only limited success in offering long-term credit (in part due to lack of a secondary market), stock exchanges are either non-existent or very rudimentary in the region, and venture capital activities are generally discouraged by the policy and regulatory environment. One important finding in development of the Project Paper was an unanticipated willingness of Central American businesspersons to invest in the region, assuming appropriate financing mechanisms can be created.

FEDEPRICAP should undertake to become the primary proponent of the development of capital markets in the region, and serve as a referral system for information on investment opportunities. Among the specific activities it might engage in are:

- o Establishment of an information referral system for prospective investors seeking opportunities in the region, especially for enterprises with multi-country interests.
- o Promotion of the debt/equity swap mechanism as an initial means both to develop capital markets and provide long term financing for non-traditional export opportunities.
- o Development of alternatives to capital such as co-production, joint venturing and franchising as additional means for expanding productive enterprises.
- o Identification of a core set of region-wide policies and regulations needed to improve the investment climate within the area.
- o Brokering to encourage Central American investment in neighboring countries, including efforts to repatriate flight capital.
- o Encouraging development of financial mechanisms to increase equity participation in companies requiring long-term financing or venture capital.
- o Hosting seminars and workshops on specific areas of interest in capital mobilization.

It is particularly important for FEDEPRICAP to take the leadership in promoting formulation of region-wide policies and regulations which will create a climate favorable to foreign and domestic investment, including venture capital. Such policy initiatives should address not only the kinds of incentives required to stimulate greater investment in productive enterprises, but should also deal with ways in which to stem capital flight. Among other mechanisms for creating increased investment FEDEPRICAP should examine are reinvigoration of the DICA (Central American Importation Right), encouragement of a secondary market, and debt/equity swaps. These and other options need to be explored thoroughly and shared with the FEDEPRICAP membership and public policymakers in the region.

At the same time, FEDEPRICAP should undertake efforts to work with the banking sector in particular to seek ways in which to make credit more accessible. Part of the problem of capital mobilization in the region is not necessarily a lack of capital, but limited to access to loan funds which tend to circulate only within a small fraction of the private sector. Long term borrowing, traditionally restricted in Central America, has become even more scarce as external sources of loan capital have dried up.

While various strategies, and combinations of strategies, for mobilizing capital and alternatives to capital exist, it is important to keep in mind that there is still a prevalence for closely held private ownership in capital formation. Hence, the task of FEDEPRICAP will be not only to work with public and private sector officials in crafting policies and mechanisms to permit promotion of different methods for acquiring needed capital for development, but also to help create new attitudes among many of its members to look beyond narrow interests and understand how greater accessibility to capital across the private sector can benefit all.

c. Trade

While the problems of trade in the region are primarily of a policy and regulatory nature, brought about by excessive protectionism, they are also in part a function of the lack of access to capital, particularly long term financing, and serious inefficiencies in regional transportation. The problems of the Central American Common Market have also contributed to the general deterioration of trade in Central America, both as a cause and effect. Hence, it is particularly timely and important for a private sector umbrella organization like FEDEPRICAP to mount efforts to regain and improve upon past initiatives at regional economic integration and cooperation.

The present situation is not just confined to trade within the region, but more importantly has affected the ability of the Central American countries to participate more effectively in the international marketplace. While some nations, such as Costa Rica and El Salvador, have taken initial steps to reduce counterproductive protective tariffs and become more competitive internationally, the scale of the nations in the region makes cooperation imperative if greater efficiencies, comparative advantage and competitiveness, particularly with respect to non-traditional exports, are to be achieved.

