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REPORT: ON CONSULTANCY TO ASSIST ROCAP
TO SUPPORT INSTITUTION-BUILDING OF VARIOUS
CENTRAL AMERICAN REGIONAL ORGANIZATIONS

Submitted to: J. Michael Deal, PPD

May 28, 1987

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REPORT ON CONSULTANCY TO ASSIST
ROCAP TO SUPPORT INSTITUTION-BUILDING
OF VARIOUS CENTRAL AMERICAN REGIONAL ORGANIZATIONS

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Introduction

The purpose of this consultancy was to help ROCAP review its role and strategy with regard to the strengthening of the regional institutions of Central America. This exercise focused on a number of institutions with which ROCAP now collaborates in various ways, and has implications for its work in the region on a wider scale. Although it was not specifically a part of this study, the issues discussed in this report appear to have implications for more general aspects of the role of ROCAP in the region, now and into the future.

The task was considered in two parts: first, the relationship of the development of regional institutions to ROCAP's work in Central America and Panama - i.e., extent to which ROCAP ought to consider the development of regional institutions to be an explicit goal for its work; and second, the more tactical question of how to work most effectively with those institutions, to strengthen and develop them, to the extent it is determined of value to do so.

The first section of the report discusses these strategic issues, while the second discusses the various options for implementing the strategic alternatives presented. Section three reviews the visits to six institutions and some of the feedback, ideas, and suggestions emerging from them. The fourth and last proposes some suggestions as a starting point for planning a potentially more effective strategy in dealing with the major regional institutions in Central America.

CHAPTER ONE

Strategy

Viewed from a strategic or managerial perspective, there are three potential rationales for regional programming of U.S. foreign assistance. While not mutually exclusive, each of these rationales has quite distinct and occasionally contradictory operational implications for project and program selection and for the relationships between the regional programming organization, its bilateral "equivalents" and the institutions served by its efforts.

The first and most frequent argument for regional efforts is the concept of "economies of scale" in the provision of high-priced development or administrative resources. This argument is particularly common in dealing with small economies such as those of Central America or with small aid programs, such as those found in much of Coastal West Africa.

The second major argument for regional programming is the existence of significant interdependency among the countries involved, and the desire to support or encourage additional cooperation among these countries. While at the extreme this argument relates to the issue of regional integration, it is often possible and reasonable to advocate increased cooperation in a variety of specific areas without any expectations or objectives concerning political or economic integration in the region, either in the short or the long run.

The third and least frequently employed argument for regional planning concerns the opportunities created by inherent differences in structure and mission between regional organizations and their bilateral counterparts. In particular, the somewhat greater insulation which such programs sometimes have from the immediate political exigencies of the recipient countries allows for the possibility of undertaking a kind of programming at the regional level which would be difficult or impossible to undertake through bilateral efforts. Applied or basic research, the analysis of politically sensitive development issues such as land reform, and longer-term establishment or strengthening of development institutions are examples of the type of activities in this category of assistance. Ironically, the pressure within most bureaucracies or governments to treat all operational units in the same way often mitigates against such differences and thereby increases the likelihood that regional organizations will be criticized as being duplicative of the approaches and programs undertaken by bilateral or national organizations, duplication perhaps resulting from external pressures to conform to the larger system.

In the absence of a clear and agreed upon policy relating to one or more of the above rationales for regional programming, efforts undertaken through a regional office or program run significant risk of being either duplicative of, or competitive with, the types of activities and services best carried out on a country-by-country basis through bilateral programming. While it is the case that the rationale for regional efforts could well differ from activity to activity, it is important to note that such variability increases considerably the complexity of the programming and decision-making process, and complicates the political justification of such activities.

A major portion of ROCAP's efforts focus on Central America's major regional institutions -- institutions which, in many ways, have relationships to national institutions analogous to the relationship between ROCAP and the USAIDs in the region. The current relationship between ROCAP and these regional institutions is a complex and eclectic one with historical as well as strategic underpinnings. In several cases ROCAP was instrumental in the creation of these institutions; many of ROCAP's projects are implemented through them; and various of ROCAP's projects have as their explicit purpose the expansion or strengthening of these regional organizations. Largely as a consequence of their analogous mission and constraints, ROCAP continues to be an important source of support to these institutions, just as these institutions continue to be central to ROCAP's role in the region.

ROCAP could (and does) implement regional projects without making use of regional institutions (just as A.I.D. could presumably administer regional efforts without ROCAP.) A decision to focus on strengthening regional institutions thus presumes a prior decision, not only that regional programs are worthwhile, but also that a particular institution or set of institutions are worth strengthening. Given these institutions' needs for long-term support by the national governments they serve, it is probably desirable that the determination of their value reflect the politics and preferences of these national entities and not merely a "needs assessment" or professional judgement of the regional organizations themselves.

The reasons governments might have for supporting regional institutions include the fact that these institutions often provide:

- * research of the highest caliber on areas of critical importance to the development of the region's agriculture and nutrition;
- * an opportunity for stable medium-term approaches to problems of the region which can continue amid temporary political and/or economic changes;

- * a politically acceptable and practical means for building cooperation among the countries of the region by providing access to world quality research and services which no one of these small countries would be able to afford on its own;
- * an efficient means of bringing to bear in a visible but relatively apolitical manner the best available U.S. technical expertise for the solution of the region's most pressing development problems.

It seems clear that the organizations surveyed generally are seen as producing work of high quality, work which is respected not only by people in the region, but also by the international professionals involved. It also seems clear that the products and services of these organizations are produced at a cost which in most cases is greater than the regional market can afford, "Cadillacs in a market of Chevys" as this issue came up in several conversations. A follow-up market survey of key products and services could be conducted and designed to surface the root causes for this issue, as well as possible solutions.

The communication facilities, technical equipment, salary scales, even the secretarial facilities in these organizations are of considerably higher quality than those found in most national institutions. One regional staff person rejected a suggestion to obtain work space in the offices of the related national ministry, in spite of the potential benefits (maintenance of a national presence, savings of overhead monies, improved contact), because he felt it would be difficult to work without the telex and other equipment he had become used to. The implication, of course, is that many of the national organizations do not have sufficient infrastructure to fulfill their commitments. But in most cases these are the very organizations which are depended on to carry forth the work of the regional organizations in their respective countries, according to many of the longer term plans.

Clearly, there are many advantages to having some institutions in the region which are less subject to the financial and political pressures that keep many national institutions from meeting the needs of their populations in ways they would like. The region needs and deserves high quality examination of its problems and opportunities, by the best people available. It is of incalculable benefit to keep high level people in the region, people who might go elsewhere if these kinds of opportunities did not exist in their fields. It is clearly valuable for some organizations to be insulated enough, financially and politically, from short term pressures, to step back and take a longer run view, and to generate a level of knowledge and activities which the region can grow into. There are implications, however, which ought to be fully considered if the approach is to have maximum utility.

1. If the institutions continue to produce products and services at a higher cost than the region can afford, it will be necessary to continue supporting those institutions on an ongoing and indefinite basis.
2. If the institutions maintain their independence, or at least insulation from the political pressures of the countries of the region, it will be difficult to count on the active priority support of the political representatives of these countries. It will be difficult to take funds and other resources away from areas which do reflect immediate pressures, for their longer term but perhaps less immediately urgent demands.
3. To the extent that these institutions maintain their distance from the sometimes severe limitations of the infrastructure of the individual countries, they may produce more, but may also limit the impact of what they do on the day-to-day life of the countries and people.

Regional institutions currently appear to have attracted limited contributions from the countries of the region. Evidence collected during this study suggests that the lack of tangible support for these institutions may in part reflect their failure to be responsive and to market their services in an active way. It also appears, however, as if the same insulation from immediate pressures which permits these institutions to exist as "centers of excellence" may contribute to the difficulty in maintaining ongoing financial support from individual governments. Finally, the current scarcity of hard currencies which the region is experiencing may make some member governments question the genuineness of their financial obligations, vis-a-vis the regional institutions. For all of these reasons, the willingness of governments to agree to make financial contributions may represent an inadequate basis for determining these institutions' potential contribution to the region's economic and political development, or even their long-term importance to the individual countries.

Certain ROCAP projects have treated regional institutions essentially as "contractors" able to carry out one or another specific development project on a regional basis. Other ROCAP projects have had as their stated or implicit objective the augmentation of the general "capacity" of these institutions, or the establishment of new regional programs to be carried out by these institutions on an ongoing basis after the completion of "the project." While these two objectives are often consistent with one another, in practice they frequently conflict with one another and can create what appear to be ambivalent or inconsistent positions on the part of ROCAP in dealing with these institutions. One approach leads to treating the institution as a "vendor" while the other entails dealing with it as a "partner", developing a common vision for the future of the organization (and the region), with the

investment of resources on both sides viewed in terms of their contribution to realizing that long-term hope.

