AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Amendment Number: ____ — DOCUMENT CODE: 3

2. COUNTRY/ENTITY: Central America/ROCAP

3. PROJECT NUMBER: 596-0149

4. BUREAU/OFFICE: Latin American/Caribbean — 05

5. PROJECT TITLE (maximum 40 characters): Private Sector Initiatives

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 02 DD 15 YY 92

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 89 B. Quarter 2 C. Final FY 92

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY 89 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(318)	(338)	(656)	(1,003)	(897)	(1,900)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country	31	18	49	99	97	196
Other Donor(s)						
TOTALS	349	356	705	1,102	994	2,096

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) SDA	663	840	--	--	--	1,900	--	1,900	--
(2)									
(3)									
(4)						1,900		1,900	--
TOTALS									

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 820, 874

11. SECONDARY PURPOSE CODE: 730

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	DEL						
B. Amount	100%						

13. PROJECT PURPOSE (maximum 480 characters)

The purpose of the project is to strengthen the Central American private sector's capacity to influence the direction of socioeconomic development in the region, and to increase the knowledge and participation of the private sector in the developmental process.

14. SCHEDULED EVALUATIONS
Interim MM 08 YY 90 | MM YY | Final MM 02 YY 92

15. SOURCE/ORIGIN OF GOODS AND SERVICES
[X] 000 [ ] 941 [ ] Local [X] Other (Specify) Cooperative Agreement

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment.) Standard Provisic

I certify that the methods of payment and audit plan are in compliance with the Payment Verification Policy.

for Joe Hill, Jr., CONT

17. APPROVED BY
Signature: Nadine M. Hogan
Title: Nadine M. Hogan, Regional Director
Date Signed: MM 02 DD 17 YY 89

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

AID 1330-4 (8-79)

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PROJECT AUTHORIZATION
Amendment No. 2

Name of Country: Central America

Name of Project: Private Sector Initiatives

Number of Project: 596-0149

1. Pursuant to Sections 103 and 106 of the Foreign Assistance Act of 1961, as amended, the Private Sector Initiatives Project was authorized on February 27, 1989 and amended September 26, 1989. The authorization is hereby further amended as follows:

a. Paragrah 1 of the Authorization is deleted in its entirety and the following substituted in lieu thereof:

"Pursuant to Sections 103 and 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Private Sector Initiatives Project with the Federación de Entidades Privadas de Centro América y Panamá ("FEDEPRICAP"), involving planned obligations not to exceed Two Million Nine Hundred and Eighty Thousand United States Dollars (US$2,980,000) in grant funds ("Grant") over a three year and six month period from date of authorization subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange costs for the project. The planned life of project is three (3) years and six (6) months from the date of initial obligation."

2. The authorization cited above remains in force except as hereby amended.

Ronald L. Nicholson
Regional Director
Regional Office for Central American Programs

April 11, 1990
Date

R O C A P

PROJECT PAPER AMENDMENT
PRIVATE SECTOR INITIATIVES PROJECT (596-0149)
AMENDMENT NO. 2

I. Background

Central America and Panama continue to face severe economic problems, including adverse terms of trade, substantial external debt, constricted domestic markets, high unemployment, deteriorated infrastructure, lack of hard currency reserves, capital flight and weak capital markets. Added to these economic and financial dilemmas, is the overlay of continued political violence and turmoil in El Salvador. Fortunately, the political repression and social unrest in both Panama and Nicaragua have come to an end. As a result, however, a massive effort will have to be launched to assist Panama and Nicaragua to achieve economic reconstruction and reintegration into the regional economy.

Since FEDEPRICAP has been in existence, it has been addressing many of the region's economic problems satisfactorily, as the Central American private sector umbrella organization. It has hosted numerous seminars and workshops on topics of critical interest, including debt-for-equity swaps, privatization, transportation, export strategies, GATT, and women in development. It has been also responsible for the development of a seminal report on securities markets in the region, which has generated substantial private sector and bi-lateral USAID mission interest. As its reputation as an effective and important regional business organization grows, so does the demand for its services. The most recent example is the request by the newly elected Government of Honduras for FEDEPRICAP assistance in formulating new economic development policies.

In addition, new and urgent problems requiring action at the regional level have been identified, and FEDEPRICAP assistance solicited. The growing scourge of illicit drugs has not only begun to take a social toll, it is now adversely affecting transportation, commerce and trade. Equally important is the pressing need to move more forcefully at the regional level to incorporate women into economic decisionmaking processes, as greater realization and documentation of their important contributions takes place.

In order for FEDEPRICAP to capitalize on its initial successes and meet a growing demand and need for its services, it will be necessary to make available to it additional resources. The original analyses conducted for this project have been reviewed, and remain valid for this Amendment. The goal and purpose of the project remain as relevant and urgent today as they

did when the project was inaugurated. Indeed, given recent events in Nicaragua and Panama, the need for FEDEPRICAP is more important than ever, as it continues to serve as a critical link between the national private sectors in the region.

The problems common to the region have not disappeared, although some successes in promoting economic activity and growth have taken place. The economic and financial difficulties confronted by the countries of the region are the product of decades and cannot be expected to be solved "overnight." FEDEPRICAP has made a significant beginning in carrying out its goals. In order for it to continue to fulfill its mandate, additional financial support will be required.

II. Rationale for Amendment

After almost one year of operation under its Cooperative Agreement with ROCAP, FEDEPRICAP has implemented successfully several important activities. It has, for example, formulated both a strategic and detailed operation plan, conducted seminars and workshops addressing a range of economic issues, and helped to negotiate agreements conducive to private sector development. It has conducted a comprehensive review of securities markets in Costa Rica, El Salvador, Honduras and Guatemala, is currently conducting a Port Tariff Study and has recently completed air cargo studies at selected airports where proposed recommendations for increasing efficiency are being carried out. It has played the key role in negotiating a reduction in shipping rates, and has taken the lead at the regional level in promoting such capital mobilization strategies as debt for equity swaps and privatization. (Annex A is a list of the various activities and accomplishments of FEDEPRICAP.)

FEDEPRICAP's experience during the past several months has revealed a need to modify and expand the original project design. The initial areas of focus have validated the demand for the kinds of services and activities offered by FEDEPRICAP. However, there exists a necessity for FEDEPRICAP both to strengthen current activities as well as engage in two additional areas with greater specificity. At the same time, it will be necessary to alter slightly some project logistics, especially with respect to provision of technical assistance in the transportation field.

A substantial amount of work has been and continues to be undertaken in the project's capital mobilization component. Developing the necessary capital base on a regional level for investment into productive enterprises is an essential underpinning of economic growth. FEDEPRICAP has been intensively engaged in promoting alternative mechanisms for raising capital in the region, focussing particularly on ways to strengthen newly emerging stock exchanges.

At the same time, there is a compelling need to begin to work toward objectives set forth in the operational plan to promote strategies to increase inter and intraregional trade. Given the very small size of the FEDEPRICAP Professional staff, it has been impossible to work on both trade and capital mobilization with equal intensity.

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A similar problem exists in the transportation component. That is, given the size of the demand for FEDEPRICAP services and the lack of staff, it has been difficult for the organization to move more quickly in accomplishing its objectives. Still, much has been accomplished, including the successful negotiations between users and shippers, publication of the Monthly Bulletin, sponsorship of several workshops and seminars, and close and constant work with the Technical Committee.

In response to demand and established needs, FEDEPRICAP has begun to address urgent problems related to women in development and the impact of drugs on the legitimate business sector. These two critical areas of concern have expanded FEDEPRICAP's work load without a concomitant increase in resources. While FEDEPRICAP has been able to manage well its growing tasks, the fact is that without additional financial and human resources it will not be able to maintain its present level of effort and meet objectives and expectations. This is especially true in light of its projected activities in both Panama and Nicaragua, as these countries struggle to reconstruct and reintegrate their economies into the region.

The changes proposed in this amendment will strengthen FEDEPRICAP's ability to carry out its mandate effectively, responding to a growing demand for its services. Moreover, recent changes in Central America, particularly in Panama and Nicaragua, present new opportunities for the private sector and FEDEPRICAP. Hence, it is critical that FEDEPRICAP be in a position to capitalize on its initial successes. The proposed amendment will permit the organization to meet its goals and expand its impact.

III. Description of Amendment

The specific areas for modification include:

- Women in Development
- Drugs
- Capital Mobilization
- Trade
- Transportation
- Information Systems

1. Women in Development (WID)

While women have experienced gains in the business community in Central America, a great deal more needs to be achieved. A particularly important arena in which FEDEPRICAP should be working is in the development of

female business people leadership. Women still have not penetrated the upper echelons of professional development. FEDEPRICAP intends to underwrite studies and training courses to help develop greater leadership skills among female entrepreneurs. It is especially important to conduct relevant research on the actual situation of women in the regional economy. While a great deal of impressionistic evidence and anecdotal material exists, there is little empirical information on which to develop workable strategies and specific programs to promote greater female participation in private sector-led development. FEDEPRICAP's activities in WID will constitute a pioneering effort in the region, are timely, and address a major developmental issue. As an initial activity in this program, FEDEPRICAP recently supported a "brainstorming" conference to help chart the directions in which FEDEPRICAP can be instrumental in assisting women achieve greater prominence in the private sector. Conference participants identified areas of concern which require empirical analysis. Key businesswomen from both Central America and the U.S. attended the meeting.

As a result of the meeting, specific activities FEDEPRICAP intends to undertake include:

- Support of specific surveys designed to generate empirical data on the status of women in the regional economy. Specific research questions will be formulated in part based on the results of the brainstorming conference.

- Using the findings of the research, FEDEPRICAP will work to develop a strategic plan to promote activities designed to foster the interests of women entrepreneurs and their greater participation in leadership positions within the member organizations of FEDEPRICAP.

- Based on the plan, FEDEPRICAP will underwrite important initiatives to promote women in development in Central America including leadership and other types of training, technical assistance to relevant women's groups and organizations, and necessary policy analyses.

FEDEPRICAP activities in WID would stem from a successful if modest beginning, as exemplified in the LACSA/Sheraton tourism package deal promoted by the D.C. Women of Hemisphere Meeting. It is clear that women in the region represent a valuable and still untapped resource to achieve greater economic growth and development. To assist in this effort, FEDEPRICAP will contract a part-time advisor from the support services line item to manage the WID program. The candidate selected will require prior ROCAP approval.

2. Drugs

Illicit drugs are causing increasingly serious problems for the legitimate business community in Central America. For example, drugs are

hidden in shipments of licit products, causing excessive delays in passing through customs checkpoints. This is especially damaging to perishables, which represent a large percentage of Central American exports to the U.S. Identification of specific problems and ways to deal with them, such as in packaging of products, shipping and export procedures, is essential knowledge for exporters in the region. FEDEPRICAP will sponsor an integrated program of seminars and workshops in this vital area, working closely with the private sector and government authorities to devise regionally based strategies for dealing with the problem. It is anticipated that efforts in this area will also include contact and cooperation with U.S. authorities and businesspersons, particularly exploring ways in which legitimate products can be readily identified for expediting the customs clearing process.

Additionally, FEDEPRICAP will seek technical assistance and training support from the DEA. DEA officials have expressed great interest in assisting FEDEPRICAP and can be made available to work with FEDEPRICAP and its members to provide training courses in specific drug-related topics, and suggest alternative methods for identifying illicit shippers and cargo, installing effective warehouse and port security measures, and sharing vital information to help protect against further penetration of drugs into the movement of legitimate products. The importance of the impact of drugs on licit commerce cannot be underestimated, and the most effective way to deal with the problem is through the kind of regional cooperation and action only FEDEPRICAP is structured to promote.

3. Capital Mobilization

Mobilization of capital and trade constitute FEDEPRICAP's largest project portfolio. A great deal of work has gone into formulation of strategies to develop the larger capital base and increase trade in the region. The elections of presidents supportive of the private sector in El Salvador, Honduras and Guatemala, coupled with the installation of a democratic government in Panama and Nicaragua, represent a singular opportunity in the region to reform, if not eliminate, policies heretofore restricting liberalization of financial markets. At the same time, such reforms would lay the policy groundwork to help democratize the marketplace and promote greater small investor participation. FEDEPRICAP's recent study on the prospects of developing a regional market is encouraging. Yet much more needs to be done to identify specific constraints on mobilizing capital and deal successfully with them. Capital flight, lack of foreign investment, and exchange rates continue to be problems which require development and application of effective solutions.

At this juncture, it is essential that the Director of Economic Programs of FEDEPRICAP employ an assistant to help him manage a rapidly expanding set of critical activities. The assistant would be responsible for providing overall support to the Director, drafting scopes of work and managing consultants, maintaining relevant data bases, arranging for seminars and workshops, and representing FEDEPRICAP as may be necessary.