Most, if not all, key private and public sector officials agree on what are the major barriers to increased and more efficient trade within the region, despite their inability to date to take the steps required to put into place the necessary solutions. There are several issues which FEDEPRICAP can and should address in its role as the regional private sector umbrella organization. First, weak balances of payments and low reserve levels constitute a primary obstacle to reviving a multi-lateral payments mechanism for intra-regional trade (i.e., regional CACM trade). Second, until the regional trade debt problem is solved, new trade financing will continue to be scarce. Third, compounding the above is the failure of the Central American Chamber of Compensation to be able to mature from a payments mechanism into a

credit institution and the collapse of efforts to introduce the DICA. Fourth, other problems include diverse means of payment, exchange rates and economic policies within the region; inefficient transportation systems; and capriciously applied trade restrictions.

FEDEPRICAP can be instrumental in helping to bring about solutions to present trade and tariff problems. First, it can act as the regional voice of the private sector, working with its member associations to achieve needed policy and regulatory reforms at the national level. Second, it should seek to bring together key decisionmakers in the public and private sectors to discuss mutual problems of economic growth and development and come to agreement on common solutions. Third, it can provide access to timely, reliable and comprehensive information on trade opportunities, international markets and credit. Fourth, FEDEPRICAP can represent the trade interests of the private sector before multilateral organizations and countries outside the region.

2. Services and Activities

Four activity areas will be used to implement the three project components: 1) policy analysis; 2) negotiation; 3) representation; 4) information referral. The activities will be geared to achievement of the project's objectives to promote and represent the interests and needs of the private sector in the region; develop regional integration of and cooperation within the private sectors of Central America and Panama; and assist the private sector at the regional level to become more competitive in the international marketplace.

a. Policy Development and Reform

A major responsibility of FEDEPRICAP will be formulation of policy alternatives to promote a climate more conducive to private sector led economic development. This will involve a series of activities including: 1) identification of major problem areas; 2) conduct, sponsorship and/or promotion of relevant analyses; 3) facilitation of dialogue and awareness among FEDEPRICAP member organizations, the governmental sector, organized labor and the public through workshops, seminars and public education; 4) formulation of specific policy reform options for consideration and adoption by national governments to be addressed on a regional basis; and 5) monitoring of existing and proposed public policies affecting trade, finance and transportation, the three areas of major importance identified by FEDEPRICAP.

As an initial step in this process, it is important for FEDEPRICAP to host a series of seminars and workshops on its activities, goals and role in regional economic development. Seminars and workshops in each country should be conducted during

the first year of operation. Similar seminars, by way of providing public awareness and knowledge of its efforts and successes, should be held periodically as well. One major purpose of the seminars and workshops should be to help develop a greater "regional mentality" in order to build an attitudinal support base for FEDEPRICAP's goals of regional cooperation and integration. As the regional organization representing the private sector, FEDEPRICAP will have the strength and credibility to push for much needed policy reform throughout the Isthmus.

While FEDEPRICAP should not be responsible for management of specific programs - aside from regional policy studies and other of its mandated activities - it should help to generate ideas and designs for specific programs to be implemented at the local or national level through its member associations. Such program initiatives would flow from restructured and/or new policies governing transportation, trade and capital mobilization and be geared toward improving development at the regional level.

b. Negotiation and Conflict Resolution

Another role to be filled by FEDEPRICAP is that of facilitating negotiations and resolutions of conflicts between and among various sectors. This is an important task in promoting regional cooperation and achieving private sector consensus on important policy issues. FEDEPRICAP will work closely with its member associations in facilitating agreements with the various public sectors to formulate policies and draft regulations which enhance rather than impede private sector led economic growth and development. The organization will also act to facilitate resolution of conflicts between and among the various sectors comprising the business community, as well as disagreements between labor and management. This has been mentioned by many FEDEPRICAP members as a critical issue, vital to achievement of regional private sector unity.

