

PD ART. 446
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ACTION MEMORANDUM TO THE DIRECTOR

DATE: September 21, 1994
FROM: ^{g.w.} Elizabeth Warfield, C/PDM
SUBJECT: Project Assistance Completion Report--Central American
Peace Scholarship Project (CAPS 596-0130)
THROUGH: ^{H. Arellano} Hilda Arellano, D/DIR

Attached is the PACR for the subject Project. All activities were completed at the time of the merger of USAID/Guatemala and ROCAP. Before the merger, ROCAP's Project and Program Development Office managed the Project. Thereafter, ODI (then ODDT) assumed responsibility for close-out of the Project, though no one in that Office had any involvement with its implementation. After some effort at identifying an appropriate person to draft the PACR, Claudia Rodas (now in the Executive Office) drafted the report, with Juan Carlos Araujo providing additional information. While this Report complies with Mission Order 3.2, the fact that the Project was closed-out during a transitional period limits the Mission's capacity to make a definitive assessment of the Project's impact/lessons learned.

It is recommended that you sign below thereby approving this Project Assistance Completion Report.


William Stacy Rhodes
Director

9/23/94
Date

1

PROJECT ASSISTANCE COMPLETION REPORT
USAID/ROCAP/GUATEMALA

CENTRAL AMERICAN PEACE SCHOLARSHIPS PROGRAM (CAPS)
Nos. 597-0001.4 - 596-0130

EXECUTIVE SUMMARY

The Caribbean and Latin American Scholarship Program (CLASP) was designed to respond directly to the dramatic increase in Soviet and Soviet block (including Cuban) scholarship activity in the LAC region over the past decade by providing U.S. scholarship opportunities to thousands of Caribbean and Latin American individuals. The CLASP consisted of two separate regional projects, a \$15 million LAC Regional project entitled the LAC Regional Training Initiatives II (LAC II) project and a \$146 million Central American Regional project entitled the Central American Peace Scholarships (CAPS) project.

Funds for the project were allocated from AID/W to USAID missions based on country training plans which were submitted at the beginning of the program and updated on an annual basis. The total funding for the CAPS project was originally \$146 million but was subsequently modified in March 1987 to \$170 million and was finally remodified in May 1989 to \$207.16 million. Of the total CAPS project \$207.16 million, the ROCAP mission was expected to receive \$6.898 million for the FY 85 - 89 timeframe.

The CAPS/ROCAP Scholarship Program was initiated in 1985 with the signature of two Grant Project Agreements: one dated August 6, 1985, between the Agency for International Development (A.I.D.) through the Regional Office for Central American Programs (ROCAP) and the Central American Institute for Business Administration (INCAE); and the second one dated September 11, 1985, between the Agency for International Development (A.I.D.) through the Regional Office for Central American Programs (ROCAP) and the Panamerican Agriculture School (ZAMORANO).

The project purpose was to increase the number of U.S. trained public and private sector individuals, especially the disadvantaged, at the planning, implementation, technical and administrative levels.

The project consisted of the financing of long and short term training in the United States, for approximately 100 Long term and 100 Short term selected public and private sector individuals from selected Central American countries including Belize and Panama, addressed to economic, social, or political development areas of concern, and with priority attention to long term leadership potential of the individuals selected.

Initial authorization of the Project called for a five year term and a US\$2,494,749.00 funding

- 2

level. Subsequent amendments extended the project for three additional years and increased total funding to US\$6,892,000.00. The project completion date was September 30, 1993. During the life of the project US\$6,781,552 in ROCAP resources were disbursed. This financing resulted in 678 recipients of short-term overseas training and 40 of long-term overseas training.

BACKGROUND

The Central American Peace Scholarships Program (CAPS) was a major scholarship initiative of the National Bipartisan Commission on Central America (NBCCA) and it was based on the recommendation made by the Kissinger commission in response to the increase in Soviet block scholarship activities in the LAC region over the past decade.

A.I.D.'s strategy in Central America for CAPS was institution building, technology transfer, and private sector development. Its particular focus was on upgrading skills of Central Americans, with emphasis on reaching females and economically/socially disadvantaged groups, and strengthen relationship between peoples of the U.S. and the region.