Most individuals in ROCAP and the regional institutions suggest a position somewhere between the two extremes whereby the contribution by these institutions to meeting immediate development needs and the strengthening of their capacity to meet future needs are jointly considered in designing and implementing specific "projects." This apparent agreement, however, masks considerable differences between projects, individuals and institutions on the most appropriate priority and strategy for long term strengthening of regional institutions.

In those cases where increased regional cooperation is fundamental to the rationale for regional programming and/or when the product or service provided by "the project" is to be continued on a regional basis after the project is over, there appears to be a strong case for A.I.D. working directly through regional institutions. Where no such needs exist, regional institutions should be considered along with other options in terms of their relative cost-effectiveness in producing products or services required by the project. However, even in such cases, it is important to consider the consequences of these projects for the longer term capacity of the institutions involved, since each of these institutions contributes, to some degree, to the development of the region.

As is the case that certain regional institutions are currently or potentially important to the region's long-term development, it is also the case that ROCAP, by virtue of being one of their principal "clients," is in a unique position to strengthen these institutions. And, just as Moliere's Monsieur Jourdain noted when he said, "I never realized I was speaking prose!", much of what ROCAP has done and is doing with regional institutions can be regarded as institutional strengthening. It is nevertheless appropriate, given the importance of this task to ROCAP's raison d'être and to the region, to consider ways in which these institutional development efforts can be enhanced and improved.

CHAPTER TWO

Options for Institutional Development

The previous chapter discussed the possible "whys" of regional programming and regional institutions and concluded that the strengthening of regional institutions may have a central role in ROCAP's mission. This chapter describes four possible approaches to carrying out such institutional strengthening efforts along with the pros and cons of each of these approaches.

The options discussed in this chapter are presented in order of their congruence with ROCAP's current programming modes. The first option entails minimal changes to the project approach commonly used by the Mission, although it might well entail some change in the ways these projects are planned, the items included in them, the institutions through which they are conducted, and the way they are monitored and evaluated. The fourth option, the other end of the continuum, suggests a brokering role infrequently played by ROCAP or the rest of A.I.D. It is perhaps noteworthy, although of only minor substantive importance, that any of the suggested modes can be "projectized," although only the first (and, to a lesser extent, the second) of these modes is routinely regarded as a "project." More important are the differing implications of these modes for the nature of the dialogue between ROCAP and the institution assisted, and for the uses of funds, deliverables and length of the commitment involved.

ROCAP may wish to employ one of these options in dealing with certain institutions and another option in dealing with others; the Mission may even choose to employ more than one option with the same institution. While there is considerable value in such flexibility, those planning ROCAP's strategy should be aware that the more diverse this strategy, the less likely it will be fully understood without explanation by the regional institutions involved or by others trying to understand ROCAP's role.

OPTION ONE: Design and Implement Conventional Projects with an Eye to Institutional Development

While virtually all projects produce activities and results which serve to broaden and deepen the institution's experience and knowledge, this factor is dependent on the institution's capacity to integrate the new knowledge and experience into its ongoing operations. This integration might come about through project people becoming part of the institution's core staff, core staff people participating in project activities, or extensive exposure of people at the institution to the work of the project (e.g., through publications, presentations, or informal meetings, etc.). In some cases these benefits can be expanded by including such dissemination or

integration activities explicitly in the project plan. This would fit most easily in cases where institutional strengthening was sanctioned as a specific project objective, such as in the Integrated Pest Management Project with the Tropical Agricultural Research and Training Center (CATIE) in Costa Rica.

In some cases the capacity of institutions to benefit from projects in this way has been affected by the relative size of its core operations in relation to its project activities. In those cases where the institution's core operations are small relative to the magnitude of project activities, there may be much potential for institutional learning through project activities but very little institutional capacity to absorb it. There may be little flexibility to take on new staff, limited capacity of the small core staff which does exist to learn all the new areas, and/or little time to participate in a large part of what is occurring. In many cases, notably A.I.D. itself, institutions have lessened the effect of this problem through rehiring the same people under personal services contracts for a series of projects.

There appear to be areas where some specific elements of project design can make these projects of lesser or greater value to the support of the implementing institution. The inclusion of needed equipment and facilities is an obvious area of institutional interest. All the organizations to one extent or another had their shopping lists ready with needed capital outlays for facilities or equipment necessary for project activities which they could not afford through their current budgets. This is certainly a direct way in which ROCAP can continue to support these organizations.

The length of project grants was mentioned in several cases as an important factor influencing the institutional impact of projects. For some institutions, the issue isn't only the long term availability of funds but also the ability to plan its work over a longer run. For this reason longer arrangements may be much more useful to an organization than a series of shorter activities.

There are two keys to employing this method of institutional strengthening. First, as is often currently being done, project designers and implementors should be encouraged or required to consider how the institution is supposed to (or likely to be) different after the project than it was before the project. Every decision (including seemingly minor technical ones) should then be made keeping in mind its effect on the desired or feared institutional effects.

The second key to this approach is collaboration. Although, in this model, ROCAP continues to be more a "buyer" than a "donor" or a "partner", approaching the transaction with either of the latter two frames of mind contributes substantially to the probability that those opportunities which do present themselves for strengthening the institution will be identified and acted upon.

OPTION TWO: Design and Implement Institutional Development Projects

In this option, institutional change or improvement is the explicit purpose of a project or sub-project. Several examples of this approach can be cited: the current ROCAP project with the Central American Bank for Economic Integration (CABEI), headquartered in Tegucigalpa, Honduras; the Export Development Project with the Central American Institute for Business Administration (INCAE), located in Costa Rica; and the Higher Education effort with CATIE, also in Costa Rica. In such projects, longer-term institutional strengthening or growth are regarded as primary strategies for maximizing the flow of development benefits over time rather than as "by-products" of efforts to deliver specific benefits in the short-run.

Institutional development projects may or may not include specific "deliverables" to be produced by the institution as part of the project. Typically they do. Where they are specified in the project design, these products and services are regarded during the project period, however, more as indicators of institutional performance and capability than as products being purchased with donor funds. The real pay-off is expected to be in the longer run performance by the institution after the project is over.

Critical to this approach is an initial agreement between ROCAP and a given regional institution concerning the institution's mission and medium-term objectives, and the role ROCAP could most usefully play in assisting the organization in achieving those objectives. Undertaken more in the spirit of "partnership" than in the buyer/seller arrangement, this relationship assumes clear agreement about the capacity to be created and the expected means of maintaining that capacity in the post project period. This approach particularly benefits from the use of collaborative approaches to project design, implementation and evaluation.

Genuine institutional change normally requires new skills and habits as well as new policies, procedures and facilities. Such change rarely takes place during the relatively brief implementation period of most development projects, thereby provoking the comment that "we often try to solve 20-year problems with 5-year plans, 3-year projects, 2-year experts and one-year appropriations". While this comment may exaggerate the proportions of the problems, effective institutional development efforts are rarely completed within a normal three to five-year project period, and often fail to be fully institutionalized as a result.

Because institutional development objectives are frequently difficult to specify with precision, there is a natural tendency to "retreat" to concrete products or deliverables as the measures of project performance. Experience suggests, however, that the institutional impact of projects tends to be much enhanced by specifying

such objectives explicitly and, where appropriate, featuring them as the purpose of donor assisted projects.

Bilateral USAIDs are, for obvious reasons, unlikely to undertake such projects on behalf of regional institutions. This presents ROCAP with a potentially unique opportunity to be of service. Given the implications of such a commitment, however, it is essential that ROCAP take on such projects only when its commitment to the particular organization involved is substantial, and when that organization's substantive mission is particularly congruent with A.I.D.'s development objectives in that region.

OPTION THREE: Provide Core Support Funding

If it is true that the products and services produced by the regional institutions are unlikely to sustain themselves on a commercial basis or on the basis of subscriptions from member governments, there will continue to be significant shortfalls in these institutions' core budget financing. Moreover, to the extent that an organization's major administrative and technical functions are sustained by short term projects and the overhead recovered on these projects, financial stability will continue to be elusive and regional organizations will continue to be forced to adjust their size and operations to the vagaries of their current project portfolios. Stabilizing and increasing core budget funding thus makes a substantial contribution to these organizations' institutional strengths and capacity for self-determination.