As part of its negotiation/conflict resolution activities, FEDEPRICAP, in conjunction with other regional institutions such as INCAE and SIECA, will host forums to encourage open dialogue among competing sectors and interests. This will help create an awareness of the need to resolve jointly outstanding issues for common purposes, as well as actually facilitate a structure for negotiation. For example, FEDEPRICAP could organize bi-annual meetings, divided into major industrial sector groups to analyze and propose solutions to shared problems. In addition, FEDEPRICAP will arrange for training in negotiation/conflict resolution skills for its member organizations, which will be a key and tangible contribution to private sector effectiveness in problem-solving.

c. Representation

It is essential for local and national interests that FEDEPRICAP act as the Central American umbrella representative of the private sector. One of the weaknesses of the region's business community has been its inability to negotiate from a position of strength. In dealings with foreign investors, foreign commercial banks, international donors and foreign markets, there has been little to no regional unity. Deals have served only narrow local interests and have provided limited impact for growth and development.

FEDEPRICAP will not only serve as the regional private sector representative, as instructed by its Board of Directors, in the kinds of dealings noted above, it will also represent regional private sector interests and concerns before national governments in Central America and elsewhere. As part of this function, FEDEPRICAP will monitor and analyze relevant policies and legislation, develop regional private sector positions and make them known publicly, and provide useful information to public policy makers as may be necessary and requested. It will also inform its members on a routine basis of important relevant legislative and policy initiatives and proposals in the U.S. which could have an impact on regional development. In order to carry out this mandate, FEDEPRICAP will serve to coordinate private sector interests regionally so that consensus may be achieved by its members with respect to current and proposed policies affecting private sector development, and generally act as the authoritative voice of regional private sector interests.

d. Information Referral

One of the most important services FEDEPRICAP can provide its members is referral to timely, complete and accurate information for a variety of purposes. However, caution needs to be exercised not to duplicate existing information functions of FEDEPRICAP member organizations. Instead, data gaps need to be identified first, before the kind and volume of information for referral is determined. Areas for which access to information should be developed include: finance/credit, debt securitization, investment, exports, policy/legislative, particularly as they apply to regional needs and development. In addition to acting as an information referral service, FEDEPRICAP would also summarize pertinent information for its members in trade, transportation and capital mobilization, distributing it in the form of regularly scheduled information bulletins or other publications.

FEDEPRICAP needs to develop an understanding among members of the regional private sector of the need to compete on a worldwide basis for capital and external markets for their

products. Thus the organization needs to be able to refer its members to sources of accurate, up-to-date information on foreign markets and investment possibilities.

FEDEPRICAP will begin these activities with a series of awareness seminars throughout the region, addressing both public and private sector officials on FEDEPRICAP and its purpose and goals, as well as elaborating on the role of the private sector in contributing to economic regional recovery. This will be followed by implementation of the goals and objectives contained in the FEDEPRICAP strategic plan, including: 1) establishing positive intersectoral relationships; 2) providing tangible leadership in developing regional cooperation; 3) working to create the necessary policy climate for private sector development; 4) identifying and solving regional development problems in transportation, capital mobilization and trade; 5) working to promote greater participation of small enterprises within the region; and 6) strengthening the structure and functions of FEDEPRICAP as the regional private sector umbrella organization.

Some studies and topic specific seminars and workshops have already been held by FEDEPRICAP, particularly in the field of transportation. After signing of the Project Cooperative Agreement, FEDEPRICAP will begin immediately to host awareness seminars. Part of the anticipated results from the seminars will be the identification of specific issues for analysis, negotiation and policy formulation. FEDEPRICAP will follow-up on these issues as consistent with its strategic plan, by underwriting selected studies, conducting negotiations with relevant sectors and engaging in appropriate representational activities. FEDEPRICAP will also provide training to its members in how to conduct successful negotiations. Outside short-term technical assistance will be used in developing and carrying out these and other project activities. Technical assistance will also be provided to FEDEPRICAP and selected members in developing strategies to remove or reduce obstacles to more efficient transportation and trade, and increased access to capital. Finally, both training and technical assistance will be made available to FEDEPRICAP in strengthening its institutional capacity to manage the project efficiently and effectively.

