

PROGRAM OBJECTIVES DOCUMENT

FY 1992-1996

ACTION PLAN

FY 1993-1994

BEST AVAILABLE

AID/URUGUAY

Program Objectives Document

Action Plan

TABLE OF CONTENTS

	Page
I. Strategic Objectives	1
A. Program Overview	1
1. Host Country Environment	1
2. USG Objectives	1
B. AID/Uruguay Strategy	2
1. Strategic Considerations	2
2. Strategic Objective 1: Increased Private Sector Support for Market-Driven Economic Reactivation	3
3. Strategic Objective 2: Improved Efficiency and Quality in Judicial Decision-Making	7
4. Other Activities	10
II. Program Performance	11
III. Portfolio Analysis	13
IV. Resource Requirements	14
A. Program Funds	14
B. O.E. Funds	14
V. Issues Raised by A.I.D. Representative	15
VI. Tropical Forest and Biodiversity Analysis	16

ANNEXES:

1. Summary Tables
2. NAD: MERCOSUR-NAFTA Compatibility
3. Annual Portfolio Review

AID/URUGUAY

LIST OF ACRONYMS

ACDE	Asociación Cristiana de Dirigentes de Empresas
AOJ	Administratin of Justice
BHU	Banco Hipotecario del Uruguay
CEJU	Centro de Estudios Judiciales del Uruguay
CNC	Cámara Nacional de Comercio
CERES	Centro de Estudios de la Realidad Económica y Social
DESEM	Desarrollo Empresarial del Uruguay
EAI	Enterprise for the Americas Initiative
FSN	Foreign Service National
FVA	Food and Voluntary Assistance Bureau
GDP	Gross Domestic Product
GOU	Government of Uruguay
HMO	Health Maintenance Organization
IDB	International Development Bank
IESC	International Executive Service Corps
IFI	International Financial Institution
ITT	International Technology Transfer Project
IG	Inspector General
I.V.	International Visitor Program
LAC	Latin American and the Caribbean
LAC/TI	Latin American and the Caribbean/Trade and Investment
LATU	Laboratorio Tecnológico del Uruguay
LRJ	Legal, Regulatory and Judicial
MDC	More Developed Countries
MERCOSUR	Mercado Común del Cono Sur
MIF	Multilateral Investment Fund
NAD	New Activity Description
NAFTA	North-American Free Trade Association
OE	Operating Expenses
PLADES	Plan de Desregulación del Comercio Exterior y las Inversiones
PRONADE	Programa Nacional de Desburocratización
RHUDO	Regional Housing and Urban Development Office
UCU	Universidad Católica del Uruguay
UNDP	United Nation Development Program
USDH	U.S. Direct Hire
USDOC	U.S. Department of Commerce
USIS	United States Information Service

I. Strategic Objectives

A. Program Overview

1. Host Country Environment

President Luis Alberto Lacalle assumed office in March, 1990. His is the second democratically elected government in Uruguay following thirteen years of military rule (1973-85) which interrupted the country's long tradition of democracy. The new Government inherited an economy characterized by serious macroeconomic imbalances (high fiscal deficits, high external indebtedness), sluggish economic performance (real GDP in 1990 was barely above its 1980 level), and growing inflation (89 percent in 1989, 129 percent in 1990). The Lacalle Government undertook a program to stabilize the economy with the objectives of reducing the fiscal deficit, controlling monetary growth, and lowering inflation. The new economic program also envisioned a series of structural adjustment measures to remove constraints to private sector-led investment and growth (i.e., restructuring and privatizing public enterprises, rationalizing the social security system, and financial sector reform). Another major initiative of the Government was the decision to join the effort to create the MERCOSUR common market, committing Uruguay to the removal of tariffs among member countries and the establishment of a common external tariff by 1995.

The Government's economic policies are beginning to bear fruit. The consolidated public sector deficit fell from 3.6 percent of GDP in 1990 to 1.4 percent in 1991; inflation slowed to 81.45 percent in 1991; and the economy grew at 2.5 percent. The Government is currently negotiating a twelve-month Stand-by Agreement with the International Monetary Fund, which will provide \$60 million, and additional loans of \$130 million from the World Bank and \$206 million from the IDB this year. The Lacalle Government is pushing hard for structural reforms needed to improve the business climate and spur private investment in productive sectors, but its economic program is meeting strong resistance from a citizenry accustomed to a welfare-oriented state, and skeptical that a free-market, private sector-led economy offers the best path to economic growth and prosperity.

2. United States Government (USG) Objectives

The U.S. Embassy's Mission Program Plan (MPP) for Uruguay identifies implementation of the Enterprise for the Americas Initiative -- with an accompanying increase in U.S. trade and investment -- and continued strengthening of Uruguayan democracy as its most important objectives. The U.S. Embassy also supports the Lacalle Government's strong commitment to MERCOSUR integration, in part because the Government's push toward regional trade liberalization has become a metaphor in Uruguay for macroeconomic policy reform, and the need to restructure the state and private industry to become competitive internationally.

The Country Team believes that current political and economic conditions in Uruguay are favorable to the achievement of U.S. foreign policy objectives. There is virtually full agreement between the Lacalle Administration and the USG on long-term priorities and objectives for the Hemisphere. In this context, modest levels of political support and financial assistance for our mutual long-term objectives can pay large dividends to the U.S. in terms of strengthening democracy, implementation of the EAI, improved commercial relations, and support for U.S. diplomatic initiatives.

AID/Uruguay's objectives are (1) to promote more private sector leadership in Uruguay's economic growth and diversification, and (2) to help strengthen Uruguay's democratic institutions. Most of AID/Uruguay's resources (80%) will be directed toward increasing private sector initiatives in support of economic reforms and investment in export-oriented production. This reflects our assessment that the country environment is favorable, that A.I.D. has a comparative advantage in this area (experience and ability working directly with the private sector and promoting trade and investment), and that A.I.D.'s scarce resources need to be concentrated in order to have a significant impact and to leverage other donor funds.

We have selected a second strategic objective -- strengthening the judicial system -- because of the importance of the efficient administration of justice to both democratic stability and a positive business climate, and because the progress Uruguayan judicial sector leaders are making in implementing reforms can serve as an example elsewhere in the Region.

B. AID/Uruguay Strategy

1. Strategic Considerations

Uruguay is a middle-income (1990 per capita income of \$2,650) developing country with a population of 3.1 million. Economic growth has been erratic and sluggish for almost three decades, and the country faces a major challenge in using its resources (educated and skilled work force, agricultural potential, and strategic location) to generate sustainable economic growth. Uruguay must become outward-oriented economically and learn to be competitive in international markets if it is to develop and prosper.

With a modest level of assistance, AID/Uruguay can work with the current Government and progressive private sector leaders to promote implementation of the EAI and liberalization of the Uruguayan economy. In designing its strategy, AID/Uruguay has emphasized the following considerations:

* Leveraging and complementing the resources of the IFIs, which are dedicated to macroeconomic and structural reform.

* Concentration of program resources on activities in a limited number of areas which can have a systemic impact on economic reform and administration of justice.

* Working with selected institutions capable of sustaining program initiatives.

* Placing priority on issues central to the implementation of the EAI and/or most closely aligned with USG interests.

2. Strategic Objective 1: Increased Private Sector Support for Market-Driven Economic Reactivation

Based on the above, and on the critical need to increase private investment in productive activities in Uruguay, AID/Uruguay has selected as its first strategic objective increased private sector support for market-driven economic reactivation. Included under this strategic objective will be three sub-objectives: progress toward EAI implementation; an improved legal, regulatory and judicial climate for trade and investment; and sustained private sector efforts to improve the international competitiveness of Uruguayan businesses. This last objective will include imparting an awareness of the need for environmental controls in manufacturing and production processes in order to increase and maintain competitiveness in international markets.

The GOU is committed to a structural adjustment program which emphasizes reducing the role of the state in economic activity and placing greater reliance on the private sector as the engine of economic growth. This commitment is demonstrated by its implementation of an economic stabilization program, by its efforts at privatization and reform of the public sector, and by its carrying out on schedule tariff reductions agreed with its neighbors in the MERCOSUR common market. The Government has gone forward with its economic liberalization program despite sustained opposition from organized labor, political parties, and elements of the organized private sector. The success of the GOU's strategy depends heavily on private sector support of two types: its willingness to lend political support to the Government's reform programs and its ability to invest in export-oriented production.

Low levels of investment are one of Uruguay's most serious problems, and preclude a sustained development of the economy. Domestic investment in Uruguay has not varied in almost a decade, and continues to stagnate at nine percent of GDP. Private investment over the 1982-1990 period averaged a very low 5.9 percent of GDP. This level of investment limits the private sector to replacing capital rather than acquiring the new technology and equipment necessary to make Uruguayan businesses competitive in international markets.

Low levels of investment in Uruguay, especially when compared to other Latin American countries, are due to a series of interacting economic, financial, legal and regulatory factors which have actively discouraged the private sector. The macroeconomic factors include: chronic inflation; a high public sector deficit that competes for financial resources and crowds out the private sector; the dollarization of the economy and its impact on the allocation of credit; the narrowness of the domestic market; real wage increases without corresponding gains in productivity; inefficiencies associated with state-owned enterprises; and the lack of incentives to penetrate competitive international markets. Private investment has also been constrained by the legal, regulatory, and judicial environment affecting business decisions. The key obstacles include: the lack of a clear legal framework concerning property rights (e.g., the collectibility of loans and debts); labor legislation that discourages a competitive labor market; and an oversized public bureaucracy that imposes excessive regulatory hurdles to normal business activities.

The Uruguayan private sector has routinely had to operate in a hostile cultural, political, and economic climate. Given the preponderant role of the state in the economy, and the welfare-orientation of the political parties and the citizenry, entrepreneurship is not a highly prized value in Uruguay. The organized private sector has generally been "privilege seeking" rather than entrepreneurial in its orientation, looking to the government for protection and special favors rather than for a level playing field to compete in international markets. This orientation is changing slowly, but it needs to be encouraged and energized. Uruguayan businessmen are now talking about the need for "industrial reconversion," but this really means the need to improve the existing productive structure (in terms of product quality, cost, and delivery) to be competitive in international markets. Of course, it will also be necessary to invest in new businesses in which Uruguay can be more competitive, such as services and agribusiness ventures.

