

- 1'

PD-ABI-198
87343

**Project Assistance Completion Report
PRIVATE SECTOR INITIATIVES PROJECT**

Project Number: 596-0149 Grant

Funding:	Grant authorized LOP	\$3,732,000
	Grant obligated	\$3,717,551 ¹
	Grant expenditures	\$3,656,050
	Balance	\$ 61,501 ²

Counterpart contribution: \$279,423

Project Assistance Completion Date: Original 01/31/92, Amendment 06/30/93

Implementing Agency: Federation of Private Sector Enterprises of Central America and Panama (FEDEPRICAP)

Project Goal

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

Project Purpose

This project was designed to strengthen the Central American private sector's capacity to influence the direction of socioeconomic development in the region, and to increase the knowledge and participation of the private sector in fostering a more open regional economy and economic development.

¹ The funds were distributed as follows: a. FEDEPRICAP Agreement \$2,729,747; b. Institutional Contract \$582,151; c. Audit and Evaluation \$30,247; d. PSC Advisor \$364,880; and e. Support Services \$12,557.

² Based on most recent figures from AID/Guatemala

PROJECT OUTPUTS	PROJECTED	ACTUAL	PERCENTAGE
1. Policy Analysis Studies	60	51	85
2. Training Workshops	141	130	92
3. Mechanisms for more effective capital mobilization	20	20	100
4. Information and Referral network established	11	12	109
5. TA interventions in Institutional Technical and Administration Capacity	105	102	97
6. Short Term Training (persons)			
Male	2,665	1,985	91
Female	1,142	680	60

Background

FEDEPRICAP was organized on January 31, 1987, although its roots go back to 1972 when the entity was created as the "Federation of Private Entities of Central America", which embraced the summit representatives of the regional private sector.

FEDEPRICAP comprises 13 entities which represent the private sector of the Central American isthmus, including Belize and Panama. Each country is represented by both its summit private sector representative and a development organization.

Per its bylaws FEDEPRICAP should: a. promote and strengthen private enterprises actions; b. develop and defend the private sector's initiatives rights in their different definitions; c. strengthen the private economy's base and the image of free enterprise; d. promote regional economic and social development, focused on employment generation; d. actively participate in the economic integration process in representation of the organized private sector of the region; e. establish an effective system for exchanging information; and f. be the private sector's strategic body at a regional level.

On February 27, 1989 a Grant Agreement for US\$ 1.4 million was signed with FEDEPRICAP. The purpose of this Agreement was to support a three-year project to provide technical assistance and training to the private sector in Central America to develop greater cooperation in order to create the conditions necessary for economic growth and development.

At that time, FEDEPRICAP was seen as a regional private sector umbrella organization that provided technical assistance and training to its members and other private and public organizations involved in or associated with development. The project contemplated that FEDEPRICAP would offer four kinds of assistance to its members: a. policy analyses on specific issues related to transportation, finance, and trade and tariffs, focusing on both policy initiatives within the region; b. coordination and facilitation of negotiations of conflicts between and among productive sectors, labor and management and government and business on selected issues affecting regional development; c. coordination of the monitoring of activities relevant for business, commerce and trade with its member associations; and d. establishment of an information network and referral system on trade and investment, finance and credit, and transportation.

To help implement the Private Sector Initiatives Project, 596-0149, and provide strategic assistance to FEDEPRICAP, a U.S. consulting firm was contracted by ROCAP. The key considerations for this contract were: timeliness and quality of specialists provided for FEDEPRICAP's programs; and effectiveness of the guidance function. At the beginning of the Project, the institutional contractor was very helpful to FEDEPRICAP in organizing and implementing the Project, however in the later stages of implementation, the contractor's participation was weak.

On September 26, 1989 an amendment to the project was signed. The objective of this amendment was to provide additional resources (US\$80,000) to support expansion of FEDEPRICAP's work under the Project in improving the cargo transportation system in the region, and increasing the participation of women leaders in private sector-led development to organize them in their own countries and then establish regional federations, especially in trade and capital mobilization. This amendment allowed FEDEPRICAP to implement successfully several important activities. For example, it formulated both a strategic and detailed operation plan, conducted seminars and workshops addressing a range of economic issues, helped to negotiate agreements conducive to private sector development, played a key role in negotiating a reduction in shipping rates and took the lead at the regional level in promoting such capital mobilization strategies as debt for equity swaps and privatization.