D. Training

Short-term training for both FEDEPRICAP staff and its membership will be provided in transportation, capital mobilization and trade. Additional training will be made available in institutional development and management, policy analysis, negotiation, representation, and communication. All training will be conducted in the region. Various training methods will be used, depending on the subject and training objectives. To facilitate

implementation, a training plan will be developed for each operational year. This will be based on a training needs analysis and include: 1) training objectives; 2) expected outcomes; 3) methods to be used; 4) required materials; and 5) evaluation forms. Finally, in order to maintain a necessary regional balance in project activities, training sessions will be held in all countries, though not necessarily repeating the same subjects.

In addition to the training plan for its members, FEDEPRICAP will also include a separate plan for its staff. It is anticipated that the large majority of staff training will take place during the first operational year when project implementation begins. Further training may be necessary as new management and technical concepts and practices are developed and required.

E. End of Project Status

As a result of this project, the following achievements are expected:

1. Approximately 15 policy analyses on issues of regional development, especially in transportation, capital mobilization and trade, will have been conducted.

2. Approximately 37 training workshops/seminars will have been carried out within the region.

3. Agreements will have been reached between countries and economic sectors with respect to needed policy/regulatory reforms to promote more efficient transportation and trade within the region.

4. Mechanisms for more effective capital mobilization, such as stock exchanges and the establishment of more modern credit policies and practices, will have been further advanced in the region.

5. A functioning information network and referral system will have been established in FEDEPRICAP to provide its members access to timely and accurate information on transportation regulations, schedules and routes, and on trade regulations and standards in the U.S. and each of the regional nations.

6. FEDEPRICAP will have developed the institutional, technical and administrative capacity to make it a fully functioning, credible regional private sector umbrella organization.

It is important to note that the EOPS indicators will be revised in accordance with the yearly operational plans.

IV. Administrative Arrangements

1. FEDEPRICAP Responsibilities

FEDEPRICAP will operate the project in as cost-effective and efficient manner as possible. In order to keep overhead costs to a minimum, it will maintain a small administrative and technical staff, and rely principally on outside technical assistance to policy analyses, provide training workshops and seminars, and help design programs. In addition to consultant assistance, FEDEPRICAP will work with the staff of its member associations, primarily with the Executive Directors of each member association who comprise the Executive Committee of FEDEPRICAP. Services and activities, particularly in negotiations, and to a lesser extent in representation and information referral, are basically of a coordinative nature. Thus, it will depend in large measure on the participation and cooperation of its member affiliates in carrying out many of the planned activities.

In order to complement and strengthen its activities, FEDEPRICAP will develop cooperative working relationships with other regional organizations, including CABEI, SIECA and INCAE. This will permit coordination of efforts to promote regional growth and development through mutual support and joint initiatives, and minimize the possibilities of duplication.

The Executive Director will be responsible to the Board of Directors, as representative of the general membership. His duties include oversight of all FEDEPRICAP operations, including personnel, finance, and general management, development and maintenance of external relations, working with the Board as an ex officio member, planning and budgeting of operations, program operations, including coordination of negotiation, representational, policy analysis and information activities, liaison with ROCAP, and maintenance of relationships with outside resource groups such as INCAE and SIECA.

The program staff will consist of technical and support staff.

The Assistant Director will report to the Executive Director and be responsible for the day-to-day management of all administrative activities including finance, purchasing, personnel, reporting requirements, contract compliance, and general management. In addition the Assistant Director will be responsible for the development and maintenance of the FEDEPRICAP information referral and network system, formulation of public relations strategies, liaison with member associations through his/her counterparts, development, printing and distribution of FEDEPRICAP information bulletins and other publications, and establishment and

maintenance of effective working relationships with members of the press and electronics media. The Assistant Director will hold a degree in Business Administration, Accounting or similar field, and have at least five years experience in public and/or private sector management.