Core budget support could take place in the form of funds for specific institutional support such as equipment, training, or salaries, or in the form of unearmarked subventions to the budgets of selected institutions. Although specific policy or operational changes are the usual quid pro quo for such assistance, core budget funding usually involves provision of funds (or products, or services) directly to the organization without any required "outputs". These resources allow the organization to build up its core management and/or activities, i.e., those which are not tied to specific project activities. Because of the nature of such assistance, it is usually rendered in perpetuity or over an extended period of time. It is predicated on the concept of "donor/recipient" but has the virtue that assisted organizations usually come to regard and manage donor resources as if they were their own, particularly if they are provided in this open-ended manner. Examples of recipients of unrestricted core support include the seventeen international agricultural research centers around the world including the International Center for Tropical Agriculture (CIAT) in Cali, Colombia, and the International Center for the Improvement of Maize and Wheat (CIMMYT) in Chapingo, Mexico.

Generally, A.I.D. missions are less enthusiastic about supporting organizational infrastructures (i.e., recurrent costs) and more inclined to provide resources for specific activities which are outside the organization's basic administration. In this way, the existence of an organization's basic administrative structure is not dependent on (sometimes volatile) A.I.D. funding. FVA/PVC funding to PVOs and S&T support to regional research institutions are obvious exceptions to A.I.D.'s general reluctance to involve itself in this form of organizational support, and the terminology used by FVA/PVC in describing its various assistance modes might accordingly be instructive. The major forms of grant assistance include:

Operational Program Grants (OPGs) including co-financing and umbrella grant arrangements, enable A.I.D. to support institutional development in conjunction with specific field projects.

Matching Grants give greater programming flexibility to recipients in recognition of their share of program costs.

Partnership Grants are awarded to promote program integration within a jointly agreed, longer-term planning framework. Similar to Matching Grants, these grants provide A.I.D. funds for up to 50 percent of programming costs. Other principal features include five year (rather than three year) project authorization, and optional "buy in" provisions whereby Mission-financed activities can be incorporated within this centrally-funded framework.

In addition, Specific Support Grants are given to organizations for:

- o Individual program support - conferences, special training, small-scale demonstrations, etc.;
- o Institutional development - support of a specific program for expansion or strengthening of an organization;
- o Program development - support of core staff, travel, or other needs of the grantee in developing new programs;
- o Program support - support of a broad-scale program usually in more than one country or region-wide; and
- o Collaborative research support program grants (CRSP) to provide program support for multi-institutional collaborative research.

OPTION FOUR: Help Organizations to Identify and Attract
Core Budget Support

Given A.I.D.'s predisposition to see itself as a "donor", it has placed relatively little attention on ways in which it might best serve as a broker helping to identify and leverage the core budget resources needed by regional organizations to sustain and enhance their basic operations. While somewhat unusual for A.I.D., and of a different nature from the three previous options for institutional strengthening, this fourth approach nevertheless may constitute a particularly promising institutional development strategy for ROCAP in specific cases.

One possible application of this approach would involve support that makes a given institution more attractive to other donor organizations, for projects or perhaps ongoing support. Some of the direct project support which ROCAP has provided has served institutions in this way. ROCAP projects have provided facilities, equipment, reputation, high level staff, and other benefits which have helped in many cases to get these same institutions other project or core budget support.

Aside from the more traditional fund raising activities (e.g., through the usual international donor agencies), the activities of some of these institutions seem to suggest possibilities for more commercial sources of ongoing support. Many of the regional organizations have the capacity to produce, and/or already produce projects and services with clear economic value to private businesses, governments, and other types of organizations. In some cases, the institutions have obtained revenues from sales of these products and services. It seems likely that more could be done along these lines. A market survey suggested earlier in this report should be undertaken before any significant efforts are made in this direction.

The institutions vary significantly in their interest and receptivity towards this commercial approach to raising funds. At one end of the continuum is the Central American Research Institute for Industry (ICAITI) in Guatemala City, already receiving 10-15% of its income (according to its acting director) from the sale of services to private businesses and government, and apparently very interested in pursuing this direction. Officials of this organization find it very comparable and easy to speak of market analysis, fixed cost recovery, and pricing policies as potentially important areas of study and planning. Administrative people at the Nutrition Institution for Central America and Panama (INCAP) also in Guatemala City, on the other hand, express concern about what an increased commercial focus might do to the real purpose of their organization.

INCAP has expressed strong interest in a foundation or endowment approach to ensuring its ongoing financial stability, perhaps along the lines of INCAE. Should commercial activities such as Incaparina be used to support the institution's long run stability, administrators feel strongly that these activities be as separate as possible from the day-to-day operations of the institution.

CATIE seems somewhere in the middle, perhaps nudged a bit toward the more commercial end of the spectrum by a severe financial crisis. INCAE has seemed to find ways to balance the market mechanism with project and foundation support. Though, like the others, its products and services seem too high priced for the region, and therefore in need of some kind of ongoing support to continue its offerings at current cost levels, INCAE seems to have begun with a strong market orientation, as well as important outside support. Since its crisis in the early 1980's, it has enjoyed a more stable financial condition than most of the other institutions.

While this institutional support might be made even more valuable to the organizations, as is discussed ahead more fully, the main point is that in some cases this support could be made more flexible and productive, and with a greater awareness and explicit understanding of the need for future ongoing support.

CHAPTER THREE

Review of Regional Institutions

Five institutions were visited: INCAP and ICAITI in Guatemala, INCAE and CATIE in Costa Rica, and CABEI in Honduras. Visits to each institution were for about a day each and were not intended as any kind of comprehensive review of the institution or its ROCAP funded activities.

For the purpose of examining some contextual issues, visits were also made to the Interamerican Institute for Agricultural Cooperation (IICA) in Costa Rica and the Secretariat for Central American Integration (SIECA) in Guatemala and a team of nutrition experts visiting INCAP from the University of Michigan was interviewed. Time was also spent with ROCAP staff, throughout the process to obtain their perspectives concerning institutions, projects and relationships and to explore the various ideas and possibilities which were emerging from this work on an ongoing basis.

This part of the report will focus on the five or six principal institutions visited (including SIECA), and what their current relationships might suggest for ROCAP's future efforts at developing these and other institutions.

The purpose of the visits was to collect data on the institutions, their views of their own strengths and weaknesses, their relationship with ROCAP, and areas in which ROCAP might be more supportive in the strengthening of their organizations. This latter area involved the beginnings of an analysis of ROCAP's current efforts, and some discussion of possible changes which might make ROCAP a more effective contributor to the strengthening of those institutions. This data is intended to assist ROCAP in being more aware of institutional development factors in all of its activities with these institutions, and in particular to be in a better position to plan more explicit and direct institutional development interventions, where that seems warranted.

Using one practical model of institutional development as a guide, the strengths and weaknesses of the institutions were considered in four areas: 1) strategy/financial planning; 2) administration; 3) technical competence; and 4) communication. Strategy/Financial Planning concerns the capacity of the institution to lay out a clear long-term purpose and sense of direction and a realistic plan for achieving it. Administration refers to the systems and procedures used by the organization for getting its work done. Technical Competence deals with the knowledge and ability, individual and group, to understand and address tasks in the organization's technical domain. Finally, Communications deals with the nature of the institution's links or interfaces with the rest of its environment.

Although it is risky to arrive at definitive conclusions on the basis of limited data, some clear initial impressions did come through. The Strategy/Financial Planning area has been perhaps the weakest area of institutional capacity for most of the organizations. Most tended to have core budgets which were small and undependable, particularly in relationship to the institutions' total activities; and some of the institutions tend to lack clear organizational purpose and clear, realistic plans for bringing about longer term goals, particularly in the financial area. Time constraints prohibited study of the institutions' administrative systems in any detail; however, a matrix identifying administrative weaknesses of institutions supported by ROCAP was generated at the Institutional Strengthening Workshop recently conducted by INCAE (see Annex 3). ROCAP staff's own views of the administrative capabilities of the institutions suggests a sense of unevenness in administrative performance. If this is an area of on-going concern to ROCAP, an administrative needs assessment study should be conducted.

The institutions have generally strong reputations in their respective areas of Technical Competence. They have numerous people with national and international notoriety in their respective fields. This view is supported by the limited data gathered in this exercise. Communication is the second area of apparent weakness, particularly regarding outreach, marketing, and promotion activities in the region as a whole. Generally it appears that most of the organizations do not devote as much effort to disseminating and applying the results of their investigations as they do to producing those results. Two weaker areas of institutional capacity Strategy/Financial Planning and Communication, are focused on in the Recommendations section of this report.

