

AID/URUGUAY

A C T I O N P L A N

FY 1994-95

December 1992

AID/URUGUAY

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URUGUAY ACTION PLAN

I. Program Overview: July-December 1992

Six months have passed since the approval of AID/Uruguay's Program Objective Document (POD)/Action Plan in June 1992. While significant accomplishments have been made in implementing A.I.D.'s new strategic plan, changes in the country environment in which the program is being implemented have been decidedly mixed.

The Government of Uruguay continued to manage its fiscal and monetary policies to achieve a gradual reduction in inflation and has maintained its uphill battle to implement a series of measures to "reform the state" and open the economy. The Lacalle Administration successfully negotiated a Stand-by Agreement with the IMF, reduced inflation from 85.5% to 58.7%, (December-November 1991 vs. same period in 1992), and achieved estimated real GDP growth of 7.2% in 1992. Nevertheless, political opposition both from the left and from other traditional party factions (most notably that of ex-President Sanguinetti) prevented the Government from passing vital social security reform legislation and delayed implementation of its privatization program. Most significantly, a combination of political factors resulted in the Uruguayan public voting three-to-one in a referendum on the Public Enterprise Law held on December 13 to reverse authorization to create a mixed-capital telephone company. The vote was a strong repudiation of the Lacalle Government's current economic policies, and significantly worsened the Administration's already weak position as a minority government pushing for free market reforms in a stubbornly conservative culture.

As a result, the risk that the GOU will not be able to maintain its relatively tight fiscal policy is much greater, and higher inflation levels may return in 1993. Its ability to implement additional needed structural reforms is also in doubt. The prospects for a socialist or marxist/socialist government to succeed the Lacalle Administration in 1995 are high.

In this political environment, progress in achieving the primary strategic objective for the A.I.D. program in Uruguay (more active private sector participation in the process of economic reform) will be an important and necessary ingredient in efforts to continue economic reforms.

Highlights in implementing the new program strategy for Uruguay during the last six months included:

- 1) Negotiation of agreements with six new organizations for activities to improve Uruguayan competitiveness and promote reforms in the business environment.

- 2) Agreement with the IDB to co-finance a new program with the Centro de Estudios Judiciales del Uruguay (CEJU) to address legal and judicial impediments to investment and commerce.
- 3) Achievement of consensus among Supreme Court members to begin implementing a series of significant judicial sector reforms which will consolidate Uruguayan leadership in the area of administration of justice within the LAC region.
- 4) Successful achievement of the objectives of projects begun prior to FY1992; i.e., (establishment of a masters program in business administration at the Catholic University; significant steps taken to improve public sector efficiency and de-regulate international trade by PRONADE and PLADES; and enthusiastic reception of the Junior Achievement Program at 17 schools).
- 5) Successful launching of the RTAC II university textbook program.
- 6) Final refinement of AID/Uruguay program objectives, indicators, and monitoring plans, with significant assistance from LAC/DPP.

Steps which will be taken in the near future to implement the strategic plan for Uruguay are:

- 1) Introduction of the PRE Trade and Investment Services (TIS) Program.
- 2) R+D/EI collaboration in promoting private sector investment in the energy sector.
- 3) Selection of new business associations with which to cooperate.
- 4) Collaboration with LAC/TI in developing the MERCOSUR-NAFTA Compatibility Program.
- 5) Supporting a series of AOJ activities to be initiated by the Supreme Court and CEJU.
- 6) Establishing the EAI Environmental/Child Survival Trust Fund for Uruguay.

II. Status of Strategic Objectives

A. Strategic Objective No. 1: More Active Participation by the Private Sector in the Process of Economic Reform

1. Refinements in the Strategic Objective and Program Outputs

AID/Uruguay has modified the statement of this strategic objective and streamlined the program outputs presented in the 1992 POD/Action Plan. The strategic objective was stated as "Increased private sector support for market-driven economic reactivation". The private sector's failure to play an active role in the process of economic reform is a key constraint to economic growth in Uruguay. The past relationship between the private and public sectors has accustomed businesses to look to the government for favors and subsidies, rather than work on their own to improve their competitiveness and to fight for more universal reforms in business conditions.

AID/Uruguay's strategy is to cooperate with various Uruguayan business associations in order to provide their members with knowledge and stimulate discussions which will lead them to improve their own competitiveness and to support changes in the legal, regulatory and judicial environment for free market development. It was decided to change the strategic objective formulation of "private sector support" to "more active participation by the private sector" to underline the dynamic role which A.I.D. wishes to induce private businesses to take.

AID/Uruguay also decided to streamline the set of program outputs supporting this strategic objective. The 1992 POD/AP identified six program outputs, four of which have been eliminated. One program output encompassed MERCOSUR-related activities which will be regional in nature. While these activities will contribute to the program goal of improving conditions for increased trade and investment in conformance with the EAI, they do not directly contribute to the bilateral program's more narrowly stated strategic objective. Another program output dealt with activities to improve Uruguayan perceptions regarding the role of the private sector. As a result of discussions during the 1992 POD/AP review, it was decided that efforts in this area will be limited to the one activity already underway (Junior Achievement). Finally, activities covered in a program output relating to creation of an EAI Environmental Fund will be pursued, but separately from this strategic objective, since they will not directly support it.

These refinements resulted in articulation of two program outputs:

1. Increased awareness by private business executives of measures to improve their competitiveness; and
2. Private business executives and legislators better informed about legal, regulatory and judicial (LRJ) issues.

TABLE 1: STRATEGIC OBJECTIVE PERFORMANCE

Uruguay					
STRATEGIC OBJECTIVE NO. 1 More active participation by the private sector in the process of economic reform					
<i>Indicator: Number of business groups involved in lobbying for economic reform/number of issues lobbied</i>					
Unit: Number of business groups/number of issues	Year	Planned	Actual		
Source: Annual survey of firms participating in A.I.D. activities	Baseline	---	---		
<p>Comment: New indicator. The indicators provided for this objective in last year's Action Plan were either very high-level (private investment as % of GDP) or project-level (number of A.I.D.-supported studies). This and the other indicators for this objective in this Action Plan reflect a concentrated effort to fix indicators at the level at which USAID/Uruguay expects to achieve impact. The USAID is looking into the methodology for an annual survey of assisted business groups. The first survey will take place on an experimental basis in April 1993 with the assistance of a private survey firm to see if it is feasible to measure the impact. No baseline data exist at this point, but it seems evident that business group involvement in lobbying for economic reform is virtually non-existent at the present time.</p>	1992		---		
	1993		***		
	1994		***		
	1995		***		
	1996		***		
	Target	1997		***	
<i>Indicator: Percentage of businesses participating in A.I.D. activities that have implemented changes in selected areas to improve their competitiveness</i>					
Unit: Percentage	Year	Planned	Actual		
Source: Annual survey	Baseline	---	---		
<p>Comment: New indicator; see Comment above. The indicator is intended to measure the impact upon the strategic objective of USAID activities to assist businesses in increasing their competitiveness in selected areas.</p>	1992		---		
	1993		***		
	1994		***		
	1995		***		
	1996		***		
	Target	1997		***	

<i>Indicator: Number of discussions/negotiations aimed at joint ventures generated through USAID trade and investment promotion activities</i>				
Unit: Number	Year	Planned	Actual	
<p>Source: Quarterly reports of grantee Uruguayan/American Chamber of Commerce</p> <p>Comment: New indicator; see comment above. USAID considered using the indicator "number of joint ventures created...". However, following discussions with the grantee and consideration of the length of time required to complete a joint venture agreement, it was determined that this indicator was more feasible to show results in the near term. "Planned" figures are cumulative.</p> <p>"Planned" figures for 1995, 1996 and 1997 have to be determined based on the experience of previous years.</p>	Baseline		0	
	1992	----		
	1993	6	***	
	1994	12	***	
	1995	--	***	
	1996	--	***	
	1997	--	***	
<p>Target</p>				
<p>STRATEGIC OBJECTIVE NO. 1 More active participation by the private sector in the process of economic reform</p>				
<p>PROGRAM OUTPUT NO. 1.1 Increased awareness by private business executives of measures to improve their competitiveness</p>				
<i>Indicator: Number of companies participating in A.I.D. activities relating to competitiveness</i>				
Unit: Number	Year	Planned	Actual	
<p>Source: Quarterly project reports of grantees IESC, ACDE, and Uruguayan/American Chamber of Commerce; semi-annual report of CNC</p> <p>Comments: Program Outputs for this objective and their indicators have been completely revised. This indicator has been identified as a quick, cost-effective quantitative measure of the number of Uruguayan businesses exposed to methods of increasing their competitiveness. This information will be combined with the qualitative information supplied for the following indicator for a full picture of progress toward achievement of the program output. "Planned" figures are cumulative.</p>	Baseline		0	
	1992	---		
	1993	250	***	
	1994	300	***	
	1995	350	***	
	1996	400	***	
	1997	500	***	
<p>Target</p>				