The Policy Analyst will report to the Assistant Director and be responsible for identifying issues for analysis in conjunction with the Executive Director and Executive Committee, developing scopes of work for consultants and monitoring their activities, as well as dealing with the technical issues of research methodology. He/she will also coordinate and participate in workshops and seminars explaining and interpreting the results of selected policy analyses. The Policy Analyst will hold an advanced degree in political science or political economy and have at least five years experience in applied research and development. He/she will have at minimum a good reading knowledge of English.

The Transportation Specialist will report to the Assistant Director and be responsible for identifying major barriers to more effective transportation within and outside of the region, developing alternative strategies for reform and, working with the Policy Analyst, suggesting appropriate areas for research. He will also prepare scopes of work for and monitor short-term consultants. The Transportation Specialist will hold a degree in economics, engineering or other suitable discipline, and have a minimum of five years experience in transportation and development. He/she will be proficient in English.

The Economist/Finance Specialist will report to the Assistant Director and be responsible for identifying major impediments to mobilization of capital, including tax disincentives, onerous regulations, banking practices and counterproductive public policies, and help formulate strategies for solving attendant problems. He/she will prepare scopes of work for and monitor short-term consultants. The Economist/Finance Specialist will hold an advanced degree in economics, business administration or allied discipline, have a minimum of five years experience in economic/financial research, have a demonstrated capacity to understand international commerce and investment, and be proficient in English.

The Documentation Specialist will report to the Assistant Director. He/she will be responsible for developing and managing an information referral system, coordinating acquisitions of a select number of relevant publications and insuring materials are updated. He/she will have a university degree and be proficient in English.

Although the FEDEPRICAP Board and senior staff will have to develop a final operational system for implementation of project tasks, at this juncture it is possible to outline steps required in managing outside short-term technical assistance and training.

1. In response to specific tasks set forth in the FEDEPRICAP strategic plan, as well as specific requests from the Board of Directors, as representative of the membership as a whole, appropriate FEDEPRICAP staff will prepare scopes of work for the project consultants provided through the contractor. This will be the procedure both for training and TA interventions.

2. The consulting assignments will be carried out under the supervision of the appropriate technical staff member.

3. At the end of the assignment, the FEDEPRICAP staff member will evaluate the performance of the STC and share the results with ROCAP.

4. Where FEDEPRICAP staff are to be involved directly in a specific activity as technical experts, aside from their routine duties, the cognizant staff member will prepare a scope of work for his/her own activity for approval by the Executive Director.

In addition to its principal institutional role and activities, FEDEPRICAP will be responsible for participating with ROCAP in project evaluations, submitting required reports to ROCAP, and designing annual operating plans.

2. ROCAP Responsibilities and Evaluation

ROCAP will have several roles. First, it will be responsible for overall management and monitoring of the project. This will include the establishment of a Project Team to assist in monitoring project activities and proposing concrete recommendations for strengthening project implementation. Members of the Team will include appropriate staff from ROCAP offices, particularly RADO and Program, which are implementing related projects. The Team will also be responsible for oversight of two project evaluations. The first will be a joint project performance assessment at the end of the first eighteen months of the project. The major purpose will be to identify strengths and weaknesses in project design, management and operations in order to make needed corrections. The second evaluation will assess the impact of the project in meeting its stated goal and purpose, examining changes in selected indicators of changes in policy, regulations, and behaviors supportive of private sector growth in the substantive focus areas. Such indicators will be identified as program packages in the substantive areas are refined.

The second role of ROCAP will be to contract a qualified 8-A firm to provide short-term consultants to assist FEDEPRICAP implement planned activities.

The third responsibility of ROCAP will be to monitor project activity, compliance with AID regulations, taking management actions as necessary.

3. Implementation Plan

FEDEPRICAP will be the implementing agency in the Project Cooperative Agreement, responsible for project planning, administration and coordination of inputs such as technical assistance and training. In addition, FEDEPRICAP staff will manage STCs provided through the contractor during their assignments in the region, and work closely with the medium term consultant. ROCAP will contract for the short-term consultants.