In May 1992, a second amendment was signed with FEDEPRICAP. The amount of this amendment was US\$500,000. The purpose of this extension was to strengthen FEDEPRICAP's ability to carry out its mandate effectively, responding to a growing demand for its services. The specific areas included in this new amendment were: women in development, drugs, capital mobilization, trade, transportation and information systems. Some of the most important achievements of this amendment are: the creation of the Central American Exchange (BOLCEN), the program of Women Leaders (the basis for the organization of the Central American Association of Female Leaders were set forth and organizational support was given to the existing association), the creation of the Interinstitutional Coordination Committee (CACI) and the incorporation of the energy and telecommunication sectors as key elements for the development of the infrastructure. Even though the basis for the program of women leaders was

created, there was a lack of full support in the individual countries, thus making it difficult to reach the planned results for the activity.

Another amendment done in September 1992 established a new PACD for the project of June 30, 1993. In this new amendment the emphasis was on FEDEPRICAP obtaining greater sustainability by creating new financial sources. Moreover, it also clearly stated that FEDEPRICAP had to increase activities related with technology transfer and competitiveness in the Central American region.

Project Description

In order to assist in regional private sector development FEDEPRICAP focused on the following components: a. mounting efforts to regain and improve upon past initiatives for regional trade and economic integration and cooperation; b. designing solutions to transport bottlenecks; c. developing financial instruments to mobilize capital; and d. installing a comprehensive information and communication system for its affiliates.

Project Inputs

Following is a summary of the resources provided to implement the Private Sector Initiatives Project (PSI):

INPUT	EXECUTED BUDGET
FEDEPRICAP Personnel	1,129,476
Support Services	260,696
Admin/Operations	785,212
Training	533,019
Contingency	21,597
TOTAL	2,730,000

The counterpart requested from FEDEPRICAP for the activity was \$291,757 composed of three elements: Personnel, Support services and Operating expenses. The executed counterpart was \$279,423.

Constraints to Reaching Project Goals

A number of constraints existed to meeting project goals, ranging from strategic to administrative difficulties.

- FEDEPRICAP's planning system is rather weak both at a strategic and operating level. There was no consistency between the planned activities at an operating level and those undertaken by the member organizations at a strategic level.
- Not enough interest was generated in the member organizations to prompt the participation of all their representatives
- The implementation of programs and projects did not necessarily respond to the entity's objectives or only responded to particular rather than regional requirements.
- Low level of integration between the member groups and FEDEPRICAP. Some member organizations do not perceive there are any benefits to be gained from the actions adopted by the entity's central organization.
- Weak communication from the member organizations to FEDEPRICAP resulted in little incentive for institutionalization of member support services by FEDEPRICAP.
- Weak recognition from the institutions which have been organized to promote regional integration and by the participants who will make the process operative, (i.e. the highest entities which represent the private sector, the enterprise sector itself and the development organizations of each country).

Accomplishments

Overall, although the project did not reach all of the projected end-of project outputs, it did have a positive impact on insertion of the Central American region into international markets and also a greater participation of the private sector in regional decisions.

Central American Integration

- FEDEPRICAP strengthened its role as leader of the private sector at the regional level, by becoming the spokesman of the private sector, and increasing the level of participation of the private sector in the Central American economic cabinets meetings.

- At both an external and internal level, FEDEPRICAP is considered a critical factor for the insertion of the region into international markets. New and urgent problems requiring action at the regional level have been identified, and FEDEPRICAP assistance solicited.

Central American Financial Market

- The creation and organization of the Central American Exchange -BOLCEN- to fulfill the needs of a regional information system to be used by individuals or firms looking for investment in Central America.

