



MEMORANDUM

January 28, 1994

TO: Ms. Robin Brinkley
USAID LAC/Office of Trade & Investment

FROM: Wesley Boles *WB*
LAC-TI Project Manager

SUBJ: Quarterly Report - October - December 1993.

**LAC: Trade & Investment Project
(Project 598-0797)**

In compliance with the provisions of Section C.4.(a)(B), of Contract No. LAG-0797-C-00-2046-00, I am pleased to report on Project activities and financial results for the Project's fifth quarter (October - December 1993). As directed in the cited reference, this report comprises four sections: "Transactions"; "Activities Overview"; "Financial Summary"; and "Minutes of the Quarterly Activities Review Meeting."

1.0 Transactions

1.1 Transactions to date: Employment of the three-person core project management staff in October 1992 as set forth in the First Quarterly Report dated January 30, 1993 as well as approval of initial starting salaries of key personnel and approval of the subcontract.

1.1.1 Procurement of non-expendable equipment consisting of a photocopier and a facsimile machine at a cost of \$1,791 was approved on January 11, 1993 and the purchase completed on February 11, 1993. Subsequently, procurement was approved March 31, 1993 for three notebook computers and a portable printer. One notebook computer and a portable printer at a cost of \$2,017 were delivered April 27, and the two additional notebook computers, costing \$3,256, were received May 17.

1.1.2 Technical Service Orders

TSO #001 - approved March 3, 1993 to provide technical assistance to USAID/Dominican Republic in the development of a Project Identification Document in the area of trade and investment development. Work completed between March 4 and March 25. Total cost invoiced - \$15,977.

TSO #002 - approved March 3, 1993 to undertake a private sector assessment of Guyana and to recommend possible program activities to the A.I.D. Regional Development Office for the Caribbean. Work completed between March 4 and March 29. Total cost invoiced - \$43,098 including \$19,118 subcontracted to AG International, Inc.

TSO #003 - approved April 16, 1993 to provide technical assistance in the development of an information base related to intellectual property rights in Latin America. Work completed between April 18 and May 8. Total cost invoiced - \$6,324.

TSO #004 - approved March 26, 1993 to provide technical assistance in the form of a team leader to USAID/Dominican Republic for the development of a project paper for the Trade Practices and Productivity Improvement Project. Work completed between March 29 and June 2. Total cost invoiced - \$38,965.

TSO #005 - approved April 9, 1993 to provide technical assistance through the services of four technical specialists to USAID/Dominican Republic for the development of a project paper for the Trade Practices and Productivity Improvement Project. Work completed between April 12 and June 2. Total cost invoiced - \$63,346, including \$10,391 subcontracted to AG International International Inc..

TSO #006 - approved May 21, 1993 to provide technical assistance to USAID/Jamaica in the form of a team leader and three technical specialists for the development of a project paper supplement for the Export Development and Investment Promotion Project. Work completed between May 21 and June 18. Total cost invoiced - \$ 77,006, including \$22,334 subcontracted to AG International Inc.

TSO #007 - approved June 25, 1993 to provide further technical assistance to USAID/Jamaica through additional services of the team leader in the development of the project paper supplement to the Export Development and Investment Promotion Project. Work completed between June 27 and July 9, 1993. Total cost invoiced - \$15,283, including \$12,463 subcontracted to AG International Inc.

This quarter's transactions are listed below in Section 1.2.

1.2 Transactions taking place during the past quarter included:

1.2.1 Procurement

No procurement of equipment took place during this quarter.

1.2.2 Technical Service Orders

TSO #008 - approved July 6, 1993 to provide an analysis of Ecuador's investment climate in comparison with those of Latin American key competitors: Colombia, Chile and Costa Rica. Work completed between July 20 and October 22, 1993. Total cost invoiced - \$65,424.

TSO #009 - approved August 26, 1993 to provide an analysis and synthesis of the current status of studies and projects, funded by A.I.D. and other international institutions with regard to Central American economic integration. The first draft report was submitted to USAID/Guatemala on October 29. The final draft left was submitted to the Mission December 15. Copies of the final English version of the report were distributed in January 1994. Total cost invoiced - \$33,394.