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The addition of a staff member in the capital mobilization component of the project will also permit FEDEPRICAP to pursue an aggressive strategy of debt/equity swaps as a major mechanism for raising needed capital. Most of the Central American countries are at a critical stage in developing their incipient capital markets, and require the kind of close technical assistance which can be provided by FEDEPRICAP. Given the scale of the national economies of the Central American countries, it is especially important for stock exchanges, for instance, to be uniformly structured in order to eventually form a regional market. Work in this area is difficult and requires substantial interaction with key private and public sector officials. For example, the Director of Economic Programs has been invited by the new Government of Honduras to provide advice on economic policies, including developing the national stock exchange which has recently been approved by the government. In order for FEDEPRICAP to expand its activities in capital mobilization and trade, and to have a tangible impact, it is vital to expand relevant staff.

Additional planned activities in the capital mobilization area include:

- With the bi-lateral USAID Missions in the region, particularly in El Salvador and Honduras, assist in developing national capital markets.

- A study on the role of small investors in the region focusing on the necessary conditions for their enhanced participation in securities markets.

- An analysis of the development and integration of stock exchanges in the Caribbean to identify possible strategies and mechanisms to achieve regional securities market integration in Central America.

- Determination of the necessary conditions for development of a futures market in the region, with particular emphasis on Guatemala.

- Production of a detailed report on establishing a regional securities market - the second phase of the first report on current national markets and attitudes toward a regional exchange.

4. <u>Trade</u>

As individual countries, the nations of Central America are at a clear international trade disadvantage. Acting as a regional bloc, however, they could generate several benefits. First, they would be able to achieve economies of scale. Second, they would be able to attain greater product volume and hence more competitiveness. Third, they could negotiate trade and related agreements from a position of greater power, as was the case recently

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between the Asociacion Centroamericana de Usuarios in their deliberations with the U.S. Central American Liner Association. As the world moves increasingly toward the creation of trading blocs (e.g., the European Community and Gulf States Cooperation Council), Central America will find itself at a growing disadvantage if it does not begin now to seek ways in which to promote greater regional cooperation and integration. FEDEPRICAP is keenly aware of this situation, and has planned the following tasks:

- Detailed review of a regional trade development strategy to lay out ways in which FEDEPRICAP can move rapidly and effectively to build on existing cooperative arrangements and create new ones.

- Updating of the Central America and Panama Industrial Sector Assessment, prepared in January 1988. This will help FEDEPRICAP to identify those industrial sub-sectors which have a high potential for a comparative advantage. This exercise would allow FEDEPRICAP to target those sub-sectors for development of regional cooperation and integration.

- Conduct of detailed in-country industrial sector analyses which focus on the textile and apparel, metal mechanical, plastics and electronics sub-sectors. These sub-sectors are known already to represent substantial potential for profitable exports. For example, a major U.S. manufacturer has been exploring the possibility of moving its entire operation to Central America. FEDEPRICAP will be commissioning studies on the relative benefits of such a move with respect to U.S. apparel quotas, wages, work source capacities and transportation.

- FEDEPRICAP intends to replicate this example by formulating a strategy to promote business deals with short-term payoffs, particularly those which will result in moving from present conventional maquilas to full-packaging, as in the Far East. This will require strategies, funds, promotion and training. Special emphasis will be on bringing such deals to closure.

- Consolidation of linkages with the IDB to expand the funding base for the above activities. As FEDEPRICAP expands its activities, and demand for its service grows, it will have to seek additional financial support. The IDB has already expressed strong interest in FEDEPRICAP and has supported a series of workshops on GATT. Similarly, the UNDP sponsored a workshop on trade for FEDEPRICAP.

- Conduct of preliminary non-U.S. market studies, including Europe and Latin America. Given the region's historical ties to the U.S., other world markets have been relatively ignored. However, Europe, Mexico and South America represent new potential market opportunities, the feasibility of which needs to be explored.

This is particularly important in light of U.S. quotas and tariffs on such regional products as sugar, textiles and beef. Expanding to non-U.S. markets would permit the region to achieve its export goals without running afoul of competing U.S. interests.

5. Transportation

FEDEPRICAP began its work as an organization in dealing with regional transportation issues. While this component of the project has achieved significant successes, a wide range of transportation problems continues to exist. This includes, inter alia, the need to: 1) maintain constant vigilance over and negotiate rates; 2) update schedules; 3) promote cooperation among users; 4) seek policy reforms to promote more efficient intra-regional transportation; and 5) work to effect solutions to new problems, such as the case with the introduction of illicit drugs into shipments of legitimate goods.

FEDEPRICAP has undertaken a broad spectrum of activities in the transportation field. These include successful negotiations with the ports of Miami and New Orleans for receipt of Central American products, initiation of the privatization of ports in Guatemala and El Salvador, promotion of port infrastructure improvements in Guatemala and Costa Rica, formation and support of private sector technical committees to work on a regional basis in improving transportation systems, legislation and practices, creation of a monthly information bulletin to keep FEDEPRICAP members current with respect to developments in transportation affecting the region, conduct of various training courses, and coordination with other regional entities.

The Director of Transportation is in urgent need of staff support, given the size of his workload and expanding demand for technical assistance in the transportation area. An additional transportation specialist will have several responsibilities, including: maintenance of relevant data bases, consultant management, follow-up on specific activities, preparation of the Monthly Bulletin, legislative analysis, market analysis, and general support to the Director.

A second need for additional project support is in the provision of technical assistance to the Asociacion Centroamericana de Consejos de Usuarios (USUARIOS) to help it develop a permanent institutional capacity to represent private sector exporters at the regional level. USUARIOS has already negotiated one successful agreement with the U.S./Central American Liner Association, resulting in a savings of 13.3 million dollars to exporters.

Third, a growing need exists for FEDEPRICAP assistance in addressing the problems posed by the introduction of illegal drugs into shipments of legitimate products from Central America to the U.S. This is an issue which has grown in importance since the drafting of the operational plan.

FEDEPRICAP will have to devote more resources and time to dealing with the drug dilemma, making additional project support imperative. Specific activities will include:

- Meetings with U.S. customs officials to explore effective ways in which to expedite clearance of shipments of legitimate products, especially perishables. (This will be coordinated with the Director of Economic Programs.)

- Development of region-wide measures for identifying legitimate producers and signalling potentially illicit cargo in order to expedite passage of legal goods.

- Development and promotion of necessary security arrangements for cargo to prevent insertion of illicit drugs into legal products and containers.

- Sponsorship of relevant training for shippers, producers and warehouses to improve effectiveness of security and other anti-drug measures.

In addition, technical assistance and training will be sought from the DEA, as described in the earlier section on Drugs.

The original project design called for one principal consultant to provide technical assistance intermittently to the transportation component over the life of the project. Experience has shown that a more effective way in which to provide TA is by using short-term consultants representing a broad spectrum of skills. It is clear that one expert cannot possess the range of specialized expertise required. The work involved in drafting numerous scopes of work and managing several consultants is another important reason for this amendment.

6. Information Systems

One of the keys to greater private sector integration and development at the regional level is efficient communications. FEDEPRICAP has already begun the successful installation of an electronic mail system among its affiliate member organizations. In order to complete a Local Area Network (LAN) for effective interactive transmission of data and other communications, additional resources will be required. These would underwrite LAN installation costs, increased computer capacities of affiliates, and training. An initial report on the existing systems in FEDEPRICAP's member associations has been completed, and the draft of a plan and recommendations for completing the LAN presented (see Annex D). Using this blueprint, FEDEPRICAP will work with their local counterparts in installing the necessary equipment. They will also host required training workshops.

The information systems will provide multiple benefits to FEDEPRICAP. First, it will allow for rapid and accurate communication between FEDEPRICAP and its members. Second, similar communication will be possible with organizations of importance to FEDEPRICAP. Third, expansion of the present system will give FEDEPRICAP the capacity to develop and maintain a complete data base for transportation, capital markets and trade. Fourth, FEDEPRICAP will be able to access important data banks such as DIALOG. Fifth, FEDEPRICAP will be able to offer a set of six information products for sale. This, in turn, will permit the federation to help offset operating costs and become partially self-financing. These products are:

- A regional analogue to the Thomas Directory of Companies
- A transportation information data base, providing information on schedules, routes, fees, etc.
- An investment and trade opportunities bulletin.
- External markets data providing information on product standards, customs regulations, tariffs, etc.
- Macro level economic, social and political data on the region for use in research on policies, markets, project feasibility and investment.
- Bibliography of all FEDEPRICAP member association documents.

Part of the revenues from the provision of information services eventually can be used to play for equipment maintenance and expansion.

7. Technical Assistance

As a result of the addition of $500,000 to FEDEPRICAP to expand the scope of its activities, it will be necessary to provide additional technical assistance to the project. Moreover, as the demand for FEDEPRICAP's services grows, and its activities take on added complexity and importance, it is essential for the organization to be able to rely on continued technical assistance in capital mobilization, trade and transportation.

Other factors contributing to the need for expanded consulting services envisioned under this amendment include the urgent need to assist in the reconstruction and regional reintegration of both the Panamanian and Nicaraguan private sectors. Furthermore, new and compelling issues not included in the original project design need to be addressed by FEDEPRICAP. These are the impact of illicit drugs on legitimate commerce and women in development. These areas will require greater and more specialized technical assistance to FEDEPRICAP.

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Correspondingly, a continuing need for institutional development exists. This is the case with respect to planning, project development and management, and evaluation. Installation of a computerized Local Area Network on a regional basis will also require more technical assistance, as FEDEPRICAP seeks to rationalize information exchanges among its membership in the areas of trade, transportation and finance.

Finally, it is important to note that FEDEPRICAP's initial successes over the past year of operation have led to an increasing demand for its services. For example, the newly elected government of Honduras recently requested FEDEPRICAP assistance in developing economic policies. Similarly, the USAID Mission in El Salvador has requested the services of FEDEPRICAP to assist in the development of the local stock exchange. If FEDEPRICAP Is to maintain its reputation for responsiveness and quality work, it will require additional technical assistance.

The specific areas for modification parallel exactly those outlined in the FEDEPRICAP amendment, and include:

- Women in Development
- Drugs
- Information Systems
- Capital Mobilization
- Trade
- Transportation

ROCAP provided Technical Assistance will continue to work closely with FEDEPRICAP counterpart staff in implementing the yearly operational plans to guide the institution's efforts in both the original and new project areas. It will also assist in the revision of the strategic plan, as required, as well as the yearly operating plans for project years two and three, especially as they reflect changing external conditions and newly acquired project activities.

CARANA Corporation, an 8(a) firm registered with the Small Business Administration, has been the technical assistance contractor under this project. CARANA has provided timely, qualified technical experts in a variety of fields and has been primarily responsible for FEDEPRICAP's growth as a Central American developmental institution. Under this amendment, ROCAP plans to increase CARANA's contract by $200,000 for the provision of the required additional technical assistance contemplated under the project.

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8. Project Liaison

FEDEPRICAP continues to work successfully to achieve its goals and to expand its activities, based on increased demand for its services. As events change in Central America, particularly the economic and political reconstruction of both Panama and Nicaragua, the election of new, pro-private sector governments in Honduras, Costa Rica and El Salvador, the role of FEDEPRICAP can be expected to continue to grow and take on additional importance. With the increased need for ROCAP to interact more frequently and closely with USAID Missions and the Central American private sector, the proposed Amendment will provide resources to hire a PSC Private Sector Officer and secretary to manage this project and coordinate all ROCAP activities related to private sector development. The advisor will provide strategic and policy advise to both ROCAP and FEDEPRICAP on key issues in the region and evaluating potential for further involvement by A.I.D. in the private sector. Given the importance of the project as the key to the strategy of developing the private sector as a major contributor to regional economic development, close and effective project management is imperative.

(4957j:4/4/90:PT:lg)

III. AMENDED FINANCIAL PLAN

The amended Project Budget will be as follows:

Components	Original	Amendment	Revised	FEDEPRICAP
I. Cooperative Agreement				
Personnel	$ 565,245	$ 93,551	$ 658,796	$182,455
Support	110,844	95,760	206,604	4,200
Operating	402,402	88,790	491,192	105,102
Training	362,440	151,899	514,339	-
Contingencies	89,069	70,000	159,069	-
Sub-Total	1,530,000	500,000	2,030,000	
II. T. A. Contracts				
CARANA	400,000	200,000	600,000	
PSC/Secretarial Support	-	300,000	300,000	
III. Audit & Evaluation	50,000	-	50,000	4,843
TOTAL	$1,980,000	$1,000,000	$2,980,000	$296,600

Total Project Budget is $3,276,600

(4957j)

FEDEPRICAP ACCOMPLISHMENTS, 1989

As a result of its many activities, listed on the appended activity calendar, FEDEPRICAP is able to list several accomplishments.

Trade

A great deal of effort has been expanded to educate key public and private sector officials with respect to the benefits of GATT and the steps required to seek entrance into the system. At the same time, FEDEPRICAP has been exploring possible export models for modified replication in Central America. Special attention has been focussed on the successes achieved in Chile, and FEDEPRICAP both sponsored a trip to Santiago for Central American businesspersons and hosted several seminars given by the Director of the Chilean stock exchange.

Transportation

Aside from the numerous activities undertaken in this project component over 1989, the signal accomplishment was FEDEPRICAP's highly successful leadership in working with local users to negotiate an agreement with the monopolistic maritime shippers group to abandon its proposal for a ten percent hike in rates. This amounted to a savings of $13.5 million.