<i>Indicator: Change in attitudes and knowledge regarding competitiveness in sample of firms participating in A.I.D. programs</i>				
Unit: To be determined	Year	Planned	Actual	
Source: Annual survey of firms participating in A.I.D. activities Comment: See Comment for strategic objective indicator regarding annual survey. This indicator is included on an experimental basis. Baseline will be available in 1993.	Baseline	---	---	

	Target	1997		***
STRATEGIC OBJECTIVE NO. 1 More active participation by the private sector in the process of economic reform				
PROGRAM OUTPUT NO. 1.2 Private business executives and Legislators better informed about legal, regulatory and judicial (LRJ) issues				
<i>Indicator: Number of individuals participating in A.I.D. activities regarding LRJ issues</i>				
Unit: Number	Year	Planned	Actual	
Source: Quarterly project reports of grantees CERES, ACDE, and American Chamber of Commerce Comments: This Program Output and its indicators are new since last year's Action Plan. This indicator was identified as a cost-effective quantitative method of measuring the number of people in target groups that are better informed regarding LRJ issues. This will be combined with the qualitative information to be provided for the following indicator to create a full picture of progress toward achievement of the program output. The fact that "Planned" figures do not increase after 1994 reflects AID/Uruguay's strategy to focus on involvement of participants from the most important companies in Uruguay's small private sector. The objective is to maintain and concentrate upon participation of key individuals.	Baseline	---	---	
			450	***
			500	***
			500	***
			500	***
			500	***
	Target	1997	500	***

<i>Indicator: Number of LRJ impediment topics raised for discussion by grantee business groups involved in A.I.D. activities</i>					
Unit: Number	Year	Planned	Actual		
<p>Source: Quarterly project reports from grantees CERES, ACDE, American Chamber of Commerce, CEJU</p> <p>Comments: New indicator. It is believed that the number of LRJ impediments raised for discussion is a significant factor in increasing the target audience's knowledge of LRJ issues and of the potential for private sector participation in affecting these issues.</p> <p>"Planned" figures for 1996 and 1997 have to be determined based on the experience of previous years.</p>	Baseline	---	0		
	1993	8	***		
	1994	18	***		
	1995	28	***		
	1996	--	***		
	1997	--	***		
	Target				
<i>Indicator: Change in attitudes and knowledge regarding LRJ reforms in sample of firms participating in A.I.D. activities</i>					
Unit: To be determined	Year	Planned	Actual		
<p>Source: Annual survey</p> <p>Comments: See Comment on strategic objective indicator regarding annual survey. Indicator included on an experimental basis. Baseline will be available in 1993.</p>	Baseline	---	---		
	1993		***		
	1994		***		
	1995		***		
	1996		***		
	1997		***		
Target					

TABLE 2: STRATEGIC OBJECTIVE PROGRAM "TREE"

Uruguay
Bureau Objective: Support the achievement of broadly-based, sustainable economic growth
Bureau Sub-objective: Encourage the adoption of & continued adherence to economic policies that promote investment, productive employment & outward-oriented diversification
STRATEGIC OBJECTIVE NO. 1 More active participation by the private sector in the process of economic reform

PROGRAM OUTPUT NO. 1.1 Increased awareness by private business executives of measures to improve their competitiveness	PROGRAM OUTPUT NO. 1.2 Private business executives, Congress and the public better informed about legal, regulatory and judicial (LRJ) issues
Activities	Activities
National Quality Commission (CNC)	Centro de Estudios de la Realidad Económica y Social (CERES)
National Institute for Standards and Technology (NIST)/ Laboratorio Tecnológico del Uruguay (LATU)	Uruguayan/American Chamber of Commerce
IESC	DOL/AIFLD Labor Leader Training
TIS (Uruguayan/American Chamber of Commerce)	
Asociación Cristiana de Dirigentes de Empresas (ACDE)	
Private Sector Energy Policy	
Support for Agribusiness Organizations (LAC/TECH)	
RTAC	
LAC/TECH Activities with FUCREA and CAF	
Junior Achievement - DESEM	

These program outputs emphasize the need for a change in private sector attitudes and initiative which should lead to progress in achieving the strategic objective of increased participation by the private sector in the process of economic reform. AID/Uruguay informally describes this desired participation as 1) "good lobbying" for LRJ reforms, rather than "bad lobbying" for favors and subsidies; and 2) measures taken by private businesses themselves to become more competitive.

2. Strategic Objective Performance

AID/Uruguay's first strategic objective deals with the difficult area of attitudinal change. Efforts to create a more activist private sector in a country as isolated as Uruguay, with such a long-standing tradition of central government intervention in the economy, will take time. Keeping this in mind, in the six months since this strategic objective was approved, AID/Uruguay has made good progress in implementing the program to achieve the objective. The Office began by explaining its new strategy to several business groups and invited those which were interested and capable to design programs A.I.D. might support. By the end of the fiscal year, the Office had signed six agreements with organizations that will carry out activities designed to achieve the two program outputs. These organizations have completed required staffing and finished work plans which include specific objectives and indicator monitoring.

Program Output #1: Increased Awareness by Private Business Executives of Measures to Improve Their Competitiveness

Creating a greater appreciation of the importance of quality standards constitutes a critical element in increasing private businesses' competitiveness. In recognition of this, AID/Uruguay is assisting two Uruguayan organizations involved in disseminating information regarding quality standards and consumer awareness. In September, AID/Uruguay signed agreements with the GOU National Product Quality Commission (CNC) and the Laboratorio Tecnológico del Uruguay (LATU) which will enable them to obtain technical assistance from the U.S. Department of Commerce's National Institute of Standards and Technology (NIST). A PASA has been signed under which a quality control advisor from NIST will be sent to work with LATU. In addition, the CNC has sent two individuals to the U.S. to consult with NIST regarding establishment of an industrial quality award similar to the Malcolm Baldrige Award. The award program was just inaugurated by President Lacalle.

AID/Uruguay also signed an agreement in September with Uruguay's premier business management institute, the Asociación Cristiana de Dirigentes de Empresas (ACDE) to enable it to identify key factors that have figured in the success of selected Uruguayan businesses, with a view toward informing its members regarding specific measures they can take to make their firms more competitive. In conjunction with these efforts, an agreement was also signed with IESC under which assistance will be provided to "leading case"

companies which are successfully adapting to more competitive market conditions ("industrial reconversion") or developing new businesses, and thus can serve as examples for other Uruguayan companies.

AID/Uruguay also signed an agreement with the Uruguayan/American Chamber of Commerce to carry out activities which support both program outputs: (1) seminars by internationally recognized foreign experts on LRJ and competitiveness topics for its members, key political and labor leaders and the public; and (2) initial steps to develop a Trade and Investment Services (TIS) Program to promote joint ventures with U.S. firms. The Chamber has begun implementing the TIS Program by identifying four of Uruguay's most promising sectors and the Uruguayan companies within them which have good potential for joint ventures with U.S. firms.

The RTAC Program was initiated in Uruguay for the second semester of the academic year in August, following extensive negotiations with private Uruguayan bookstores and two universities. Fifty-five percent of the first shipment of 13,700 textbooks has been sold. Two-thirds of the initial capitalization for the textbooks was provided by the Government of Uruguay. Given the complete lack of textbooks within the country's main university, it is expected that this Program will have an almost revolutionary effect on the quality of university-level education, which will improve the quality of graduates available to the economy.

Although no longer directly related to the achievement of Strategic Objective No. 1, the Junior Achievement Program run by DESEM has been remarkably successful, both in expanding program scope faster than anticipated and in successfully demonstrating to the top-level businessmen on its Board that executives can, indeed, organize themselves to improve the prospects for private sector growth. DESEM has agreed to a strategy to ensure self-sufficiency by 1994. From its beginning in 1991 with four schools and 70 students, the Program expanded to seventeen schools and 400 students in 1992.

Program Output #2: Private Business Executives and Legislators Better Informed about LRJ Issues

AID/Uruguay signed an agreement with the Centro de Estudios de la Realidad Económica y Social (CERES), to produce analyses of eight LRJ issues and reports on four legislative agenda topics related to economic reform. So far, CERES has initiated studies of the burden the inefficient state-run unemployment insurance program places on private enterprises, and on the need for more adequate access to long-term equity and debt financing by Uruguayan firms. The results of these studies will be disseminated to all members of Parliament and a wide range of business executives.

The Uruguayan/American Chamber's first seminar - on privatization experiences in other countries - had to be postponed at the last moment. It was to include Minister Pedro Aspe of Mexico and

experts from Spain and Chile.

3. Monitoring and Evaluation Status and Plans

AID/Uruguay is in the process of discussing the quantitative indicators for this objective with its grantees and is establishing procedures for including them in regular quarterly activity reporting. As described in Table I, AID/Uruguay plans to hire a private polling firm to implement an annual survey of participants in A.I.D. activities under this objective. The first survey is planned for April 1993. The surveys will gather information regarding changes in attitudes and knowledge among private sector participants in A.I.D. activities, and subsequent actions by those participants to improve their businesses' competitiveness and to support the process of economic reform. The surveys are expected to provide information for indicators at both program output and strategic objective levels, and linkages between the two. In April 1994, AID/Uruguay plans to combine its first follow-up survey with an evaluation that will examine the effectiveness of individual grantee activities.