TSO #010 - approved August 30, 1993 to provide technical assistance to the Central Bank of Honduras in the preparation of a legislative initiative designed to authorize and regulate a securities exchange system. The draft proposal was submitted to the Central Bank of Honduras on December 9. The budgeted cost is \$48,599.

TSO #011 - approved November 1, 1993 to improve the credit and securities operations of the Central Bank of Honduras through design of an automated management information system. The designated consultant began work on November 8 and is expected to complete his tasks by March 1994. The budgeted cost is \$43,537.

1.3 Transactions Projected for the Next Quarter:

1.3.1 Procurement of three additional notebook computers and one or more portable printers is programmed for the next quarter.

1.3.2 Further Technical Service Orders:

Additional TSOs are anticipated during the next quarter for support of:

USAID/Honduras in revising legislation governing insurance and pension funds.

USAID/Guatemala in development of a work shop for USAID officers in Central America to devise a strategy for USAID assistance to regional economic integration.

USAID/Jamaica with technical assistance to support implementation of new legislation governing the securities exchange and fair trade commission.

USAID/Ecuador in strengthening the administration of intellectual property rights legislation.

USAID/Uruguay in mounting a conference of business leaders in support of economic deregulation.

USAID/Paraguay with technical assistance in the area of tariff reform.

2.0 Activity Overview

Activities during the Project's fifth quarter included the completion of work started earlier with respect to TSO's #008, #009 and #010.

TSO #008 called for a study analyzing the comparative investment climates of Ecuador, Colombia, Chile and Costa Rica. The completed report emphasized that Ecuador, while it had made its investment regime quite "open", needed to make considerable efforts to increase the overall attractiveness of the country for foreign direct investment if it were to assure itself access to additional development capital. The report's conclusions have been accepted by Ecuador's Ministry of Industry and Commerce and has provided a base from which further reform efforts are being developed.

TSO #009 involved an inventory, synthesis and analysis of studies and projects funded by international donors to further the economic integration of Central America. In practice, the amount of documentation available for review was seriously underestimated and the completion of the report took longer than anticipated. The completed report in draft was submitted to USAID/Guatemala on October 29. Several issues arose in the course of the Mission's review, which were addressed during a visit to Guatemala by the Contract Project Manager. The final draft was left with USAID/Guatemala on December 15. With the concurrence of the Mission, the final, English-version of the report was produced and copies distributed in January 1994.

TSO #010 provided technical assistance to the Superintendent of Banks of Honduras in the development of draft legislation for the establishment and regulation of a securities exchange. A complete draft law was prepared by the consultant and supplied both in hard copy and diskette to the Honduran Central Bank Superintendent through USAID/Honduras in early December 1993. Whether further consultation will be required is pending the results of the review by the Government of Honduras.

One new technical service order, TSO #011, was approved and initiated during the quarter. Its purpose is to provide the Central Bank of Honduras with short term technical assistance in the design of an automated management information system for the Credit and Securities Department. This department manages the public debt through issuance of government bonds offered to banks and other institutions in auctions. In addition, the department manages the Central Bank's discount operations for several dedicated credit lines established by USAID and other international lending institutions. To handle its responsibilities effectively, the department's operations need modernization and improved efficiency. The consultant began work on November 8 and has submitted to the Bank his first analyses of work flow and computer hardware requirements. The work is expected to be completed by March 1994.

In response to a request from USAID/Honduras, two qualified consultants were selected and approved by the Mission to provide technical assistance in the revision and modernization of Honduran insurance legislation. The requisite technical service order is expected to be submitted, approved and implemented in the first quarter of 1994.

Project staff continued to provide USAID with topical analyses relevant to its strategy regarding trade and investment issues in Latin America and the Caribbean. Specifically, an update of scheduled hearings regarding trade complaints against several LAC countries, threatening their GSP eligibility, was submitted together with a report with suggestions on developing an investment handbook for Ecuador.

As part of the process expected to lead to new USAID strategies and organizational restructuring, the Contract Project Director submitted proposals to LAC's Office of Trade and Investment on *"Adapting the LAC/TI Project to USAID's New Sustainable Development Agenda and Post-NAFTA Possibilities for LAC/TI Project Activities"*.