The nature of the data collected on each institution was of necessity somewhat different. In some cases it was not possible to speak with official spokespersons. Some institutions focused more on their material needs, others on their relationship with ROCAP. In addition, some see themselves as recipients and some primarily as (at least potential) earners of financial support. Immediate concerns dominated the discussions in some cases. In others it was possible to consider longer run issues. It was nevertheless deemed useful to summarize the results of each of these visits, and these summaries are presented in the following pages. In each instance, an attempt was made to highlight those issues which seem most central and critical to the system as a whole.

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION (CABEI)

Background

The Central American Bank for Economic Integration (CABEI) was created on December 13, 1960. The Bank was organized to promote the unified economic development of its member countries. Headquartered in Tegucigalpa, Honduras, CABEI has branch offices in each member country. Executive direction is provided by an Assembly of Governors, a Board of Directors and a President. It currently has 435 employees, 50 of whom are involved in evaluating and monitoring project activities. Historically, CABEI has accounted for 20% of the external financing flowing into the region, 13% of the public sector investment within the region and approximately 5% of region-wide investment. In 1983, the year of peak commitment, CABEI had \$1.7 billion in loans in 935 projects.

Findings

The visit to CABEI was short but useful. CABEI is presently involved in implementing a large ROCAP project (\$50 million) which has recently been initiated. According to those involved (bank and ROCAP staff) the project is moving along well. Three areas cited as potential constraints are: 1) The limited leverage of ROCAP and those implementing the project at the bank to address personnel issues related to current inefficiencies. This involves a number of excess personnel in some areas of the bank's operation. This issue was explained mainly as a function of the regional political nature of the bank. 2) Issues related to the role of Nicaragua as a member of the region in certain bank activities, in the face of U.S. policy prohibiting direct assistance to this country. 3) Some difficulties for the bank in meeting certain conditions, particularly involving the raising of required concessional funds and/or additional extra-regional members of the bank. It was felt that these areas would not ultimately pose any real risk to the full implementation of the project.

Another condition precedent, U.S. insistence on member countries being up-to-date on arrearages in quota payments, seems to have caused those payments to occur. This was mentioned as a particular support to addressing the bank's fiscal problems, in addition to the direct contributions of the project. Insistence on the cancellation of arrearages as a condition for U.S. contributions is perhaps an example of a way to leverage U.S. funds in this type of situation. It is not likely to represent a change, however, in the priority of those payments (or the institutions' activities) for the countries over the long run.

CABEI has been involved in a comprehensive reorganization. Reorganization committee members interviewed expressed awareness of the need to streamline the bank's operations and create more flexible responses to the changing conditions of the region. These activities began before ROCAP's project with CABEI, and continue in conjunction with the institutional development portion of the project's activities. This portion of the project represents one of the few explicit inclusions of institutional strengthening as a project objective. As such it may have some significance as precedent for future activities, if ROCAP decides to move toward more direct institution building through project activities.

There was a clear sense among those interviewed that the project was a very important intervention for the bank and addressed important aspects of what is needed to bolster the organization and help it into the export area. Most of the suggestions and proposals for addition collaboration with ROCAP involved the bank's potential role with the other regional organizations as the financial organ of the system. Much of the discussion focused on two areas which represent present areas of felt needs, but not necessarily priority needs or interests. Activities which it was felt might offer useful contributions to regional efforts included:

- 1) Further technical and financial assistance to foster dissemination of the results of research. As mentioned in other parts of this report, one of the potential areas of improvement with these organizations is in the area of outreach and promotion. Further technical cooperation is needed to promote the dissemination of the results of the work of CATIE, INCAP, ICAITI and perhaps others to encourage exploitation by governments, private business, and other organizations.
- 2) Forums sponsored by CABEI involving the regional organizations, particularly those involved with research and development activities. It would be an opportunity to share current activities and plans, and perhaps explore possibilities, particularly for financial collaboration in developing follow-up activities. It was suggested that in addition to the regional organizations and the bank, such forums might be useful settings for other potential donor or financing organizations (including perhaps bilateral A.I.D. missions), relevant national organizations, and perhaps private investors.

CENTRAL AMERICAN INSTITUTE FOR BUSINESS ADMINISTRATION (INCAE)

Background

INCAE is a privately-supported graduate school of business administration founded in 1964 by the Central American business community, the Agency for International Development, and Harvard University's Graduate School of Business in response to the region's need for skilled private and public sector managers. The institution strives to raise the quality of management education, to improve managerial competence, to encourage private and public sector support for regional integration, to conduct research on management practices and problems in the Central American region, and to stimulate discussion on, and help to find solutions for, the economic problems facing the countries of the region.

INCAE currently offers a two-year Master's Degree program, and Advanced Management program, short-term seminars, and management consulting services for industries and governments in the Central American region and in neighboring South American countries. Although initially founded to serve the private sector, INCAE has also focused on generic management programs to serve the public sector as well.

Although initially located in Nicaragua, INCAE felt the need at the beginning of the 1980's to establish an alternative campus in Costa Rica for its regional activities. This led to a separation of INCAE's operations into those of INCAE Nicaragua and INCAE International. INCAE is governed by a nine-member Board of Directors consisting of one representative from each of the Central American countries, Panama, Ecuador, the President of the Board, and the Rector. INCAE is supported by tuition fees, donations from the private sector, and grants, loans and contracts from international agencies.

Findings

INCAE has recently been the recipient of a large ROCAP project with a strong institutional development component in the area of export promotion. In addition to the specific activities of the project, it supports the addition of office facilities and equipment, the training of INCAE staff, and the development of training materials (primarily cases), all of which are designed to enable the institution to continue offering training in this area after project completion. Also, through the promotion and scholarship activities of the project, INCAE is developing a reputation in a new and important area of private sector management. INCAE staff expressed a good deal of satisfaction with the project and with ROCAP support in general. They consider this support to be an important factor in the organization's success and financial stability.

The most significant areas of institutional weakness cited by INCAE staff who were interviewed were: 1) difficulty in ensuring ongoing stable funding for its activities over the long run and 2) some thinness at senior levels of faculty and staff, making turnover a strategic issue. ROCAP support is considered very helpful in both areas. The current five year project term is described as useful in helping to make it possible to plan over that length of time, as opposed to a shorter project life. Also, the current doctoral support for INCAE faculty is considered responsive to the need to develop more senior people. Interest expressed focused more on keeping up these approaches than on new directions.

In spite of strong financial support from a number of sources, and apparent success in marketing its programs, it seems that INCAE still requires external support for ongoing financial stability. Fortunately, they have developed an effective endowment program, supported by outside contributions as well as surpluses from some of their work outside the region.

As is perhaps true for many regional institutions, INCAE is intended to be a high quality institution, providing top-of-the-line management development to the region. Its facilities are extensive, and its faculty and staff are highly credentialed individuals who can (and do) work in similar institutions anywhere in the world. Products and services from such an institution carry a high cost, perhaps too high for the region to bear on its own on an ongoing basis. Therefore, it has been important for INCAE to identify potential sources of core funding as a part of its long-term planning, which it has done. The same issue would seem to apply to other regional institutions, as well as to specific projects such as the project to promote Non-Traditional Agricultural Exports which needs follow-on activities by national organizations.

Another area of discussion with INCAE was its possible role in supporting other regional organizations. Since its crisis in the early 1980's, it has become one of the stronger institutions of the region. It is private, as opposed to some others with primarily government boards, and it has support from outside the region. Its foundation has become a major source of support, and other organizations, INCAP in particular, have expressed interest in exploring this model for improving financial stability. It was suggested that INCAE might be a catalyst for exploring this alternative in other settings. The other area discussed has to do with the commercialization of products and services from research institutions. This would appear to be an area of possible INCAE help, though any role for INCAE should not exclude other sources of expertise, particularly individuals with knowledge of relevant technical areas and U.S. markets. Care must be taken in expanding INCAE's role in the region. On the one hand, it is important for Central Americans to be seen and to see themselves as solving their own problems; on the other, it is important to bear in mind the very real dangers of stretching INCAE too thin.

NUTRITION INSTITUTE FOR CENTRAL AMERICA AND PANAMA (INCAP)

Background

Established in 1946 by the six countries of the region, INCAP functions as a technical organization to carry out research and advisory services in the field of nutrition. It operates in close cooperation with the Pan American Health Organization (PAHO) and the World Health Organization (WHO).

Its current fields of action include:

1. Studying the food and nutritional problems of the area.
2. Searching for solutions to these problems.
3. Collaborating with the member countries in developing plans to solve food and nutrition problems.
4. Cooperation in the implementation of these plans.
5. Education and training in food and nutrition.

Food problems in the region relate to:

1. Availability of food.
2. Food Consumption.
3. Biological utilization of food by individuals and disease interactions affecting utilization.