The following represents planned key activities by date for project implementation. It should be noted that the dates in sequential order are illustrative only, and may be subject to change. The dates are scheduled from the signing of the Project Cooperative Agreement.

PROJECT IMPLEMENTATION PLAN

<u>ACTIVITY</u>	<u>DATE</u>
<u>Year 1</u>	
Project Paper Approved and Project Authorized	Month 1
Project Agreement Signed	Month 2
TA Contract Awarded	Month 3
Draft Initial Work Plan	Month 4
Review and Approve Work Plan	Month 4
TA Assistance Begins	Month 4
Conduct Transportation Diagnostic	Month 4
Conduct Trade Diagnostic	Month 5
Initiate First Policy Analyses	Month 6
Begin Legislative Monitoring	Month 6
Develop Information System	Month 6
Begin Identification of Areas for Negotiation	Month 8
Develop Programs	Month 11
Initiate First Seminars/Workshops	Month 11
Plan for Next Program Year	Month 12

Year 2

Continue Regular Program	1st quarter
Project Evaluation Begins	2nd quarter
Continue Regular Program	2nd quarter
Project Evaluation Ends	3rd quarter
Continue Regular Program	3rd quarter
Continue Regular Program	4th quarter
Plan for Next Program Year	4th quarter

Year 3

Continue Regular Program	1st quarter
Continue Regular Program	2nd quarter
Impact Evaluation Begins	3rd quarter
Continue Regular Program	3rd quarter
Impact Evaluation Ends	4th quarter
Short-term TA and Training End PACD	4th quarter

5. Work Plans and Reporting

Within 120 days of approval of the agreement, FEDEPRICAP will submit for ROCAP review and written approval an initial, three-year work plan, and detailed operational plans for each component of the project for the first year of the project. The operational plans will provide a summary of proposed activities and expenditures, with itemization of each component, its subcomponents and a quantification of the level of effort. The operational plans will provide the basis for ROCAP approval of the CY 1990 budget.

FEDEPRICAP will implement and monitor the performance under this agreement to ensure that the work is progressing as planned and that targets are being met. Based upon this monitoring, FEDEPRICAP will prepare for ROCAP review and approval, quarterly progress reports which will include the following information:

- Comparison of actual accomplishments with the targets established for the period and reasons why targets were either exceeded or not met.
- When considered necessary, revised targets and justification for revisions.
- Any problems being encountered, and action being taken to resolve them.
- Financial information regarding expenditures and adequacy of remaining funds to meet targets.
- Other pertinent information as requested by ROCAP.

Additionally, on a semi-annual basis, detailed work and travel plans for the coming six months should be presented with the quarterly report. These plans should be prepared following the guidelines given above for the initial work plan.

ROCAP requires prior approval of work and travel plans and budgets and any substantive changes FEDEPRICAP wishes to make in an already approved plan for a given period. FEDEPRICAP should ensure that plans are presented with sufficient lead time to permit ROCAP review and approval without creating delays in implementation. This also applies to the following activities which require prior written approval from ROCAP:

- Contracts for local specialists (following AID Handbook 11 Procurement Regulations);
- Commodity purchases over US\$2,500, and any commodity purchases for lesser amounts not specified in approved work plans;
- The yearly training plans, including justification in terms of the Agreement objectives, where training is likely to take place, personnel to be trained, costs to be covered by AID, and approximate dates); and
- All project funded travel that deviates from approved work plan.

FEDEPRICAP shall present monthly reports on accrued expenditures and liquidations, with a summary page using a format consistent with that presented in the work plans. The monthly reports should serve as management tools to monitor expenditures against planned activities and budgets, and as such should facilitate the preparation of the progress reports and work plans. Requests for advances shall be presented quarterly.

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