USAID's proposed reorganization and determination of its FY 1994 operational program did not take place during the quarter as had been expected. As a result, it has not been possible to elaborate a definitive plan of work. The Project is positioned to assist USAID in the area of

Economic Growth, one of the four basic strategic pillars established for the Agency, but specific areas of activity will not be defined until the Mission's Actions Plans are in place and definitive funding decisions made for the remainder of Fiscal Year 1994. As a result of this period of uncertainty, the level of effort for technical assistance to USAID missions has declined even further as compared to the preceding quarter.

LAC: Trade and Investment Development Project
Contract No. LAG-0797-C-00-2046-00

	Quarter Actual (Oct - Dec '93)				Oct.92 - Dec.93			Remaining Budget
	Total Budget	Managerial/ Admin.	Technical Services	Total Mgmt./TS	Cumulative Managerial	Cumulative Technical Serv.	Total Mngmt./TS	
1. Salaries & Wages	617,916	35,950	426	36,376	180,508	23,749	204,257	413,659
2. Fringe Benefits	143,671	7,653	2,197	9,850	39,443	16,409	55,852	87,819
3. Overhead	311,718	16,782	12,032	28,814	88,961	55,981	144,942	166,776
4. Consultants	513,500	0	26,773	26,773	0	100,191	100,191	413,309
5. Travel, Trans. & Per Diem	594,480	1,900	5,071	6,971	5,213	58,903	64,116	530,364
6. Nonexpendable Equipment	21,600	0	0	0	7,064	0	7,064	14,536
7. Subcontracts	667,545	0	0	0	0	64,309	64,309	603,236
8. Other Direct Costs	153,868	5,264	4,324	9,588	31,082	10,745	41,827	112,041
9. General & Admin.	534,394	8,339	12,577	20,916	58,649	61,958	120,607	413,787
Total Costs	\$3,558,692	\$75,888	\$63,400	\$139,288	\$410,920	\$392,245	\$803,165	\$2,755,527
10. Fixed Fee	150,000	2,342	3,695	6,037	16,465	17,536	34,001	115,999
Grand Total	\$3,708,692	\$78,230	\$67,095	\$145,325	\$427,385	\$409,781	\$837,166	\$2,871,526

Total Funds Obligated = \$2,059,446.

Remaining Funds Obligated = \$1,222,280

Percentage of Obligated Funds Expended = 41%.

Percentage of Budgeted Funds Expended = 23%

4.0 Minutes of Quarterly Activities Review Meeting**MEETING WITH A.I.D. STAFF: LAC/TI PROJECT**

Tuesday, January 25, 1994

PRESENT:**For A.I.D.****Ron Stryker, Director
A.I.D. LAC Bureau, Office of Trade & Investment****Robin Brinkley, Project Officer
A.I.D. LAC Bureau, Office of Trade & Investment****Dennis Sharma,
A.I.D. LAC Bureau, Office of Trade & Investment****Dan Lesmez,
A.I.D. LAC Bureau, Office of Trade & Investment****For Nathan:****James L. Kenworthy, Director
NAI LAC/TI Project****Wesley Boles, Manager
NAI LAC/TI Project****Jeanine Hubler, Administrative Assistant
NAI LAC/TI Project****SUBSTANCE OF THE MEETING:**

Preliminary Matters: WESB presented the Guatemala TSO #009 Final Report (Central America: Review of Regional Economic Integration Activities) and copies of the December Monthly Report together with a chart showing all the Project's technical services orders. JIMK presented original copies of two memoranda, one on Post-Nafta Problems and Project Possibilities for Central America and the Caribbean and a follow-up memorandum on USAID/Ecuador's request for technical assistance in the IPR area. ROBB indicated that she had spoken with Mission staff who had sent her an E-Mail saying they wanted first to meet with the project officer for administrative justice and with returning Mission Director Sanbrailo before reformulating and renewing their request. RONS indicated he had spoken with Rick Nelson of USAID/Paraguay about a forthcoming request possibly involving either the MERCOSUR Common External Tariff or IPR conditions and that the Mission will provide further details in the near future.