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

1. Refinements in the Strategic Objective and Program Outputs.

This strategic objective remains unchanged from the 1992 POD/Action Plan. The two program outputs stated in the POD/AP were modified slightly, and a third program output was added to capture AID/Uruguay's activities to support improvement of the legal and judicial climate for business. AID/Uruguay's strategy to achieve this objective calls for support to implement reforms needed in court administration and other aspects of the judicial process, training to improve the professionalism of justice system personnel, and measures to modify selected laws affecting commerce, or to improve their implementation.

The new **Program Output No. 1, Court Administration and Other Judicial Reforms Implemented**, represents a slight change from the previous program output, "selected reforms implemented to improve the administrative efficiency of the court system". The indicators in Table 1B correspond to the specific administrative reforms that are targeted, and to AID/Uruguay's efforts to support alternative dispute resolution as a means of expediting settlements and increasing accessibility of citizens to the justice system.

The new **Program Output No. 2, More Professional Justice System Personnel**, has been modified slightly from the previous program output of "better trained justice system personnel". Through the training programs of the Centro de Estudios Judiciales del Uruguay (CEJU), the quality of judicial decision-making is being strengthened, and ongoing training is becoming a routine part of the judicial profession.

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STRATEGIC OBJECTIVE NO. 2 Improved efficiency and quality in judicial decisionmaking

Indicator: Average number of months required to obtain first-level decisions in civil cases

Unit: Average number of months	Year	Planned	Actual
Source: Baseline: 1990 UNDP study. Ongoing: court management information system	1989	---	29-33
Comments: A management information system is being established in the courts as part of the activities supporting this strategic objective. It is believed that data from this system will begin to become available in June 1993. The program ends in 1995. Although MDCs are not required to set targets for SO indicators, AID/Uruguay has chosen to set a target of 7 months for the end of this program. Data do not include family law cases, for which delays in reaching decisions were at a reasonable level in the baseline year.	1992		***
	1993		***
	1994		***
	1995	7	***
Target			

STRATEGIC OBJECTIVE NO. 2 Improved efficiency and quality in judicial decisionmaking

PROGRAM OUTPUT NO. 2.1 Court administration and other judicial reforms implemented

Indicator: Judicial planning and budgetary capability instituted

Unit: Yes/No	Year	Planned	Actual
Source: Supreme Court semi-annual reports	1992	---	no
Comment:	1993	---	***
	1994	---	***
	1995	yes	***
Target			

Indicator: Percentage of Supreme Court sessions devoted to administrative matters

Unit: Percentage	Year	Planned	Actual
Source: Baseline from report of consultant William Davis; ongoing monitoring by Supreme Court. Comment: This indicator represents a refinement of the indicator reported in the 1992 POD/AP, "administrative reforms implemented." The indicator expresses the impact that is sought through the specific administrative reform of decentralizing the administrative responsibilities of the Supreme Court. The percentage is obtained by counting the number of sessions per week which the Supreme Court devotes to administrative versus jurisdictional matters.	1992	---	70-80%
	1993	60%	***
	1994	50%	***
	1995	40%	***

Indicator: Other administrative and judicial reforms implemented

Unit: Number	Year	Planned	Actual
Source: CEJU and Supreme Court semi-annual reports Comment: Other reforms expected to be implemented: - Statistical system - Management information system - Personnel system - Pilot program on ADR - Pilot program on Small-claims Courts	1992	---	0
	1993		***
	1994		***
	1995	5	

STRATEGIC OBJECTIVE NO. 2 Improved efficiency and quality in judicial decisionmaking						
PROGRAM OUTPUT NO. 2.2 More professional justice system personnel						
Indicator: In-service judicial training formally linked to judicial career						
Unit: Yes/No		Year	Planned	Actual		
Source: CEJU semi-annual reports	Baseline	1992	-----	No		
Comment:		1993	-----	***		
		1994	-----	***		
	Target	1995	Yes	***		
Indicator: Ethics code established						
Unit: Yes/No		Year	Planned	Actual		
Source: CEJU semi-annual reports	Baseline	1992	-----	No		
Comment: This is a new indicator. The establishment of a code of ethics will constitute an important element in demonstrating that the professionalism of judicial personnel has increased. While corruption is not a significant problem in the Uruguayan judicial system, it is believed that establishing an ethics code will help in the improvement of the system.		1993	-----	***		
	Target	1994	yes	***		

STRATEGIC OBJECTIVE NO. 2 Improved efficiency and quality in judicial decision making

PROGRAM OUTPUT NO. 2.3 Steps taken to modify or improve implementation of selected regulations and laws affecting commerce

Indicator: Number of regulations and laws addressed/drafted/passed

Unit: Number

Source: CEJU semi-annual reports

Comment: As this program output was added after submission of the 1992 POD/AP, the indicators are new as well. CEJU is currently discussing which regulations and laws will be targeted for modification or improved implementation. By measuring the number of regulations and laws addressed and drafted by CEJU or related programs, and the number of laws passed, progress in ensuring that key obstacles to business are addressed and ultimately removed can be gauged. A target will be developed in early 1993.

	Year	Planned	Actual
Baseline	1992	-----	addressed: 0 drafted: 0 passed: 0
	1993	addressed: drafted: passed:	***
	1994	addressed: drafted: passed:	***
Target	1995	addressed: drafted: passed:	

TABLE 2: STRATEGIC OBJECTIVE PROGRAM "TREE"

Uruguay		
Bureau Objective: Support the evolution of stable, participatory democratic societies		
Bureau sub-objective: Encourage the strengthening of competent, civilian government institutions that will merit public confidence, diminish the concentration of political power, and foster public participation		
STRATEGIC OBJECTIVE NO. 2 Improved efficiency and quality in judicial decisionmaking		
PROGRAM OUTPUT NO. 2.1 Court administration and other judicial reforms implemented	PROGRAM OUTPUT NO. 2.2 More professional justice system personnel	PROGRAM OUTPUT NO. 2.3 Steps taken to modify or improve implementation of selected laws affecting commerce
ACTIVITIES	ACTIVITIES	ACTIVITIES
Administration of Justice: Supreme Court Centro de Estudios Judiciales del Uruguay (CEJU)	Administration of Justice: Supreme Court CEJU	Administration of Justice: CEJU

A new program output, **Steps Taken to Modify or Improve Implementation of Selected Laws Affecting Commerce**, has been added to reflect initiation of a new component of the AOJ Program designed to specifically address legal and judicial impediments to commerce and investment, and thereby contribute to both EAI and AOJ program goals. In conjunction with the IDB Investment Sector Loan Program, the IDB and A.I.D. agreed to finance a new CEJU program designed to identify and address legal and judicial impediments to investment (e.g. certain outdated labor and commercial laws, limited knowledge of common business practices on the part of judges, etc.). A.I.D. funds bridge to US\$705,000 in IDB resources being provided in conjunction with the Investment Sector Loan. Activities being carried out include interdisciplinary studies and seminars among various sector representatives on specific legal and judicial impediments, which are designed to generate consensus on solutions, and the drafting of new legislation and regulations. The first topic selected is revision of Uruguay's bankruptcy law. The third program output will also be achieved through CEJU training programs for judicial sector personnel in labor and commercial law topics, mediation and arbitration.

2. Strategic Objective Performance

AID/Uruguay's support for reform of the Uruguayan justice sector has been instrumental in the attainment of major accomplishments during the past year. CEJU has achieved recognition both inside Uruguay and within the LAC Region as a prestigious institution and is expected to significantly reinforce the strength and independence of the judicial system in Uruguay. The status which it has gained in a very short time is perhaps best demonstrated by the IDB's commitment to continue CEJU's program to address legal and judicial impediments to investment. To our knowledge, this represents the first instance of significant IDB support for judicial sector reform in the LAC Region. The prestige accorded to Uruguayan jurists and CEJU within the region was most recently recongnized again when it was decided at a meeting of judicial schools in Porto Alegre in December 1992 to establish an Inter-American Judicial School Association in Montevideo.

In his latest evaluation of justice system reforms in Uruguay, William Davis stated that "The Supreme Court of Uruguay continues to be one of the most stable and progressive judicial institutions in Latin America... A major factor in the success of the (Uruguayan) reform effort has been the A.I.D.-funded Judicial School." CEJU trained 100 new civil judges whose entry into the judicial system coincided with a major reform of the civil procedure code in 1990. Mr. Davis noted that in two years implementation of the new oral code -- together with the training of new judges -- had a profound impact on the time needed to process cases. These results, in turn, have created confidence and consensus within the judicial sector which have set the stage for further reforms. As Mr. Davis states "This newfound confidence is extremely important for the future strengthening of the system. It is the breaking of this barrier that is the most difficult to

achieve, but once achieved sets the stage for additional improvements."