Capital Mobilization

FEDEPRICAP has been working to lay the ground work for development of an integrated securities market in the region. A seminal report on the status of the stock exchanges in El Salvador, Guatemala, Honduras and Costa Rica was recently prepared and enthusiastically received by both the local financial communities and the bi-lateral USAID missions. This report will form the basis for intense development of mechanisms within national stock exchanges to make possible eventual regional coordination and integration.

Women in Development

FEDEPRICAP sponsored workshops and meetings to discuss important issues with respect to women in development, addressing in particular ways in which to incorporate business women into positions of leadership in the private sector. Given the large number of Central American women in business, especially in micro and small enterprises, it is critical that their concerns and needs be effectively represented in national (and regional) decisionmaking processes. FEDEPRICAP's support in this area has been unique.

(4957j)

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TABLE I ORIGINAL BUDGET

PRIVATE SECTOR INITIATIVES PROJECT - FEDEPRICAP
DETAILED BUDGET BY LINE ITEM

LINE ITEM	NUMBER OF PERSON MONTHS	YEAR 1 ROCAP	YEAR 1 FEDEPRICAP	YEAR 2 ROCAP	YEAR 2 FEDEPRICAP	YEAR 3 ROCAP	YEAR 3 FEDEPRICAP	TOTAL ROCAP	TOTAL FEDEPRICAP
1. TECHNICAL ASSISTANCE									
A. SHORT TERM CONSULTANTS*									
1. TRANSPORTATION SPECIALIST									
$5,480/MO	12	$27,400	-	$27,400	-	$10,960	-	$65,760	-
2. CAPITAL MOBILIZATION									
$5,480/MO	7	$16,440	-	$10,960	-	$10,960	-	$38,360	-
3. TRADE SPECIALIST									
$5,480/MO	7	$16,440	-	$10,960	-	$10,960	-	$38,360	-
SUB-TOTAL	26	$60,280	-	$49,320	-	$32,880	-	$142,480	-
* BURDENED RATE									
B. HOME OFFICE SUPPORT									
1. INSTITUTIONAL DEVELOP.									
$4,500/MO	10	$18,000	-	$18,000	-	$9,000	-	$45,000	-
2. FRINGE BENEFITS (26%)		$4,680	-	$4,680	-	$2,340	-	$11,700	-
3. OVERHEAD (31%)		$5,580	-	$5,580	-	$2,790	-	$13,950	-
SUB-TOTAL	10	$28,260	-	$28,260	-	$14,130	-	$70,650	-
C. TRAVEL									
1. AIR FARE (US-C.A.)									
24 TRIPS-$750/TRIP		$6,000	-	$6,000	-	$6,000	-	$18,000	-
2. LOCAL TRAVEL		$1,000	-	$1,000	-	$1,000	-	$3,000	-
3. PER DIEM									
840 DAYS a $90/DAY		$31,500	-	$31,500	-	$12,600	-	$75,600	-
4. COMMUNICATIONS/REPORTS		$500	-	$1,000	-	$500	-	$2,000	-
5. DBA (4% CONSULTANT SALARIES)		$2,411	-	$1,973	-	$1,315	-	$5,699	-
SUB-TOTAL		$41,411	-	$41,473	-	$21,415	-	$104,299	-
D. CONTINGENCY (FEES, G&A, ETC.)		$27,525	-	$27,523	-	$27,523	-	$82,571	-
TOTAL TECHNICAL ASSISTANCE		$157,476	-	$146,576	-	$95,948	-	$400,000	-
2. FEDEPRICAP PERSONNEL			-						
1.1 TECHNICAL PERSONNEL			-						
SALARIES BASED ON 3 YR AVERAGE			-						
EXECUTIVE DIRECTOR (1)									
(12 MONTHS X $1576/MO)		$18,000	$24,000	$18,900	$25,200	$19,836	$26,460	$56,736	$75,660
FINANCIAL SPECIALIST (2)									
(12 MONTHS X $2627/MO)		$30,000	-	$31,500	-	$33,072	-	$94,572	-
TRANSPORTATION SPECIALIST (2)									
(12 MONTHS X $2102/MO)		$24,000	-	$25,200	-	$26,460	-	$75,660	-
POLICY ANALYST (2)									
(12 MONTHS X $2102/MOYR)		$24,000	-	$25,200	-	$26,460	-	$75,660	-
ASSISTANT DIRECTOR (2)									
(12 MONTHS X $2627/MO)		$30,000	-	$31,500	-	$33,072	-	$94,572	-
SUB-TOTAL TECHNICAL PERSONNEL		$126,000	$24,000	$132,300	$25,200	$138,900	$26,460	$397,200	$75,660

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LINE ITEM	NUMBER OF PERSON MONTHS	YEAR 1 ROCAP	YEAR 1 FEDEPRICAP	YEAR 2 ROCAP	YEAR 2 FEDEPRICAP	YEAR 3 ROCAP	YEAR 3 FEDEPRICAP	TOTAL ROCAP	TOTAL FEDEPRICAP
1.2 SUPPORT PERSONNEL									
EXECUTIVE SECRETARY (1) * (12 MONTHS X $526/MO)		$6,000	-	$6,300	-	$6,624	-	$18,924	-
2 SECRETARIES (1) * (12 MONTHS X $420/MO EACH)		$9,600	-	$10,080	-	$10,584	-	$30,264	-
DOCUMENTATION SPECIALIST (2) * (12 MONTHS X $736/MO)		$8,400	-	$8,820	-	$9,264	-	$26,484	-
JANITOR/MESSENGER (1) * (12 MONTHS X $315/MO)		$3,600	-	$3,780	-	$3,960	-	$11,340	-
SUB-TOTAL SUPPORT PERSONNEL		$27,600	$0	$28,980	$0	$30,432	$0	$87,012	$0
1.3 FRINGE BENEFITS *		$20,984	$2,100	$22,033	$2,233	$23,132	$2,322	$66,149	$6,655
1.4 OVERTIME (10%) *		$2,760	-	$2,898	-	$3,043	$0	$8,701	$140
TOTAL FEDEPRICAP PERSONNEL		$177,344	$26,100	$186,211	$27,433	$195,507	$28,782	$559,062	$82,455
3. SUPPORT SERVICES **									
1.1 LEGAL COUNSEL * (12 MONTHS AT $567/MO)	12	$6,600	$1,200	$6,600	$1,596	$7,200	$1,404	$20,400	$4,200
1.2 ACCOUNTING ASSISTANT * (12 MONTHS AT $262/MO)	12	$3,000	-	$3,144	-	$3,300	-	$9,444	-
TOTAL SUPPORT SERVICES		$9,600	$1,200	$9,744	$1,596	$10,500	$1,404	$29,844	$4,200
TOTAL (1.+2.+3.)		$344,420	$27,300	$342,531	$29,029	$301,955	$30,186	$988,906	$86,655

(1) SOCIAL SECURITY 22% OF SALARY + CHRISTMAS BONUS
(2) RECEIVE ONLY CHRISTMAS BONUS

* INDICATES LOCAL CURRENCY EXPENDITURES
** CONTRACT SERVICES

COMPONENT	NUMBER OF EVENTS	YEAR 1 ROCAP	YEAR 1 FEDEPRICAP	YEAR 2 ROCAP	YEAR 2 FEDEPRICAP	YEAR 3 ROCAP	YEAR 3 FEDEPRICAP	TOTAL ROCAP	TOTAL FEDEPRICAP
4. OPERATING EXPENSES									
4.1 EQUIPMENT & MAINT *		$2,000	-	$3,000	-	$2,000	-	$7,000	-
4.2 OFFICE EQUIPMENT *		$15,000	-	$2,000	-	$2,000	-	$19,000	-
4.3 ELECTRICAL INSTALLATIONS *		$500	-	$300	-	$100	-	$900	-
4.4 COMPUTER ASSISTANCE *		$5,000	-	$2,500	$2,500	$1,250	$3,750	$8,750	$6,250
4.5 REPRESENTATIONAL EXP		-	$5,000	-	$6,000	-	$6,000	$0	$17,000
4.6 RENT *		$18,000	$1,200	$13,500	$8,580	$11,250	$14,142	$42,750	$23,922
4.7 UTILITIES *		$4,500	$500	$3,375	$2,025	$3,656	$2,144	$11,531	$4,669
4.8 OFFICE MATERIALS *		$12,500	$2,500	$9,375	$5,625	$10,156	$4,844	$32,031	$12,969
4.9 COMMUNICATIONS *		$30,000	$3,750	$33,000	$4,125	$36,300	$4,537	$99,300	$12,412
4.10 PUBLICITY & PROMOTION *		$17,000	$2,000	$17,000	$3,000	$17,000	$3,000	$51,000	$8,000
4.11 PUBLICATIONS		$2,000	$500	$2,200	$600	$2,200	$600	$6,400	$1,700
4.12 TRAVEL *		$15,000	$5,000	$15,000	$6,000	$15,000	$7,000	$45,000	$18,000
4.13 PER DIEM		$25,000	-	$22,000	-	$24,000	-	$71,000	$0
4.14 SUBSCRIPTIONS		$500	$50	$550	$60	$600	$70	$1,650	$180
TOTAL OPERATING EXPENSES		$147,000	$20,500	$123,800	$38,515	$125,512	$46,087	$396,312	$105,102
5. TRAINING *									
5.1 WORKSHOPS AT $10000 EACH	20	$80,000	-	$60,000	-	$60,000	-	$200,000	$0
5.2 TRAINING SESSIONS AT $5000 EACH	17	$25,000	-	$30,000	-	$30,000	-	$85,000	$0
TOTAL OF TRAINING		$105,000	$0	$90,000	$0	$90,000	$0	$285,000	$0
6. AUDIT		10,000	$1,500	10,000	$1,600	$10,000	$1,743	$30,000	$4,843
7. EVALUATION		-	-	$10,000	-	$10,000	-	$20,000	$0
8. CONTINGENCIES		$58,248	-	$78,242	-	$43,292	-	$179,782	$0
TOTAL		$320,248	$22,000	$312,042	$40,115	$278,804	$47,830	$911,094	$109,945
GRAND TOTAL		$664,668	$49,300	$654,573	$69,144	$580,759	$78,016	$1,900,000	$196,600

TOTAL PROJECT COSTS ARE : $2,096,600

*INDICATES LOCAL CURRENCY EXPENDITURES

(4855j)

TABLE II - REVISED BUDGET

PRIVATE SECTOR INITIATIVES PROJECT - FEDEPRICAP
DETAILED BUDGET BY LINE ITEM

LINE ITEM	NUMBER OF PERSON MONTHS	YEAR 1 ROCAP	YEAR 1 FEDEPRICAP	YEAR 2 ROCAP	YEAR 2 FEDEPRICAP	YEAR 3 ROCAP	YEAR 3 FEDEPRICAP	TOTAL ROCAP	TOTAL FEDEPRICAP
1. TECHNICAL ASSISTANCE									
A. SHORT TERM CONSULTANTS*	31	$60,280	-	$72,445	-	$52,880	-	$185,605	-
B. INTERMITTENTS				$6,450			-	$6,450	-
(FB a 26%)				$1,677	-		-	$1,677	-
SUB-TOTAL	31	$60,280	-	$80,572	-	$52,880	-	$193,732	-
* BURDENED RATE									
C. HOME OFFICE SUPPORT									
1. INSTITUTIONAL DEVELOP. $4,500/MO	18	$18,000	-	$41,447	-	$29,000	-	$88,447	-
2. FRINGE BENEFITS (26%)		$4,680	-	$10,776	-	$7,540	-	$22,996	-
3. OVERHEAD (31%)		$5,580	-	$16,189	-	$11,327	-	$33,096	-
SUB-TOTAL	18	$28,260	-	$68,412	-	$47,867	-	$144,539	-
D. TRAVEL									
1. AIR FARE (US-C.A.) 24 TRIPS-$750/TRIP		$6,000	-	$14,075	-	$14,075	-	$34,150	-
2. LOCAL TRAVEL		$1,000	-	$1,950	-	$1,950	-	$4,900	-
3. PER DIEM 840 DAYS a $90/DAY		$31,500	-	$42,600	-	$24,200	-	$98,300	-
4. COMMUNICATIONS/REPORTS		$500	-	$4,250	-	$3,750	-	$8,500	-
5. DBA (4% CONSULTANT SALARIES)		$2,411	-	$3,156	-	$2,115	-	$7,682	-
SUB-TOTAL		$41,411	-	$66,031	-	$46,090	-	$153,532	-
E. CONTINGENCY (FEES, G&A, ETC.)		$34,376	-	$34,376	-	$46,296	-	$108,197	-
TOTAL TECHNICAL ASSISTANCE		$164,327	-	$249,391	-	$186,282	-	$600,000	-
2. FEDEPRICAP PERSONNEL			-						
1.1 TECHNICAL PERSONNEL			-						
SALARIES BASED ON 3 YR AVERAGE			-						
EXECUTIVE DIRECTOR (1) (12 MONTHS X $1576/MO)		$18,000	$24,000	$18,900	$25,200	$19,836	$26,460	$56,736	$75,660
FINANCIAL SPECIALIST (2) (12 MONTHS X $2627/MO)		$30,000	-	$31,500	$5,000	$33,072	$5,000	$94,572	$10,000
TRANSPORTATION SPECIALIST (2) (12 MONTHS X $2102/MO)		$24,000	-	$25,200	$5,000	$26,460	$5,000	$75,660	$10,000
POLICY ANALYST (2) (12 MONTHS X $2102/MOYR)		$24,000	-	$25,200	$5,000	$26,460	$5,000	$75,660	$10,000
ASSISTANT DIRECTOR (2) (12 MONTHS X $2627/MO)		$30,000	-	$31,500	$5,000	$33,072	$5,000	$94,572	$10,000
PROGRAM ASS'T/TRANSPORTATION			-	$18,000	$5,000	$18,000	$5,000	$36,000	$10,000
PROGRAM ASS'T/ECON. PROGRAMS			-	$24,000	$5,000	$24,000	$5,000	$48,000	$10,000
SUB-TOTAL TECHNICAL PERSONNEL		$126,000	$24,000	$174,300	$55,200	$180,900	$86,460	$481,200	$135,660

