

AIRGRAM

DEPARTMENT OF STATE

Proj. 5270067.4
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For each address check one ACTIO

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TO - AID/W
PD-AAB-381-E1

TO AID A 17

1977 MAR 17 PM 3 ¹³²¹

FROM - LIMA
E.O. 11652: N/A
SUBJECT - Completion Report - Project 527-11-690-067.4

DATE SENT
MARCH 14, 1977

REFERENCE "Escuela de Administración de Negocios para Graduados"
(ESAN Phase-Out Grant)

Per the Mission's Evaluation Plan contained in its FY 1978 Annual Budget Submission, transmitted with this airgram are two copies of the Mission's Completion Report for subject grant. The report covers the period of AID's grant since its inception in June of 1972 to the present time. Although the project's Final Contribution Date is June 20, 1977, nearly all of the project's activities have been completed. There remains only a small amount of residual activity and funds for activities currently underway. All project funds are expected to be disbursed by the FCD.

DEAN *[Signature]*

beginning of report

Attachments: 2

Att sent to LA - 3-21-77

PAGE 1 OF 1 PAGES

DRAFTED BY <i>LFM</i>	OFFICE <i>[Signature]</i>	PHONE NO. 151	DATE 3/8/77	APPROVED BY: <i>[Signature]</i>
PRM: LFMacary/HRD: OBojas				Actg. D: LYaeger

AID AND OTHER CLEARANCES
PRM: GFGower (in draft)
HRD: BHeyman (in draft)

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PERU

COMPLETION REPORT

"Escuela de Administración de Negocios para Graduados"
(ESAN Phase-Out Grant)

I. INTRODUCTION

AID's assistance to ESAN under the project consisted of a "phase-out" or Block Grant, provided in one tranche directly to the grantee. Due to the special nature of the grant, the project was not developed according to conventional A.I.D. design format, and no PROP exists for the project. The primary documentation prepared on the project was the Project Agreement signed on June 23, 1972. (On April 28, 1975 the original ProAg was amended -- Amendment One -- to extend the project's Final Contribution Date to June 20, 1977.) Almost all of the planned project activities have been completed and a current small balance of funds for ESAN participants (faculty) presently in the U.S. for training will be expended by the June 20 Final Contribution Date.

II. PROJECT FINANCIAL DATA

The total of AID's contribution to the ESAN Phase-Out Grant amounted to \$240,000 which was obligated in the Project Agreement signed on June 23, 1972. This amount was made available directly to ESAN and apportioned according to the following categories (rounded to nearest \$100):

Instructional Development	\$ 42,100
Faculty Training	140,000
Cooperative Research	3,400
Short-Term Professional Development	24,000
Library Expansion	25,000
New Technology for Education	800
Operational Costs	4,700
	<u>\$240,000</u>

III. PROJECT PURPOSE

The purpose of the AID phase-out grant as stated in the Project Agreement, dated June 23, 1972, was "to foster the continued development and improvement of ESAN programs through the strengthening of existing and establishment of new long-term collaborative ties with U.S. institutions with specialization in business administration with the goal of making these mutually beneficial ties continuing in nature and self-sustaining financially..." The ultimate objective was to strengthen ESAN's viability and reputation as a center for graduate education and training in business administration.

IV. BACKGROUND

The Graduate School of Business Administration in Lima, known as "Escuela de Administración de Negocios para Graduados" (ESAN) was originally established in July 1963 with financial and technical assistance from AID. This initial AID assistance continued until 1971. During the same period the Government of Peru provided significant financial assistance to ESAN. The school developed into a full-time academic institution for full-time graduate training and in-service training of Peruvian businessmen and a research and consulting resource for the Peruvian Government and business community alike.