Trade

- Seminars on copyrights were conducted within the context of the US and Central America free trade initiative. In 1993, the document "Copyright and Free Trade in Central America" was published.
- Included in the Priority Agenda for the meeting of Central American Economic Cabinets of March, 1992 was a proposal presented by FEDEPRICAP related to the reduction of trade barriers to the production and export of non-traditional products.

Training

- Organization of 37 training seminars/workshops at a regional level
- A regional Seminar on mobilization of capital was held and a book on "Mobilization of Capitals" was published. A proposal to establish a multilateral investment treaty was submitted to the Secretariat of the General Treaty of Central American Economic Integration (SIECA).
- FEDEPRICAP has been able to address many of the region's economic problems satisfactorily as the regional representative of private sector organizations. It has hosted numerous seminars or workshops on topics of critical interest, including debt-for equity swaps, privatization, transportation, export strategies, etc.

Project Evaluation/Monitoring

During the life of the project, two evaluations were done. The Interim Evaluation was done by Management & Business Associates (MBA) in May 1991 and the Final Evaluation was prepared by Price Waterhouse (PW) in August 1993. Both evaluations mentioned the importance of FEDEPRICAP as the umbrella organization of the private sector and the importance of the institution as the coordinator of its member organizations for the regional policy. The main problems that were found related to a lack of a planning system that allowed the institution to

set priorities and the need to focus on the activities that were consistent with its mandated goals and objectives.

During the life of the project, two audits were done. Deloitte and Ross did the first one covering the period Feb 27/89-June 30/90 and the final was prepared by Coopers & Lybrand covering April 1/92-March 31/93. In October 1993, the final audit report was sent to RIG/San Jose/Costa Rica; no major issues were detected in either audit.

On monitoring results, the project suffered from a lack of clarity of objectives and how to measure results. This resulted in FEDEPRICAP staff preparing studies and collecting information that was neither useful for the member organizations nor pertinent to measuring project impact. Member organizations received information from FEDEPRICAP that was interesting but not related to the real needs of the members and they also demanded from FEDEPRICAP assistance that sometimes was out of its mandates.

Recommendations and Lessons Learned

- The creation of FEDEPRICAP was the missing link between the public sector and the private sector. FEDEPRICAP became the umbrella institution for all the organizations that belong to the private sector. Since its creation FEDEPRICAP has been always present in all the regional events representing the private sector and has been its spokesman.
- As a regional integration strategic body, FEDEPRICAP is fully recognized at internal and external levels, but its centralized management with emphasis on the preparation of studies, articles and technical documents is not considered sufficient to satisfy the national agendas' needs nor to identify a regional model, that is shared, recognized and understood by all its members.
- FEDEPRICAP worked in the past to establish itself as a credible and viable organization through seminars, workshops and other similar activities, but they never focused in tasks that produced more tangible results for the regional private sector, particularly with respect to the elimination of obstacles to private sector development and productivity and the insertion of this sector into the new regional economy.
- The main problems that the institution must resolve in order to become fully representative of its sectors are:
 - FEDEPRICAP needs to undertake greater efforts to include its membership in its activities, and seek more sustained feedback; it should identify the strengths of its member associations, coordinating with them in seeking to meet common goals.
 - Weak planning and programming system that don't allow the institution to accomplish its mandated goals and objectives.

- **Weak link between the planning, budget and operating processes per program**
- **Management strategic planning only encompassed immediate and short term impact opportunities and demonstrated a lack of long-term strategic planning capability with FEDEPRICAP.**
- **The participation of the member organizations at a strategic and high direction level is still low.**
- **The sustainability of the institution at the end of USAID support.**

Project Assistance Completion Report
PRIVATE SECTOR INITIATIVES PROJECT

Drafted by:

OSPRIE:AVPocasangre:  Date: 3/21/94

Clearances:

OSPRIE:KDelaney: in draft Date: 2/11/94

C/OSPRIE:AVollbrecht: in draft Date: 2/14/94

CO:DWay: N/A Date: --

CONT:GByllesby: in draft Date: 2/24/94

PDSO:MKromhout:  Date: 3/21