During the last six months, the Supreme Court and CEJU have achieved a consensus on a series of reforms to be implemented in 1993. The most significant factor in this process was a three-week visit to the U.S. organized by the National Center for State Courts for the President and President-designate of the Supreme Court, and the CEJU Director and Deputy Director. Calls on the U.S. Supreme Court and state courts and other judicial entities in Virginia, Minnesota and California succeeded in making the Supreme Court more receptive to initiating mediation and other alternative dispute resolution programs in Uruguay. The CEJU Directors also returned with new ideas for programs to address legal and judicial impediments to business. Following the trip, the Supreme Court held a first-ever retreat to plan the future of the Uruguayan justice system. Decisions reached at the retreat included development of a statistical system; implementation of delegations of authority and personnel measures to improve administration and management of the judicial system; expansion of CEJU's role in reform of commercial and labor laws; experimentation in alternative dispute resolution; development of a judicial ethics code; and implementation of a pilot project to use tape recorders in oral trials.

The Supreme Court's commitment to implementing administrative reforms was confirmed by its appointment of reform-minded individuals to its two principal court administration positions. An agreement was also reached with the State of Virginia Supreme Court to provide the Uruguayan Supreme Court with ongoing support in planning the restructuring of the court system, and implementation of administrative reforms.

Lastly, the Executive Branch, in response to Supreme Court petitions, recently proposed a constitutional reform to be ratified in 1994, which would make permanent organizational changes to improve the efficiency with which Supreme Court operates and, most significantly, establish that the justice system automatically receive a fixed percentage of the total government budget. The Uruguayan justice sector is poised for significant reform, and there is no doubt that justice systems in other LAC countries where political will for reform exists can benefit from Uruguay's leadership in justice sector reform.

3. Monitoring and Evaluation Status and Plans

AID/Uruguay's monitoring and evaluation plan for Strategic Objective No. 2 will be completed in early 1993. The appropriateness of proposed indicators and availability of data for them has been discussed with the Supreme Court and CEJU. In discussions with the President-designate of the Supreme Court, it has been evident that his ideas regarding the most important indicators to track for this strategic objective coincide completely with the indicators proposed by AID/Uruguay. While some

details regarding the procedures for gathering and reporting data remain to be resolved, it is anticipated that CEJU and the Supreme Court will track the indicators in their regular semi-annual reports to A.I.D. An evaluation to examine the impact of planned activities is planned for the end of FY 1993, and will be carried out in conjunction with a program-level evaluation of Strategic Objective No.1 for Argentina. Plans for establishing baseline data and other comments regarding the monitoring plan are included in Table 1.

III. Portfolio Analysis: Status of Portfolio

A. New Initiatives

The programming strategy for the use of funds budgeted for the Uruguay Program to achieve its two strategic objectives was approved at the POD/Action Plan review in June 1992. For Strategic Objective No.1, AID/Uruguay will continue (a) to extend small grants to Uruguayan business associations/NGOs and to specialized GOU programs (in conjunction with the UNDP), and (b) to take advantage of selected regional and central bureau programs where possible. For Strategic Objective No.2, AID/Uruguay will continue to implement plans already established to support the Supreme Court and CEJU, and look for opportunities to promote regional cooperation by Uruguay in the AOJ area. Accordingly, no New Activity Descriptions are presented in this Action Plan.

The Action Plan guidance requested comments on the effect of A.I.D.'s budget pressures on the proposed program. AID/Uruguay notes that Uruguay's program (at \$1.2 million per year) is the smallest in the LAC Region. As a result of the last POD/AP exercise, program resources are being strictly focussed on activities in two areas of significant importance to U.S. foreign policy objectives in Uruguay and the LAC region (EAI and AOJ). Decisions by AID/Uruguay with regard to the types of support provided (e.g. grants to established local organizations, very limited foreign TA) make it possible to stretch available funds made available and take advantage of factors unique to Uruguay (e.g. availability of excellent local experts, relatively low salaries) in order to maximize potential impact. In accordance with LAC Bureau guidance, the program level for Uruguay has been "straight-lined" for FY94 and FY95. We believe \$1.2 million per year is the minimum necessary to achieve impact under the Program's two strategic objectives.

The programming strategy proposed by AID/Uruguay and approved by the Bureau at the last POD/AP review has the benefit of avoiding the development of large "stand-alone" projects and keeping "mortgages" to an absolute minimum, but at the same time necessitates that new funds be available each fiscal year to initiate new activities with existing or new counterparts. The strategic objectives for the Uruguay program can only be achieved if the Bureau treats the total funds approved for each strategic objective

in FY93, FY94 and FY95 as fixed commitments, in the same way as it treats mortgages of large projects in other country programs. Absent a firm commitment to fund the program for Uruguay at the levels approved at the next Action Plan review, the program will not be viable.

For the Uruguay program, more flexibility is anticipated in the use of funds dedicated to Strategic Objective No. 1 than Strategic Objective No. 2. During the FY93-FY95 planning period, AID/Uruguay will continue its strategy of making small grants with limited scopes and duration to Uruguayan business associations and other groups on a "trial-and-error" basis. We will select only competent organizations which can sustain programs, and see how they do. We will remain aware of the need to keep the number of grants made consistent with the management capabilities of AID/Uruguay, and at the same time attempt to expand the number of business sectors addressed. Our objective is to settle eventually on a core group of grantees which have proven they can be effective.

The IDB Investment Sector Loan (ISL) contains an excellent agenda of steps to improve the LRJ environment and Uruguayan competitiveness. AID/Uruguay will continue to complement the ISL Program by programming its resources with private sector organizations to help them address the issues which the IDB is helping the GOU to address. AID/Uruguay will also maintain adequate flexibility in assigning resources available to take advantage of opportunities to respond to emerging USG concerns, changing host country conditions, and opportunities to leverage World Bank and IDB assistance.

In FY93, AID/Uruguay will begin to cooperate with rural business groups and use the TIS Program to identify new business associations in Uruguay's most promising sectors with which A.I.D. might cooperate. AID/Uruguay has initiated discussions with two agribusiness associations interested in working to improve competitiveness in the agricultural sector. Cooperating with FUCREA and CAF, two agricultural producers' groups, A.I.D. hopes to provide experts from the LAC/TECH Project to participate in seminars and other activities to improve agricultural marketing and provide up-to-date information on trends in selected agribusiness sectors.

AID/Uruguay foresees a number of other options for activities in 1993 through 1995. The current grantees under Strategic Objective No. 1 are likely to generate ideas for continuing activities, as well as provide a source of leads regarding other business groups through their networks. AID/Uruguay is also planning to contract for a survey to identify other business groups with which it might work in 1994 and 1995. In addition, AID/Uruguay plans to solicit ideas from its GOU contacts regarding groups that might be likely candidates for support. AID/Uruguay envisions that these efforts to scan the universe of available business groups will result in a competitive process of presenting ideas for potential activities. In this way, A.I.D. can identify and support the best activities for achieving Strategic Objective No.1.

AID/Uruguay will soon initiate a joint activity with R&D/EI to assist the GOU to promote private sector investment in the electrical energy sector. We plan to assist the GOU to host a conference of private sector energy companies, regulators and bankers which will focus on a project to construct a gas pipeline from Argentina to Montevideo, reconversion of a heavy fuel generating plant, and export of power to Argentina. Access to R&D/EI private sector project management training will also be offered. It is anticipated TDA and the World Bank will also be involved in the conference.

This activity is intended to meet several objectives. It will assist the GOU to organize itself to promote private investment in an important sector in the wake of the devastating defeat of the semi-privatization of the telephone company. The conference will establish whether it is feasible to proceed with development of a project in which U.S. business already has a stake. It will also begin efforts to provide for adequate regulatory oversight as private sector investment in the energy sector develops. Lastly, the prospect for the availability of less expensive power to Uruguayan industry will address a major competitive concern of the Uruguayan private sector.

Two other activities will be implemented in FY93 to support the attainment of EAI objectives: technical assistance to establish the EAI Environmental/Child Survival Trust Fund; and a grant to the Peace Corps to enable volunteers (with US NGO collaboration) to undertake activities to strengthen Uruguayan NGOs so they can apply to the Fund for grants.

B. Status of Portfolio

Table 3 shows the time-lines for all existing AID/Uruguay activities. Please refer to the Annual Portfolio Review for information on ongoing or terminating activities which are not included in the current strategic objective framework; namely DESEM, UCUDAL, PRONADE and PLADES -- each of which has very successfully met its objectives.