The AID phase-out grant was intended to further strengthen ESAN through establishment of long-term relationships with several graduate schools in the U.S. which would allow for mutual exchange of faculty and students. The most important linkages to promote and foster were those which cooperating educational institutions will be willing to support with their own resources and which would continue over the long-term on a self-sustaining basis. The AID grant was therefore intended to serve as a catalytic input to cover only a portion (up to 50 percent) of the funding required to establish and/or extend these institutional linkages. The other portion (50 percent or more) of resources required were to be provided by ESAN itself, (through tuition fee receipts), the participating U.S. institutions and other private and public sources with the goal of developing enduring collaborative relationships established on a self-sustaining basis.

AID phase-out grant funds were to be used by ESAN to supplement the ESAN and collaborating institutions' inputs to undertake, inter alia, the following types of activities:

1. Institutional Development - Provide for services of visiting U.S. professors and/or specialists to: (a) substitute for ESAN faculty enrolled in advanced training abroad; (b) supplement existing ESAN faculty resources in specialized areas; and (c) work with ESAN faculty to improve and/or expand curriculum and instruction.
2. Faculty Training - Provide for the development of a continuing program for sending ESAN staff to the U.S. to serve as visiting lecturers, to pursue further graduate study and to engage in professional activities such as seminars and meetings of academic associations.
3. Cooperative Research - Provide for research projects of relevance to ESAN.
4. Short-Term Professional Development and Exchange - Provide for the participation of ESAN and cooperating U.S. university staff and faculty in inter-institutional meetings and high level seminars, etc.

5. Library Expansion - Provide for continued improvement and expansion of the ESAN Library.

The types of activities outlined above were intended to strengthen ESAN and provide a regular, permanent basis for cooperation between ESAN and U.S. institutions. Over the period of the grant's duration it was planned that the percentage of AID's grant input would progressively decline and that of ESAN and the collaborating institutions would progressively rise.

V. ACHIEVEMENT OF PROJECT PURPOSE AND PRESENT STATUS OF ESAN

1. Master Program

ESAN's Master Program in Business Administration has graduated 962 students from Peru and several other countries from its inception through December 1976. In March 1977, 70 more students will receive Master's Degrees.

Prior to the initiation of the AID Phase-Out Grant, ESAN graduated an average of 57 students per year from its MBA program. From 1972 up to March 1977 the average has increased to 70 graduates per year.

2. Library

The number of books and periodicals has increased in the last three years by 27%, from 22,000 to 28,000. ESAN's library, concentrating in Management and Economics, is one of the best in Latin America.

3. Linkages with U.S. and Other Institutions

Since 1972 ESAN has established relationships with the following Universities: Penn State, Texas Tech., Stanford, Harvard, Cornell, Florida International, Maryland, Texas and the University of Dallas. At present, ESAN has extensive training programs for its faculty at Penn State and receives visiting professors from Penn State and Stanford.

4. Relationship with Peruvian Organizations

a. Public

ESAN continues to enter into agreements with public and private institutions within Peru. The majority of these agreements have been established to provide training and assist these organizations in carrying out research. Some of the organizations which have signed agreements with ESAN include: The Ministry of War -- training in administration, accounting and finance; the Ministry of Economy and

Finance -- training in a variety of subjects; the Industrial Bank -- training in administration, accounting, finance, marketing, production control, and research on technology transfer; the National Planning Institute -- research on methods to evaluate public enterprises; the Agrarian Bank, Petro-Peru, Electro-Lima, Centromin-Peru, and the Ministry of Transportation and Communications.

ESAN has also had training and/or research programs with the Ministry of Industry and Commerce, the Association of Exporters of Peru, BANCOOP (Bank of Cooperatives), the Naval School of Higher Education and the National Ports Authority.

b. Private

ESAN has provided considerable training for members of the following private associations: Professional Association of Accountants; the Professional Association of Engineers; Provincial Chambers of Commerce; the Association of Construction Companies; Philips Peruana, and the First National City Bank. Additionally, ESAN offers a course for private (and public) enterprises on export promotion and related areas and a special course for leaders of small private enterprises. Private sector personnel and instructors are expected to enroll more than 50 students for graduate degree training in 1977. However, it should be noted that overall enrollments from the private sector have not shown a marked increase over the period of the grant.