The private sector's response to GOU economic reforms may be the Achilles heel of Uruguay's structural adjustment program. Uruguayan industry is not preparing itself adequately for a more competitive future and the opportunities presented by a larger market. The Uruguayan private sector needs to be encouraged to participate actively in support of economic liberalization, to help in identifying and reducing policy and regulatory constraints to trade and investment, and to invest in new business opportunities. Without a revitalized, forward-looking private sector, economic growth and higher incomes will not be achieved in Uruguay.

AID/Uruguay's first strategic objective of encouraging increased private sector support for market-driven economic reactivation is consistent with the GOU's economic policy reform program, and supportive of the USG's emphasis on private sector-led economic growth through the EAI. It also complements the activities of other international donors, in particular through its emphasis on

assistance to private organizations where possible rather than public sector agencies. Over the next year and one half, A.I.D. will work on a trial basis directly with several Uruguayan private sector organizations, and aim to select two or three with which to work on a continuing basis. In addition to its over-arching strategic guidelines (leverage, systemic impact, sustainability, and concentration), AID/Uruguay will also apply specific criteria in deciding among specific organizations and activities to support to achieve its first strategic objective. These will include: relevance of proposed activities to program output; the professional and organizational strength of proposed implementing institutions; the degree of program versus institutional support costs; and the amount and length of funding to be committed.

The activities AID/Uruguay will undertake to achieve its first strategic objective have been grouped under six program outputs .

a. Program Output 1: Selected Programs Implemented to Increase Private Support for Economic Adjustment

AID/Uruguay will support a limited number of activities, undertaken primarily by the private sector, in favor of "market friendly" economic and regulatory reforms. Activities currently envisioned are:

* Support for work by the Cámara Nacional de Comercio to identify the challenges and opportunities posed by MERCOSUR to its members in the commercial and services sectors. This work will be designed to identify key policies which CNC members should attempt to influence as the MERCOSUR negotiations proceed. It will also define the challenges the commercial and services sectors must face in a more open economy.

* Support to CERES (Centro de Estudios de la Realidad Económica y Social) for a program of studies, publications, and meetings on trade and investment issues for Congressional opinion leaders.

b. Program Output 2: Activities to Promote Awareness of the Contribution of Private Enterprise to Economic Growth and Development

The only activity currently being sponsored in this area is Uruguay's Junior Achievement Program (DESEM), run by a group of leading businessmen. A.I.D. will support the expansion of this Program. New opportunities will be sought to support the activities of other private groups to improve the public image of the private sector and support of private enterprise development.

c. Program Output 3: Selected Policies Adopted by MERCOSUR to meet NAFTA Entry Requirements

The main activity under this Program Output is the proposed Regional MERCOSUR-NAFTA Compatibility Project (see NAD in Annex 2). This Project is designed to facilitate the entry of the MERCOSUR countries into NAFTA through the provision of technical assistance, monitoring and information services, and invitational travel. It would also sponsor exchanges among government officials, legislators, private sector leaders, and economists on trade and investment issues related to a hemispheric trading regime.

d. Program Output 4: EAI Debt Relief and Environmental Fund

When conditions permit, AID/Uruguay will supply the technical assistance needed to establish these mechanisms. (One possible use for the Environmental Fund is for proposals from the business community for investment in voluntary environmental and pollution controls.)

e. Program Output 5: Legal, Regulatory and Judicial Impediments to Trade and Investment Identified and Addressed

AID/Uruguay will support several initiatives to ease the legal, regulatory, and judicial burden on business activity in Uruguay, including:

- * Assistance to the GOU Patents Office to improve laws, regulations, and procedures governing trademarks, patents, and copyrights.

- * Funding to the Centro de Estudios Judiciales del Uruguay (CEJU) for implementation of a program to educate decision-makers on the importance of addressing legal and judicial impediments to trade and investment (as a bridge to the availability of MIF funding in 1993).

- * Continued support for a GOU Commission (PLADES) which is undertaking deregulation and administrative reform related to international trade (until IDB funding is available.)

- * Administration of Justice activities to reduce legal and judicial impediments identified in conjunction with the IDB Investment Sector Loan.

f. Program Output 6: Initiatives Carried Out to Improve Business Competitiveness and to Promote Trade and Investment

Several activities will be implemented to foster an environment in which Uruguayan firms will move to improve their com-

petitiveness. As the business climate improves over the next three years, it is also expected that opportunities will increase to sponsor trade and investment activities in selected sectors. AID/Uruguay will use its resources to assist selected sectors and firms increase their international competitiveness on a target-of-opportunity basis. This will include programs to educate Uruguayan businesses on the need for voluntary environmental and pollution controls, stressing the positive economic benefits from exports of environmentally friendly national products as well as the need to self-regulate production before controls are imposed. Among the activities AID/Uruguay contemplates are:

- * A project with President Lacalle's National Product Quality Commission (CNC) and LATU (Laboratorio Tecnológico del Uruguay) to promote consumer demand for higher product quality standards and provision of technological services to Uruguayan firms. The Project will include support for assistance to LATU from the USDOC National Institute for Standards and Technology (NIST) in consumer awareness and adoption of U.S. industrial standards and measures, and support from IESC to selected firms in the export and services sectors, which can have a demonstration effect on other businesses.

- * An RTAC university textbook program to improve the quality of Uruguayan university teaching, most notably through the provision of textbooks to the National University.

- * A program by the Asociación Cristiana de Dirigentes de Empresas (ACDE) to identify and address factors necessary to increase the competitiveness of Uruguayan exporters.

- * New private sector initiatives focussed on developing strategies for defining and developing export market niches for Uruguayan industry.

- * Support for USG-sponsored trade and investment promotion activities.

3. Strategic Objective 2: Improved Efficiency and Quality in Judicial Decision-Making

During the period of military rule, the Uruguayan judiciary was reduced to a dependency of the Executive Branch. The constitutional independence of the Supreme Court was suspended, and the budget for the judicial system was sharply reduced. The Executive Branch controlled judicial appointments, and transferred or removed from office some of Uruguay's most able jurists. With the return of democracy in 1985, the judicial system regained its constitutional independence, and again began to function normally.

There are three levels of courts in Uruguay. The Supreme Court is at the top of the judicial pyramid, supported by 15 appellate courts, 158 trial courts, and 248 justices of the peace nationwide. The executive branch exercises only a minor judicial function through its fiscales (public prosecutors), whose duty is to check on compliance with legal procedures used in cases. The members of the Supreme Court are nominated by the President and approved by the Congress for terms of up to ten years or seventy years of age, whichever comes sooner. The members of the appellate courts are appointed by the Supreme Court and ratified by the Senate, and all other judges are appointed by the Supreme Court.

In contrast to most Latin American countries, Uruguay's courts are neither corrupt nor subject to political interference. However, financial resources are scarce, and there is a definite need to modernize judicial procedures and administrative support systems to increase judicial sector efficiency, and to upgrade the skills of judges and other judicial personnel in trial procedures and the use of expert support personnel. For example, until the establishment of the Centro de Estudios Judiciales del Uruguay (CEJU) in 1988, no institution existed to provide either post-graduate training for young lawyers interested in judicial careers, or in-service training for existing judges and fiscales. Specialized courts do not have sufficient access to specialized professional personnel, such as psychologists and economists, to assist in investigations and judicial decision-making. Alternative dispute resolution methods are uncommon in Uruguay. Their adoption would ease case loads, increase access to justice by poorer citizens, and possibly help settle business disputes. The Supreme Court also lacks the basic administrative tools necessary to manage the judicial system, including a current data base on court decisions, an MIS system, and an effective office for planning and financial control.

Lastly, it is important to note that although Uruguay's courts are not corrupt or politicized, unfair decisions affecting the legitimate interests of business corporations are common. This is due to the fact that Uruguayan judges, who normally begin their judicial careers under the age of 35, have virtually no experience in business and strongly reflect in their decisions the general anti-business attitude so common in Uruguay. This is one of the most -- if not the most -- serious impediments to investment and commerce which exists in Uruguay. For instance, the virtual impossibility of banks to go to court to take possession of collateral pledged against bad loans is the most important impediment to wider availability of credit in Uruguay.

AID/Uruguay has selected as its second strategic objective improved efficiency and quality in judicial decision-making. In support of judicial system strengthening, resources will be concentrated on two program outputs: training judicial system personnel and providing technical assistance to

promote administrative reforms. Increasing attention will be paid within the AOJ program to addressing legal, regulatory and judicial impediments to business as contemplated under A.I.D. Strategic Objective No. 1.

Uruguay's court system already leads those of other LAC countries in implementing reforms. It has the advantage of being relatively small and includes many high-quality jurists. As such, once consensus is achieved to implement specific reforms, they are accomplished quickly. In 1989, the Uruguayan court system adopted a new General Code of Civil Procedure, which has required the gradual implementation of oral hearings in the civil court system. Uruguay is a leader in Latin America in this area. Already, Uruguayan jurists have been invited to other LAC countries (e.g. Panama, Ecuador, Bolivia) to explain Uruguayan reforms. Progress made in Uruguay can continue to have a positive impact on AOJ reforms elsewhere in the Region, including work within the MERCOSUR negotiating framework to define procedures for settling business disputes among firms from MERCOSUR countries.

A.I.D. support for judicial sector reform in Uruguay has created among the current, very cohesive members of the Supreme Court, a very positive attitude toward including efforts to address the unique legal and judicial impediments to business in Uruguay in the AOJ Program. This has opened the door for efforts which are proceeding now under the auspices of the IDB Investment Sector Loan to identify and address LRJ impediments to investment. AID/Uruguay's support for the AOJ Program will include significant support to address legal and regulatory impediments to business identified in the process of developing the Investment Sector Loan. This will be done by providing bridge financing in FY1992 for CEJU research and seminars on LRJ impediments to investment and business pending availability of IDB M.I.F. resources.

Future AOJ activities will continue to address two program outputs: A) better trained justice system personnel, both professional and administrative; and B) selected reforms implemented to improve the administrative efficiency of the court system. The main activities to be implemented are:

- * Continued support to the CEJU for curricula development and training of judicial candidates, magistrates, and other judicial sector personnel, and to develop its capabilities as a center of excellence for research on judicial sector issues.

- * CEJU research, seminars, and publications in the area of business law and judicial impediments to trade and investment.

- * Funding for USIS to expand I.V. and Ampart activities for the Uruguayan justice system.

* Educational exchanges on issues of judicial reform, including sending Uruguayans to other LAC countries to discuss the judicial reforms being carried out in Uruguay.