A.I.D. (and LAC) Reorganization: RONS said that the recommendations for A.I.D.'s proposed reorganization are now complete and are awaiting review and comment by Administrator Atwood's office. It is unlikely there will be any decisions reached, however, before mid-February.

The reorganization plan involves creation of a new A.I.D.-wide "Global Programs Bureau" which will probably comprise four, possibly five, substantive area "centers", one each for Economic Growth, Environment, Health/Population, Democracy, and possibly Education. The plan is believed to include classification of all A.I.D. "technical" people as employees of the Global Programs Bureau (GPB), but that there remain two outstanding issues to be resolved: (1) assignment of existing staff as between GPB and the regional bureaus (with technicals possibly being seconded to the regional bureaus as needed) and; (2) where to place "regional" projects and who will manage and staff them. RONS said it was conceivable that the NAI LAC/TI Project could end up being managed out of the GPB. According to RONS, the regional bureaus are arguing for maintenance of "regional" projects in the geographical bureaus while the GPB advocates argue there should be no "regional" projects, only global ones. The future organizational locus of the LAC-TI Project is thus not clear at this time.

A.I.D.'s Post-Reorganization Strategy: The four draft agency strategy papers are complete, each on one of the four "pillars" of A.I.D.'s new Sustainable Development focus, i.e., papers on a Sustainable Development Overview, Protecting the Environment, Stabilizing World Population/Protecting Human Health, Building Democracy, and Encouraging Broad-Based Economic Growth. RONS said the documents were very broad, identifying objectives, and weren't really strategy papers in the sense they provide practical guidance in operational terms, e.g., allocating mission budgets. The NAI LAC/TI project falls under the general rubric of "Economic Growth" which leaves a broad scope of application but the position taken by Administrator Atwood is that A.I.D. should concentrate on the alleviation of poverty through social sector reforms.

According to RONS the LAC Bureau is also engaged in a forward strategy process to carry out A.I.D.'s overall strategy within the LAC region. Last week's LAC Mission Directors' Meeting in Mexico, chaired by Assistant Administrator Mark Schneider, dedicated much of its time to formulating this strategy. The Bureau's proposed strategy is quite broad and appears to leave substantial scope for Project activities. As with A.I.D.'s overall focus, the major emphasis is again on social sector reform and alleviation of poverty. Legal, judicial, and regulatory initiatives to support macroeconomic policy reforms should still be valid but their justifications must relate their impacts to their potential for positive impacts on improving the status of the poor in society. One goal is to help governments direct their revenues in a ways that provide balance between social sector and education issues affecting economic development since macroeconomic stability remains a priority concern. Among economically-oriented tools considered appropriate are programs directed at microenterprise development.

Within the LAC Bureau, it is expected there will be two new "projects" this year, one focused on microenterprise development and one for a "Post-NAFTA" assistance program. This post-NAFTA strategy apparently contemplates assistance designed to help countries deal with the impacts of NAFTA. RONS stated he appreciated the papers written by JIMK in this regard and, between the LAC strategy documents and JIMK's paper, he wants to flesh out an operational agenda. In terms of the implications of the Bureau's dual-focused strategy, part of the existing Project is still relevant to the new strategy. For instance, in the case of social needs and the alleviation of poverty in a microenterprise-oriented agenda, there would be some targeting on improving the enabling environment for success (e.g., legal, regulatory, infrastructural impediments thereto) plus a training component. The Nathan LAC/TI Project's past trade/investment-oriented activities should remain relevant to and under the "umbrella" of the Bureau's post-NAFTA agenda.

A.I.D.'s Next Steps: RONS estimated that implementation of the new LAC Bureau's project development efforts will require an intensive effort of at least three months, during which time the Bureau must: (a) complete the internal review on the two new project areas; (b) address and resolve the issues arising thereunder; (c) inform the field of the nature of the project planning and receive its input; and (d) go forward with a project design/analysis phase. In the immediate term, none of the field missions has as yet indicated any clear direction as to what they will want to do this fiscal year. Action plans are due for review in Washington over the next three months. RONS suggested there were some pitfalls that may be encountered: there is no assurance A.I.D.'s top management will authorize either of the Bureau's two projects on a regional basis as opposed to inclusion on a global basis, particularly with regard to the post-NAFTA exercise. Secondly, there is a possibility that, at some time in the new project development phase, a decision could be reached to develop a new scope of work requiring new bidding for the technical assistance thereunder. Nevertheless, RONS said he doesn't want to lose any NAI Project momentum.