5. Research

Some of the main areas and institutions for which ESAN has done research are as follows: Management Technology, Nutrition, Labor Participation, Developing Banking, Capital Markets, Administration of Rural Organizations, Economic Integration and Industrial Technical Norms. These studies have been supported by such GOP organizations as the Ministry of Industry, the National Institute of Planning, the Association of Banks of Peru, the National Commission of Information, the National Commission of Social Property and the Industrial Bank.

6. Other ESAN Donors

ESAN has been adroit at attracting and securing contributions and other types of assistance from external donors, as borne out by the following illustrative examples:

a. A \$350,000 grant from the Inter-American Development Bank has provided for research in financing institutions for development, training in financial management and preparation of related teaching materials. In April 1977, ESAN expects to sign an agreement with the IDB for another \$350,000 grant. This will be for further development of Master's Program, other training courses, research and the preparation of teaching materials. ✓

b. In 1974 the Inter-American Foundation signed an agreement which is providing over \$500,000 for training rural laborers (in-service training and preparation of instructors), training equipment and the preparation of related didactic materials.

c. The World Bank provided approximately \$24,000 in local currency in 1976 for conducting an International Course on Evaluation of Investment Projects at ESAN. The participants were officials from private financing enterprises, university professors, and representatives of the participating governments.

d. ESAN is in the final stages of implementation of a \$70,000 grant from the Ford Foundation. The purpose of this grant is to train workers to participate in industrial management. (The agreement will end in December 1977.)

e. The Canadian International Development Agency (CIDA) has recently signed an agreement with ESAN amounting to \$2,000,000 in grant assistance. Under the agreement, Laval University, Canada, will provide assistance in carrying out a program which will entail:

- i) Mutual faculty exchange
- ii) Graduate training (PhD Program)
- iii) Training rural organization leaders
- iv) Training Peruvian executives at Laval University
- v) Research on development problems
- vi) Provision of equipment, books and other didactic material

7. ESAN's Resources

As the table indicates, ESAN's revenues (including tuition receipts, donations, and other miscellaneous sources of income) have shown an upward trend over the life of the project:

Revenues
(Thousands of Soles)

YEARS				
1972	1973	1974	1975	1976
23,308	18,238	37,036	34,438	57,410

Note: Exchange rates in effect since inception of the A.I.D. grant are as follows:

\$1.00 = S/.43.38 -- June 23, 1972 to Sept. 25, 1975
\$1.00 = S/.45.00 -- Sept. 26, 1975 to June 27, 1976
\$1.00 = S/.65.00 -- June 28, 1976 to December 31, 1976

VI. CONCLUSION

While it is still premature to conclude that the project purpose has been completely achieved, many aspects of ESAN's current status (as indicated in Section V, above), indicate that it is a relatively viable institution with considerable potential for a self-sustaining future. ESAN has developed into a respected vehicle for in-service training of Peruvian businessmen from both the public and private sectors. However, the present Peruvian government's policies with respect to treatment of the private sector has likely contributed significantly to the fact that ESAN's total enrollment in its core programs has not shown any significant increase in the past several years. It remains to be seen whether the government's recent change in attitude more favorable to the private sector will prove significant and enduring and will lead to a resurgence of enrollments from the private sector.

Due to the GOP political climate, vis-a-vis the private sector, which prevailed essentially during the entire life of the project, it will likely be several years before a sounder reading can be made as to whether the long-range objectives of the ESAN Phase-Out grant have been more fully achieved. (It would be interesting and worthwhile to undertake such a reading, and the Mission will plan to conduct a follow-up evaluation on ESAN toward the end of FY-79.) However, despite this impediment to possible further growth, project results have been very satisfactory. Based on this experience with ESAN, the Mission feels that there is considerable justification for the Block Grant approach to development when the grantee is a mature institution with built-in capacity for growth and further development. Prior to approving the Block Grant, A.I.D. was satisfied that ESAN had the leadership/ administrative capacity to undertake the activities stipulated in the Project Agreement without direct outside assistance. ESAN's project performance fulfilled that expectation.

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