* Technical assistance to the Supreme Court for development of an information management system.

* Technical assistance to task forces and commissions formed to recommend administrative reforms, and support for pilot efforts.

* Technical assistance to develop and implement pilot projects for alternative dispute resolution.

4. Other Activities

Among the activities in the current portfolio which are not included under AID/Uruguay's two new strategic objectives, all but support to the Peace Corps and the FVA/Partners' Farmer-to-Farmer Program have just concluded, or will conclude by December 1992. These include assistance to the Uruguayan Housing Bank and to the Southern Cone Science Center (see Annex 3), and support for the public sector de-bureaucratization program (PRONADE). Any future assistance to PRONADE, which has been a successful program, will be focussed within the two strategic objectives.

A final existing effort which AID/Uruguay decided to complete this year is an R&D/HPN-funded study on the impact of Uruguay's aging population on health care delivery. Uruguay has a highly developed private HMO system, which provides about 51 percent of health care. The results of the study will not only be useful to Uruguayan HMOs but can be made available by A.I.D. to public health officials in other countries.

One new, but clearly temporary, activity scheduled to begin soon is assistance under the Regional LAC Cholera Control Project which was offered to the GOU in March as the cholera epidemic approached.

In October 1991, FVA announced the approval of a grant to Partners of the Americas for its Farmer-to-Farmer Program. Even though this program does not fit within A.I.D.'s strategic objectives, the A.I.D. Representative is happy to have this program operating in Uruguay because it provides another opportunity to work with the Partners, U.S. "presence" in rural Uruguay which is useful politically and a linkage with Peace Corps activities. Both Partners/Minnesota and A.I.D. would like to get FVA agreement to allow exchanges to focus more on agri-business marketing rather than farm production. That way, the program would fit within Strategic Objective No. 1.

Lastly, AID/Uruguay plans to provide about \$30,000 per year to the Peace Corps on a continuing basis to support volunteer activities in small business development and natural resource management.

II. Program Performance

A. Accomplishments Since Last Action Plan

The thrust of AID/Uruguay's activities in 1991 was on support for (1) President Lacalle's efforts to reform the state and liberalize trade and investment policies, and (2) strengthening of the justice system. Last year's Action Plan organized the Mission's activities into four categories: Public Policy and Administration; Private Sector Response; Strengthening Democratic Institutions (AOJ); and International Environmental Cooperation. A review of accomplishments by category follows:

1) Public Policy and Administration: Through six activities AID/Uruguay actively supported GOU efforts to implement policies that promote investment, productive employment, and export-led growth. Local currency funds were provided to PLADES (Plan de Desregulación del Comercio Exterior y las Inversiones) to initiate the Government's efforts to streamline procedures related to foreign commerce and to prepare recommendations to rationalize the country's multitude of investment promotion programs. PLADES published a major report on investment incentives, regimes, and programs, which is now being used by the IDB to develop its Investment Sector Loan. The Lacalle Administration also used it to eliminate unnecessary tax incentives, worth \$35 million annually. ITT resources were provided to the GOU's Special Office for Governmental Deregulation (PRONADE) to assist in the identification and reduction of administrative rules and procedures which impede efficient government. PRONADE has saved approximately \$28 million annually in administrative costs through public sector reform, and reduced by half the time required for bidding and procurement of services by the government.

A.I.D. also called on RHUDO resources to provide technical assistance at the request of President Lacalle to the state-owned Uruguayan Housing Bank (BHU). Recommendations were made to wind down retail lending in favor of creating a second story facility for private housing loans. These recommendations will be taken into consideration by experts to be provided to the BHU under the IDB's Financial Sector Loan.

Using local currency funds, AID/Uruguay paid the salaries of a group of economists to work with Government agencies (Central Bank, Ministry of Economy, etc.) to design and implement structural economic reforms in the financial sector, the social security system, and state-owned enterprises. Similarly, AID/Uruguay used ITT funds for the training in the U.S. of five key GOU officials and state enterprise managers to implement President Lacalle's privatization program. Finally, with local currency funds, A.I.D. assisted the GOU in financing a study of the measures required to develop private capital markets in Uruguay, which is also being used by the IDB in developing its Investment Sector Loan.

2) Private Sector Response: AID/Uruguay carried out several activities designed to encourage a vigorous private sector response to the more favorable policy environment. Continued support was provided under the Advanced Education for Development Project to the Catholic University of Uruguay (UCU) for the establishment of a business administration program designed to develop the technical, professional, and managerial talent needed in an export-oriented economy. In 1991, seventeen UCU professors received advanced training in the U.S.; nine technical assistance interventions were carried out, and two new post-graduate courses in business administration and marketing were developed. A.I.D. continued local currency support to the Association of Christian Business Managers (ACDE), which provided in-service business executive training courses to more than 100 working professionals. A.I.D. also worked with a group of prominent Uruguayan businessmen to initiate a Junior Achievement project with ITT funds. The Program began operating this year in four schools and is expected to expand to twelve next year. Finally, A.I.D. continued local currency support for the IESC program in Uruguay, under which ten companies received business management assistance.

3) Administration of Justice: During 1991, A.I.D.'s project to develop the institutional capacity of CEJU to train legal professionals and modernize the judicial system entered full-force. Over the past year, CEJU trained 30 candidates for judicial or prosecutor positions, conducted seven seminars for over 180 judges and fiscales on the issues associated with adopting oral process for civil cases, and began a research and publication program on judicial issues.

Although A.I.D. funding to begin implementation of measures to improve court administration was not made available until September 1991, and problems were encountered negotiating the UNDP-GOU Executive Branch agreement under which these funds were to be made available to the Supreme Court, the Supreme Court proceeded on its own to implement several measures. These included formal establishment of a Planning Office, setting up commissions to recommend areas in which administrative decisions could be decentralized, and for organizational restructuring of court system personnel, and initial design of a management information system.

4) The Environment: A.I.D. financed a feasibility study for the creation of a regional Southern Cone Science Center for earth sciences research. The study, which cost \$235,000, was carried out by a three-university consortium (Hawaii, Miami, and Columbia). The participation of the Center in the White House Science Advisors' Western Hemisphere Initiative on Global Warming continues to be a high GOU priority. Funding for the Center could be partially provided by an EAI Environment Fund, if one is created for Uruguay.

B. Evaluation Plan

Before the end of 1992, AID/Uruguay plans to obtain LAC Bureau assistance in refining the program indicators shown in this Action Plan. This will include assistance from the Regional Environmental Advisor.

AID/Uruguay intends to undertake annual program evaluations to assist the Office in measuring progress toward achievement of strategic objectives. Although most of the activities AID/Uruguay supports are too small to merit individual evaluations, the overall program could benefit from an external evaluation focusing on its systemic impact and on the relevance of program activities to the attainment of strategic objectives. For example, next year's evaluation will focus primarily on progress toward the first strategic objective, and provide advice on: whether existing and programmed activities are likely to contribute significantly to the achievement of strategic objectives; which potential implementing institutions (particularly in the private sector) are capable of carrying out and sustaining activities supportive of AID/Uruguay objectives; and whether existing monitoring and reporting systems are adequate to track results. Annual program evaluations will also provide AID/Uruguay staff with an opportunity to analyze and discuss the program with outside experts, and contribute to the training of FSN personnel in project management, monitoring, and evaluation.

III. Portfolio Analysis

As of the end of FY1991, the A.I.D. Representative's Office was managing 12 activities in Uruguay. That number is projected to be the same by the end of FY1992, and will increase to 13 by the end of FY1993. During FY1991, A.I.D. personnel directly involved in managing the Uruguayan portfolio were 1/3 USDH, one FSN full-time and one FSN 1/4 time. By the end of FY1992, A.I.D. personnel directly devoted to managing the Uruguay portfolio of activities is projected to be 1/2 USDH, and 3 1/4 FSNs. If the Regional MERCOSUR-NAFTA Compatibility Project is approved, an additional American will be contracted to work on that Project full-time. Increased TDY assistance to the Office is also projected.

III. PORTFOLIO ANALYSIS

1. Strategic Objective No. 1: Increased Private Sector Support for Market-Driven Economic Reactivation.

TITLE	PURPOSE	LDP (\$000) AND FUNDING SOURCE	YEAR START	OBLIG THROUGH FY'91 (\$000)	IMPLEMENTOR/MECHANISM	COMMENT
A. EXISTING ACTIVITIES						
1. Advanced education for Development	Development of business admin. program	ITT \$650	FY89	\$650	UCUDAL/Grant	End on Schedule
2. Junior Achievement	Train young entrepreneurs	ITT \$339	FY90	\$264	DESEM/Grant	Will extend to 6/94
3. PROMADE (Deburocratization)	Improve govt. efficiency	ITT \$300	FY91	\$300	UMDP/PROMADE Grant	end 12/92
B. NEW INITIATIVES						
1. Cam. de Comercio work on MERCOSUR	Policy advocacy and increased competitiveness	ITT \$60	FY92	-0-	Camera Nacional de Comercio/Grant	
2. CERES program on economic issues for Congress	Increase support for economic reform	ITT \$300	FY92	-0-	CERES/Grant	
3. Other Private Sector Initiatives	Policy advocacy; LRJ; competitiveness	ITT \$1,115	FY93	-0-	Various private NGOs	
4. MERCOSUR Support Project	EAI implementation	PSEE \$2,000	FY93	-0-	GOU MERCOSUR Secretariat/ProAg	MAD attached in Annex 2
5. EAI Debt Relief and Environmental fund	EAI implementation	ITT \$20	FY93	-0-	A.I.D. contract	

TITLE	PURPOSE	LOP AMOUNT (000) AND FUNDING SOURCE	YEAR START	OBLIG THROUGH FY-91 (\$000)	IMPLEMENTOR/MECHANISM	COMMENT
B. NEW INITIATIVES (cont.)						
6. Patents Office TA	Improve LRJ Environment	ITT \$100	FY92	-0-	A.I.D. contract; PROMADE Grant	
7. CMC/LATU/IESC	Improve business competitiveness	ITT \$400	FY92	-0-	LATU/CMC/IESC/Grant	
8. RTAC	Improve competitiveness	ITT \$ 50 GOU \$300 RTAC \$200	FY92	-0-	A.I.D. contracts	
9. Private Sector Export Competitiveness	Business competitiveness	ITT \$200	FY92	-0-	ACDE/Grant	

II. Strategic Objective No. 2: Improved Efficiency and Quality in Judicial Decision-making

A. EXISTING ACTIVITIES

1. ADJ Program	Improved judicial training, modernized judicial system	RAOJ; ITT \$1,340	FY90	489	UNDP/SCN/CEJU Grant	Will expend to include judicial exchanges and focus on LRJ impact on business climate.
----------------	--	-------------------	------	-----	---------------------	--

III. OTHER ACTIVITIES

1. Economic Recovery Program	Economic recovery	L.C. \$25,523	FY86	\$25,523	OPP/L.C.Agr.	
2. Peace Corps SME and Natural Resource Mgmt.	Support Peace Corps	ITT 90	FY92	\$30	AID/PC Agreement	3 year total
3. Regional Cholera Control Project	Health care	unknown	FY92	-0-	Regional Project grants/contracts	
4. Uruguayan Aging Study	Improve private health care delivery	unknown	FY91	unknown	RED/WPN grant	

IV. Resource Requirements

A. Program Funds

The program funding table shows the AID/Uruguay program at \$1.2 million per year during the FY1992-1994 period. Additional funding for the Regional MERCOSUR-NAFTA compatibility is \$100,000 in FY1992 and \$700,000 each in FY1993 and FY1994. All funds requested are from the PSEE account and the Regional AOJ Project. No Central Bureau funds are requested.