LINE ITEM	NUMBER OF PERSON MONTHS	YEAR 1 ROCAP	YEAR 1 FEDEPRICAP	YEAR 2 ROCAP	YEAR 2 FEDEPRICAP	YEAR 3 ROCAP	YEAR 3 FEDEPRICAP	TOTAL ROCAP	TOTAL FEDEPRICAP
1.2 SUPPORT PERSONNEL									
EXECUTIVE SECRETARY (1) * (12 MONTHS X $526/MO)		$6,000	-	$6,300	-	$6,624	-	$18,924	-
2 SECRETARIES (1) * (12 MONTHS X $420/MO EACH)		$9,600	-	$10,080	-	$10,584	-	$30,264	-
DOCUMENTATION SPECIALIST (2) * (12 MONTHS X $736/MO)		$8,400	-	$8,820	-	$9,264	-	$26,484	-
JANITOR/MESSENGER (1) * (12 MONTHS X $315/MO)		$3,600	-	$3,780	-	$3,960	-	$11,340	-
SUB-TOTAL SUPPORT PERSONNEL		$27,600	$0	$28,980	$0	$30,432	$0	$87,012	$0
1.3 FRINGE BENEFITS *		$20,984	$2,100	$29,926	$2,233	$30,973	$2,322	$81,883	$6,655
1.4 OVERTIME (10%) *		$2,760	$47	$2,898	$47	$3,043	$46	$8,701	$140
1.5 S.T. Contracts			-		$20,000		$20,000		$40,000
TOTAL FEDEPRICAP PERSONNEL		$177,344	$26,147	$236,104	$77,480	$245,348	$108,828	$658,796	$182,455
3. SUPPORT SERVICES **									
3.1 LEGAL COUNSEL * (12 MONTHS AT $567/MO)	12	$6,600	$1,200	$7,138	$1,596	$7,738	$1,404	$21,476	$4,200
3.2 ACCOUNTING ASSISTANT * (12 MONTHS AT $262/MO)	12	$3,000	-	$3,144	-	$3,300	-	$9,444	-
3.3 WOMEN ENTREPRENEURS		$20,000	-	$25,000	0	$25,000	-	$70,000	-
3.4 PORT TARIFF PROGRAM	12	-	-	$60,000	-	-	-	$60,000	-
3.5 DRUG SHIPMENT PREVENTION		-	-	$22,842	-	$22,842	-	$45,684	-
TOTAL SUPPORT SERVICES		$29,600	$1,200	$118,124	$1,596	$58,880	$1,404	$206,604	$4,200
TOTAL (1.+2.+3.)		$371,271	$27,347	$603,619	$79,076	$490,510	$110,232	$1,465,400	$186,655

(1) SOCIAL SECURITY 22% OF SALARY + CHRISTMAS BONUS
(2) RECEIVE ONLY CHRISTMAS BONUS

* INDICATES LOCAL CURRENCY EXPENDITURES
** CONTRACT SERVICES

COMPONENT	NUMBER OF EVENTS	YEAR 1 ROCAP	YEAR 1 FEDEPRICAP	YEAR 2 ROCAP	YEAR 2 FEDEPRICAP	YEAR 3 ROCAP	YEAR 3 FEDEPRICAP	TOTAL ROCAP	TOTAL FEDEPRICAP
4. OPERATING EXPENSES									
4.1 EQUIPMENT & MAINT *		$2,000	-	$3,000	-	$2,000	-	$7,000	-
4.2 OFFICE EQUIPMENT *		$15,000	-	$2,000	-	$2,000	-	$19,000	-
4.3 ELECTRICAL INSTALLATIONS *		$500	-	$300	-	$100	-	$900	-
4.4 COMPUTER ASSISTANCE *		$5,000	-	$60,500	$2,500	$1,250	$3,750	$66,750	$6,250
4.5 REPRESENTATIONAL EXP		-	$5,000	-	$6,000	-	$6,000	$0	$17,000
4.6 RENT *		$18,000	$1,200	$13,500	$8,580	$11,250	$14,142	$42,750	$23,922
4.7 UTILITIES *		$4,500	$500	$3,375	$2,025	$3,656	$2,144	$11,531	$4,669
4.8 OFFICE MATERIALS *		$12,500	$2,500	$10,575	$5,625	$12,156	$4,844	$35,231	$12,969
4.9 COMMUNICATIONS *		$30,000	$3,750	$33,600	$4,125	$36,900	$4,537	$100,500	$12,412
4.10 PUBLICITY & PROMOTION *		$17,000	$2,000	$17,000	$3,000	$17,000	$3,000	$51,000	$8,000
4.11 PUBLICATIONS		$2,000	$500	$2,200	$600	$2,200	$600	$6,400	$1,700
4.12 TRAVEL *		$15,000	$5,000	$19,900	$6,000	$19,900	$7,000	$54,800	$18,000
4.13 PER DIEM		$25,000	-	$33,340	-	$35,340	-	$93,680	$0
4.14 SUBSCRIPTIONS		$500	$50	$550	$60	$600	$70	$1,650	$180
TOTAL OPERATING EXPENSES		$147,000	$20,500	$199,840	$38,515	$144,352	$46,087	$491,192	$105,102
5. TRAINING *									
5.1 WORKSHOPS AT $10000 EACH	35	$80,000	-	$122,975	-	$98,275	-	$301,250	$0
5.2 TRAINING SESSIONS AT $5000 EACH	42	$25,000	-	$94,044	-	$94,045	-	$213,089	$0
TOTAL OF TRAINING		$105,000	$0	$217,019	$0	$192,320	$0	$514,339	$0
6. AUDIT	3	10,000	$1,500	$10,000	$1,600	$10,000	$1,743	$30,000	$4,843
7. EVALUATION	1	-	-	$10,000	-	$10,000	-	$20,000	$0
8. PROJECT OFFICER		-		$145,000	-	$145,000	-	$290,000	$0
9. SECRETARIAL SUPPORT		-		$5,000	-	$5,000	-	$10,000	$0
10. CONTINGENCIES		$58,248	-	$50,410	-	$50,411	-	$159,069	$0
SUB-TOTAL (5-9)		$173,248	$1,500	$437,429	$1,600	$412,731	$1,743	$1,023,408	$4,843
GRAND TOTAL		$691,519	$49,347	$1,240,888	$119,191	$1,047,593	$128,062	$2,980,000	$296,600

TOTAL PROJECT COSTS ARE : $3,276,600

*INDICATES LOCAL CURRENCY EXPENDITURES

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LOCAL AREA NETWORK SYSTEM
EXECUTIVE SUMMARY

Carana Corporation conducted an information systems diagnostic of FEDEPRICAP In November, 1989 with the dual purpose of assessing the present needs for a computerized internal information management system and outlining ways in which it could develop an information service for its members. Several areas for management information were reviewed, including accounting, personnel, budget, audit, project management, data bases, data analysis, communication, and document processing. Information service needs were divided into three categories for review: data bases, communication and electronic bulletin boards.

1. MIS Frame of Reference

Section Two of the report focuses on several functions and components of an MIS for FEDEPRICAP. These include:

- Data entry
- Data processing
- Data storage
- Data retrieval

The MIS system would function on the premise that accurate and timely information, subject to quality analysis, is crucial to effective organizational administration at three basic management levels: strategic, managerial, operational. Strategic level information is used for long range planning and institutional policy; managerial level data are essential for general management purposes and control; information at the operational is task specific.

The preferred system for storing, processing and transferring data is one which can be labeled "distributive processing" and which permits data storage and processing centers to interact with each other through permanently established electronic channels. The most popular of this kind of network is called Local Area Network (LAN) and permits the interaction of several local systems with each other. The basic objectives of the LAN are to permit sharing of peripherals, software and information resources, and to facilitate communication with other users. The advantages of this kind of system for FEDEPRICAP Include:

- Low hardware and software costs
- Modular processing
- Decentralized processing

- Modular system growth
- Quality control of data
- User friendliness
- Low cost maintenance

3. Design Criteria

The design of an appropriate information system for FEDEPRICAP Is based on six criteria:

- Appropriate technology - equipment and software need to be relevant to the needs of FEDEPRICAP and its members and permit the growth of greater sophistication over time.

- Decentralized systems - or LANs, which are ideally suited to the organizational structure of FEDEPRICAP and its members.

- System growth - which will require design of a system which lends itself to easy and cost-beneficial expansion.

- Software applications - which are directly relevant to FEDEPRICAP's needs and plans, whether they be generic or tailored.

- Human resources - insuring that equipment and software are both technologically appropriate and user friendly.

- Equipment cost - selective buying based on long term need.

4. System Specifications

In light of the criteria outlined above, the following specifications for a FEDEPRICAP MIS should govern the design of the system:

- Multiuser/simultaneous capacity
- Capacity for multiarea operation
- Centralized data storage with remote accessing for quality control
- Security and support procedures and policies
- Horizontal/vertical remote communications protocol
- Local maintenance and equipment guarantees
- Trained operators
- Appropriate level operating system and software packages
- Local system growth

5. Proposal

Section Five of the report presents a detailed proposal of a LAN for FEDEPRICAP, based on the design criteria and system specifications. The use of such a LAN would be built on existing equipment and allow for modular

growth at low cost. In addition, the LAN would permit multiuser/multiarea operation, sharing of the high costs of peripherals, and communications at the local as well as regional levels.

By using microcomputers in the LAN, it will be possible to have access to a wide range of software and applications packages. At the same time, the cost of recruitment and training of personnel is far less than that for a centralized system.

The proposed LAN system would be an ARCNET 2.Mb/2 with Thomas Conrad communication cards for telephone cables. This configuration will accommodate up to 100 users and permit the connection of mini-computers operating on UNIX/XENIX platforms, DEC-VAX equipment, SUN or HP work stations and even connection with mainframes. The following table is a summary of all the equipment currently required for a FEDEPRICAP LAN, along with estimated costs.

The proposed system will give FEDEPRICAP wide flexibility in using the LAN for its various information purposes, permitting effective project and organizational management, efficient information interaction with its members, and the capacity to develop and operate a profitable information service.

LAN EQUIPMENT REQUIREMENTS

[Prices Referred to the USA] [In US $]

	ITEM	Unitary Cost	TOTAL
1	Server	3,500	3,500
5	Workstations	1,800	9,000
4	Laptop Network Adapters	695	2,780
8	Aronet Card AT	120	960
2	Arcnet Card mac	190	380
1	Arcnet Card PS2	160	160
1	Active Hub	395	395
1	Tape streamer 40Mb	500	500
3	Dot-Matrix Printers	325	975
1	Laser Printer	1,500	1,500
1	UPS	500	500
5	Surge Protectors	40	200
2	Twisted Pair Cable [300']	140	280
50	RJ-11 Male	1	50
20	RJ-11 Female	2	40
4	Printer Cables	30	120
1	NOVELL 286 2.15	2,595	2,595
1	FOXPRO 1.0	595	595
1	Wordperfect V. 5.1	325	325
1	Lotus 123 V. 2.2	325	325
1	Xerox Ventura V. 3.0	495	495
1	HTPM II	325	325
1	Harvard Graphics	395	395
2	Carbon Copy V. 5.0	150	300
1	Norton Utilities 4.0	85	85
1	Wordperfect Office	170	170
1	ManyLink	495	495
1	Genifer V. 2.0A	250	250
1	R & R V. 3B	175	175
1	MS-DOS V. 3.3	80	80
		TOTAL	$27,950

Additional Budget

1	Modem 9600 Bauds	1,195	1,195
3	Modem 2400 Bauds	190	570
2	Hard Disc 300 mb 18ms	1,800	3,600
3	Workstations	1,800	5,400
3	Arcnet Cards AT	120	340
3	Dot Matrix Printers	600	1,800
		TOTAL	$12,905

Base Equipment Budget for Affiliates

1	Micro 80286 or 80386	2,200	2,200
1	Dot Matrix Printer	350	350
1	Modem 2400 Bauds	190	190
	Accessories	100	100
		TOTAL	$2,840

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FEDEPRICAP SELF-SUFFICIENCY PLAN

A key challenge to and institutional objective of FEDEPRICAP Over the next several years is to develop sources of support to become financially self-sustaining and organizationally independent. Several mechanisms are available to expand the federation's current resource base, including:

- Corporate and other contributions to a FEDEPRICAP Foundation
- Increase in membership and subscription fees
- Sale of products and services
- Debt conversion
- Development of relationships with non-USAID international donors
- Establishment of an endowment

Although the original project design did not call for FEDEPRICAP to formulate and implement a strategy for self-sufficiency, the organization,s successes now have made that prospect an achievable goal. Moreover, by expanding its revenue base, FEDEPRICAP will be able to operate with the kind of independence required for the efficient operation of a private sector organization.