C. Central and Regional Projects

LAC Regional Activities

	<u>Category</u>
RTAC II	Supports S.O.; will help manage
MERCOSUR/NAFTA Compatibility	Supports S.O.; will help manage
LACTECH Seminars/TA	Supports S.O.; will help manage

Central Bureau Activities

PRE TIS	Supports S.O.; will help manage
R&D/EI Activities	Supports S.O.; will help manage
Farmer to Farmer	Does not support S.O. but will help manage
IPPF	Does not support S.O. but no management requested

ACTIVITY TITLE	1				2				3				4				1				2				3				4											
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
ITT - continued																																								
Private Sector Energy (*)																																								
TIS program (*)																																								
EAI Environmental Fund/Peace Corps																																								
Administration of Justice																																								
Centro de Estudios Judiciales del Uruguay (CEJU)																																								
Supreme Court of the Nation																																								
Others																																								
ESF - Local Currency Program																																								
MERCOSUR/NAFTA - Compatibility																																								
LAC/TECH support to agribusiness organizations (*)																																								
Farmer to Farmer (*)																																								
TOTAL ACTIVITIES (number) (at end of FY 4th Quarter)																																								

(*) Regional or Central Bureau

IV. Environment

Preliminary work on tropical forest and biodiversity analyses for Uruguay was carried out by the Regional Environmental Advisor for South America as part of the 1992 POD/Action Plan. The REA has agreed to return to Uruguay in April 1993 to perform the legislatively mandated analyses. These analyses will then be incorporated into the current Action Plan. As noted in Section III, AID/Uruguay plans to assist in establishing an EAI Environmental/Child Survival Trust Fund in Uruguay and to collaborate with the Peace Corps' Natural Resources Program. In addition, AID/Uruguay wishes to incorporate environmental topics in activities under Strategic Objective No. 1 and the LAC/TI MERCOSUR/NAFTA Compatibility Program.

V. Resource Requirements

AID/Uruguay's response to budget restrictions took effect last year in a set of decisions aimed at narrowing and focusing its portfolio. The AID/Uruguay program is now concentrated on two strategic objectives, each consisting of a limited number of program outputs. As described in Section III, AID/Uruguay seeks to maintain flexibility to support new activities each year, with grants to NGOs or through buy-ins, rather than creating long-term, free-standing projects. While individual implementing agencies may change from year to year, the Office's commitment to each of its program outputs and strategic objectives remains the same. Hence it is AID/Uruguay's expectation that the total amounts approved for activities supporting each strategic objective will be treated by the Bureau in the same way as authorized LOP budgets for multi-year projects. Table 4 shows FY93-FY95 program budget allocations, with the \$1.2 million FY93 funding level straight-lined into FY94 and FY95.

In order to implement approved A.I.D. programs in Uruguay and Argentina, both OE and program funding is required to finance administrative support costs, and ongoing collaboration from both the LAC Bureau and USAID/Bolivia is needed. Currently authorized staff levels for Montevideo and Buenos Aires (see annex) are anticipated to be adequate during the Action Plan period. In addition, technical support will continue to be needed from the LAC Bureau on an ongoing basis, principally from LAC/TI and LAC/DI -- for access to specialized expertise, necessary coordination with other USG agencies, and to ensure consistency between what is done by A.I.D. in Uruguay and Argentina with programs elsewhere in the LAC Region. Without this collaboration, the thinly staffed A.I.D. Representative's Office cannot implement the activities proposed in the Action Plan.

In addition to this technical support and collaboration, the A.I.D. Representative's Office needs operational support from USAID/Bolivia staff from the offices of the Controller, Contracts Officer, RLA and EXO. Lastly, in order to comply with Agency program

TABLE 4a
USAID/URUGUAY
SUMMARY PROGRAM FUNDING TABLE
Dollar Program (\$000)

<i>Funding Category</i>	FY93	FY94	FY95	SO#
LAC Bureau				
<i>ITT</i>	890	875	1022	
<i>A. SO #1 Activities</i>	<i>770</i>	<i>795</i>	<i>972</i>	
CERES	35	---	---	1
DOL/AIFLD Programs	40	50	50	1
CNC	123	---	---	1
TIS program	100	150	150	1
Private Sector Energy	100	75	---	1
Other organizations (*)	372	520	772	1
<i>B. Other</i>	<i>120</i>	<i>80</i>	<i>50</i>	
Peace Corps	70	80	50	other
EAI environmental fund	50	---	---	other
<i>AOI/DI</i>	250	250	103	
CEJU	---	103	---	2
SCN	250	147	103	2
<i>PD&S</i>	60	75	75	N/A
Subtotal	1200	1200	1200	
<i>Bureau-funded</i>	200	50	50	
RTAC	150	---	---	1
LAC/TECH experts for agribusiness organizations	50	50	50	1
Total LAC Bureau	1,400	1,250	1,250	

<i>Funding Category</i>	FY93	FY94	FY95	SO#
Other Bureau-funded				
FHA/PVC				
Farmer-to-Farmer Program	50	50		other
R&D/EI				
Private Sector Energy	100**	75**		1
PRE				
TIS	50**	50**	50**	1
Total Non-LAC Bureau	200	175	50	
PROGRAM TOTAL	1,600	1,425	1,300	

* Will be selected. Existing grants may be amended.

** estimates

planning and documentation practices, the A.I.D. Representative's Office needs program officer and project development officer support on a regular basis. To date, this has been provided either by the Bureau (OE funded) or via contractors (program funded). Such support could also be provided from La Paz as part of the Bureau's plan to centralize field backstopping of MDC programs. No matter how these three types of support (technical, operational, and program planning/documentation) are provided, adequate OE and PD&S funding is required to finance them. Adequate levels have been requested in the program and OE funding levels proposed(*) and need to be provided if the proposed programs are to be implemented.

VI. AID/URUGUAY ISSUES

A. Both Programs

1. Budget Security: A.I.D. funding is tight, but in order to plan adequately for activities to meet approved strategic objectives, better assurance is needed that approved fiscal year funding levels for MDC programs will be provided. Will the Agency decide to request specific levels for MDC programs in future Congressional Presentations? Will the Bureau agree to treat the approved funding levels for each Strategic Objective for FY93, 94 and 95 as fixed commitments (subject to availability of future FY funding) just like authorized project totals?

2. MERCOSUR/NAFTA Compatibility Program: What steps need to be taken to be able to begin implementing this program after the May 1993 T.I.C. meeting?

3. MDC Program Systems Audits: An issue regarding procedures for implementing MDC programs has surfaced as a result of recent IG audits. The IG has recommended extensive written procedures (local orders) be developed for MDC programs, along the lines of those used by A.I.D. Missions. While recognizing the differences among MDC programs, it would be helpful if the LAC Bureau developed a policy concerning how formal and extensive program management procedures for MDCs need to be. Such a policy could ensure consistency in procedures among LAC programs.

4. Environmental Analyses: To meet legislative requirements, and to serve as a guide for activities to be supported by the EAI Environmental/Child Survival Trust Fund, tropical forest and biodiversity analyses need to be completed for Argentina and Uruguay. The Regional Environmental Advisor has stated that he needs assistance to complete these assessments. Can LAC/DR/E assist with this work?

(*) Program funding for certain FSN staff and program planning support, and OE funds for FSN staff and backstopping from Washington and La Paz.

B. Uruguay Program

1. RTAC: The RTAC program has been introduced very successfully in Uruguay with support from LAC/DR/EHR. In order to ensure the commercial viability of this program in all countries in which it operates, it would be advisable to develop a business plan which is accepted by all parties involved in managing the program. How best can this be ensured?

2. Computer System: On a one-time basis, the A.I.D. Representative would like to investigate the possibility of obtaining an additional \$40,000 in OE funds to complete the purchase of a new computer system for Montevideo. The current collection of antiquated Wang equipment is no longer functional.

USAID/URUGUAY

ANNUAL PORTFOLIO REPORT

December 1992

USAID/URUGUAY
ANNUAL PORTFOLIO REPORT
December 1992

I. Summary LAC Financial Table

II. ITT Activity Narratives and ESF Program

1. Program Agreement No. 528-0107 (ESF Local Currency)
2. Advanced Education for Development Project (UCUDAL)
3. Administration of Justice (SCJ and CEJU)
4. Junior Achievement Project (DESEM)
5. PRONADE
6. RTAC-II
7. National Quality Program (CNC and NIST/LATU)
8. Private Sector Competitiveness Strengthening (ACDE)
9. IESC Support for Competitiveness
10. Legal, Regulatory and Legislative Analysis Proj. (CERES)
11. Private Sector Awareness of Economic Reforms for Trade and Investment (AmCham)

URUGUAY ANNUAL PORTFOLIO REPORT

(as of 9/30/92)