Trade Policy Issues: DANL noted that there continues to be a lack of discussion between A.I.D., the USTR, and other USG agencies as to the role of A.I.D. as a player on the post-NAFTA action team. Administrator Atwood is concerned with establishing A.I.D.'s credibility among the trade policy agencies but he also wants to demonstrate that poverty is an important target area for A.I.D.'s own agenda. RONS noted that A.I.D.'s mandate of "Sustainable Development" as interpreted by Administrator Atwood means, in effect, that its involvement in trade agenda issues will be tied to the need to relate any A.I.D. activities to poverty as a sustainable development agenda activity, and there are concerns as to how that fits into a post-NAFTA agenda. In this regard efforts are underway still by USTR and the trade agencies to define post-NAFTA policy for Latin America, some of the issues being discussed having already been covered by JIMK in his post-NAFTA memoranda (which RONS said was not to be distributed outside of LAC/TI). The question of A.I.D.'s role in the USG post-NAFTA agenda will be determined by a policy document currently in preparation within the Inter-Agency Trade Policy Committee. RONS expects this body could assign A.I.D. a technical assistance role in improving the trade and investment regimes within Latin America and thereby, ipso facto, giving trade and investment development activities importance within the A.I.D. Latin America portfolio.

Central American Initiative: There apparently was some representation by President Clinton to Central American presidents at their recent meeting to undertake some kind of "Central American Initiative". Exactly what this will comprise is undefined at present, but it appears A.I.D. will have a role to play, a role its Central American missions are addressing at this time. It appears that it will attempt to respond, at least in part, to Central American concerns about the potential negative impacts of NAFTA on Central America, e.g., trade and investment diversion (to Mexico). RONS said that one thing that wasn't covered in JIMK's memoranda but needs to be addressed is the potential for market expansion for the CA countries in the wake of NAFTA and how activities designed to enhance expanded CA exports (for example, increasing non-traditional agricultural exports) can be related to microenterprise development and poverty alleviation goals, demonstrating a broader positive impact on society than just on producers.

Second Year Workplan: JIMK and WESB tabled a draft Second Year Workplan incident to which WESB stated his concern regarding the Project's apparently declining base of activities. RONS replied that he did not have a big problem with that, and the fact that the Core Staff was not meeting Project targets from the prior year because of reorganizational and other preoccupations within A.I.D.

He said he wanted to review the draft workplan. WESB indicated that, as Core Staff has suggested in the past, Project activities might be increased by "marketing trips" to visit the missions in the region to describe in detail Project capabilities and possibilities for assistance to the missions. RONS replied that marketing was essentially his office's role, but that NAI can help through supplying input for a series of cables to the field. JIMK mentioned that the contract calls for the development of 10 so-called "occasional Papers" and that he currently is working on producing the first of these. He suggested that Core Staff could produce some of these but others might be produced through TSO's utilizing the services of recognized experts in certain areas that fit the LAC Bureau's strategic agenda. RONS replied that it seemed a workable idea which he would give thought to. RONS also indicated he planned to assess the possibility of holding regional or subregional conferences to discuss the implications of NAFTA. WESB noted that provision for such conferences had already been included in the draft second year workplan. RONS also noted the possibility that his T/I Office might be merged with the LAC Bureau's Agricultural office, which might lead to directing some NAI Project activities toward agricultural issues.

LAC: Trade and Investment Development Project
Contract No. LAC-0797-C-00-2046-00

Expenditures by Country/Activity Through December 31, 1993

Country	Managerial/ Admin.	Technical Services
U.S.A.	\$433,487	\$35,178
Dominican Republic		\$118,288
Guyana		\$43,098
Jamaica		\$92,289
Chile		\$29,146
Colombia		\$11,508
Costa Rica		\$8,713
Ecuador		\$23,016
Panama		\$710
Honduras		\$27,025
El Salvador		\$1,419
Guatemala		\$14,034