INCAP seeks to speed up the transfer of technology on these problems and its application in the region. Studies are carried out on the nutritional status of the population and on interventions which will improve their nutritional status. Alternative approaches to dealing with nutritional problems are analyzed, such as land distribution, food fortification, complementary feeding, assistance to small farmers, and improving rural income generation opportunities.

Findings

The INCAP visit had two parts - a long interview with the director, and a meeting with the heads of the various departments. It was suggested by the director that, while INCAP's relationship with PAHO gives it some ongoing sense of financial stability, the organization has depended significantly on ROCAP support for many of its project activities. INCAP also receives support from other international organizations, as well as a small amount in royalties from some of its patents, products and services.

INCAP has a strong technical reputation. Staff express a solid sense of dedication to its role in the region, an apprehension of an over-commercialization of its products and services, and concern over its longer term financial stability.

INCAP had a rather complete presentation available on its most pressing needs. Those included: 1) training, particularly longer term degree training for its core staff, or those who might become core staff (present ROCAP-funded training is limited to personnel in project areas); 2) more modern laboratory equipment in a number of priority areas; 3) help in organizing an ongoing mechanism which would help insure financial stability over the long term (something along the lines of INCAE's foundation seems to be on people's minds) and 4) help with management development. There is great enthusiasm for the foundation idea as a way out of the financial dilemma, but no clear sense as yet about where the supporting funds might be found.

INCAP's staff expressed concern about the high proportion of its income which comes from project sources, and the effect this has on the long-run stability and strength of the organization. It (like most of the other organizations) would like donor funds which are less tied to specific projects' outputs and goals. They are very interested in any assistance and support which ROCAP might be able to provide along these lines. INCAP now has a full-time person exploring the raising of funds. This person could be a focal point for any assistance in this area.

INCAP has already had some experience with commercial (or semi-commercial) spin-offs from its work, with Incaparina being perhaps the clearest example. While they have had inquiries from commercial sources regarding other products or potential products, there is considerable skepticism at INCAP about the potential value of any of their products or services to the commercial world, as well as some concern about what increased emphasis in this area might do to the basic mission of the organization. There is also concern about the ability of these technical people to function effectively in a more commercial context, a concern which is supported by some experience. Research centers around the world, founded as technical organizations for social service, have grappled with this dilemma over the last three decades. From their experience, it is clear that INCAP's fears are not unfounded. Perhaps the case is best made by the book In Search of Excellence, which points out that virtually every academic study has concluded that unchannelled diversification is a losing proposition. The odds for excellent performance seem strongly to favor those companies that stay reasonably close to businesses they know. And research institutions, by definition, know very little about commercial ventures.

INCAP maintains a number of activities which expose people of the region to its work. These include a range of training programs and tutorials, as well as a number of publications. It is difficult to explore fully an area of this complexity in a short visit, but from the interviews conducted, it would appear that these outreach efforts include no systematic effort at dissemination and adoption of specific products or technologies developed at INCAP. There also seemed to be no comprehensive data on the impact of INCAP's work on the region or the extent to which any new technologies have been

adopted in the different countries. An impact study designed to measure the degree to which information disseminated by ROCAP has actually been applied would be useful to have.

THE CENTRAL AMERICAN RESEARCH INSTITUTE FOR INDUSTRY (ICAITI)

Background

The Central American Research Institute for Industry (ICAITI), founded in July, 1955, is an independent institution chartered as a non-profit organization. It began operations in Guatemala City in January, 1956. ICAITI's main objectives and purposes are to:

- a. conduct studies on production, preparation and use of raw materials with the aim of discovering or proposing new products, methods of manufacture, or uses.
- b. undertake studies of existing producer enterprises with the aim of resolving technical problems.
- c. cooperate with various offices of the governments of Central America, universities and technical organizations.

ICAITI's management is headed by a Board of Directors composed of the five Central American Ministers of Economy. The Institution's Director is nominated by the Board of Directors and is responsible for the direction, organization and administration of the Institute.

Findings

In some ways ICAITI represents the other extreme from INCAP with respect to regional research and development. The staff, and the acting director in particular, seem very comfortable with the notions of marketability, pricing, cost-recovery, etc. ICAITI reports 10-15% of its income as coming from the sale of services to industry and government. It is very aware of having no parent organization (e.g., IICA or PAHC) to guarantee an ongoing base of support. This seems to cause an acute need which on occasion paralyzes its potential proactive and more assertive nature. ICAITI pursues funded projects from ROCAP and others, generally in whatever areas are available.

ICAITI expresses strong interest in developing and acting on its own sense of direction for the future, perhaps in a more focused way than it currently does. It feels, however, that it is unable to do so due to: a) its extreme dependence on external funds (and its resulting constant state of uncertainty); and b) the varying funding priorities of ROCAP and other donor organizations, which do not often seem to coincide with ICAITI's own direction or perceived priorities, or those of its local clients. The result seems to be an

organization spread very thin with little opportunity to institutionalize the results of projects. Limited staff security, stability, or loyalty are among the other liabilities of this situation.

It seems clear (to the staff and others) that ICAITI needs to develop a more focused direction that would build the organization's capacity and reputation in clearly defined areas. Such concentration would make more likely the transfer of project staff from ending projects to new ones, and might even make more likely some kind of less specifically defined program funding in its area of expertise. It seems difficult to imagine how ROCAP can support this process through its projects without somehow re-conceiving these projects as parts of a more comprehensive strategy for assisting ICAITI's development as an organization.

As stated, ICAITI has a stronger commercial orientation than some of the other organizations and this may be valuable to its increased stability. While operational funds are normally restricted in one way or another, funds resulting from sales of products or services almost always come with no strings. ICAITI expresses interest in some assistance to strengthen the business side of its operation, as well as some help with structuring the organization in ways which maintain the balance between commercial viability and its commitment to regional development.

Help with more traditional fundraising might also be in order. The institution has apparently received assistance in more general aspects of strategic planning, so it may seem redundant to suggest it once again. But the need is there.

TROPICAL AGRICULTURAL RESEARCH AND TRAINING CENTER (CATIE)

Background

CATIE is a non-profit, scientific and educational organization which promotes research, training and technical cooperation in:

- o Agriculture
- o Livestock, and
- o Forestry

It focuses on the problems of tropical agriculture in Central America and the Caribbean and was created in 1973 by the Government of Costa Rica and IICA. The following countries have since joined CATIE: Panama, Nicaragua, Honduras, Guatemala, and the Dominican Republic.

CATIE carries out investigations in:

- o Animal production.
- o Vegetable production.
- o Renewal resources (forestry, agroforestry, and watersheds).

It has post-graduate training programs in these fields in Turrialba, Costa Rica as well as training programs in the cooperating countries. It provides technical assistance to member countries and, in turn, receives technical and financial support from donor organizations throughout the world.

Findings

A number of regional organizations related to ROCAP have experienced problems in financial management as they developed self-sufficiency. At times these problems have reached crisis proportions. CATIE has been experiencing a serious financial crisis which has caused some strain in its relationship with ROCAP. Some of the problems seem related to the project funding mechanism itself.

The basic structural problem seems to be a very small organizational foundation supporting a large amount of project activity. Aside from the longer run issues related to any organization's limited absorptive capacity to develop as a result of the fragmentation produced by a series of strictly project activities, some problematic financial implications to this arrangement also exist. Concerning this last point, it appears that overhead is provided with each project in varying percentages. Since the institution begins with insufficient basic infrastructure, overhead funds are necessary to contribute toward the core budget of the organization in addition to project demands. Therefore, projects are sought to provide much needed overhead, but it has been difficult for CATIE to really catch up. ROCAP and CATIE have recognized this problem and CATIE has prepared a 10-year strategy for focusing on this issue. However, the matter is still far from resolved. One possible analogy is found in INCAP which has a standard overhead rate, based on actual overhead expenditures, which is applied across the board to all projects.

In addition A.I.D., and some other donor organizations, make a contradictory assumption that the organization ought to contribute funds to the "joint effort" in the spirit of equity and fairness. This leads to a need for counterpart funds or services which can add to the draining effect of projects on a (particularly fragile) organizational base. Add to this situation the difficulties of Central American governments in paying the membership quotas due largely to the scarcity of hard currencies in the region, and what results is a situation of gradual depletion which exacerbates the problems currently experienced by CATIE.

This very specific situation raises some important strategic issues for ROCAP. The most obvious perhaps is how important it is to ROCAP to help put things back in order, relative to what might be required to do so. The ROCAP project manager made what was interpreted as a very stern statement to the board about the relationship of continued ROCAP support to member governments' own financial commitment. While some on the CATIE staff were grateful for the support, others seemed to feel threatened.