CAPS provided training to approximately 7,000 Peace scholars focusing on priority economic, social or political development needs of the region in such AID priority areas such as agriculture, health and nutrition, population, education and human resources development, science and technology, energy and the environment, institutions building and private sector development.

The funds provided through specific agreements financed long and short-term training for CAPS scholars as well as faculty staff training in the U.S. Follow-up activities for CAPS trainees were also programmed through such agreements.

The Central American Peace Scholarships Program (CAPS), ROCAP/Guatemala project 596-0130, was contracted through a Limited Scope Grant Agreement No. 597-0001-G-00-6003-00 and Cooperative Agreement No. 596-0130-A-00-9573-00. Main implementing institutions were the Central American Institute for Business Administration (INCAE) and the Agricultural Panamerican School (Zamorano).

PROJECT DESCRIPTION

The project was designed to train selected Central American rural leaders in technical and academic areas in Zamorano, INCAE and universities in the U.S. Emphasis was placed on reaching the socially and economically disadvantaged, emerging entrepreneurs who had had little or no exposure to U.S. business methods and products, individuals with exceptional leadership qualities and strengthening friendly relationships with the United States.

The long-term programs varied from six months to three years, including the areas of General Agriculture, Management Control Systems, Farm Machinery, Business Management,

Horticulture, and Animal Science. A technical long-term program was designed for agricultural teachers from Central American rural areas, and academic long-term programs were designed for students graduated from Zamorano.

Technical short-term programs (less than 6 months of training) were designed for cooperative managers and small business owners, agricultural teachers and public auditors.

English language training was provided to CAPS participants before they started their training programs.

PROGRAM OBJECTIVES

The three major objectives of this program were:

Developmental: To provide Latin American and Caribbean countries with the trained manpower to manage economic growth and development programs effectively.

Foreign Policy: To foster a favorable inclination toward democratic ideals, free enterprise and popular participation in the political process through close contact between participants and American citizens and institutions.

Economic: To acquaint LAC countries with U.S. export products, services and technologies and to develop closer mutually beneficial relationships between the U.S. private sector and the private sectors of LAC countries.

ACCOMPLISHMENTS

The CAPS/ROCAP program trained 718 Central American leaders as follows:

- 372 agricultural teachers from rural areas;
- 159 public auditors from the Controller's General Offices in each country;
- 137 Cooperative and Small Business Owners (PYME-COOP)
- 35 Zamorano graduates
- 10 Zamorano staff
- 5 INCAE staff

Approximately 60% of the total leaders trained were socially and economically disadvantaged and 28% were women. This program served more scholars than planned during the life of the project.

Among the three main groups that were trained under this project, the group of PYME-COOP (small entrepreneurs) has been the most active one. They have formed the "Fundacion Centroamericana PYME-COOP y Sector Informal" which is in the process of being legally registered as a private non-profit organization. This group has expressed its interest to keep on working together even after the financing through the project would be finished.

The second group, Public Auditors are mainly working in the governmental accounting organizations of their country; they held a seminar called "1o. Seminario Centroamericano de Auditores Publicos" which focused on ethics. Special guests for this seminar were the Deputy Controller for USAID/W and Controller's General Officers from each country of Central America. They presented a brief discussion about the importance of ethics on the job and mainly in the Central American Controller's General Offices as a whole. This group held several regional meetings with the main purpose of creating a regional association called "Asociacion de Ex-becarios del Programa de Fiscalizadores Publicos de las Organizaciones Superiores de Control Fiscal". Each group in each country is taking the necessary steps to register as an association in its own country with the objective of creating one regional association of public auditors. Regional association has been offered financial assistance from some international institutions, in order to update their knowledge through seminars conferences and workshops.

The third group was formed by agricultural teachers; they have been less active than the other groups. However, they held several workshops to share experiences and enrich their knowledge on themes of common interest for their specialty. Members of the group have had a strong commitment to maintain close communication on experiences gained on the job to enrich the group as a whole.