The following action plan is considered tentative in that revenue flow projections will be subject to change after the conduct of an updated demand study. In the meantime, however, experience has shown that FEDEPRICAP has developed into a credible organization with a growing demand for its services. This plan, therefore, is based on the assumption that current service and product demand levels will be sustained as FEDEPRICAP begins to require fee-for-services, and that non-AID international development agencies as well as private corporations will make contributions to the operating costs of the federation.

1. FEDEPRICAP Foundation

FEDEPRICAP has recently incorporated a foundation in the U.S. with the purpose of raising corporate funds to assist in funding activities to meet federation objectives in Central America and Panama. The foundation is

presently in the process of soliciting 501 C (6) status from the Internal Revenue Service. This would permit it to raise funds in the U.S. as a tax exempt organization. Plans are to expand the foundation, ability to acquire charitable contributions by applying also for 501 C (3) status, allowing donors to deduct their contributions from income and/or corporate taxes. As part of its fund raising strategy, FEDEPRICAP will develop an awareness and public educational campaign to work with private sector organizations and individual businesses and corporations in the U.S. The goals will be not only to seek funds for FEDEPRICAP itself, but also to promote joint ventures and other collaborative arrangements between U.S. and Central American businesses.

Examples of the specific kinds of activities to be undertaken by the FEDEPRICAP Foundation include:

- Development of a fund raising campaign to enlist financial support from U.S. companies, especially those with direct business interests in the region

- Promotion of FEDEPRICAP as a broker organization to assist, for a fee, U.S. companies in developing business in Central America and Panama

- Seeking support from relevant U.S. foundations which underwrite economic and social development in the region

- Promoting awareness of the region as an area for U.S. investment by working with key business organizations such as Chambers of Commerce

FEDEPRICAP will establish a counterpart foundation in Central America for essentially the same purposes. This entity would work, however, with U.S. and other foreign companies already doing business in the region, promoting joint ventures, acting as a broker and providing services to private firms interested in investing in the region. It would also serve as a not-for-profit subsidiary able to receive grant funds from international donors.

2. Membership

A sustained FEDEPRICAP objective has been the expansion of its current membership base of the six chambers of commerce and six development organizations in each Central American country. This has served not only to increase revenues, but at the same time expand the constituent base of FEDEPRICAP, strengthening its institutional presence as the regional private sector umbrella organization. In addition, as the regional economy grows, FEDEPRICAP will slowly increase its membership fees. This will provide even more revenues for the federation.

3. Sale of Products and Services

FEDEPRICAP has already begun to explore a range of alternative possibilities of offering products and services for a fee. Over the next six months, FEDEPRICAP will complete development of a list of services and products to be offered for sale. At a minimum these will include:

- Training workshops in capital mobilization, transportation and trade.
- Seminars in the same subject areas, with special emphasis on recruiting world class experts.
- Training and technical assistance in negotiation for company executives, both regional and foreign.
- Orientation training for U.S. and other foreign companies seeking to do business in Central America and Panama.
- Computer-based information on: trade routes, schedules and fees; foreign investment opportunities; export requirements to markets in the U.S. (and eventually the EC). Other computer-based services and products to be offered include: a) an annual directory of all FEDEPRICAP company members with relevant statistics (this will also include sale of advertising space), their products and services;, b) an electronic bulletin board with supply and demand data on raw materials and semi-finished goods; c) regional macro economic, social and political data for feasibility and other studies.
- Business library, including relevant trade, transportation and financial markets legislation, and publication services.
- Joint venture brokering.

FEDEPRICAP will make these services available both to members and non-members. Members will be entitled to a discount, and a sliding scale will be put into place to allow smaller companies to be able to purchase services and products, thereby expanding client base and volume. Caution should be exercised, however, to insure that FEDEPRICAP is not perceived as a competitor to non-subsidized private companies offering similar, if not identical, services. As primarily a service organization, FEDEPRICAP should not compromise its institutional integrity by competing with its members.

4. Debt Conversion

In a highly innovative approach, FEDEPRICAP intends to propose to the governments in the region that a small percentage of local currencies made

available under debts conversion arrangements be allocated to FEDEPRICAP. (This would be one to two percent depending on the magnitude of the swap.) In return, FEDEPRICAP would assist in the negotiations of such arrangements. Inter alia, it would serve as an intermediary between creditor banks and governments; assist governments in the region to devise debt conversion strategies; work with swap teams, providing technical assistance, training and negotiation support. Similar services would be offered to assist local stock exchanges in negotiating and packaging debt swaps.

5. International Agency Support

FEDEPRICAP will continue to seek grant support from non-AID international agencies. So far, it has been able to acquire assistance from the IDB and UNDP. As FEDEPRICAP's reputation for effectiveness continues to grow, along with demand for its services, it is more likely than ever that non-AID agencies will serve as an important source for revenues.

Non-AID agencies to be approached for assistance include:

- The World Bank
- Interamerican Development Bank
- United Nations Development Programme
- Japanese Technical Cooperation Agency
- The German Agency for Technical Cooperation (GTZ)

6. Endowment

An ideal method of securing and maintaining a reliable revenue base is through the establishment of an endowment. At least three approaches will be considered. First, under present U.S. legislation, it is possible to obtain local currency from debt conversion swaps to be used for developmental purposes. Second, FEDEPRICAP could enter into a one-for-one match with ROCAP. That is, every dollar raised by FEDEPRICAP would be matched by a donor up to $2 million, such as the case with COHEP. Third, a combination of the two approaches could be used up to a maximum to be established. In addition, other international donors could contribute over time to the endowment fund, increasing its base base and derivative revenues.

In 1989, FEDEPRICAP carried out a demand study of its members. Too few responses were returned to permit reliable revenue projections at this time, and another study will have to be conducted. Hence, the following cash flow estimates are based on two assumptions: 1) the demand level for current FEDEPRICAP services will remain constant throughout the next twenty-four months; 2) FEDEPRICAP will be able to sell its services and products at prevailing market rates.

TABLE I

FEDEPRICAP SELF-SUFFICIENCY
For the Period 1990-1994

CONCEPT	1990	1991	1992	1993
Membership	11 @ $6000 66000.00	13 @ $7200 93600.00	15 @ $9000 135000.00	135000.00
Sale of Products and Services				
Seminars	2 @ $500 1000.00	6 @ $1000 6000.00	10 @ $1000 10000.00	10 @ $1500 15000.00
Executive Training		2 @ $5000 10000.00	4 @ $5000 20000.00	4 @ $7000 28000.00
Orientation Training		2 @ $7000 14000.00	4 @ $7000 28000.00	4 @ $10000 40000.00
Information Services		3000.00	7000.00	10000.00
Sale of Publications	1000.00	3000.00	5000.00	9000.00
Other Donors Support	45000.00	100000.00	200000.00	200000.00
"ENDOWMENT" (*)		6000.00	13000.00	22500.00
ANNUAL TOTAL	113000.00	235600.00	418000.00	459500.00

(*) Interest income from FEDEPRICAP Foundations in the United States and Costa Rica.

(4057j)

XD-ABO-073A

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Amendment Number 1

DOCUMENT CODE: 3

2. COUNTRY/ENTITY: Central America/ROCAP

3. PROJECT NUMBER: 596-0149

4. BUREAU/OFFICE: Latin America/Caribbean — 05

5. PROJECT TITLE (maximum 40 characters): Private Sector Initiatives

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 02 DD 15 YY 92

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 89 B. Quarter 2 C. Final FY 90

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY 89 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(318)	(338)	(636)	(1083)	(897)	(1,980)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country	31	18	49	99	97	196
Other Donor(s)						
TOTALS	349	356	705	1182	994	2,176

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) 3DA	663	840		800		80		1,980	
(2)									
(3)									
(4)									
TOTALS									

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each.): 820, 874

11. SECONDARY PURPOSE CODE: 730

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	DEL						
B. Amount	100%						

13. PROJECT PURPOSE (maximum 480 characters)

The purpose is to strengthen the Central American Private Sector's capacity to influenc the direction of socioeconomic development in the region, and to increase the knowledge and participation of the private sector in the development process.

14. SCHEDULED EVALUATIONS
Interim MM YY MM YY Final MM YY

15. SOURCE/ORIGIN OF GOODS AND SERVICES
[X] 000 [ ] 941 [ ] Local [X] Other (Specify) Cooperative Agreement Standard Provisions

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of an 8 page PP Amendment.)

The objective of this Amendment to the Private Sector Initiatives Project is to provide additional resources to support expansion of FEDEPRICAP's work under the Project in (a) improving the cargo transportation system in the region, and (b) increasing the participation of women leaders in private sector-led development, especially in trade and capital mobilization.

17. APPROVED BY
Signature: Nadine M. Hogan
Title: Nadine Hogan, Regional Director
Date Signed: MM 09 DD 26 YY 89

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

AID 1330-4 (8-79)

PROJECT AUTHORIZATION

Amendment No. 1

Name of Country: Central America

Name of Project: Private Sector Initiatives

Number of Project: 596-0149

1. Pursuant to Sections 103 and 106 of the Foreign Assistance Act of 1961, as amended, the Private Sector Initiatives Project was authorized on February 27, 1989. That authorization is hereby amended as follows:

a. Paragraph 1 of the Authorization is deleted in its entirety and the following substituted in lieu thereof:

> "Pursuant to Sections 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Private Sector Initiatives Project with the Federación de Entidades Privadas de Centro América y Panamá ("FEDEPRICAP"), involving planned obligations not to exceed One Million Nine Hundred Eighty Thousand United States Dollars (US$1,980,000) in grant funds ("Grant") over a three year period from date of authorization subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange costs for the project. The planned life of project is three (3) years from the date of initial obligation."

2. The authorization cited above remains in force except as hereby amended.

Daline M Hogan
Regional Director
Regional Office for Central American Programs

September 26, 1989
Date

Clearance: DPDO: Paul Tuebner
PDO: PMGall
PRG: Thomas Miller
RLA: MWilliams
CONT: Joe Hill
DD: RNicholson

9/12/89 - 4683j

ROCAP

PROJECT PAPER AMENDMENT

Private Sector Initiatives Project (596-0149)

Amendment No. 1

I. Objective and Relationship to the Project

The objective of this Amendment to the Private Sector Initiatives Project is to provide additional resources to support expansion of FEDEPRICAP's work under the Project in (a) improving the cargo transportation system in the region, and (b) increasing the participation of women leaders in private sector-led development, especially in trade and capital mobilization.

These activities directly contribute to the Project purpose, which is to strengthen the Central American private sector's capacity to influence the direction of socioeconomic development in the region, and to increase the knowledge and participation of the private sector in the developmental process. Descriptions of these program areas under the Project are in Section IV-C of the Project Paper and in the Project Paper Social Soundness section where it states that "FEDEPRICAP will make it a matter of policy to support activities and policies geared toward improving the position of women in and through development processes...broader involvement of women entrepreneurs is currently under development and will be implemented during the course of the Project."

II. Project Amendment Description

A. Port Tariff Assistance

1. Introduction and Background

Excessive costs in the transport sector have become a major impediment for trade development between the the Central American countries and the rest of the world, especially with the United States. The problems include low productivity in cargo handling, delayed services on the routes, lack of rational systems for distribution of cargo and limited development of cargo collection points, complex management and administrative systems, labor-management conflicts, and laws and regulations that fail to promote greater efficiency or the adoption of new technologies. The ports of the region are particularly vulnerable to these problems. The solution of these problems require cooperation among the ports at the national level, with involvement of users and the government, as well as regional and international participation.

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Among the actions to be taken to reduce the cost of international transportation and achieve cooperation among ports and with users, one of the most important is to revise and modernize the the current systems of port tariffs and charges. This activity will render direct and immediate benefits to both import and export enterprises in Central America. The activity will also serve as an effective mechanism to define and later correct problems related to the financial viability of the ports, as well as their administrative structures, technologies, marketing alternatives, and investment planning.