This situation underlines the need for a more uniform and practical system for determining the institutions' overhead rates - perhaps a coefficient approach, similar to that used by U.S. consulting firms or universities that work with USAID. In any case, the basic structural problem for CATIE remains the relatively small size of its core budget, in spite of the one million dollars a year CATIE receives from IICA, its parent organization.

On the more technical side, CATIE seems capable of high quality work in researching new products and technologies to improve agriculture in the region. The research, at least in the situations observed, seemed well focused toward the realities of the ultimate client groups. What is missing is a systematic approach for getting those results to the people who would implement them on a wide scale, although the higher education program funded through a ROCAP project, represents a step in that direction.

CATIE expresses interest in developing more income centers, including exploring the commercial value of its work. It currently sells some products from its farm. While these sales could perhaps be increased with more management attention to the business aspects of this endeavor, the potential for large scale direct sales seems limited. The greater potential would appear to lie in spin-offs and services related to CATIE's high level technical work.

SECRETARIAT FOR CENTRAL AMERICA INTEGRATION (SIECA)

Background

SIECA was created in 1960 by the General Treaty of Central American Economic Integration. It supervises the application of the General Treaty and other treaties on trade and economic integration among Central American countries.

SIECA is the executive agency to carry out the decisions of the Economic Council formed by the five Ministers of Economy. This Council seeks to promote integrated economic development and to strengthen the Central American Common Market. SIECA arranges meetings and forums within the Central American integration program.

It also provides technical assistance to member countries on integration matters and represents the region in international meetings.

Findings

SIECA was visited primarily as an important center for regional approaches and the regional perspective, to help provide a current context for the regional institutions and ROCAP's support of them. There has been much talk in recent years, particularly among people from outside the region, concerning the poor state of regionalism in all its forms in Central America. Since ROCAP was formed initially to work with and support the Central American Common Market, the current state of economic integration and regionalism is sometimes seen as relevant to ROCAP's role. In this context it seemed important to obtain some current perceptions from the institution which is considered the technical arm of the CACM. While SIECA is also a grantee of ROCAP (albeit a very minor one) in conjunction with ICAITI, this role was not the focus of the discussion in this case.

A conversation with SIECA's Director contradicts the impression of the demise of regionalism in Central America. Much as with the group interview at CABEI, regionalism comes through as strong and actively espoused. Despite the war in some parts of the region and hostile rhetoric from time to time among some of the region's leaders, SIECA's Director suggests that the meetings and discussions go on, many in the SIECA office. As further proof, it was cited that International meetings often have only one spokesperson for all of Central America. In addition, the Central American Parliament continues to move ahead. On a day to day basis, according to a number of those interviewed, even Nicaraguans (in many cases the same people as before the change in government) are very much a part of regional meetings and activities even though these individuals are excluded from any activities which are supported by U.S. funds.

CHAPTER FOUR

Conclusions & Recommendations

Aside from strategic issues involving ROCAP's role, the two most consistent needs for institutional strengthening evidenced by the study were: 1) viability - the capacity to maintain a core budget of sufficient magnitude to provide stability and the ability to absorb and institutionalize the results of donor funded project activities; and 2) relevance - the capacity to promote the dissemination and use of research discoveries or services, especially in areas of high potential applicability.

Viability

A high dependence on project funding carries with it some important disadvantages for these organizations, particularly those concerned with basic or applied research. Large portions of the organizations become transient as projects end and new ones begin. Often the most important potential learning leaves the organization with the departure of the project staff. Sometimes individuals are transferred to other projects, particularly when organizations manage projects in similar content areas.

Occasionally, individual project positions are covered by the organization's core budgets, but there is rarely sufficient flexible funds to do this on a large scale. Even the institutions' administrative activities, because of their dependence in part on overhead from projects, become seriously affected by the ebb and flow of projects to the institution. These destabilizing financial repercussions are greater to the extent that institutions depend on one funding source, but could be less if those single-sourced funds were divided among a number of projects, ideally with staggered dates of termination.

Sometimes a vicious cycle develops where organizations are constantly pursuing and accepting any available projects to keep up their level of activity, and in so doing, the organization never gets control of where they want to go and how to get there. Much time is spent seeking new funding and insufficient attention is given to the development of inner direction and plan. Perhaps most important, it is difficult for the organizations to take the initiative for long-range planning in such a dependent and unstable mode of operation. A major conclusion of this report is that, even in the normal course of doing business as usual, paying attention to institutional implications can maximize the institutional benefits and minimize the institutional costs of implementation of development projects by the regional institutions.

The regional institutions reviewed are widely considered to produce high quality products and services which, although generally considered of great value to the region, are often too costly for the governments and other beneficiaries of the region to fully finance. By implication, a decision to encourage applied and operations research thus carries with it the need for some kind of subsidies on an ongoing basis. This is not really unique to Central America. If one can draw an analogous situation in the U.S., it would be hard to refute the statement that the research carried out by the National Institutes of Health (NIH) is of great value to the people of the State of Illinois. However, if NIH had to count on allocations by Illinois for its subsistence, it is difficult to imagine a thriving NIH.

Relevance

The primary business of research organizations is developing new products and technologies. Though theoretically they have responsibility for making those technologies and services available to the countries of the region, this does not appear to be a major aspect of their operation in any systematic way. There are training programs and publications which affect sometimes significant but generally limited numbers of people in the region, but the large-scale dissemination and application of clearly beneficial results seems elusive.

Such dissemination is a difficult task in all but the most dramatic of technological break-throughs. Any large-scale outreach must depend to a great degree on national organizations which may be underfunded, overextended, and necessarily responsive to national political priorities. It is noteworthy and perhaps symptomatic, however, that most regional organizations did not even have data on the ultimate impact of their work, and little if any on the adoption and dissemination of new technologies and/or products by intermediary organizations.

The distinction between project and broader-based program funding, initially thought to be important for formulating specific approaches, now seems unimportant in a strategic sense. At present, the work of ROCAP with these organizations is managed administratively through a project format, though some of this work is of wider scope than what might normally be considered a single project, and many current activities include significant institutional development components. The objective of several of these projects includes the creation of functioning programs at those institutions which can continue over the long term. It would seem that the question of format (e.g., project versus program) is less important than such operational issues as the length of time for which funds are provided and the purposes for which they are allocated.

The most important strategic distinction would appear to be a support for the achievement of some objectives over a finite period of time, versus ongoing support, earmarked or not, which the organization can consider a regular part of its core budget, such as IICA's contribution to CATIE or PAHO's contribution to INCAP. It is important for ROCAP to consider the extent of its commitment, to any client organization or program area, and the implications of the length of its commitment, and the earmarking of its funds, on its overall goals for the institution.

Recommendations

Three other types of interventions ROCAP might consider to enhance the institutional effects of its project efforts include providing, as part of ongoing projects: 1) technical assistance directly to an institution for the purpose of strengthening it as an institution, outside of any specific project outputs; 2) loan or grant funds to the institutions for the purpose of funding the development or improvement of key core services; and/or 3) loan or grant funds to the institutions themselves or to others for the purpose of promoting the use of the products and services of the regional institutions.

Several specific and immediate suggestions for enhancing the institutional impact of ROCAP's programs are discussed briefly in the following paragraphs.

1. Take Specific Actions to Enhance Institutional Impact of ROCAP Projects.

- a. Include explicit attention to institutional impact in all future projects with regional institutions. It would be important to conduct a frank assessment with grantees, of where the institution is likely to be at the close of a project or program. If the objective of the project is to produce a self-sufficient program, will the organization really be in a position to run it at the close of the project period? If the project is only to produce a product or service, what will the effect of that work be on the organizational systems and capacity? Might in some cases the organization actually be worse off at the close of a project period than it had been before? These plans should be tracked and monitored by ROCAP and the organizations and continued for as long as the goals of both are served in this way.
- b. Focus institution building projects on areas with greatest capacity to become financially viable or attract outside support. Much of the institution building which has occurred to this point has been oriented to gradual institutional development (e.g., Export Promotion at INCAE

and Higher Education at CATIE). It is suggested that support be linked even more directly to specific plans for longer term financial stability. Possibilities for this type of assistance should emerge from the previously proposed strategic and business planning process. Such a process might involve coordination with other donor agencies, particularly those willing to assume ongoing support of an institution under certain conditions, and in certain cases ROCAP could perhaps help the recipient institution fulfill such conditions. For example, having certain administrative infrastructure, faculty skills or types of equipment might make an institution eligible for certain grants or special commercial opportunities. The idea is to create a list of possible ROCAP inputs with likely long run impact, and to use projects as opportunities to provide these inputs.