B. Operating Expense Funds

The OE funding table shows the OE funds required to manage A.I.D. activities in both Uruguay and Argentina. As a result of the efforts described below to cut administrative overhead costs in general -- and especially costs charged to OE funds -- the OE budgets requested by the A.I.D. Representative for FY 1993 and FY 1994 do not differ appreciably from that approved for FY 1992. This is so even with the opening of an office in Buenos Aires in the fourth quarter of FY 1992. The primary special factor affecting the A.I.D. Representative's Office is that it manages two country programs. This arrangement is an efficient use of A.I.D. OE resources because it results in less expenditures for personnel than would otherwise be the case.

The OE and program budgets presented in this Action Plan assume an increase in staff from nine to thirteen, as follows:

	<u>FY 1992</u>	<u>FY 1993</u>
A.I.D. Representative	1	1
FSN Project Officers	3	5
FSN Accountants	2	2
FSN Admin. Assistants	2	3
FSN Driver/Office Assistant	1	1
U.S. Contractor	0	1
TOTAL	<u>9</u>	<u>13</u>

All personnel except the A.I.D. Representative are contracted. All new personnel to be hired will work directly on projects, and their salaries and related costs will be financed with program funds. From a projected total of 13 staff members, 5 will be program-funded.

Other measures taken to decrease OE-funded costs include:

* Reducing the costs of opening and operating an office in Buenos Aires by taking advantage of an opportunity to use space available at the Lincoln Center, and by limiting FAAS support requested to an absolute minimum (est. savings \$35,000 per year).

AID/URUGUAY
PROGRAM BUDGET
BY PROGRAM OUTPUT AND GRANTEE
(\$000)

<u>ACTIVITY</u>	<u>SOURCE</u>	<u>92</u>	<u>93</u>	<u>94</u>
<u>A. S.O. No. 1</u>				
1. <u>Policy Advocacy by Private</u>				
<u>Organizations</u>				
-Cámara de Comercio	ITT	100		
-CERES		150	50	100
-New Groups		-	100	300
2. <u>Public Awareness Activities by</u>				
<u>Private Organizations</u>				
-DESEM	ITT	-	75	-
-New Groups		-	35	30
3. <u>TA for EAI Debt Relief/</u>				
<u>Environmental Fund</u>				
		ITT	-	20
4. <u>LRJ Activities</u>				
- Patents Office				
-CEJU Business Climate Activity	ITT	50	50	-
(UNDP)	AOJ	100	-	
-Other LRJ studies and trips	ITT	-	50	50
5. <u>Activities to Improve Private</u>				
<u>Sector Competitiveness and</u>				
<u>Promote Trade and Investment</u>				
-RIAC (contract PSC)	ITT	50	-	-
-CNC/LATU OIL		250	150	-
-IESC grants		-	-	-
-ACDE Export Competitiveness		130	50	-
-New Groups		20	150	400
<u>B. S.O. No. 2</u>				
1. <u>AOJ Program (UNDP)</u>				
	AOJ	250	250	250
<u>C. Peace Corps</u>				
	ITT	30	30	30
<u>D. PD&S: Evaluations and Other</u>				
		70	40	40
Sub-total		\$1200	\$1200	\$1200
<u>E. Regional MERCOSUR-NAFTA</u>				
<u>Compatibility Project</u>				
	PSEE	100	700	700
<u>GRAND TOTAL</u>		\$1300	\$1900	\$1900

OPERATING EXPENSES BUDGET
URUGUAY/ARGENTINA*
(\$000)

<u>COST</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Staff (U300)	142	163	177
Office Operations (U500)	123	128	126
Procurement (U600)	34	31	35
Other (U100, U400)	79	60	61
 	<hr/>	<hr/>	<hr/>
TOTAL	\$378	\$382	\$399

* Does not include centrally funded FAAS charges of \$20,000 in FY 1992, and \$30,000 in FY 1993 and FY 1994

* Delaying replacement of household furniture purchased in 1972 by at least two years (deferred costs of \$20,000).

* Payment of actual expenses rather than authorized per diem for one-day staff trips to Buenos Aires (est. savings \$2,000 per year).

Together, these measures reduce OE-funded costs in FY 1993 by about \$57,000 over what they would be otherwise. The OE budgets presented are tight. Therefore, any significant cuts below the level requested would make it impossible to implement all the programs proposed in the Action Plans for Uruguay and Argentina.

With regard to the request in the MOP Action Plan instructions to comment on potential accountability vulnerabilities, two points need to be made. The IG will do a "systems audit" May 14-28. Any problems identified will be addressed. The A.I.D. Representative believes the most immediate need is to begin the recipient audit program.

V. ISSUES RAISED BY A.I.D. REPRESENTATIVE

A. Both Programs

1. Need for More Funds: The A.I.D. Representative in Montevideo is responsible for two MDC programs. Although this is an efficient arrangement in terms of resource management, the levels of funding for the two programs are the lowest in the LAC Region. The programs presented in the Action Plans for the two countries to address Country Team and LAC Bureau objectives require modest increases in program funds. At last year's review, it was pointed out that the marginal value in terms of policy impact of more expenditures in MDC programs can be higher than in larger bilateral programs, and it was decided that additional resources would be approved when MDC programs justified increases. Will it be possible to provide the additional program funding needed to undertake the Regional MERCOSUR-NAFTA Compatibility Project (which will benefit four countries), and new activities related to trade and investment in Argentina and Uruguay?

2. LAC/TI Backstopping: MDC programs rely heavily on backstopping from LAC/DI and LAC/TI. Both Offices have been very responsive and supportive. The programs outlined in the Action Plans for Uruguay and Argentina will require even more backstopping from LAC/TI on a variety of issues involved with the EAI, regulatory assistance, and trade and investment promotion. LAC/TI backstopping to date has been excellent. One reason is that one officer has been given primary responsibility for MDC backstopping. She is a very able Presidential Management Intern, whose internship with A.I.D. will unfortunately expire. How much direct-hire and contracted backstopping can the A.I.D. Representative count on receiving from LAC/TI in the future?

3. MDC Program Planning: This year's Action Plans for FY 1993 and FY 1994 were prepared with no firm program funding levels for FY 1992. This situation is not unique to MDCs, but it is aggravated by the fact that funds for MDCs are included in regional projects which are not the Agency's highest funding priorities. What is the likelihood that Agency management will respond to LAC Bureau requests to rationalize MDC program funding by setting country-specific funding levels?

B. Argentina Program

1. Regulatory Assistance

The Action Plan for Argentina outlines some of the issues the Agency will need to face if it is to be able to offer more assistance in the broad array of regulatory matters affecting the business climate overseas. Will the Agency further develop its capabilities in these areas? How far should AID/Argentina go in pursuing opportunities for regulatory assistance in Argentina?

VI. Tropical Forest and Biodiversity Analysis

Since Uruguay is south of the Tropic of Capricorn it has no tropical forests. There are no large tracts of continuous, closed forest in the relatively flat terrain, the vegetation being primarily grassland/savanna with scattered gallery forests near waterways. The majority of the land is in agricultural production, primarily livestock. There are existing GOU programs for afforestation and reforestation with primarily exotic species in some parts of the country.

The status of present loss of the diversity of species and ecosystems in Uruguay, and the technical and human resources of Uruguay for addressing these issues, will be examined during 1992-1993 by the Regional Environmental Advisor for South America, with other personnel from LAC/DR/E. They will work with AID/Uruguay to identify limited-scope activities, including technical assistance to, or cooperation with, the Peace Corps and/or international donor agencies, which can increase national awareness of the needs for conservation of renewable natural resources and for the implementation of national environmental policies.

TABLE 1.A
AID/URUGUAY
MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

LAC BUREAU OBJECTIVE:

Support the achievement of broadly based, sustainable economic growth.

LAC BUREAU SUB-OBJECTIVE:

Encourage economic policies that promote investment, productive employment, and outward-oriented diversification.

AID/URUGUAY OBJECTIVE #1:

Increased private sector support for market-driven economic reactivation.

AID/URUGUAY SUB-OBJECTIVES:

1. Progress implementing the E.A.I. in Uruguay.
2. Improved Uruguayan legal, regulatory, and judicial climate for trade and investment.
3. Sustained private sector efforts to improve the international competitiveness of Uruguayan businesses.

Strategic Objective Performance Indicators	Unit	Base- Line Value	Target Value/1996	Current Value/1992	Data Source
1. Private Investment as % of GDP 2. EAI Agreements Signed 3. MERCOSUR Tariff Reductions	% - % and number of exemptions	- - -	12% 6 0% internal tariff; 0 exemptions; common external tariff	6% 1 (framework) 24% internal MERCOSUR tariff; 960 products exempted until 12/31/95	BCU - GOU/ MERCOSUR Secretariat

TABLE 1.B (Page 1 of 2)
AID/URUGUAY

MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

AID/URUGUAY OBJECTIVE #1:

Increased private sector support for market-driven economic reactivation.

AID/URUGUAY SUB-OBJECTIVES:

1. Progress implementing the EAI in Uruguay.
2. Improved Uruguayan legal, regulatory, and judicial climate for trade and investment.
3. Sustained private sector efforts to improve the international competitiveness of Uruguayan businesses.