Major outputs of the program included:

- (1) 3 months average short-term technical training in Costa Rica and in the U.S. for 301 students.
- (2) 3 months average short-term technical training in Honduras and in the U.S. for 342 students.
- (3) 7 months average long-term technical training in Honduras and in the U.S. for 40 students.
- (4) 1.5 to 3 years long-term academic training in the U.S. for 35 students.
- (5) Regional follow-on seminars and workshops for short- and long-term participants.
- (6) Creation of two regional associations:
 - "Fundacion Centroamericana PYME-COOP y Sector Informal" and - "Asociacion de Ex-becarios del Programa de Fiscalizadores Publicos de las Organizaciones Superiores de Control Fiscal".
- (7) A newsletter published every two months, first, and then every three months, by a publishing firm. It had been distributed from 1988 to 1990 to all returnees, U.S.

Mission staff, and project-related contacts throughout the region and in the U.S.A.

It is important to note that several of the Central American countries expressed their interest in incorporating CAPS/ROCAP ex-participants into their national follow-on programs under the CLASP project.

AUDITS/EVALUATION

During the life of the CAPS/ROCAP project two financial management reviews and one audit were completed, two for INCAE (8/92 and 8/93) and one for ZAMORANO (8/90) schools. The audit was performed by Arthur Andersen and both financial reviews were performed by Price Waterhouse.

Both reviews produced several recommendations regarding the management systems of both institutions. They also disclosed questioned costs for both institutions.

The Price Waterhouse audit report on the project resulted in suspension of disbursements for the project for both institutions for more than a year until the questioned costs issues were settled.

Zamorano prepared all supporting documentation and presented it to PW for their review, this was settled soon after and disbursements to Zamorano were resumed after assurance of compliance by the mission. The only open audit recommendation remaining was the implementation of a new financial management system which was to be installed by June 1994. Follow-on responsibility for this certification will be done by the RENARM project (596-0150) since it will be the only active project with the mission at that time. The Grant agreement for Zamorano under this project terminated on 12/31/91.

On INCAE, the PW audit report was strongly objected, it disclosed \$1.1 million in questioned costs. Several communications were interchanged between ROCAP and INCAE out of which ROCAP accepted as valid \$824,216 and disallowed \$ 94,715 for which a bill for collection was made. The remaining \$236,855 were expected to be cleared after a review of overhead policy and a financial review was done by the mission.

Right after that INCAE went through a complete reorganization process including a complete "overhaul" of their financial management system, their CAPS coordinator also resigned. After all this, INCAE did not express much interest in resolving the problems raised by the PW audit report. ROCAP received letter from INCAE indicating the possibility to discontinue the management of the project for which the mission requested a final decision from their part. The mission agreed to contract at mission expense a financial analyst (Judith Cohen) for one year to be placed at INCAE's campus to help them resolve financial problems which arose from the project.

The issues with INCAE were not cleared during the active life of the project, the bill for

collection was never paid. Disbursements and several follow-on activities planned for the participant groups for FY 93 under the INCAE agreement were suspended due to this. INCAE's grant agreement terminated on 7/31/93.

After an Arthur Andersen audit (8/93), it was established that an overhead rate should be renegotiated by the Contracts Office. During FY 94 it was agreed that the Controllers office would perform a final review of INCAE's overhead methodology. It is expected that after this review is finished, amounts for overhead by year of the agreement will be recalculated. If recalculated amounts go beyond the INCAE agreement authorized LOP amount, the project will be closed since there is no authorization to increase the LOP and the project terminated on 9/30/93.

LESSONS LEARNED

Problems dealing with advance reimbursements would have been avoided if the criteria being used now was established at the time the project started.

Overhead methodology should be established from the beginning and certified by the mission soon after the startup of a project.

STATUS OF PROJECT

El Zamorano Agriculture School grant was closed on December 31, 1991 the Terminal Disbursement Date was due on September 30, 1992 without objections.

The INCAE grant finished on July 31, 1993 and Terminal Disbursement Date (TDD) was on June 30, 1994.

The CAPS project PACD was September 30, 1993 and the TDD was June 30, 1994.

Currently, the only pending issue is the financial management certification by the mission. Open recommendations for this grant include financial management certification, questioned costs and overhead rate methodology settlement.

1