2. Encourage Dissemination and Use of Products and Services of the Regional Organizations.

- a. Place greater emphasis on impact in project design and evaluation. Each grantee organization ought to have data on end-users of the products and services it has developed and proposes to develop. As a minimum, information on where and how such dissemination and training are occurring should be collected, even if full data is not available on ultimate use and benefits. ROCAP could insist on such data for specific projects and could also provide funds to establish such a monitoring system. This data collection should itself be regarded as a form of outreach. In cases where an organization appropriate for research is not appropriate for outreach and follow-up, another organization should be brought in for this purpose and involved from the beginning. The main point is that in every case it ought to be clear from the outset what is intended to happen to the results of any developmental work and by what means that is to occur.

Monitoring and evaluation plans should include explicit statements of intended project impact, how it is to occur, and how it will be measured. Such statements will also provide important feedback on the design of the project itself. Should it be longer term or shorter term, a single project or a program with multiple efforts in a broader direction? Can it focus only on external activities or does it need also to address the administration of the base organization? Can the grantee organization do it alone, or does it need a partner or subcontractor to ensure success? In short, what is necessary to ensure not only the production of products or outputs but to make highly probable its intended impact on the region? Respective national organizations should also

be considered carefully in this process, which might also offer another opportunity for collaboration with bilateral Missions.

- b. Encourage greater collaboration in the planning process. The way to ensure that appropriate organizations follow-up on the work of the regional institutions is to involve them up front in the determination of what is done. These groups might include national government representatives, national research and implementation organizations, and perhaps the bilateral A.I.D. missions, so as to make more likely coordination between work at regional and national levels.

This kind of coordination will be helped by some a priori understandings regarding the most effective sharing of responsibilities among ROCAP and the bilateral Missions. This process implies acceptance by the bilateral Missions and Washington, of a differentiated role of ROCAP. It also implies flexibility on ROCAP's part to respond to the varying demands of the region in carrying out this role. This kind of a process is likely to generate more support for the work of the regional organizations (and ROCAP) from many quarters. Greater collaboration provides a sense of involvement and ownership of the planning process, good data on real needs and priorities, and increased flexibility to respond.

- c. Establish a special loan fund, organization or set of procedures for promoting commercialization and widespread dissemination of new products or technologies. ROCAP support for the application of research results could be promoted through a series of symposia, which CABEI has already expressed interest in conducting, which would be focused around the regional organizations sharing their activities, discoveries, and perhaps proposals. They might also include other donor organizations, including bilateral A.I.D. missions.

3. Select Key Institutions for Intensive Institutional Development Assistance.

- a. Provide technical assistance for strategic and financial planning and for fund raising. This ought to include both exploration of more traditional funding sources such as international donor agencies, foundations, bilateral support, etc., and a more commercial approach, beginning with a thorough commercial analysis of the products and services of each institution, including potential spin-offs from current work. The strategic planning process will help each institution to develop data on its current and potential impact and viability and to utilize

the data in a way which is most consistent with its own goals and norms. The emphasis of all of these efforts would be building ongoing core budget support.

- b. Re-negotiate with member countries regarding amount and regularity of contributions. It is expected that issues for discussion would include: 1) possible changes in the amount of the contributions; 2) guidelines concerning possible sanctions in case of arrearages; 3) prospects for increased institutional support by A.I.D.; 4) review of the planning process to explore ways that the work of the regional institutions might become a higher priority to the member states; and 5) exploration of the possibility of extra-regional membership. It is intended that such discussions produce understandings which are genuinely accepted by all parties. Involvement of the respective bilateral Missions in these discussions might be useful for future planning and the exploration of some collaboration regarding financial support in specific cases. There may be times when a sense of ROCAP in the background with high levels of uncommitted funds may get in the way of an organization or its board feeling the full impact of a potential crisis. ROCAP's limited flexibility in responding quickly to priorities of the institutions may also negatively affect the institution's sense of ownership of its own situation. Perhaps it is no accident that several regional organizations really came into their own only after near terminal crisis experiences.
- c. Explore the feasibility of providing long term core financing to selected institutions. As a result of applying some of the principles and criteria discussed in the first part of this report, it should be possible to select certain regional institutions which ROCAP has a major interest in supporting, beyond their immediate role in project implementation. Whereas other organizations might be candidates for projects and would be evaluated on the basis of their capacity to carry them out, "core" institutions would be involved in ROCAP activities with a view toward two objectives: their capacity to carry out specific project tasks and the potential value of that activity to their long run strength as institutions.

These "core" organizations should probably be selected on the basis of their long run viability, their overall capacity and potential in A.I.D. project areas, and the congruence of the organization's Mission with A.I.D.'s long term goals for the region.

Plans would be developed between ROCAP and these organizations based on some joint vision of where the organization needs to move and how it might move there.

There would have to be real agreement on these issues for this approach to work. If there isn't, the organization could still be eligible to carry out A.I.D. projects, which could strengthen it. The "core" organizations would be evaluated along the lines of the institutional development grid from the INCAE workshop and plans would be formulated accordingly.

Next Steps: Marshalling A.I.D. Assistance

Many of the actions suggested in this report are already being undertaken to some extent by ROCAP. Should ROCAP wish to intensify its institutional strengthening efforts along the lines suggested in this report, several additional actions would appear to represent good places to begin. These actions include the following:

1. Adopting an explicit strategy for institutional strengthening in the new CDSS.
2. Requiring that future Project Papers include an "Institutional Impact Statement" detailing the probable effects of the project on the institution that implements it.
3. Selecting one or more regional institutions with which to initiate a longer-term partnership arrangement, and developing a shared set of understandings with that institution and its Board concerning the institution's goals and the nature of ROCAP's assistance.
4. Continuing to emphasize outreach and impact in all discussions with regional institutions, and assisting institutions to develop plans, monitoring systems, outreach strategies and evaluative exercises that focus on increasing the demand for, and utilization of, their services.
5. Providing technical assistance to one or two interested institutions in conducting strategic and/or financial planning exercises.
6. Assisting and encouraging those regional institutions currently experiencing difficulty in reaching their quotas to renegotiate agreements with member countries to which all parties are truly committed.
7. Continuing to be experimental concerning alternative means of institutional strengthening, and assessing from time to time the relative effectiveness of the various approaches employed.

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Ing. Salvador Samayoa Jefe de la Division de Edicion
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Lic. Mario Santos Jefe de la Division de Control,
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Lic. Luis F. Vettorazzi Gerente Administrativo y
Financiero (ausente)

IICA

Fernando Suariz de Castro Asesor del Director General Para
Asuntos Especiales

INCAE

Dr. John Ickis Academic Director

Dr. Nicolas Marin Coordinator, Finance Area,
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INCAE - continued

Dr. Roger Quant	Coordinator, Human Resources, Component I
Dr. Noel Ramirez	Academic Director
Ivan Saballos	Director, Export Management Program
Dr. Noel Vidaurre	Liaison Officer, ROCAP-INCAE

INCAP

Dr. Luis Octavio Angel	Director
Lic. Maria Ernestina Ardon	Coordinadora de Formacion y Desarrollo de Recursos Humanos
Dr. Ricardo Bressani	Jefe de Division de Ciencias Agricolas y Jefe de Coordinacion de Investigacion
Lic. Salomon Cohen	Jefe de Unidad de Planificacion y Desarrollo
Dr. Hernan Delgado	Jefe de Division de Nutricion y Salud
Dr. Arnulfo Noguera	Director en Funciones y Jefe de Cooperacion Tecnica
Lic. Omer Robles	Jefe Division de Administracion

SIECA

Lic. Raul Sierra Franco	Secretario General
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ROCAP/Guatemala

Elena Brineman	General Development Officer (PDO)
Michael Deal	Program & Project Development Officer (PPD)
Carl Duisberg	Reg. Energy Advisor
Joe Hill	Controller

ROCAP/Guatemala - continued

Joe Kelly	CAPS Coordinator
Michael Lofstrom	Project Development Officer (PDO)
Nadine Plaster	Director
James Riley	Asst. General Development Officer (GDO)
William Schoux	Deputy Director
Gordon Straub	Regional Agricultural Development Officer (RADO)
Robert Van Horn	Reg. Commodity Management Officer (RCMO)
Anne Walsh	Asst. Director for Management

BRIEFING ON STRATEGIC OPTIONS FOR ROCAP'S RELATIONSHIP
TO REGIONAL INSTITUTIONS IN CENTRAL AMERICA
(May 18, 1987)

I. SUPPORT FOR REGIONAL INSTITUTIONS

- o Rationale for Regional Programming
 - economies of scale
 - regional cooperation
 - flexibility
- o Regional Action Regional Institutions
 - importance of regional cooperation rationale
 - desire to continue services at regional level after project
- o Need for Assessment on Case-by-Case Basis

II. MAJOR PROBLEMS OF C.A. REGIONAL INSTITUTIONS

- viability {
 - o Need for Ongoing Subsidy
 - o Lack of Stable Core Budget Support
- relevance {
 - o Special Problems Created by Project Financing
 - o Inadequate Outreach and Extension Efforts
 - o Lack of Evidence of Strong Political and Financial Support from Governments of the Region

III. ALTERNATIVE APPROACHES TO INSTITUTIONAL STRENGTHENING

- o Option One: Conventional Projects with an Eye to Institutional Impact (Buyer)
- o Option Two: Institutional Development Projects (Partner)
- o Option Three: Core Budget Support (Donor)
- o Option Four: Assistance in Identifying Core Budget Support (Broker)

IV. RECOMMENDATIONS

- o Take Specific Actions to Enhance Institutional Impact of ROCAP Projects
 - include explicit attention to institutional impact in all future projects with regional institutions
 - focus institution building projects on areas with greatest capacity to become financially viable or attract outside support.