Activity Title and Project Number	Implement. Agency	Oblig. Instr.	FY Initial Obligation FY Final Obligation Estimated Completion Date	Planned Life of Project	Cumulative Obligation to Date	Planned Counterpart Contribution	Accrued Expenditures Cumulative	Pipeline
- ESP Local Currency Funds 528-0107	COU	Proj. Agr.	86 87 09/94	25,522,000	25,522,000	0	19,604,723	5,917,277
- Advanced Education for Development 598-0616.18 (ITT)	UCUDAL	GRANT	89 91 12/93	650,000	650,000	104,000	389,252	260,748
- Administration of Justice/SCN/CEJU UNDP 598-0642.18 (RAOJ) 598-0616.18 (ITT)		GRANT	90 94 06/95	1,400,000	796,589	243,473 *	418,189	378,400
- Junior Achievement 598-0616.18 (ITT)	DESEM DEL URUGUAY	GRANT	90 92 12/94	389,933	389,933	148,000	190,663	199,270
- PROMADE 598-0616.18 (ITT)	UNDP	GRANT	91 91 12/92	300,000	300,000	83,295	270,000	30,000
- RTAC II Program 598-0616.18 (ITT)	AID	CONT.	92 92 Long Term Project	56,664	56,664	300,000 **	9,407	47,257
- LATU/MIST Exchange Program 598-0616.18 (ITT)	LATU	PROJ. AGR.	92 92 12/94	52,000	52,000	17,500	0	52,000
- National Committee for Quality 598-0616.18 (ITT)	UNDP	GRANT	92 93 12/94	253,000	130,000	449,800 ***	0	130,000
- Asociación Cristiana de Dirigentes ACDE de Empresas 598-0616.18 (ITT)		GRANT	92 92 09/93	110,000	110,000	20,300	0	110,000

URUGUAY ANNUAL PORTFOLIO REPORT

(as of 9/30/92)

Activity Title and Project Number	Implement. Agency	Oblig. Instr.	FY Initial Obligation FY Final Obligation Estimated Completion Date	Planned Life of Project	Cumulative Obligation to Date	Planned Counterpart Contribution	Accrued Expenditures Cumulative	Pipeline	
- International Executive Service Corps 598-0616.18 (ITT)	IESC	GRANT	92 92 12/93		120,000	120,000	131,895	0	120,000
- Centro de Estudios de la Realidad Económica y Social 598-0616.18 (ITT)	CERES	GRANT	92 93 09/94		230,000	195,100	46,200	0	195,100
- Cámara de Comercio Uruguay-Estados Unidos 598-0616.18 (ITT)	Cámara	GRANT	92 92 09/94		125,000	125,000	0	0	125,000
* UNDP Contributions		\$	68,500						
GOU Contributions		\$	174,973						
** GOU Contributions		\$	300,000						
*** Comisión Mac. Calidad Contributions		\$	396,600						
UNDP Contributions		\$	53,200						

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 by increasing the efficiency 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, technological innovation, and enhancement of 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 Sector Program and counterpart to A.I.D. Agreement No. 528-0108 (a and b).

Budgeted:	Committed:	Expended:
\$24,595,900	\$23,391,054	\$18,678,623

A) Current Activity Performance

Counterpart to IDB and UNDP (\$16.5 million). This program category continues to support the IDB and UNDP in several projects concerning agricultural and agro-industrial production and technological innovation. All of the activities funded by ESF local currency counterpart have

been carried out satisfactorily. There has been some delay in implementation of the Dairy Development Project (\$4.5 million), which was initiated in 1992. The GOU has scheduled this project for completion in 1994.

Monitoring of program activities is carried out by the IDB and UNDP.

Private Sector and NGO Support (\$3.3 million). This program category focuses on private sector and NGO activities involving micro-enterprise employment generation and enhancement of private sector efficiency. The GOU has provided grants and loans to various groups for activities supporting the government's economic recovery program. The bulk of the money was disbursed during the administration of former president Julio Sanguinetti (1985-1990). The current government is managing the loan repayments. A total of 11 non-governmental organizations received grants. Twenty private companies received loans, three fewer than reported in our last APR as funds for those companies were rescheduled by the GOU. This amount was later re-programmed as the GOU's counterpart to the RTAC-II project, launched in Uruguay in 1992.

In addition, in 1991 and 1992, this program was used by USAID as an alternative source of funding for the International Executive Service Corps (IESC). Favorably impressed by a past IESC pilot project to provide technical and management assistance to businesses, the GOU agreed to program an additional \$400,000 for IESC activities in 1991 and 1992. About 38 businesses received technical and management assistance in areas that included tourism, printing, chemistry, and food processing.

Monitoring of program activities is carried out by the GOU.

(B) New Sector Program Activities in 1992

RTAC-II. The RTAC-II program became operational in August 1992, and achieved outstanding results. The GOU made \$300,000 available from the ESF local currency fund to initiate a revolving fund for the university textbook program. Additional comments are provided in the RTAC project description.

Salary Fund. A significant number of Uruguayan economists and technical advisors have been contracted by the GOU to carry out specific economic reform programs. This program activity was scheduled in 1990 in the amount of \$269,000 and increased by \$117,000 in 1992. Uruguayans hired under the program cannot hold permanent positions in government. The institutions most benefitted by this fund are the Central Bank, the Budget and Planning Office, the Ministry of Labor, and the Ministry of Economy.

Investment and Trade Sector Initiative. This activity was supported by the counterpart fund to start a process leading to a more efficient export/import procedures and to rationalize the GOU investment incentive policy. Remarkable progress were made during the period of the project 7/91 - 6/92 in both trade and investment areas. In December 1991, PLADES published a major report on investment incentives, regimes and programs, which have been used by the IDB to prepare the IDB's Investment Sector Loan and to help the GOU to eliminate unnecessary tax incentives, worth \$35 million annually.

Another remarkable achievement is the improvement of important regulations that constrained trade. From the project, the GOU realized approximately \$15 million in savings for the private sector through the implementation of twenty different measures. Procedures for exports, imports, ports, inland transportation, and temporary admission of goods were the main areas on which PLADES focused. Another achievement was the institutional support and a continuance of cooperation by the National Chamber of Commerce and National Chamber of Industry with PLADES' program of trade reforms.

The IDB, following AID's financial support to PLADES, recently provided additional funding for a second-phase project.

(C) Local Currency Value Depreciation

Exchange Loss as of 09/30/92: \$1,155,468

The ESF local currency fund lost value over the life of the program, although funds are deposited in an interest-bearing bank account. Consequently, the total programmed amount of \$25.5 million had to be reduced to absorb the exchange loss.

2. Trust Fund

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

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

3. Management

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

OPP continues to monitor the ESF local currency program. The office is in contact with all implementing institutions to track the use of the local currency. A

tracking system is in place which provides information for quarterly financial and on-going project reports prepared by OPP and submitted to USAID.

(B) Audit of Local Currency Disbursements

A second financial audit of the local currency fund will be carried out according to RIG standards early in 1993. Among other objectives, it will examine disbursements to the GOU's implementing institutions, analyze supporting documentation, and reconcile accounts.

(C) Estimated Termination Date

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

2. ADVANCED EDUCATION FOR DEVELOPMENT PROJECT

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

Estimated Completion Date: December 1993

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

- B. **ACTIVITY PURPOSE:** To support UCUDAL in its efforts to develop the professional, technical and managerial manpower resources needed 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 talent will have been trained in the U.S., and will be contributing to the economic transformation of Uruguay through their positions as business instructors.
- UCUDAL will have enhanced its role as a center of intellectual influence in the development of Uruguay.

Brief Overall Assessment of Activity:

Budgeted:	Committed:	Expended:
\$650,000	\$389,252	\$389,252

Remarkable progress has been made in attaining the key targets of the project. UCUDAL has strengthened its regular academic programs in business administration, provided training to its faculty, and increased its presence in the education sector through the delivery of short and long-term courses. Some of the most relevant accomplishments include:

- UCUDAL continues to strengthen its academic programs in business management with the assistance of a U.S. consortium of universities. In 1992, UCUDAL inaugurated its School of Business.
- A total of 17 professors from UCUDAL visited the U.S. for short- and long-term training. Nine U.S. professors have also visited Uruguay thus far.

- With the assistance of the U.S. consortium, two new post-graduate programs in business and marketing were launched in 1991. In 1992, a master's degree program in international management (MIM) was developed and initiated for professors teaching at UCUDAL. At the end of the program, 20 professors will receive a master's degree.
- The U.S. North Central Accreditation Board recognizes the MIM degree from UCUDAL as a master's degree from the University of St. Thomas.
- In 1992, UCUDAL initiated efforts to obtain academic accreditation from the International Federation of Business Education for its master's program in business administration. The program's eligibility for accreditation comes as a result of the academic improvements achieved in collaboration with the U.S. consortium.

Activity Performance: No major implementation problems. Implementation of the MIM program may require a six month project extension.

3. ADMINISTRATION OF JUSTICE

- A. **ACTIVITY TITLE/No.:** Projects No. 594-0642.18 and 594-0616.18 - Administration of Justice.

Estimated Completion Date: September 30, 1994

Grant Administrator: U.N.D.P.

Implementing Agencies: Supreme Court of Justice 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:

- Supreme Court delegation of administrative matters.
- Judicial planning and budgetary capability instituted.
- Other judicial administration reforms: statistical system implemented, management information system designed and personnel system reformed.
- Research and pilot efforts on new methods to be adopted in the justice system (alternative methods of dispute resolution and small-claims courts creation).
- Entry-level and in-service training to judicial personnel.
- Research and seminars to help detect and address legal and judicial impediments to trade and investment.
- Ethics code established.