Program Outputs and Indicators	Unit	Base-Line Value	Target Value	Current Value	Data Source
1. Selected programs implemented to increase private sector support for economic adjustment.					
a. Number of A.I.D.-supported private studies, dialogue events.	Number	None	20	-	Various grantees.
2. Activities to promote awareness of contribution of private enterprise to economic growth and development.					
a. Students trained, seminars, meetings, trips.	Numbers	-	DESEM-1000 students; TBD	80	DESEM; others
3. Selected policies adopted by MERCOSUR to meet NAFTA entry requirements.					
a. Number of policies adopted.	Number	None	TBD	None	MERCOSUR Secretariat/ GOU

TABLE 1.B (Page 2 of 2)
 AID/URUGUAY
 MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Program Outputs and Indicators	Unit	Base-Line Value	Target Value	Current Value	Data Source
4. EAI debt relief and environmental fund mechanisms established.	Agreements	-	2	-	-
5. Legal, regulatory, and judicial impediments to trade and investment identified and addressed.					
a. Studies/identification of impediments	# of studies	-	TBD	-	Patents Office, PLADES, LATU
b. Impediments reduced/removed	# of impediments	-	TBD	-	PLADES
c. Number of private sector groups involved	# of groups	-	TBD	-	-
6. Initiatives carried out to improve private business competitiveness and to promote trade and investment.	# of interventions, studies, events, training programs	-	TBD	-	Grantees

TABLE I.C (Page 1 of 2)
 AID/URUGUAY
 STRATEGIC OBJECTIVE PROGRAM OVERVIEW

AID/URUGUAY OBJECTIVE #1:

Increase private sector support for market-driven economic reactivation.

Program Outputs	Activities	Source of Support
1. Selected programs implemented to increase private sector support for economic adjustment.	<ul style="list-style-type: none"> - Cámara de Comercio work on MERCOSUR Policies/Strategy - CERES program for Congress - New activities by groups to be identified 	<ul style="list-style-type: none"> A.I.D. grant (ITT) A.I.D. grant (ITT) TBD
2. Activities to promote awareness of private sector contribution to economic growth and development.	<ul style="list-style-type: none"> - DESEM (Junior Achievement) - New activities by other groups 	<ul style="list-style-type: none"> A.I.D. grant (ITT) TBD
3. Selected policies adopted by MERCOSUR to meet NAFTA entry requirements.	<ul style="list-style-type: none"> - T.A. to subgroups on NAFTA issues. - Discussions among sector representatives of four countries. - Visits to U.S., Mexico, Canada 	<ul style="list-style-type: none"> ProAg with MERCOSUR Secretariat (GOU)
4. EAI debt relief and environmental fund mechanisms established.	<ul style="list-style-type: none"> - T.A. 	<ul style="list-style-type: none"> A.I.D. contract (ITT)

TABLE 1.C (Page 2 of 2)
 AID/URUGUAY
 STRATEGIC OBJECTIVE PROGRAM OVERVIEW

Program Outputs	Activities	Source of Support
5. Legal, regulatory, and judicial impediments to trade and investment identified and addressed.	<ul style="list-style-type: none"> - Assistance to Patents Office in revising law and in administration. - CEJU LRJ research/seminars (until MIF) - AOJ project activities on legal and judicial impediments - PLADEFES trade deregulation work - Studies and trips to U.S. in other regulatory areas 	A.I.D. contract (ITT) AOJ Project AOJ Project Local Currency Pgm. ITT
6. Initiatives carried out to improve business competitiveness and to promote trade and investment.	<ul style="list-style-type: none"> - RTAC - CNC/LATU/IESC product quality program and work on measures, standards and consumer protection - ACDE program on export competitiveness - USG trade and investment promotion activities - Programs by private organizations yet to be identified to improve business competitiveness (market strategy studies by service sectors and agribusiness, U.S. training, etc.) 	RTAC II and ITT A.I.D. P.A.S.A., grants to IESC and CNC (ITT) A.I.D. grant (ITT) PRE, LAC/TI

**TABLE 2.A.
AID/URUGUAY
MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES**

LAC BUREAU OBJECTIVE:

Support the evolution of stable, participatory democratic societies.

LAC BUREAU SUB-OBJECTIVE:

Strengthen civilian government institutions.

AID/URUGUAY OBJECTIVE #2:

Improved efficiency and quality in judicial decision making.

Strategic Objective Performance Indicators	Unit	Base-Line Value	Target Value/1996	Current Value/1992	Data Source
1. GOU budget allocation to Supreme Court	% of budget	1.6% (1990)	3%	TBD	GOU budget
2. Average time for first level decision in -Civil cases -Criminal cases	# months # months	28-33 TBD	TBD TBD	TBD TBD	Supreme Court

TABLE 2. B. (Page 1 of 2)
AID/URUGUAY

MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

AID/URUGUAY OBJECTIVE #2:

Improved efficiency and quality in judicial decision-making.

Program Outputs and Indicators	Unit	Base-Line Value	Target Value/1996	Current Value/1992	Data Source
1. Better trained justice system personnel, both professional and administrative.		(1988)			
a. No. of courses carried out and No. of personnel trained	# of courses/# trained				
-Judges and judge candidates	# courses/# trained	0/0	TBD	8/210	CEJU
-Other judicial personnel	# courses/# trained	0/0	TBD	2/37	CEJU/UTU
-Courses in business and economics	# courses/# trained	0/0	TBD	0/0	CEJU
b. In-service judicial training formally linked to judicial career.	N/A	No recognition	Formal recognition	No recognition	CEJU
c. Increased non-AID funding for CEJU	% of non-A.I.D. funds	N/A	100%	25%	CEJU

TABLE 2.B. (Page 2 of 2)

Program Outputs and Indicators	Unit	Base-Line Value	Target Value/1996	Current Value/1992	Data Source
2. Selected reforms implemented to improve the administrative efficiency of the court system.					
a. Judicial Planning and Budget Office operational					
°staffing completed	# staff	None	TBD	1	Supreme Court
°planning and budgeting capability instituted	N/A	None	Instituted	Minimum	
b. Development and maintenance of a statistical system	N/A	None	Statistical system fully operational ³	None	Supreme Court
c. Administrative reforms implemented	# reforms	None		None	Supreme Court
d. Pilot programs for alternative dispute resolution implemented	# programs	None	TBD	None	Supreme Court

TABLE 2.C
AID/URUGUAY
STRATEGIC OBJECTIVE PROGRAM OVERVIEW

AID/URUGUAY OBJECTIVE #2:

Improved efficiency and quality in judicial decision making.

Program Outputs	Activities	Source of Support
<p>1. Better trained justice system personnel, both professional and administrative.</p>	<ul style="list-style-type: none"> - Support to CEJU for training implementation and curricula design. - Research and seminars on L&J impediments to trade and investment. - Support to USIS activities related to Justice: <li style="padding-left: 20px;">I. V. programs and Amparts - Educational exchanges of judicial system personnel on judicial reform issues 	<p>AOJ Program</p>
<p>2. Selected reforms implemented to improve the administrative efficiency of the court system.</p>	<ul style="list-style-type: none"> - Technical assistance for information management system development. - Support for task forces to recommend administrative reforms. - Support for pilot efforts in administrative reform. - Technical assistance to plan and implement alternative methods of dispute resolution. 	<p>AOJ Program</p>

ANNEX 2

NEW ACTIVITY DESCRIPTION: MERCOSUR-NAFTA COMPATIBILITY

- LAC Bureau Objective: Support the achievement of broadly-based sustainable economic growth.
- Sub-Objective: Encourage the adoption of, and continued adherence to, economic policies that promote investment, productive employment, and export-led economic diversification.
- MDC Program Strategic Objectives: Increased private sector support for market-driven economic reactivation (Uruguay). Increased US-Argentine trade and investment (Argentina). Promote a public/private sector partnership for increased trade and investment (Paraguay). Encourage economic policy liberalization. (Brazil)
- Project Title (New): MERCOSUR-NAFTA Compatibility
- Project Purpose: To promote adoption by MERCOSUR countries of trade and investment policies which are compatible with those of the NAFTA and will facilitate MERCOSUR entry into a hemispheric free trade regime.
- Implementing Agency: GOU, in its capacity as MERCOSUR Secretariat.
- Funding Level (Est.): FY 1993: \$0.7 million
LOP: \$2.0 million
- Funding Source: PSEE Funds additional to current MERCOSUR country OYBs.
- A. Relationship to LAC Bureau Objectives; USAID/Argentina, Brazil, Paraguay, Uruguay Strategic Objectives; and Host Country Objectives

The LAC Bureau is implementing a strategy to promote trade and investment liberalization and private sector-led growth in support of USG hemispheric trade initiatives,

including the Enterprise for the Americas Initiative (EAI). One aspect of this is to assist countries in the region to qualify for benefits under the EAI, by encouraging them to develop open market policies and provide a positive investment climate. Providing assistance to the MERCOSUR countries in support of trade and investment liberalization in conformance with evolving requirements for admission to the NAFTA should be a highly effective way to further USG objectives. We want regional integration movements to be "trade creating" and not "trade diverting."

It is important to be clear about the objectives of the proposed project. The project will use the existing MERCOSUR negotiating framework among Argentina, Brazil, Paraguay and Uruguay to expose those countries to U.S. views on trade and investment issues of priority importance to the creation of a hemispheric free trade area, in order to help ensure MERCOSUR and NAFTA trade and investment policies are compatible. The project will not focus on promoting the economic integration of the four MERCOSUR countries per se; nor on promoting broad-based structural adjustment in each MERCOSUR country. Its objectives will be more modest and more focused.

A political commitment to work to create the MERCOSUR has been made at the highest levels by the four governments. Although a target date of January 1995 has been set for full integration, it is impossible to predict how long the integration process will actually take, especially given the current status of the Brazilian economy. The proposed project does not aim, therefore, to promote integration per se.