IV. RECOMMENDATIONS - continued

- o Encourage Dissemination and Use of Products and Services of Regional Institutions
 - place greater emphasis on impact in project design and evaluation
 - encourage greater collaboration in the planning process
 - establish a special fund, organization or set of procedures for promoting commercialization and widespread dissemination of new products or technologies.

- o Select Key Institutions for Intensive Institutional Development Assistance
 - provide TA for strategic and financial planning and for fund raising
 - re-negotiate agreements with member countries regarding amount and regularity of contributions
 - explore the feasibility of providing long term core financing to selected institutions

CONSOLIDATED TOCAP ANALYSIS

INSTITUTIONAL WEAKNESSES OF REGIONAL ORGANIZATIONS

1. Member Country Quota Payment Arrears
2. Lack of Long-Term Sustainability of Project Activities
3. Limited time spent in field & poor intra-regional communications in general.
4. Research is too academic and not problem-oriented
5. Insufficient counterpart funding
6. Lack of an active board of directors
7. Overdependence on AID as a funding source (over 25% of project activities).
8. Internal organizational difficulties (poor definition of roles, internal communication, delegation of authority, secretarial support).
9. Lack of an endowment and active institutional development office
10. Need for greater public relations efforts
11. Need to broaden representation on board of directors to include related sectors and sister organizations outside the region.
12. Unawareness or misunderstanding on part of bilateral USAIDs
13. Varying country needs and planning
14. Lack of clear definition of institution's role
15. Lack of strong links to the private sector
16. Lack of strong technical networks with universities and international research institutes.
17. Lack of adequate scholarship fund
18. Institutional scope limited given realities of Central America

	Z A M O R A N O						C A T I E						I N C A P						I N C A E						I C A																										
	Z	A	M	O	R	A	N	O	C	A	T	I	E	I	N	C	A	P	I	N	C	A	E	I	C	A	Z	A	M	O	R	A	N	O	C	A	T	I	E	I	N	C	A	P	I	N	C	A	E	I	C
1. Member Country Quota Payment Arrears	-	X	X	X	NA	NA	X	-	H	M	M	-	-	L	-	Y	Y	Y	-	-	N	-	Y	Y	Y	-	-	N	-	Y	Y	Y	-	-	N	-	Y	Y	Y	-	-	N	-	Y	Y	Y	-	-	N		
2. Lack of Long-Term Sustainability of Project Activities	-	X	X	-	-	-	X	-	H	H	-	H	-	M	-	Y	Y	-	Y	-	N	-	Y	Y	-	Y	-	N	-	Y	Y	Y	-	-	N	-	Y	Y	Y	-	-	N	-	Y	Y	Y	-	-	N		
3. Limited time spent in field & poor intra-regional communications in general.	-	X	X	-	-	-	X	-	L	-	-	-	-	M	-	Y	-	-	-	-	N	-	Y	-	-	-	-	N	-	Y	-	-	-	-	N	-	Y	-	-	-	-	N	-	Y	-	-	-	-	N		
4. Research is too academic and not problem-oriented	-	X	X	X	NA	NA	-	-	M	M	M	-	-	-	-	N	Y	Y	-	-	-	-	N	Y	Y	-	-	-	-	N	Y	Y	-	-	-	-	N	Y	Y	-	-	-	-	N	Y	Y	-	-	-		
5. Insufficient counterpart funding	-	X	-	-	-	-	X	-	H	-	-	-	-	M	-	Y	-	-	-	-	N	-	Y	-	-	-	-	N	-	Y	-	-	-	-	N	-	Y	-	-	-	-	N	-	Y	-	-	-	-	N		
6. Lack of an active board of directors	-	X	X	-	-	-	-	-	M	H	-	-	-	-	-	Y	Y	-	-	-	-	-	Y	Y	-	-	-	-	-	Y	Y	Y	Y	N	N	-	Y	Y	Y	Y	N	N									
7. Overdependence on AID as a funding source (over 25% of project activities).	-	X	X	X	X	X	X	-	H	H	H	H	-	L	-	Y	Y	Y	Y	N	N	-	Y	Y	Y	Y	N	N	-	Y	Y	Y	Y	N	N	-	Y	Y	Y	Y	N	N									
8. Internal organizational difficulties (poor definition of roles, internal communication, delegation of authority, secretarial support).	-	-	X	-	-	X	-	-	H	H	M	L	H	-	-	Y	Y	Y	-	N	-	-	Y	Y	Y	-	N	-	-	Y	Y	Y	-	N	-	-	Y	Y	Y	-	N	-									
9. Lack of an endowment and active institutional development office	-	X	X	X	-	-	X	-	H	H	H	-	-	L	-	Y	Y	Y	-	-	N	-	Y	Y	Y	-	-	N	-	Y	Y	Y	-	-	N	-	Y	Y	Y	-	-	N									
10. Need for greater public relations efforts	-	X	X	X	-	X	X	-	H	H	M	-	M	M	-	Y	Y	Y	-	Y	N	-	Y	Y	Y	-	Y	N	-	Y	Y	Y	-	Y	N	-	Y	Y	Y	-	Y	N									
11. Need to broaden representation on board of directors to include related sectors and sister organizations outside the region.	-	X	X	X	-	X	-	-	H	H	L	-	H	-	-	Y	Y	Y	-	Y	-	-	Y	Y	Y	-	Y	-	-	Y	Y	Y	-	Y	-	-	Y	Y	Y	-	Y	-									
12. Unawareness or misunderstanding on part of bilateral USAIDs	-	X	X	X	-	X	X	-	L	H	H	H	H	H	-	N	Y	Y	Y	Y	Y	-	N	Y	Y	Y	Y	Y	-	N	Y	Y	Y	Y	Y	-	N	Y	Y	Y	Y	Y									
13. Varying country needs and planning	-	X	-	-	-	-	X	-	M	-	-	-	-	H	-	N	-	-	-	-	N	-	N	-	-	-	-	N	-	N	-	-	-	-	N	-	N	-	-	-	-	N									
14. Lack of clear definition of institution's role	-	X	X	-	-	-	-	-	H	H	-	-	-	-	-	Y	Y	-	-	-	-	-	Y	Y	-	-	-	-	-	Y	Y	-	-	-	-	-	Y	Y	-	-	-	-									
15. Lack of strong links to the private sector	-	X	X	-	-	X	X	-	H	?	-	-	H	H	-	Y	?	-	-	Y	N	-	Y	?	-	-	Y	N	-	Y	?	-	-	Y	N	-	Y	?	-	-	Y	N									
16. Lack of strong technical networks with universities and international research institutes.	-	X	X	X	X	NA	X	-	L	?	L	L	-	M	-	N	?	Y	Y	-	Y	-	N	?	Y	Y	-	Y	-	N	?	Y	Y	-	Y	-	N	?	Y	Y	-	Y									
17. Lack of adequate scholarship fund	X	X	NA	X	X	NA	X	M	M	L	L	L	-	L	Y	N	Y	Y	Y	-	N	Y	N	Y	Y	Y	-	N	Y	N	Y	Y	Y	-	N	Y	N	Y	Y	Y	-	N									
18. Institutional scope limited given realities of Central America	X	-	-	-	X	-	-	M	-	-	-	?	-	-	Y	-	-	-	Y	-	-	Y	-	-	-	Y	-	-	Y	-	-	-	Y	-	-	Y	-	-	-	Y	-	-									