Each of the ports in the region has a different combination of tariffs covering different items, units of measurement, and even nomenclature. The limitations of the present systems presented below can be characterized as common to all of the region's ports:

a. The ports lack accounting systems that provide exact data on operational costs differentiated by the various functions in the port, which constrains the ability to design tariffs based on real costs.

b. The majority of the ports have tariffs that have been derived from antiquated systems, and are not adapted to changes in shipping technology.

c. Some of the ports are relatively new and still have not developed appropriate cost accounting and tariff systems for their operations. In other instances, the ports have copied tariff and counting systems from neighboring ports which have completely different operating parameters.

d. In some of the older ports, there have been numerous ad hoc adjustments in response to immediate problems related to new operations, new equipment, or sudden inflation. The resulting tariffs are not consistent and do not reflect the real costs of services.

e. Some countries use port tariffs as a mechanism to collect revenue for broader purposes, and this distorts the charges for services, thus penalizing international trade.

f. Many port tariffs do not provide incentives for the efficient use of labor, installed facilities or equipment, and in the process, certain types of cargo are simply not channelled through the port. Examples of these tariff weaknesses can be found in all of the region's ports.

g. Given the many variations in the structure and nomenclature of the port tariffs in the region, it is difficult for users

to compare the cost of different ports. As a result, there is widespread confusion with respect to the cost of transport for different routes. Although the charges don't have to be the same in each port, it should be possible for users to make a rational comparison among them.

The regional transportation study carried out by Parson Brinckerhoff identified port costs as one of the principal obstacles to increased Central American external trade.

Subsequently, the national and regional seminars on transportation carried out by FEDPRICAP and its members ratified the necessity to give priority attention to port services and tariffs. In response to this demand, the Federation has included in its Transportation Program work plan actions to improve the ports' charges and administration.

Therefore, following an assessment in each country of the port situation, FEDEPRICAP and ROCAP, with technical support of the Ports and Waterways Institute (PWI) of Louisiana State University and George Washington University, conducted the Executive Seminar on Port Tariffs in New Orleans on December 14-16, 1988. Attendees included managers of the principal Central American ports, and top government transportation officials.

This provided an opportunity for the officials to share views on port management problems, and to identify problems that could be treated regionally (such as the need to develop a common approach to tariffs and cost.accounting). They saw this as a chance to broadly improve port and shipping services on the basis of a known port cost structure. The objectives of the seminar were fully achieved: (1) to establish a mechanism for communication among the port authorities, (2) review port management problems, especially related to cost accounting and tariffs, and (c) develop a plan for technical cooperation in improving port services. The officials were also exposed to concepts of modern port tariff development and administration as tools for operational improvements and more rational port marketing and planning.

The strong interest on the part of FEDEPRICAP's member organizations, as well as of the import-export sector, resulted in a visit on the part of FEDEPRICAP's Transport Program Coordinator and the PWI Director to the ports in the region to develop a more detailed needs assessment for technical assistance in port tariffs.

The FEDEPRICAP members and port authorities have expressed their continuing interest in an early response to this need, including willingness to provide financial and in-kind support to the effort. This activity consists of the first stage of the technical assistance program, covering three of the six major ports.

2. The Activity

The objective ultimately is to improve the productivity of the ports, improving the quality of services to ships and users, thereby lowering the cost of services, and permitting comparisons among ports for movement of similar or different products.

The activity is regional in scope, and covers the four countries of Costa Rica, El Salvador, Guatemala and Honduras. However, given the differing development and financial situations of the ports, and the complexity of the PWI assistance, the activity has been divided into two stages.

The first stage includes the modernization of the tariff structures in three ports:

Santo Tomas de Castilla, Guatemala;
Puerto Cortez, Honduras, and
Puerto Limon, Costa Rica.

Based on the results obtained in the first stage, a decision will be made regarding continuing to the second stage, and working with the ports of Caldera in Costa Rica, Acajutla in El Salvador, and Quetzal in Guatemala.

In the ports of Santo Tomas and Limon, the current tariff structure will be analyzed and improvements proposed, with the target of establishing a modern tariff/accounting systems in accordance with the work plan shown below.

In Puerto Cortez, given that tariff structure improvements are already under way, the advisors will work on harmonizing the tariff structure with others in the region, and will train the port's administrators in more refined cost accounting/tariff techniques.

FEDEPRICAP has selected PWI as the entity with the most known experience in marine transport, ports and navegation management, and with a solid basis of knowledge of Central American ports based on its past work with the ports and with COCATRAM, the Central American Regional Marine Transport agency. Further information on PWI is available from FEDEPRICAP and ROCAP.

The methodology of the activity will focus on tariff modernization aimed at improved efficiency in the use of piers, storage facilities and cargo handling equipment, thereby reducing the delays affecting port users. The changes will also be aimed at increasing the revenues from use of facilities and equipment to allow their improvement and/or replacement. Special attention will be given to the effects on tariffs of labor (stevedore) costs.

Working together with port officials, the advisors will prepare an action plan for implementating changes in cost accounting and tariffs; a formal proposal of changes to be presented to the port authority boards; followed by work to install the changes. It is estimated that this effort will require one year, allowing for government approvals and negotiations with stevedoring organizations.

A typical work plan will include:

a. Develop a better accounting structure to analyze and report costs, the basis for cost control and tariff revisions.

b. Prepare the stages of implementation of the improved system, working with local accounting firms or port employees, including more effective use of data processing equipment. In this latter task, existing information will be analyzed, then intensive discussions with port technicians and managers will be held to review problems and solutions and establish targets for an improved information system for tariff administration.

c. The cost structure will be reviewed to determine aggregation levels, effective budgeting, cost control, and appropriate charges for each operation in the port.

d. A series of accounting reports will be defined, including their formats and appropriate frequency and distribution. These will provide data to measure the prouctivity of the port, including deviations from desired performance in graphic form,. showing trends in the port's operations, and their relationship to the tariff structure.

e. Examine ways of separating the costs of other development activities financed from port revenues, and finding alternative ways of funding them.

The duration and timing of key events for this stage will take one year, including visits by advisory teams as follows:

a. Initial visit to each port by a PWI financial analyst and accounting analyst to collect information and develop a detailed work plan with the counterparts (a report for the port and FEDEPRICAP will be prepared).

b. With assembled and analyzed data, the team will visit again to develop the detailed analysis of cost accounting and the proposed tariff changes, and to prepare the proposal of changes and a preliminary plan of implementation/training activities. This will be in the form of a report to the port and FEDEPRICAP, to be approved for implementation by the port's maximum authorities.

c. The third visit of the team will be to discuss revisions in the proposal, and work with a local accounting firm and/or port staff to carry out the plan.

d. The fourth visit will be to finalize the implementation of the changes and to conduct the training activities to maintain the improved system.

During the course of these visits, PWI experts will also note and report other port management improvements that would be beneficial to improved port efficiency, and propose these for additional work under the FEDEPRICAP-PWI contract if appropriate.

Local commitment and followup will be provided by FEDEPRICAP, its affiliates, and the port authorities. The work of local accounting firms will be financed out of counterpart funds to be provided by the port authorities in each country. These funds have been promised in principle by each port, with firm commitments and budget estimates to be required by FEDEPRICAP once the A.I.D. funding is in place. Followup and monitoring of the PWI team's work in each country will be carried out by the FEDEPRICAP affiliates, under the overall program monitoring of FEDEPRICAP's Regional Coordinator for Transportation. All major reports will be copied to ROCAP for information, and for use in reviews of achievements under the Private Sector initiatives Project.

3. Financial and Implementation Plan

Annex 1 provides a detailed budget breakdown, summarized as follows:

Summary Budget - Ports Assistance First Stage
(US$)

PORT	FEDEPRICAP/ROCAP	COUNTERPART	TOTAL
Santo Tomas	29,171	7,292	36,463
Cortez	19,400	7,148	26,548
Limon	31,429	7,857	39,286
TOTAL	80,000	22,297	102,297

This estimate is based on a PWI cost proposal provided to FEDEPRICAP.

FY 1989 funding by ROCAP will be $59,000, with the balance to be funded in FY 1990.

In order to contract with PWI, FEDEPRICAP as the lead entity, along with its member organizations (CAEM/Gremial de Exportatores in Guatemala, COHEP/FEPROEXAH in Honduras, and CINDE-CAAP in Costa Rica) will sign an agreement containing the activity in this description. All funds will be channelled through FEDEPRICAP. The payment plan to PWI will include a 10% payment on signing of the contract, followed by four progress payments as trips (and reports) are completed (totalling 80%), and 10% on successful completion of the first stage. The payments will be made following approval by the cooperating entities in consultation with the FEDEPRICAP Transport Program regional coordinator, who will provide monitoring, supervision and final approval of PWI's work and payments.

The 12 visits (four to each port) will take place on the following schedule:

PORT	MONTH											
	1	2	3	4	5	6	7	8	9	10	11	12
Santo Tomas		x				x			x		x	
Cortez		x				x			x		x	
Limon			x				x			x		x

B. Women of Our Hemisphere

1. Introduction and Background

During the past two years, FEDEPRICAP has, in cooperation with private and governmental groups in the U.S. and Central America, participated in bringing together groups of businesswomen and feminine leaders to develop personal contacts and possible business opportunities to improve trade between the U.S. and Central America. Women of the Hemisphere Achieving Together was conceived by Ambassador Holly Coors during her appointment as U.S. representative to the National Year of the Americas (1987). She envisioned bringing together businesswomen from the Americas and encouraging them to learn from one another. These entrepreneurs came together for the first time in Guatemala in September, 1988. A group of 25 women from the U.S. and 26 from Central America met to discuss ways in which they could cooperate for the betterment of their nations. The Central Americans included owners of exporting manufacturing enterprises, tourism executives, leaders of private foundations concerned with social development, the founder of a private university, and a national museum curator.

Following that first encounter, several partnerships among the Central Americans and with North Americans were formed. A group of Salvadoran women met back in their country to form a women's business development foundation. A leading commercial artist from

the U.S. will be teaching a two-week workshop at a private university in Honduras. A woman working in social development in the Guatemalan highlands is now receiving donations for her projects through a woman from the U.S. Other Central American women have used these occasions to exchange models of management, establish advisory relationships on debt-swap opportunities, and gain access to efficient technologies for use in development.

The group met again during the annual Miami Conference in December, 1988 and again in May of '89. The group continues to strengthen its cooperation and network and is scheduled to come together for the fourth time in Washington, D.C. in late September.

2. The Activity

As part of its program commitment to further develop the role of businesswomen in its activities, FEDEPRICAP will finance the attendance of up to 15 women from the region at a conference for entrepreneurial women being conducted in Washington D.C. The Project will finance their travel, per diem, and conference fee.

Each participant will be asked to provide a summary report to FEDEPRICAP on the learning they have derived from this encounter and the ones that preceded it; on followup actions they expect to take that will improve women's participation in trade, capital mobilization; and on other efforts to increase women's participation in private sector actions on development. At a roundtable discussion to be held in Washington, the Central American group will explore future actions to strengthen their cooperation in the region, and to have increased influence in the FEDEPRICAP/member organizations' deliberations. The options may include forming a women's branch of FEDEPRICAP with affiliated groups in each country, or forming plans to involve more women in the existing FEDEPRICAP network. At this meeting, the expectation is that views on these and other options will be aired, and followup steps to be taken back home decided upon.

3. Financial and Implementation Plan

The cost of this activity is estimated at $21,000. The detailed estimate is provided in Annex 1. FEDEPRICAP will purchase tickets and issue per diem checks from its ROCAP project account, and voucher the amounts on its normal liquidation procedure.

III. Amended Financial Plan

The amended Project Budget will be as follows:

	Components	ROCAP Grant	FEDEPRICAP	TOTAL
1.	FEDEPRICAP Personnel	$ 559,062	$ 82,455	$ 641,51
2.	Support Services	$ 29,844	$ 4,200	$ 34,04
3.	Admin./Operations1/	$ 476,312	$105,102	$ 581,41
4.	Training	$ 285,000	-	$ 285,00
5.	Audits	$ 0	$ 4,843	$ 4,84
6.	Contingency	$ 179,782	-	$ 179,78
	TOTAL	$1,530,000	$196,600	$1,726,60

1/ Amendment Funds added to this line item.

4685j PDO:PMG: 9/14/89

DETAILED BUDGET ESTIMATE
Port Tariff Assistance

Puerto Cortez/Honduras

Personnel	Amount	Cost (US$)	Total Grant Cost
Project Manager	0.5 person-month(s)	5,400	
Financial Analyst	1.5 person-month(s)	3,000	
Marketing Analyst	1.0 person-month(s)	3,600	
Benefits (21.5%)		2,580	
	Sub-Total	**14,580**	
Travel/Per Diem			
International Travel	4	2,000	
Local Travel	4	200	
Per Diem (person days)	40	3,800	
	Total Direct Costs	**20,580**	
	Total Indirect Costs (29%)	**5,968**	
	Total Cost	**26,548**	

Puerto Santo Tomas de Castilla/Guatemala

Personnel	Amount	Cost (US$)	
Project Manager	0.5 person-month(s)	3,000	
Financial Analyst	3 person-month(s)	9,000	
Cost Analyst	2.5 person-month(s)	5,700	
Benefits (21.5%)		3,816	
	Sub-Total	**21,566**	
Travel/Per Diem			
International Travel	4	2,000	
Local Travel	4	200	
Per Diem (person days)	40	3,800	
Communications		700	
	Total Direct Costs	**28,266**	
	Total Indirect Costs (24%)	**8,197**	
	Total Cost	**36,463**	**63,011**

Puerto Limon/Costa Rica

Personnel	Amount	Cost (US$)	Total Grant Cost
BROUGHT FORWARD			63,011
Project Manager	0.5 person-month(s)	3,000	
Financial Analyst	3.0 person-month(s)	10,800	
Cost Analyst	2.5 person-month(s)	5,750	
Benefits (21.5%)		4,204	
	Sub-Total	**23,754**	
Travel/Per Diem			
International Travel	4	2,000	
Local Travel	4	200	
Per Diem (person days)	40	3,800	
Communications		700	
	Total Direct Costs	**30,454**	
	Total Indirect Costs (29%)	**8,832**	
	Total Cost	**39,286**	**102,297**

DETAILED BUDGET ESTIMATE
Women of Our Hemisphere

Each participant requires the following:

Airfare from Guatemala !
El Salvador !
Honduras ! to Washington, DC and return
Costa Rica !