Brief Overall Assessment of Activity

Budgeted:	Committed:	Expended:
\$1,400,000	\$796,589	\$418,189

AID/Uruguay's support for reform of the Uruguayan justice sector has been instrumental in the attainment of major accomplishments during the past year. CEJU has achieved recognition both inside Uruguay and within the LAC Region as

a prestigious institution and is expected to significantly reinforce the strength and independence of the judicial system in Uruguay. The status which it has gained in a very short time is perhaps best demonstrated by the IDB's commitment to continue CEJU's program to address legal and judicial impediments to investment. To our knowledge, this represents the first instance of significant IDB support for judicial sector reform in the LAC Region. The prestige accorded to Uruguayan jurists and CEJU within the region was most recently recongnized again when it was decided at a meeting of judicial schools in Porto Alegre in December 1992 to establish an Inter-American Judicial School Association in Montevideo.

In his latest evaluation of justice system reforms in Uruguay, William Davis stated that "The Supreme Court of Uruguay continues to be one of the most stable and progressive judicial institutions in Latin America... A major factor in the success of the (Uruguayan) reform effort has been the A.I.D.-funded Judicial School."

Mr. Davis noted that in two years implementation of the new oral code -- together with the training of new judges -- had a profound impact on the time needed to process cases. These results, in turn, have created confidence and consensus within the judicial sector which have set the stage for further reforms. As Mr. Davis states "This newfound confidence is extremely important for the future strengthening of the system. It is the breaking of this barrier that is the most difficult to achieve, but once achieved sets the stage for additional improvements."

During the last six months, the Supreme Court and CEJU have achieved a consensus on a series of reforms to be implemented in 1993. The most significant factor in this process was a three-week visit to the U.S. organized by the National Center for State Courts for the President and President-designate of the Supreme Court, and the CEJU Director and Deputy Director. Calls on the U.S. Supreme Court and state courts and other judicial entities in Virginia, Minnesota and California succeeded in making the Supreme Court more receptive to initiating mediation and other alternative dispute resolution programs in Uruguay. The CEJU Directors also returned with new ideas for programs to address legal and judicial impediments to business. Following the trip, the Supreme Court held a first-ever retreat to plan the future of the Uruguayan justice system. Decisions reached at the retreat included development of a statistical system; implementation of delegations of authority and personnel measures to improve administration and management of the judicial system; expansion of CEJU's role in reform of commercial and labor laws; experimentation in alternative dispute resolution; development of a judicial ethics code; and implementation of a pilot project to use

tape recorders in oral trials.

The Supreme Court's commitment to implementing administrative reforms was confirmed by its appointment of reform-minded individuals to its two principal court administration positions. An agreement was also reached with the State of Virginia Supreme Court to provide the Uruguayan Supreme Court with ongoing support in planning the restructuring of the court system, and implementation of administrative reforms.

A new component of the AOJ Program, designed to specifically address legal and judicial impediments to commerce and investment, has just started its implementation. As mentioned above, in conjunction with the IDB Investment Sector Loan Program, the IDB and A.I.D. agreed to finance a new CEJU program designed to identify and address legal and judicial impediments to investment (e.g. certain outdated labor and commercial laws, limited knowledge of common business practices on the part of judges, etc.). A.I.D. funds bridge to US\$705,000 in IDB resources being provided in conjunction with the Investment Sector Loan. Activities being carried out include interdisciplinary studies and seminars among various sector representatives on specific legal and judicial impediments, which are designed to generate consensus on solutions, and the drafting of new legislation and regulations. The first topic selected is revision of Uruguay's bankruptcy law. This new component will be complemented by CEJU training programs for judicial sector personnel in labor and commercial law topics, mediation and arbitration.

Lastly, the Executive Branch, in response to Supreme Court petitions, recently proposed a constitutional reform to be ratified in 1994, which would make permanent organizational changes to improve the efficiency with which Supreme Court operates and, most significantly, establish that the justice system automatically receive a fixed percentage of the total government budget. The Uruguayan justice sector is poised for significant reform, and there is no doubt that justice systems in other LAC countries where political will for reform exists can benefit from Uruguay's leadership in justice sector reform.

Activity Performance: No major implementation problems.

4. JUNIOR ACHIEVEMENT PROJECT

- A. **ACTIVITY TITLE/No.:** ITT, Project No. 598-0616.18 (FY90 and FY92) - Junior Achievement.

Estimated Completion Date: December 31, 1994

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:

For Project No. 598-0616.18 (FY90)

- In 1991, a group of 80 to 100 students participated in the project.
- In 1992, from 500 to 750 students participated in the project.
- DESEM del Uruguay has established itself as a functioning organization, capable of continuing its program with support from the Uruguayan business community.

For Project No. 598-0616.18 (FY92)

- In 1993, from 500 to 700 students will participate in the project.
- In 1994, from 700 to 1100 students will participate in the project.
- DESEM will assure the timely provision of its counterpart contribution of \$148,000. DESEM will provide \$48,000 in private funds in 1993 and \$100,000 in 1994.

Brief Overall Assessment of Activity

Budgeted:
\$389,933

Committed:
\$190,663

Expended:
\$190,663

Desem del Uruguay has taken important steps to establishing itself as a solid organization. Some of its accomplishments include:

- A Board of Directors was established, consisting of a

strong group of executives from the city of Montevideo. CEOs from IBM, Citibank and Bank of Boston, among others, are members of DESEM's Board.

- The number of Junior Achievement companies established grew from 4 in 1991 to 17 in 1992. The number of students trained rose from 70 to 350 in the same period.
- The number of schools participating in the program grew from 4 to 17.
- The GOU has agreed to allow DESEM to promote the program through the public education system. This is a significant accomplishment considering the traditionally strong resistance in Uruguay to educational programs regarding the role of business in the economy.
- DESEM has established targets for expanding its operations and becoming self-sufficient. DESEM is undertaking a fund-raising campaign to obtain private sector contributions of \$48,000 in 1993 and \$100,000 in 1994.

Activity Performance: No major implementation problems.

5. 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 a new 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	\$270,000	\$270,000

PRONADE made remarkable progress in implementing the new legislation concerning the procurement of goods and services in the government. For example, PRONADE has reduced the length of time required for the acquisition of imported goods from 352 to 232 days. The project has also produced savings estimated at \$30 million per year in costs and reduced the government's vulnerability to fraud and corruption.

The new law made it possible for foreign companies to

compete with local companies in the provision of goods and services. PRONADE gives advice to the most relevant procurement offices in the application of the new legislation, which could produce benefits in the amount of \$25 million.

In order to achieve these results, PRONADE accomplished the following:

- Provided on-line technical and management assistance to the fifteen most important government procurement offices.
- Held one five-month seminar and four workshops in 1992 to support the implementation of the new procurement law.
- Prepared and delivered how-to manuals regarding the implementation and enforcement of the new law to government procurement offices. Approximately 5,000 copies of these manuals were produced and delivered to GOU officials.
- Developed and implemented an immediate cash payment mechanism in some government offices to accelerate the procurement of goods and services and bring about cost savings. This mechanism allowed the GOU to save the cost of interest rates included in prices quoted by suppliers.
- Installed an inventory management system to track prices, suppliers, and quality of goods and services, and reduce the cost of high inventory levels.
- Trained 120 auditors working in the public sector to oversee the mechanisms provided in the new law and its enforcement.
- Provided on-line assistance to advise the private sector regarding requirements of the new law.

In addition, with AID's support, PRONADE has been working to reorganize and better administer selected GOU offices. It has also supported the Supreme Court in its effort to provide training to court administrators to improve the management of courts. Likewise, it has undertaken a leading process to the debureaucratization of the Patents and Trademark Office.

Activity Performance: No major implementation problems.

6. RTAC-II

- A. **ACTIVITY TITLE/No.:** ESF, Project No.528-0107
Estimated Completion Date: None

Implementing Agency: Alianza Cultural Uruguay - Estados Unidos de América (the Distribution Center).

- B. **ACTIVITY PURPOSE:** Implement an RTAC-II University Textbook Program.

- C. **PROJECT STATUS:**

Major Outputs Expected:

- By December 1993, 30,000 textbooks will be sold annually by the distribution center.
- Both of Uruguay's two universities will be participating in the program, as well as most important private institutions.
- The private sector, represented by the most important bookstores in the country, will be participating in the program.

Brief Overall Assessment of Activity

Revolving Fund Made Available By GOU: \$300,000
Revolving Fund Made Available By AID: \$150,000

Total Revolving Fund \$450,000

President Lacalle and Ambassador Brown inaugurated the RTAC Program in Uruguay on July 31, 1992. President Lacalle's remarks reflected the enthusiastic reception this program has been receiving. He said he felt that the program was the best type of cooperation which a friendly government can offer to Uruguay, and that its impact in Uruguay would be significant and far-reaching.

The first shipment of 13,700 textbooks arrived in August. The shipment covered 18 different academic areas, for a total dollar amount of \$190,000. As of November 30, the Distribution Center reported a total of 7,000 textbooks sold. Two universities, an important vocational training institution, and sixteen bookstores are participating in the program.