It also should be recognized that the extent to which MERCOSUR negotiations impact on the structural adjustment decisions made individually by the four MERCOSUR country governments varies from country to country. In Paraguay and Uruguay, "MERCOSUR" is a metaphor for economic reform in general, and the prospects of more open frontiers with Brazil and Argentina serve as an incentive to those influencing economic policy decisions to adapt to more open markets. Argentines, who are already well advanced implementing successful open-market economic reforms, look at MERCOSUR primarily as an opportunity to sell to the much larger Brazilian market (and conversely with some concern over possible unfair competition at home from Brazilian firms). In Brazil, on the other hand, the prospects for the creation of the MERCOSUR do not figure significantly in domestic considerations for economic policy reform, and private sector commercial interest in MERCOSUR exists primarily in southern Brazil. Thus, the degree of incentive for broad-based

structural adjustment the MERCOSUR integration process actually provides in each of the four countries varies significantly. Although the incentives provided by MERCOSUR for economic reforms in Uruguay and Paraguay are appreciable, this will not be the primary reason for undertaking the proposed project. The primary reason to do so is to promote the hemispheric goals of the EAI.

The MERCOSUR countries have made a political commitment to pursue integration negotiations and have set up a framework to do so. By signing the "4 plus 1" Framework Agreement, they have also signaled their desire to negotiate as a group to join the hemispheric free trade area. The MERCOSUR governments are keenly interested in the ongoing NAFTA negotiations, and want to ensure that MERCOSUR policies will be compatible with the requirements for entry into the hemispheric trade agreement. Therefore, the framework established to negotiate MERCOSUR does provide an opportunity to expose the MERCOSUR countries to issues the USG considers important to NAFTA, the EAI, and trade and investment with the U.S.; and to promote compatibility between MERCOSUR and NAFTA policies.

B. Relationship to Overall A.I.D. Policy Objectives

The proposed project is in conformance with current A.I.D. policy objectives, especially those concerning economic policy reform and the U.S. business partnership.

C. Relationship to Other Donor Activities

The International Financial Institutions (IFIs) are working individually with the four MERCOSUR countries to help reform their macroeconomic policies affecting trade and investment.

With regard specifically to MERCOSUR integration, the Inter-American Development Bank is planning a \$4.3 million project with INTAL to assist the four countries to harmonize their integration policies. IDB will provide assistance in macroeconomic policy coordination, support for MERCOSUR negotiating authorities in Paraguay and Uruguay, and assistance for exchanges with private sector representatives concerned with integration issues. In Uruguay, the UNDP is assisting the GOU to organize multi-sectoral discussions for the purpose of sensitizing the public to MERCOSUR issues and participating in the process of determining GOU integration policies. In Brazil the UNDP has provided \$300,000 in logistical support for the Foreign Ministry Office responsible for MERCOSUR negotiations. Existing and planned other donor activities are focused on the integration process itself. The proposed project would complement these efforts in support of internal integration by helping MERCOSUR countries focus outward on policy reforms needed to meet the requirements of NAFTA.

D. Activity Description

The goal of this project is to support progress toward the EAI goal to create a hemispheric free trade area. The purpose of this project is to promote adoption by MERCOSUR countries of trade and investment policies which are compatible with those of the NAFTA and will facilitate MERCOSUR entry into a hemispheric free trade regime.

1. Components

The major components of this project are:

a. Technical assistance to MERCOSUR on key NAFTA-related issues. The focus of technical assistance will be on policy issues which are critical to freeing hemispheric trade and entry into NAFTA (e.g., intellectual property rights, trade in services, and treatment of foreign investment). TA will be provided to the four MERCOSUR countries using the framework of the 11 subgroups already established to negotiate MERCOSUR policies. Assistance in approximately three major topics per year will be provided. The topics will be selected in accordance with a) their importance to ongoing NAFTA negotiations, b) their importance to the USG, and c) the interest of the MERCOSUR countries in receiving U.S. technical assistance.

b) Monitoring developments in NAFTA on key issues of concern to the MERCOSUR countries, and tracking events in the often overlapping bilateral, trilateral, and subregional (e.g., ANCOM) trade agreements in the Americas. This will include an analysis of actual changes in tariffs and non-tariff barriers and their impact on trade. The information gathered will be distributed to the MERCOSUR countries by the Secretariat.

c) Support for interchanges to facilitate trade negotiations. Two types are envisioned: (a) exchange among leaders from the four countries (business sector, legislators, researchers) to build support for more open hemispheric trade; and (b) invitational travel for key negotiators from MERCOSUR countries to meet USG, (and perhaps Mexican, Canadian, and other Latin American officials) responsible for key trade and investment policies.

d) Support to the MERCOSUR Secretariat in the areas of research, information-sharing, and logistics, as necessary to carry out the Project.

The main project inputs would be technical assistance and funding for travel, seminars, conferences, publications, and limited commodities. The major project outputs would be harmonized trade and investment policies, seminars/conferences/meetings, and publications.

2. Implementation Arrangements

This project will be implemented through the GOU in its capacity as Secretariat of MERCOSUR. A U.S. contractor will be selected by A.I.D. to provide a long-term advisor/project administrator, monitoring services regarding NAFTA and other hemispheric trade initiatives, and technical assistance on trade and investment issues. The long-term advisor will work with the MERCOSUR Secretariat, but will be responsible to AID/Uruguay/Argentina for certain project management duties. AID/Uruguay/Argentina will, in turn, coordinate activities with AID/Brazil, AID/Paraguay and LAC/TI.

The project will be developed under the terms of Handbook 3 and implemented with a Pro Ag. If this NAD is approved, the A.I.D. Representative requests approval to proceed directly to a P.P. given the detail presented in this NAD, size of project and need to proceed quickly in order to begin activities in the first quarter of FY 1993. The Bureau should decide whether the P.P. should be reviewed in AID/W to facilitate participation in the project by various agencies concerned with the EAI. Redelelegation of authority to negotiate and sign the Pro Ag is also requested, it being understood the A.I.D. Representative will exercise this authority in full consultation with the other two A.I.D. Representatives, the Director of LAC/TI and USAID/Bolivia support personnel.

E. Sustainability of the Project

This project is designed to assist MERCOSUR countries over a three-year period to identify and reduce impediments to a hemisphere-wide trade agreement. It is not intended to be self-sustaining.

F. Potential Issues

1. This project is fully supported by the A.I.D. Representatives to Argentina/Uruguay and Paraguay. The A.I.D. Rep. to Brazil does not oppose the project but accords it a lower priority for meeting his economic reform objectives due to the reduced attention given in Brazil to MERCOSUR and because he needs funds to initiate programs directly devoted to supporting structural adjustment in Brazil (viz. James Elliot's recent report). Are adequate funds available to finance both this project, focused on hemispheric EAI objectives, and the bilateral activities envisioned by the A.I.D. Representatives to the MERCOSUR countries, which are focused on promoting structural adjustment in individual countries?

2. MERCOSUR negotiations are carried out by foreign ministry authorities. Government representatives sent to subgroup meetings are from technical ministries in most cases. To one degree or another, each country has inter-agency coordination arrangements in place to help ensure positions taken are adequately vetted. The A.I.D. Representative to Brazil reports that GOB Foreign Ministry personnel who attend MERCOSUR meetings are not always those responsible for economic policy decisions. What precautions should be taken, if the project is approved, to ensure that T.A. provided through the subgroups reaches appropriate decision-makers?

3. Is there a potential conflict between providing unbiased technical assistance on trade and investment policies to the MERCOSUR countries and imparting USG views on such issues (which we wish to do)? If so, how can this be addressed?

4. Is the MERCOSUR Secretariat capable of administering effectively project funds and technical assistance? Who should administer funds for interchanges, A.I.D. or the Secretariat?

5. What expertise should be included in the PP design team?

AID/URUGUAY
ANNUAL PORTFOLIO REVIEW
(April 1992)

I. Summary LAC Financial Table

II. Activity Narratives

1.	Program Agreement No. 528-0107	1
2.	Project Agreement No. 528-0108	6
3.	Advanced Education for Development Project	8
4.	Administration of Justice	9
5.	Southern Cone Initiative	11
6.	Junior Achievement Project	13
7.	Workshop Education	14
8.	PRONADE	15

I. SUMMARY LAC FINANCIAL TABLE

URUGUAY ANNUAL PORTFOLIO REPORT (3/31/92)

Activity Title and Project Number	Implem. Oblig./Instr.	FY Init. Oblig.	Total Project Cost	Counterpart Contrib. Oblig.	Current Year Planned	Cumulative Obligation to Date	Estimated Completion Date	Accrued Expendit. Cumulative	Accrued Expendit. This Fiscal Year	Pipeline
-SF Local Currency Funds 528-0107	GOU	86	25,522,000	-0-	-0-	25,522,000	9/94	18,713,390***	-0-	6,808,610
	Proj.-Agr.	87								
-Economic Program Support 528-0108	GOU/AID	86	955,000	700,000	-0-	955,000	12/91	953,050	39,797	1,950
	Proj.-Agr.	86								
-Advanced Education for Development 598-0616.18	UCIDAL	89	650,000	104,000	-0-	650,000	06/93	332,112	122,671	317,888
	Grant	91								
-Administration of Justice 598-0642.18	UNDP	90	*1,340,000	**90,000	350,000	488,689	09/94	138,550	38,550	350,139
	Grant	91								
-Southern Cone Initiative 598-0616.18	UNIV. MAWAI	90	40,000	-0-	-0-	40,000****	10/91	40,000	40,000	-0-
	Grant	90								
-Junior Achievement 598-0616.18	DESEM DEL URUGUAY	90	264,933	48,000	-0-	264,933	12/92	146,085	79,818	118,848
	Grant	91								
-Workshop Education 598-0616.18	INCAE	91	61,402	-0-	-0-	61,402	03/91	61,402	61,402	-0-
	Contract	91								
-PROWADE 598-0616.18	UNDP	91	300,000	83,295	-0-	300,000	12/92	225,000	225,000	75,000
	Grant	91								

* Includes \$ 100,000 funded from Project 598-0616.18 III

** Includes \$ 63,000 funded from Project 598-0616.18 III

*** Figures as of 09/30/91.

**** With the addition of \$235,000 from Project Agreement 528-0108

1. PROGRAM AGREEMENT No. 528-0107

A. ACTIVITY TITLE/No.: ESF Local Currency Funds, Program Agreement No. 528-0107.

Counterpart Contribution: \$25,522,000

Estimated Completion Date: September 1994

Implementing Agency: GOU Office of Planning and Budget (OPP).

B. ACTIVITY PURPOSE: To support the economic recovery program of the GOU.

C. PROJECT STATUS:

Major Outputs Expected:

- To support GOU efforts to expand Uruguayan exports through the rationalization of agricultural and agro-industrial production, with the aim of improving Uruguay's ability to compete in international markets.
- To support private sector and NGO activities involving micro-enterprise employment generation, technology innovation, and private sector efficiency.
- To finance training and studies relevant to long-term economic development.