Average airfare $700 per person X 15 =	10,500.00
Perdiem 4 days per person X $121.00 = $484 X 15 =	7,260.00
Misc. expenses ($100 each for taxis, airport fees)	1,500.00
Registration $100 X 15	1,500.00
TOTAL	$20,760.00
Rounded to	21,000.00

(4667j)

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AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Amendment Number XD-ABO-073-B — DOCUMENT CODE 3

2. COUNTRY/ENTITY: Central America/ROCAP

3. PROJECT NUMBER: 596-0149

4. BUREAU/OFFICE: Latin American/Caribbean — 05

5. PROJECT TITLE (maximum 40 characters): Private Sector Initiatives

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 02 DD 15 YY 92

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 89 B. Quarter 2 C. Final FY 92

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY 89 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(318)	(338)	(656)	(1,003)	(897)	(1,900)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country	31	18	49	99	97	196
Other Donor(s)						
TOTALS	349	356	705	1,102	994	2,096

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) SDA	663	840	--	--	--	1,900	--	1,900	--
(2)									
(3)									
(4)						1,900		1,900	--
TOTALS									

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 820, 874

11. SECONDARY PURPOSE CODE: 730

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	DEL						
B. Amount	100%						

13. PROJECT PURPOSE (maximum 480 characters)

The purpose of the project is to strengthen the Central American private sector's capacity to influence the direction of socioeconomic development in the region, and to increase the knowledge and participation of the private sector in the developmental process.

14. SCHEDULED EVALUATIONS
Interim MM 08 YY 90 | MM YY | Final MM 02 YY 92

15. SOURCE/ORIGIN OF GOODS AND SERVICES
[X] 000 [ ] 941 [ ] Local [X] Other (Specify) Cooperative Agreement Standard Provisi

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment.)
I certify that the methods of payment and audit plan are in compliance with the Payment Verification Policy.

for Joe Hill, Jr., CONT

17. APPROVED BY
Signature: Nadine M. Hogan
Title: Nadine M. Hogan, Regional Director
Date Signed: MM 02 DD 17 YY 89

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

AID 1330-4 (8-79)

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Project Paper (PP)
Private Sector Initiatives Project

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LIST OF ACRONYMS

AID	Agency for International Development
ANEP	Asociación Nacional de la Empresa Privada
CABEI	Central American Bank for Economic Integration
CACM	Central American Common Market
CAI	Central American Initiative
CBI	Caribbean Basin Initiative
DICA	Central American Importation Right
EEC	European Economic Community
FEDEPRICA	Central American Federation of Private Entities
FEDEPRICAP	Federation of Private Entities for Central American and Panama
GDP	Gross Domestic Product
IDB	Inter-American Development Bank
ICAITI	Central American Institute of Industry and Technology
INCAE	Central American Institute of Business Administration
LAC	Latin America and the Caribbean
LDC	Lesser Developed Country
LOP	Life of Project
OJT	On-the-Job-Training
PACD	Project Assistance Completion Date
PID	Project Identification Document
PP	Project Paper
ROCAP	Regional Office for Central America and Panama
SIECA	Central American Secretariat for Economic Integration
STC	Short-Term Consultant
TA	Technical Assistance
UNDP	United Nations Development Project

(4054j)

I. SUMMARY AND RECOMMENDATIONS

A. Recommendations

ROCAP Project Committee recommends that $1.9 million in grant funds from the Private Sector, Environment and Energy Account be authorized to support a three year project to provide technical assistance and training to the private sector in Central America to develop greater cooperation in order to create the conditions necessary for economic growth and development.

B. Grantee

The grantee will be the Federacion de Entidades Privadas de Centroamerica y Panama (FEDEPRICAP), a two year old, not-for-profit organization.

C. Project Summary

In Central America and Panama there exist developmental problems which can only be solved on a regional level. FEDEPRICAP, like the fledgling Central American Parliament, reflects recognition of that fact, as well as the need to address issues within the private and not just the public sector. There is little question as to the demand and need for an organization such as FEDEPRICAP to work regionally to help bring about urgently needed economic recovery. Its existence represents one important response to the recurrent theme of the critical need for greater regional economic and social development underscored in the both the Kissinger and initial Sanford Commission reports.

FEDEPRICAP has been in existence scarcely two years. During that brief time, and with a very small staff, it has been able to develop an impressive track record in working with the private and public sectors throughout Central America in creating a regional consciousness of development problems and the need for cooperation. It has held numerous workshops and seminars on issues

of regional economic development, particularly those associated with transportation, capital mobilization and trade. Examples of topics addressed include debt/equity swaps, port tariffs and the role of women in the regional private sector. It has also hosted business round tables and sponsored analyses examining obstacles to regional development. FEDEPRICAP has been active in all countries of the region, working to focus public attention on the pressing need to remove obstacles to greater economic growth.

This project is in large measure a response to the deterioration of the Central American Common Market (CACM), which has left a critical void in efforts to promote regional cooperation and integration as a key strategy to create the conditions necessary for the kinds of changes required for sustained economic growth. It is also a reply to two new economic trends in the region: 1) a focus on export-led growth and development strategies, accompanied by incentives for non-traditional exports; and 2) increasing reliance on the private sector as the motor of economic growth.

The goal of the project is to contribute to accelerated and sustained economic growth in Central America. The purpose of the project is to strengthen the Central American private sector's capacity to influence the direction of socioeconomic development in the region, and to increase the knowledge and participation of the private sector in the development process. FEDEPRICAP, a regional private sector umbrella organization, will provide technical assistance and training to its members and other private and public organizations involved in or associated with development. FEDEPRICAP's members are the two largest and most influential private sector umbrella organizations in each of the regional nations.[1/] They, in turn, represent hundreds of businesses in the agricultural, industrial and service sectors.

1/ FEDEPRICAP's membership includes private sector organizations in both Nicaragua and Panama. Current U.S. legislation prohibits the use of U.S. financing for activities in these countries. Therefore, until there is a change in U.S. legislation, funds authorized under this project will not be used to finance activities in Panama and Nicaragua.

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In an effort to help generate ideas and designs for specific regional initiatives to address constraints in the areas of transportation, finance and trade, FEDEPRICAP will offer four kinds of assistance to its members: (1) It will conduct policy analyses on specific issues related to transportation, finance, and trade and tariffs, focusing on both policy initiatives within the region and potential impacts on the region of proposed policies and legislation by the U.S. and the European Economic Community; (2) It will coordinate and facilitate negotiation of conflicts between and among productive sectors, labor and management, and government and business on selected issues affecting regional development; (3) It will coordinate with its member associations in monitoring activities of relevant legislative committees and executive departments which impact on commerce, trade, finance and development; and (4) It will establish an information network and referral system on trade and investment, finance and credit, and transportation, providing routine information bulletins and referral services in these areas to its members.

D. Project Inputs (US $000)

Input	ROCAP Grant	FEDEPRICAP	TOTAL
1. Technical Assistance	$ 400,000	-	$ 400,000
2. FEDEPRICAP Personnel	$ 559,062	$ 82,455	$ 641,517
3. Support Services	$ 29,844	$ 4,200	$ 34,044
4. Admin./Operations	$ 396,312	$105,102	$ 501,414
5. Training	$ 285,000	-	$ 285,000
6. Audits	$ 30,000	$ 4,843	$ 34,843
7. Evaluation	$ 20,000	-	$ 20,000
8. Contingency	$ 179,782	-	$ 179,782
TOTAL	$1,900,000	$196,600	$2,096,600

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PROJECT TOTALS

The total estimated cost of the three year project is $2,096,600. FEDEPRICAP's counterpart contribution will be $196,600. ROCAP will provide $1,900,000 for technical assistance, training and support activities.

II. BACKGROUND

A. Economic Overview

In the 1980s all Central American countries experienced significant declines in the level of economic activity. Real GDP fell in El Salvador and Guatemala, and registered only negligible increases in Honduras and Costa Rica. Moreover, per capita GDP fell dramatically by 24%, 17%, 13%, and 12% respectively in these countries. Since 1983, the trend has been one of very gradual improvement with positive (if slight) per capita income growth recorded in 1987 in each country. There is every expectation that 1988 has also been a year of positive, if still unacceptably modest, improvement.

At the same time, unemployment remains among the most serious socio-economic concerns. As of 1987, the combined unemployment and underemployment rates have grown to alarming proportions. The best available information supports a rate for Honduras of some 30.0 percent, slightly higher for El Salvador, and significantly higher for Guatemala.

The problems faced by the region are common to many LDCs: Adverse terms of trade, substantial external debt, constricted domestic markets, high unemployment, deteriorating infrastructure, lack of hard currency reserves, capital flight and weak to non-existent capital markets. Moreover, decades of protectionist policies within the CACM have resulted in inefficient production, low standards of quality and limited experience in competitive international markets. Added to these economic and financial problems is the overlay of continuing political turmoil and violence in El Salvador, Nicaragua and Panama.

The economic and political changes since the beginning of the 1980s, have forced the governments, private sector and donor agencies to seek new and effective strategies to create necessary conditions for change which lead to sustained growth and development. This project is directed at supporting such efforts.

B. Associated Developmental Problems

1. Policy Factors

Although the current decade has witnessed some movement on the part of the countries in the region to relax protectionist policies, the general situation remains mixed and policy constraints still continue to retard intra-regional trade and commerce. The deterioration of the CACM has been both a cause and effect of the inability of the governments in the region to sustain the type of cooperation necessary for meaningful economic integration. At the same time, there is continued awareness of the need for some kind of regional cooperation and integration to bring about conditions conducive to economic recovery. Leading officials in both the private and public sectors have expressed concern that constraints be removed which impede productive investment, non-traditional exports and employment generation. Given the scale of existing national economies in the region, productive bases, infrastructure deficiencies, lack of adequate financial intermediation instruments and weak investor perceptions, a private sector led effort must be mounted to address cross-border obstacles to growth.

While trade barriers and protectionist policies are instruments of governmental control, the fact is they have been put in place with the support of an influential part of the private sector. (It is also recognized that organized labor has been equally if not more supportive of closed markets and, for that matter, state-owned enterprises). The private sector itself has to act on its behalf and work with respective governments to create necessary

conditions for freer and more productive regional trade and commerce, as have, to some degree, Costa Rica and El Salvador, for example. As all countries in the region recognize the failure of import substitution as the prevailing model for development, and turn (or are forced to turn) increasingly to export-led growth, there is a more pressing need than ever to work out intraregional arrangements to do away with trade barriers which impede cooperation in the production, shipment and marketing of goods.

By the same token, both the private and public sectors need to work together to develop policies and mechanisms to open greater and easier accessibility to necessary capital, particularly long term financing. Historically, capital in the region has either been provided by government sponsorship or through closely held private ownership - aside from international companies with independent access to credit. Policies promoting establishment of domestic capital formation vehicles are needed. At the same time, regional mechanisms for capital mobilization should be considered. Additionally, policies are needed to stem capital flight and create incentives for both domestic and foreign investment, as well as to encourage venture capital. The financial regulatory environment, too, is a major obstacle to capital mobilization. Outmoded and needlessly complex regulations and administrative practices in the financial sector have discouraged potential investors, and limited expansion of greater production of goods and services. Finally, tax law reforms are needed to eliminate price controls over securities and stimulate acquisition of capital through equity and debt securities, rather than only bank borrowing.

Another critical area for policy reform is transportation. As the countries of Central America turn increasingly toward exports as a major strategy to create growth, it is essential that they be able to provide quality products at competitive prices. Transportation in the Isthmus is a key factor cost, currently contributing 30 to 50 percent of the c.i.f. value of non-traditional export products which, in turn, constitute about 40 percent of all regional

exports. Transportation is a vital component of regional economic integration and cooperation, as well as an essential ingredient in accessibility to external markets. Transportation systems of different countries are not independent, but either linked physically or through transportation providers. Thus, as transportation policy decisions in one country can affect the entire region, there is a clear need for the republics to work to take advantage of economies of scale to solve common problems.

2. Sociocultural Factors

The regional sociocultural environment is far from uniform. It is characterized at one end of social spectrum by a highly traditional, indigenous society in Guatemala, to a much more open and urbanized culture in Costa Rica, at the opposite end. Similarly, the role of women differs throughout the region. In some countries, women are clearly visible and occupy relatively important and high level positions. In others, the role of women in the economy is much more traditional and less prominent. One of the anticipated benefits of the project will be to recognize and promote the critical role women play in the regional economy, addressing their particular needs. Indeed, FEDEPRICAP will consciously serve to promote greater integration of women and women's needs into economic development strategies.