Activity Performance: No major implementation problems in country. With respect to the RTAC-II office in México, problems concerning the management of the program need to be resolved in a manner acceptable to all project participants.

7. NATIONAL QUALITY PROGRAM

- A. ACTIVITY TITLE/No.:** (a) ITT, Project No. 598-0616.18, National Quality Program for Goods and Services, and (b) ITT, Grant Agreement No. 528-0616, Exchange Program Between The U.S. National Institute for Standards and Technology (NIST) and the Technological Laboratory of Uruguay (LATU).

Estimated Completion Date: December 31, 1994

Grant Administrator: UNDP

Implementing Agency: National Quality Commission.

- B. ACTIVITY PURPOSE:** To support the National Quality Program carried out by the National Quality Commission (CNC). The objective of the National Quality Program is to: (a) improve the quality of Uruguayan goods and services and their competitiveness in international markets by increasing consumer awareness about quality standards, and (b) encourage Uruguayan companies to focus on meeting market demand for high quality products and services.

C. PROJECT STATUS:

Major Outputs Expected:

- Development and implementation of a two-year program for quality awareness for productive sectors of the economy;
- Design and formulation of a strategy and a related operational plan for an Information Center for Quality;
- Establishment of a National Quality Award Program;
- Implementation of a program to increase private sector and consumer awareness of quality standards;
- A government decree to create an "Industrial Quality Day";
- Development of a new strategy for the Consumer Advice Center; and,
- Increased participation by the CNC in activities with other countries in the region concerning the adoption of quality standards.

Brief Overall Assessment of Activity

Budgeted:
\$305,000

Committed:
\$ 0.00

Expended:
\$ 0.00

UNDP and USAID signed a grant in September 1992 to support the National Quality Program in its efforts to increase the competitiveness of Uruguayan goods and services. Since the grant was signed, both the UNDP as grant administrator and the CNC as the implementing institution have been screening and selecting candidates to staff the project. As part of its activities under the grant agreement, the CNC has visited the U.S. Department of Commerce National Institute of Standards and Technology to plan joint activities and schedule a working visit to Uruguay by NIST representatives. It is expected that the CNC will be able to start the project in December.

This activity is supported by both the grant with the IESC and the NIST/LATU Grant Agreement. The IESC will provide technical and management assistant to help Uruguayan businesses participating in the National Quality Program to improve their competitiveness. The NIST/LATU Grant Agreement provides funds for an exchange program between both LATU and NIST for the harmonization of industrial standards and technology.

Activity Performance: Activity has recently been initiated.

8. PRIVATE SECTOR COMPETITIVENESS STRENGTHENING

A. ACTIVITY TITLE/No.: ITT, Project No. 598-0616.18
Estimated Completion Date: September 30, 1993

Implementing Agency: Asociación Cristiana de Dirigentes de Empresas (ACDE)

B. ACTIVITY PURPOSE: To carry out a study of factors affecting the competitiveness of Uruguayan firms, and conduct related seminars and workshops.

C. PROJECT STATUS:

Major Outputs Expected:

- A study of factors affecting the competitiveness of Uruguayan companies in international markets.
- A high-level seminar to disseminate the results of the competitiveness study.
- A study to identify models of strategic partnerships that can help entrepreneurs to forge successful business relationships in the region.
- Two regional workshops to disseminate the results of the study on partnership models, including participation of representatives from other South American countries.
- A workshop for members of ACDE on general factors that affect the business environment and the investment climate in Uruguay.

Brief Overall Assessment of Activity

Budgeted:	Committed:	Expended:
\$110,000	\$ 0.00	\$ 0.00

ACDE has hired staff for the project and initiated the study of the factors affecting the competitiveness of Uruguayan companies in international markets. A semi-annual workplan will also be prepared in January, and will include the study of models of strategic partnerships.

According to the schedule of activities included in the grant, ACDE will complete the two studies in June, and carry out the seminars and workshops during the last quarter of FY 93.

Activity Performance: Activity has recently been initiated.

9. IESC SUPPORT FOR COMPETITIVENESS

- A. **ACTIVITY TITLE/No.:** ITT, Project No. 598-0616.18, IESC support for private sector competitiveness.

Estimated Completion Date: December 31, 1993.

Implementing Agency: International Executive Service Corps (IESC).

- B. **ACTIVITY PURPOSE:** To help Uruguay's private sector to improve its competitiveness in order to meet the challenges of regional and hemispheric integration.

- C. **PROJECT STATUS:**

Major Outputs Expected:

- Approximately 12 selected companies will benefit from short-term technical and management assistance to improve their competitive performance.
- In collaboration with the National Quality Commission (see project with CNC), the companies mentioned above will provide demonstration models for the private sector as "leading cases" for the management of productivity, new technology, quality standards, and capacity to open new markets.

Brief Overall Assessment of Activity

Budgeted:	Committed:	Expended:
\$120,000	\$ 0.00	\$ 0.00

This project will support the National Quality Program which is to begin in 1993. The IESC will coordinate with the National Quality Commission (CNC) in delivering technical and management assistance to Uruguayan businesses. The IESC and CNC have held two meetings to prepare a workplan for the project, which should be completed in December.

Activity Performance: Activity has recently been initiated.

10. LEGAL, REGULATORY AND LEGISLATIVE ANALYSIS PROJECT

- A. ACTIVITY TITLE/No.:** ITT, Project No. 598-0616.18, Legal, Regulatory and Legislative Analysis Project

Estimated Completion Date: September 30, 1994.

Implementing Agency: Centro de Estudios de la Realidad Económica y Social (CERES)

- B. ACTIVITY PURPOSE:** To support CERES' effort to undertake a program of studies, publications and workshops on legal and regulatory issues for private sector and legislative opinion leaders.

- C. PROJECT STATUS:**

Major Outputs Expected:

- Nine studies conducted and reports prepared on key legal and regulatory issues affecting the trade and investment climate in Uruguay.
- Four analyses conducted and reports prepared on proposed legislation affecting the trade and investment climate in Uruguay.

Brief Overall Assessment of Activity

Budgeted:	Committed:	Expended:
\$ 230,000	\$ 0.00	\$ 0.00

CERES hired core staff and initiated its first study on key legal and regulatory (L&R) issues. CERES also prepared a workplan which calls for completion of five L&R studies in 1993, and four L&R studies and four legislative analyses in 1994.

Specific issues to be covered include: (a) unemployment insurance regulations, which have a negative impact on unemployment rates and business operations; (b) severance payment regulations, which discourage private sector growth; (c) entry barriers for new companies, which include specific limitations on business operations; (d) the economic effects of a lack of law enforcement, including the existing bankruptcy legislation; and (e) insurance and social security legislation, which affects the availability of investment capital.

Activity Performance: Activity has recently been initiated.

11. PRIVATE SECTOR AWARENESS OF ECONOMIC REFORMS FOR TRADE AND INVESTMENT

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

Estimated Completion Date: September 30, 1994

Implementing Agency: Chamber of Commerce Uruguay - USA

B. ACTIVITY PURPOSE: To support the Chamber in (a) undertaking a program of public awareness regarding the legal reforms required to improve the business environment and the importance of increasing Uruguay's competitiveness in an environment of free enterprise; and (b) carrying out a matching program to identify sectors with which to develop a program to promote joint-ventures between U.S. and local companies.

C. PROJECT STATUS:

Major Outputs Expected:

- Eight seminars and workshops will be carried out by the Chamber with the participation of highly qualified international experts.
- The Chamber will produce a study identifying approximately six high-potential firms within selected industrial sectors, and facilitate rapid formation of joint and co-ventures between those firms and U.S. businesses.

Brief Overall Assessment of Activity

Budgeted:	Committed:	Expended:
\$125,000	\$ 0.00	\$ 0.00

The Chamber has already initiated the "Fast Track" project activity to encourage formation of joint or co-ventures between U.S. and local companies. Fast Track is a two-step program. First, the American Chamber will identify high-potential Uruguayan businesses in selected sectors that are willing to forge partnerships. Second, subject to the availability of additional funds, it will encourage and support them in finding U.S. partners. The Chamber has completed the first step.

For the public awareness component of the project, the Chamber is working to prepare a semi-annual workplan for the first semester of 1993. Among the topics which the Chamber will address are the following: (a) regulation of labor relations, (b) capital markets, (c) regulatory environment, (d) competitiveness in global markets, and (e) open markets and fair trade.

ANNEX 2

AID/URUGUAY-ARGENTINA STAFF

	<u>URUGUAY</u>	<u>ARGENTINA</u>	<u>FUNDING</u>
A.I.D. Representative	1*	-	OE
Sr. Project Officer (TI)	1	-	OE
Sr. Project Officer (DI)	1*	-	OE
Project Officer (TI)	1	2	Program
RTAC Project Manager	1	2	Program
Sr. Accountant/Management Officer	1	-	OE
Accountant	1	-	OE
Executive Secretary	1	1	OE/Pgm
Secretary	1	-	OE
Clerk/Chauffeur	1	-	OE
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* Spends half time on Argentina