Brief Overall Assessment of Activity

Local currency funds are divided into three broad categories: (a) GOU Economic Recovery Program; (b) counterpart to A.I.D. Agreement No. 528-0108, to support the implementation of the economic program; and (c) Trust Funds.

1. GOU Economic Recovery Program

Budgeted:	Committed:	Expended:
\$21,892,326	\$21,647,476	\$17,448,236

(A) Current Activity Performance

Counterpart to IDB. This component includes four different activities. Three of them are concluded or near completion. The Dairy Development Project (\$4.5 million) is the only ongoing activity. The project was initiated in June 1990 and is being executed with no major implementation problems.

Monitoring of program activities is carried out by IDB.

Counterpart to UNDP. This counterpart supports three different activities, (EMPRETEC entrepreneur training; scientific research; and small GOU support activities). Two of them were finished in 1991. The remaining one is being carried out satisfactorily and is expected to be completed in 1992. Activities have been executed satisfactorily.

Monitoring of program activities is carried out by UNDP.

Private Sector and NGO Support. This is an activity to provide OPP grants and credits for private development projects supportive of the GOU's economic recovery program. A total of 11 Non-Profit Organizations received grants under this component, and 23 private companies received loans. As of 12/91, 4 companies are behind in repayments. The OPP Office has been taking all necessary corrective actions to compel them to pay back the loans.

(B) New Activities

RTAC-II. The GOU has agreed to use \$300,000 from the ESF local currency fund to initiate the RTAC University Textbook Program. Half of the funds will come from credit reflows not subject to joint programming under the FY86 ESF program, and half will come from jointly re-programmed local currency resources. The RTAC program will assist in the progress of economic reform in Uruguay by helping to better prepare Uruguayan professionals for a more competitive economic environment.

An RTAC design team was in Uruguay most of the month of March and designed a program for Uruguay. AID and the team agreed to expedite its initiation during the second semester of the academic year, which begins next August.

(C) Local Currency Value Depreciation

Exchange Loss as of 09/30/92: \$2,203,574

The ESF local currency fund lost value over the life of the program, although funds are deposited in an interest bearing bank account. The inflation and peso depreciation rate eroded the ESF account by \$379,187 from the last APR. The total program amount of \$25.5 million had to be reduced to absorb the exchange loss.

2. Counterpart to A.I.D. Agreement No. 528-0108

Budgeted:	Committed:	Expended:
\$500,000	\$500,000	\$359,154

(A) Current Activity Performance

Capital Market Study. A capital market study was finished by the GOU in November 1991. This study came at a time when the IDB was conducting an assessment of the financial sector to negotiate a new policy-based loan for Uruguay. The study is being used by IDB and the GOU to define a strategy and action plan to propose corrective actions in the sector.

Salary Fund. This is a fund of \$270,000 to contract Uruguayan or other resident economists and technical advisors to help the GOU to carry out the economic reform program. Uruguayans hired under the program cannot hold permanent position in government. The institutions which have had access to the fund are the Ministry of Labor, Central Bank, Budget and Planning Office, and Ministry of Economy.

(B) New Counterpart Activities

Investment Sector Initiative. This project has been supported by the counterpart fund to start a process leading to the rationalization of export/import and investment procedures. With this assistance, the government initiated an important effort to streamline procedures related to foreign commerce. It helped to understand how current regulations constrain trade and help them set priorities and measures for change through regulatory "audits" of the domestic laws, regulations and procedures. This assessment is now being used by the IDB as a basis for more detailed reform initiatives to develop its Investment Sector Loan.

The counterpart fund also supported a GOU analysis and recommendations to rationalize the investment promotion and incentive functions, which are scattered among dozens of institutions, making investment promotion efforts difficult and relatively ineffective. PLADES published a major report on investment incentives, regimes, and programs, which is now being used by the IDB to develop its Investment Sector Loan too. The Lacalle Administration also used it to eliminate unnecessary tax incentives, worth \$35 million annually.

3. Trust Fund

Budgeted:	Committed:	Expended:
\$926,100	\$926,100	\$926,100

In accordance with the Trust Fund Agreement signed with the GOU, the local currency funds have been used to cover mission operating expenditures.

4. Management

(A) IG Audit

An audit was performed by the IG in 1989 to

cover the \$25.5 million ESF dollars transfer to the GOU and the \$25.5 million counterpart fund in local currency. The report contains four findings: "(1) ESF dollars could not be tracked to their end use, (2) interest earned on a duplicate cash transfer had not been appropriately returned, (3) local currency was inappropriately used for low interest loans and other subsidies, and (4) AID/Uruguay did not adequately monitor local currency activities". A.I.D. management did not agree fully with these findings, but eventually all recommendations were closed. The last one, the fourth, was closed in 1991 with the taking of the actions stated in (B) and (C) below.

(B) Administrative Organization in the Planning and Budget Office (OPP)

OPP continues to monitor the ESF local currency program. The scope of work of the office includes monitoring activities and financial management of the program. On a quarterly basis a financial statement of the program is provided by the GOU to the A.I.D. mission, and an evaluation report of the program activities is prepared at the end of each year. The GOU is in compliance with its reporting requirements to A.I.D.

(C) Audit of the Local Currency Disbursements

A financial audit of the local currency disbursements was made by a local audit firm according to RIG standards. It covered all disbursement from the GOU's implementing unit to the grantee. A complete analysis of the supporting documents, disbursement and accounting reconciliation were carried out under this contract. No negative audit findings\recommendations were made by the auditors. A second audit of the local currency fund will be carried out this year.

(D) Estimated Termination Date

The estimated termination date for the local currency program is 1994.

2. PROJECT AGREEMENT No. 528-0108

A. ACTIVITY TITLE/No.: ESF Project Agreement, Project No. 528-0108.

Estimated Completion Date: December 31, 1991

Implementing Agency: GOU Office of Planning and Budget (OPP) in coordination with A.I.D.

B. ACTIVITY PURPOSE: Support the GOU economic structural adjustment program and create the conditions for sustainable economic growth.

C. PROJECT STATUS:

Major Outputs Expected:

- Post graduate training in the U.S. of Uruguayans working in development-related fields.
- Promotion of income and investment in selected private sector companies.
- Studies, workshops, technical assistance, related to the formulation of development policies.

Brief Overall Assessment of Activity

Budgeted:	Committed:	Expended:
\$955,000	\$953,050	\$937,062

Training. A key focus of the participant training activity was to assist the GOU to improve the efficiency of the public sector. This activity targeted select career employees, a total of 10, deemed by OPP as having crucial importance for the economic development of Uruguay. Participants were sent for training in Public Enterprise Restructuring, Tax Reforms and Export Promotion. The Director of the GOU Preinvestment Division was enrolled in the Edward S. Mason Program in Public Administration at Harvard. Two other professionals participated in Public Administration related training programs (two-year program) with very good results. Another participant, from the General Revenue Office, was enrolled in the International Tax Program at Harvard and finished

second in his class. The training is contributing to GOU's strategy to introduce reforms to rationalize the tax burden and improve the tax administration with the technical cooperation of IDB. In the area of export-oriented production, three individuals were sent to receive Master's degrees in agribusiness from the Office of Planning and Budget, Ministry of Agriculture and the Private Sector.

Promotion of Income and Investment. The project financed 65% of the costs of T.A. from the International Executive Service Corps program to the private sector. About 25 Uruguayan companies received assistance and built linkages with U.S. businesses. Capital mobilization, investment, joint-venture initiatives, and technology transfer were some of the most important impacts of this activity. The IESC also provided T.A. for the privatization of a government-owned and operated business. It was the first experience in Uruguay (1988) of privatization which country leaders watched closely.

As a result of the success of the IESC experience, the GOU negotiated with IESC Representative a second phase activity for T.A., to be entirely funded from counterpart resources (ESF Program No. 528-0107). A total of \$400,000 was made available under the local currency counterpart for IESC.

Southern Cone Initiative. Requested that A.I.D. carry out a feasibility study for creating in Uruguay a multilateral research institute for global warming change. Since the new Uruguayan administration took office in March 1990, it has been engaged in exploring the potential for creating such an institute. The initiative meshes with the Western Hemisphere Research Institute for Global Change Initiative from the White House Office of Science and Technology (OSTP). The grant was signed with the University of Hawaii on September 25, 1990. The cost of the study was \$275,000 which is also cofunded (\$40,000) by the FY90 ITT project. A final report was delivered to the GOU in November 1991.

Activity Performance: Project completed on December 31, 1991.

3. ADVANCED EDUCATION FOR DEVELOPMENT PROJECT

- A. ACTIVITY TITLE/No.: ITT, Project No. 598-0616.18 -
Advanced Education for Development Project (AEDP)

Estimated Completion Date: June 30, 1993

Implementing Agency: Catholic University of Uruguay
"Dámaso Antonio Larrañaga" (UCUDAL)

- B. ACTIVITY PURPOSE: Support UCUDAL in its efforts to
develop the professional, technical and managerial
manpower resources to meet the demands of an
export-oriented economy.

- C. PROJECT STATUS:

Major Outputs Expected:

- A strengthened business management program at UCUDAL
which will offer high quality, industry-responsive
instruction in priority areas for Uruguayan private
sector development.
- A cadre of professional, technical and managerial
people will have been trained in the U.S., who
through their positions in teaching, business and
government are contributing to the economic
transformation of Uruguay.
- UCUDAL will have achieved a qualitative increase in
its role as a center of intellectual influence in
the development of Uruguay.

Brief Overall Assessment of Activity:

Budgeted:	Committed:	Expended:
\$650,000	\$332,112	\$308,317

The Catholic University has continued to take advantage
of A.I.D.'s grant to train professors in the U.S. and
to receive T.A. from a consortium of U.S. universities
to create its business school. A total of 17 visits
were carried out to the U.S. by professors from UCUDAL
to participate in short-term and long-term training.
So far, 9 visits were also completed to Uruguay.

The impact of the above interchange went far beyond the training scope. Several seminars in business and technology were carried out by the Catholic University to increase its role as a center of intellectual influence in the development of the country. Also, two post-graduate programs (two-year program) in business and marketing were developed in 1991 and offered to professionals from all other education institutions.

The AEDP has contributed to UCUDAL's development as a center for research and learning on business administration, management, and marketing. It has also helped to train the human resources required in an export-oriented economy.

Activity Performance: After some delays in 1990 due to the effects of a broader reorganization in UCUDAL, the project has retaken its course. No major implementation problems were detected in the last year.

4. ADMINISTRATION OF JUSTICE

- A. ACTIVITY TITLE\No.: ESF, Project No. 594-0642.18 - Administration of Justice .

Estimated Completion Date: September, 1994

Grant Administrator: U.N.D.P.

Implementing Agencies: Supreme Court and Centro de Estudios Judiciales del Uruguay (CEJU).

- B. ACTIVITY PURPOSE: To improve judicial administration and develop the institutional capacity of the Centro de Estudios Judiciales del Uruguay (CEJU) to train the judicial, professional and support personnel required to operate a modern, expanded judicial system.

- C. PROJECT STATUS:

Major Outputs Expected:

- Entry-level and in-service training to judicial personnel.
- A judicial statistics system, a judicial information system and administrative reforms.

- Research and pilot efforts on new methods to be adopted in the justice system (Alternative Methods of Dispute Resolution).
- Research to help detect and address legal and judicial impediments to trade and investment.

Overall Assessment of Activity

Budgeted:	Committed:	Expended:
\$1,340,000	\$488,689	\$78,827

During the first full year of implementation of the judicial training component in 1991, several successes have been achieved by CEJU:

- (a) Trained 30 candidates for judicial or prosecutor positions.
- (b) Delivered 7 Seminars for judges and fiscales (4 of them in the Interior of the country) which were focused on the problems which arose in the implementation of the oral process procedure, with the active participation of approximately 180 Judges and fiscales.
- (c) Delivered two seminars for nonjudicial technical personnel.
- (d) Started implementation of a program with the UTU (University of Labor of Uruguay) for the training of judicial sector administrative employees.
- (e) Issued five 20-page bulletins with news from the CEJU, articles on judicial issues and comments.
- (f) Organized and delivered several miscellaneous courses and conferences.
- (g) Conducted some preliminary research programs.

This very productive work of CEJU solidified its relations with the Supreme Court, with Justices participating as professors at CEJU and CEJU submitting its plans for their approval and recommendations on a standard basis.

The second component, judicial administration reform, suffered initial implementation delays due to a dispute over project personnel.

Even with this delay, the desire of the Supreme Court to implement some changes A.I.D. has been suggesting was so strong that some activities were started with the Court's own resources and personnel. An Office of Planning for the Judicial branch was created; a Commission to study the possible delegation of administrative functions by the Supreme Court started to work; a Commission to study office organization and office standards for judges was created, and submitted recommendations to the Court; a computer center was created with 2 system analysts and 4 programmers working full time for the Court; and computerization as well as other technological innovations have been adopted or increased (automation of labor and most civil courts and fully automation of the distribution of cases among judges).

Both activities described above are good examples of UNDP-AID cooperation. In addition, and through AID's intervention, IDB became interested in helping reduce judicial impediments to trade and investment in Uruguay. IDB contracted William Davis for a study of possible ways to help the Uruguayan justice system address that area. The IDB Representative in Uruguay already indicated to GOU authorities that IDB is ready to help CEJU in the delivery of courses to Judges and in doing research in areas related to trade and investment and the justice system. These activities will be planned and implemented in close coordination with the AID projects described above.

Activity Performance: No longer any major implementation problems.

5. SOUTHERN CONE INITIATIVE

- A. ACTIVITY TITLE/No.: ITT, Project No. 598.0616.18, Southern Cone Initiative.

Estimated Completion Date: October 31, 1991

Implementing Agency: University of Hawaii and Office of Planning and Budget (OPP).

- B. ACTIVITY PURPOSE: To support the GOU to prepare a feasibility study of the Southern Cone Initiative. The

Southern Cone Initiative is a program of technical cooperation in the areas of oceanography, earth and atmospheric sciences aimed at creating a world class institution of scientific research and technical development in the Southern Cone region.

C. PROJECT STATUS:

Major Outputs Expected:

- An initial three (3) year science, financial and technology plan of activities.
- Basis to seek substantive financial support of multilateral and bilateral technical cooperation agencies.
- Basis to seek financial and legal agreements from the GOU permitting the creation of the Center.
- Support of private, public, and Governmental institutions in the U.S. for the concept.
- A final feasibility report on Southern Cone Initiative.

Brief Overall Assessment of Activity

Budgeted:	Committed:	Expended:
\$40,000	\$40,000	\$40,000

The total cost of the study was \$275,000 which is also cofunded (\$235,000) by ESF local currency funds.

The study began September 1990 and finished October 1991. At the time the study was carried out, the Office of Science and Technology Policy (OSTP) of the White House began developing the concept of the "Western Hemisphere Institute for Global Warming Research". The Southern Cone Initiative study was then reformulated and the PACD was extended to include examination of the linkages between the two initiatives.

The final report includes an initial three (3) year science and technology plan of activities, a financial plan, and a layout of facilities for the Center. The SCI concept was also presented to the Governments of Argentina, Chile and Paraguay. Argentina and Paraguay were very supportive. The Uruguay Center would

specialize in climate, hydrologic and ecological systems and human interaction. The other countries will participate in the Global Warming Initiative with complementary activities in fields such as solid earth processes and Antarctic research.

A significant contribution to the concept developed by OSTP was made by the SCI. The SCI concept was presented to the Interagency Working Group on Global Warming in Washington, and the President's Science advisor was briefed as well. A GOU delegation participating in the "Workshop for Development of a Western Hemisphere Institute for Global Change Research" convened by OSTP on July 16-19, 1991, in San Juan, Puerto Rico, also had the opportunity to present to 22 hemispheric nations the concept of the SCI. The GOU delegation, with the help of the SCI Project design, made an excellent contribution to define the agenda for the creation of the Western Hemisphere Institute. The GOU delegation using the same project design for SCI, developed a broad outline for the organization and structure of the hemispheric center, and drew up criteria for locating components in it.

The GOU will continue to seek the support of private, public, and governmental institutions for the concept. President Lacalle expressed interest in having interest payments on USG debt utilized to support the center. Such a proposal would fit nicely under the EAI.

Activity Performance: Activity completed.

6. JUNIOR ACHIEVEMENT PROJECT

- A. ACTIVITY TITLE/No.: ITT, Project No. 598-0616.18 - Junior Achievement.

Estimated Completion Date: December 31, 1992

Implementing Agency: DESEM del Uruguay.

- B. ACTIVITY PURPOSE: To develop a program to train Uruguayan youth in the principles of private enterprise.

C. PROJECT STATUS:

Major Outputs Expected:

- In 1991, a group of 80 plus students participated in the project.
- In 1992, over 200 students will have participated in the project.
- By the end of 1992, DESEM should be capable of continuing a program with support primarily from the Uruguayan business community.

Brief Overall Assessment of Activity

Budgeted:	Committed:	Expended:
\$264,933	\$146,085	\$119,918

After one year of institutional development (1990), DESEM was able to initiate a first experience (1991) with Uruguayan high school students. Four school groups of around 20 participants each were supported by DESEM to operate mini-corporations under the guidance of volunteer advisors from local businesses. Despite DESEM's lack of experience dealing with student programs in business education and development, it succeeded in getting the project going and creating enthusiasm among private businessmen and schools to participate in the program. It is expected that at least 10 groups will participate in 1992.

The Board of Directors, a group of prominent business leaders from the city of Montevideo (i.e.: IBM, Citibank, Bank of Boston) are working together to initiate a fund-raising program.

Activity Performance: Project with no major implementation problems.

7. WORKSHOP EDUCATION

- A. ACTIVITY TITLE/No.: ITT, Project No. 598.0616.18, Training of UCUDAL Faculty In Case Study Teaching Methodology.

Estimated Completion Date: March 30, 1991

Implementing Agency: Catholic University of Uruguay
"Dámaso Antonio Larrañaga" (UCUDAL) with INCAE as the
Contractor.

B. ACTIVITY PURPOSE: To instruct Uruguayan professors in
the case-study methodology.

C. PROJECT STATUS:

Major Outputs Expected:

- A 9-day course for approximately 50 participants.

Brief Overall Assessment of Activity

The training course was conducted in March 1991 with
excellent results. A total of 60 participants attended
the 9-day residential training course. The training
equipped UCUDAL faculty and other participants to use
the case-study methodology for conducting their regular
courses.

Activity Performance: Activity completed.

8. PRONADE

A. ACTIVITY TITLE/No.: ITT, Project No. 598-0616.18 -
Strengthening of Government Procurement System.

Estimated Completion Date: December 31, 1992

Grant Administrator: UNDP

Implementing Agency: Programa Nacional de
Desburocratización (PRONADE)

B. ACTIVITY PURPOSE: To create a more effective and
efficient public sector procurement system by
developing the GOU's capacity to implement the system
approved by Congress in Law No. 16170. (This support
to improve government procedures is part of the GOU's
larger debureaucratization effort.)

C. PROJECT STATUS:

Major Outputs Expected:

- The fifteen most important Government procurement offices will be able to operate effectively in accordance with the new system.
- The Project will have coordinated and provided technical support to these offices.
- The Project will have developed monitoring procedures for overseeing selected large contracts.
- The Project will have developed a centralized information system in order to provide the Government's procurement offices with a master record of products, prices, debarred and suspended suppliers, etc.

Brief Overall Assessment of Activity

Budgeted:	Committed:	Expended:
\$300,000	\$225,000	\$225,000

After six months of institutional development, PRONADE was able to coordinate and provide technical support to the fifteen most important Government procurement offices to operate the new system. Seminars, conferences, short-term training courses and how-to-manuals were developed and carried out to support the implementation of the new procurement law. The project supported the efforts of the GOU to make the law effective, therefore reducing costs of procurement, and curtailing opportunities for fraud and corruption. In addition to cost savings, PRONADE reduced from 232 to 115 days the length of time required for the procurement of goods by the government.

PRONADE also designed and installed a computer database mainframe to connect the 10 most important procurement offices in the Government. This effort helped to make operative an Inventory Management System to improve financial management and reduce the cost of high inventory levels.

GOU expenditures, after deduction of oil import costs, represent \$500 million a year. It is expected that a

6% of savings of this amount (\$30 million per year) is the tangible economic benefit from PRONADE.

A.I.D. is now supporting PRONADE efforts to cooperate with the Supreme Court to improve court administration, and with the GOU Patents and Copyrights Office to facilitate faster approval of applications.

Activity Performance: Project with no major implementation problems.