Acting in regional concert through FEDEPRICAP, the private sector in Central America will be able to enhance productivity, create economies of scale, develop greater comparative advantages and become more competitive in the marketplace. This will help attract investment, creating a self-fulfilling cycle resulting in greater economic activity, thereby generating more jobs and income.

While the history of cooperation in the region has been mixed, it is important to note that the project represents the first time the private - rather than the public - sector has formed a regional union to create conditions

necessary for economic change. The economies of scale and production efficiencies produced by such an accord will serve to generate economic and social benefits at the national, company and individual levels. The need for economic growth to increase governmental gross receipts for urgently needed social programs, will be a particularly important result of the project.

III. PROJECT RATIONALE

A. General Design Framework and Critical Assumptions

In order for the individual countries of the region to be able to achieve economic recovery, it is vital that they cooperate in bringing about necessary conditions for economic growth and development. As part of this general strategy, the role and strengthening of the private sector is pivotal. The private sector is the key catalyst for urgently needed changes in the traditional way of doing business.

It is apparent that in order to foster economic improvement, regional cooperation is essential. The countries of the Isthmus are too small, inefficient and vulnerable to foreign competition not to unite in efforts to enhance individual national prosperity. At the same time, it is equally evident that world markets and economic forces are such that the region must increase its exports, particularly of non-traditional products, if it is to survive the present crisis. As a consequence, the private sector in the region not only has to cooperate more fully to achieve necessary economies of scale and other production efficiencies, it also needs to present a common front to negotiate necessary regulatory and legislative changes in individual nations to help create a more rational policy climate for regional cooperation, leading to growth and development.

While the history of attempts at regional integration is only mildly encouraging, it is important to note that most past efforts have been mounted

by the public sector. ROCAP, on the other hand, is proposing to strengthen FEDEPRICAP, an entirely private sector organization, to move forward with a fresh perspective on problems left unattended by the CACM. For these reasons in particular, FEDEPRICAP represents both a timely and indispensable effort to deal with the socioeconomic crisis afflicting the region.

The design of the project and prospects for its successful implementation are conditioned by the validity of a number of critical assumptions. It has been assumed that: 1) individual national public policies will be generally supportive of a "free market" export-oriented strategy; 2) the private sector will increasingly respond to the opportunities of a competitive market; and 3) the private sector will increase its disposition toward greater regional cooperation.

While all the countries in the region have taken steps to relax some of the more burdensome constraints to free trade, capital acquisition and more efficient transportation, some have moved more aggressively than others. Still, there is universal recognition of the need to foster greater regional cooperation and integration as a key to economic recovery. It is assumed that steps to reduce tariffs even further, eliminate more onerous transportation bottlenecks and provide incentives for capital mobilization will be continued by the governments in the region. It is also assumed that the public and private sectors, labor and management and the productive sectors will be willing to enter into a dialogue and negotiate differences to be able to create conditions necessary for more efficient production and trade.

The project design also assumes that external economic conditions will be conducive to regional participation in world markets. It is important to the long term success of the project that: 1) increased protectionism in major markets does not materialize and the provisions of the Caribbean Basin Initiation legislation do not further restrict allowable exports; 2) no major economic recessions dampen world demand.

Finally, it is assumed that the political instability throughout the region will continue at a low level of intensity, and that prospects for peaceful resolution of the various conflicts will eventually increase, permitting yet more focus on regionally based efforts for solving the economic crisis and attendant social dislocations.

It is reasonable to assume that the most critical conditions required for success of the project can be met. Nevertheless, the assumptions underlying this project will need to be monitored carefully. Therefore, periodic evaluations have been built into the project design to measure progress toward achievement of FEDEPRICAP goals and its ability to develop regional private sector cooperation and integration. At the end of three years, project performance will be evaluated against pre-determined benchmarks. Continuation of ROCAP assistance, its nature and level, will be predicated on the results of the evaluation.

B. Complementary ROCAP Projects

This project is one of several mutually supportive efforts which respond to Regional economic and Trade Policy Development called for in the ROCAP strategy. The Regional Economic Research Policy Project (596-0147) calls for economic analysis by economic research centers and universities in Central America on critical economic policy issues. These analyses will support FEDEPRICAP's efforts to bring about policy adjustments for regional cooperation and growth. The project will also cooperate with activities under the Non-traditional Agricultural export Support Project (596-0108) in the areas of transportation and export regulations. FEDEPRICAP has collaborated with this project in the past and will continue working with project personnel in the future. FEDEPRICAP also maintains close collaborative relations with most of the regional institutions (CABEI, IICA, ICAITI, and SIECA). Many of the activities envisaged under this project will be carried out in collaboration with other regional institutions. In addition, the project will greatly

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benefit activities planned under the proposed Environment and Natural Resources Management Project scheduled for FY 89 obligation. FEDEPRICAP is uniquely positioned for sponsoring forums on the relationship of environmental damage to sustained economic development.

C. Project Strategy

It is clear that the countries of Central America and Panama must embark on a strategy of regional private sector cooperation and integration in order to maximize opportunities to create necessary conditions for economic growth and development. The need for economies of scale, cooperation in effectively expanding exports and capital mobilization all call for enhanced regional cooperation. This can only be achieved through the kinds of mutual efforts made possible by a credible and effective regional private sector umbrella organization, able to represent authoritatively and with a unified voice the Central American business community. The private sector has already testified to this need by creating FEDEPRICAP.

A review of the successes and failures of other regional organizations, and input from a cross-section of public and private sector officials in Central America and Panama, indicates that a successful project will depend on several factors, all of which have been incorporated into the project design. First, it is important to have a regional umbrella private sector organization that has a membership which represents the private sector, including its leadership, in each country. Second, the organization needs to be non-partisan. Third, the Executive Director of the organization - i.e., FEDEPRICAP - has to be forceful and experienced, but also able to balance competing national interests. Similarly, the staff has to reflect as much as possible national differences within the region. Finally, it is necessary to to promote public awareness of the need for regional cooperation and the services FEDEPRICAP can provide, and coordinate negotiations to reconcile differences between economic sectors for mutually beneficial purposes.

A successful project of this nature must also have access to quality experts in a variety of fields including: transportation, capital mobilization, trade and tariffs, negotiation, policy analysis, information, management and institutional development.

Finally, it is imperative that a highly effective system of follow-up be incorporated into the project operation. While mechanisms and systems to assist staff in follow-up can and will be put in place, good follow-up ultimately depends on staff commitment and capability. Maintaining follow-up is essential to the credibility and success of an organization like FEDEPRICAP.

1. Implementing Institutions

a. Alternatives Considered

To be effective, the implementing institution should be a private regional umbrella organization with a membership including the leading private sector organizations in each of the Central American countries and Panama, representing all of the productive sectors. The fact of the matter is that FEDEPRICAP is the only organization which fits the necessary criteria. Other organizations, such as the Federación de Cámaras de Industria de Centroamérica and INCAE were considered. However the former does not represent all sectors, and its staff consists of one part-time executive director. INCAE, on the other hand, is a fully functioning organization. However, its mandate is more narrowly focused on research and training, and would not support the goal and purpose of the project. FEDEPRICAP, however, is ideally chartered to provide the institutional capacity to implement the project.

b. Selection of FEDEPRICAP

FEDEPRICAP was established in January, 1987. It represents in part a continuation or restructuring of the Federacion de Entidades Privadas de Centroamerica (FEDEPRICA), a loose confederation of private sector organizations in Central America. FEDEPRICA never developed into a fully operational and effective institution, partly because it lacked the kind of dynamic leadership and commitment characterizing the FEDEPRICAP Board of Directors. In the interim, several private development organizations at the national level, such as FUSADES, CINDE, etc., were created in the region with AID encouragement and assistance. Along with older private sector umbrella associations like ANEP in El Salvador, FEDEPRICAP was founded in response to a perceived need to develop greater regional cooperation on the part of the private sector in order to deal more effectively with the economic crisis. As a regional institution, FEDEPRICAP will address constraints to development which require regional solutions. It is the intent of this project to support FEDEPRICAP with Grant funds to carry out a series of activities which will set the conditions for economic change in the region. The issue of self-sufficiency was examined during PID preparation. It was subsequently determined by the Mission that A.I.D. resources would be expended on discrete activities leading to change in the region and that a regional institution would be utilized to create the conditions necessary for these changes. Therefore, the issue of self-sufficiency was not considered a necessary requirement for this project. A detailed institutional analysis of FEDEPRICAP was conducted during the project review stage (See Section VI B), and FEDEPRICAP was selected to serve as the institutional vehicle to implement the project.

IV. DETAILED PROJECT DESCRIPTION

A. Project Goal and Purpose

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

The purpose of the project is to strengthen the Central American private sector's capacity to influence the direction of socioeconomic development in the region, and to increase the knowledge and participation of the private sector in the developmental process.

B. Beneficiaries

The direct beneficiaries of the project will be those Central American businesses and their personnel who will capitalize on the benefits of a climate in which there exists freer and more productive trade, easier and greater access to capital, and less expensive, more efficient transportation. Investors, both foreign and regional, will also benefit as they are able to increase investment opportunities and corresponding returns. The governments in the region will also benefit from increased gross tax revenues generated as the result of greater and more profitable private sector activity. The ultimate beneficiaries will be the regional population as a whole, which will benefit from lower consumer costs, employment generation, economic growth and improved income distribution.

The countries in the region as a whole will derive further direct and indirect benefit. The regional economy will be brought into better balance, GDP will rise in the primary, secondary and tertiary sectors, and government gross tax receipts will increase. Expanded public revenues will permit continuation and even expansion of essential social services in education, health and housing, for which adequate funding levels continue to be threatened by a lack of sufficient resources.

Immediate results are not anticipated. It will take time to accomplish the critical and frequently delicate tasks involved. Negotiating common positions among the FEDEPRICAP membership, conducting the appropriate issues analyses and successfully securing the necessary policy and administrative reforms require a certain, though not limitless, amount of patience and tenacity.

C. Project Components

In order to assist in the development of the regional private sector as the main engine of economic growth for regional recovery, FEDEPRICAP will focus on three project components: 1) transportation; 2) capital mobilization; and 3) trade.

FEDEPRICAP has several objectives, including representation of private sector interests at the regional level, promotion of a greater awareness of the role of the private sector in socioeconomic development, gaining access as a full partner at the regional policy table, and support of free enterprise and democratic institutions.

Implementation of each project component will depend on four task areas constituting the set of services FEDEPRICAP will provide to its members: 1) policy analysis; 2) negotiation; 3) representation; and 4) an information network and referral system.

1. Substantive Focus

Given the many pressing development needs of the region, the limited resources available to address problems, and the newly emerging institutional capacity of FEDEPRICAP to unify and represent the private sector, it is essential that project activities focus on an important but manageable range of topics. Based on extensive interviews with FEDEPRICAP members, private sector leaders, government officials, international donors, and academic

experts, FEDEPRICAP leaders agree that the initial programmatic thrust should be in the areas of capital mobilization, transportation, and trade. Efforts in these areas need to focus above all on creating the conditions necessary for positive change.

a. Transportation

Given the essential role played by transportation in the costing and shipment of products, especially non-traditional exports, it will be necessary for FEDEPRICAP to focus clearly and aggresively on developing solutions to pressing and persistent problems. Several issues need to be addressed, and it will be critical for FEDEPRICAP to identify in priority order a manageable set of problem areas for action. These include, inter alia, excessive paperwork and processing delays at border crossings which are costly to producers, especially where persishables are involved; empty backhauls as the result of prohibitions against foreign truckers from picking up international freight, which add needlessly to the cost of products, reducing productivity and competitiveness and the lack of a regional brokerage system for international shipments carried by truck.

While many of the steps required to achieve improvements in intra-regional transportation networks are relatively straightforward in concept, creating the awareness and political conditions necessary for change will require concerted effort on the part of FEDEPRICAP and its members. Failure to address these concerns effectively will result in the continued existence of a major set of barriers to greater trade and economic development.

b. Capital Mobilization

One of the primary objectives of FEDEPRICAP will be to encourage the development of financial instruments to mobilize capital for productive

investment. In Central America, the commercial banking industry is not geared to provide long-term investment capital, finance companies have had only limited success in offering long-term credit (in part due to lack of a secondary market), stock exchanges are either non-existent or very rudimentary in the region, and venture capital activities are generally discouraged by the policy and regulatory environment. One important finding in development of the Project Paper was an unanticipated willingness of Central American businesspersons to invest in the region, assuming appropriate financing mechanisms can be created.

FEDEPRICAP should undertake to become the primary proponent of the development of capital markets in the region, and serve as a referral system for information on investment opportunities. Among the specific activities it might engage in are:

- Establishment of an information referral system for prospective investors seeking opportunities in the region, especially for enterprises with multi-country interests.

- Promotion of the debt/equity swap mechanism as an initial means both to develop capital markets and provide long term financing for non-traditional export opportunities.

- Development of alternatives to capital such as co-production, joint venturing and franchising as additional means for expanding productive enterprises.

- Identification of a core set of region-wide policies and regulations needed to improve the investment climate within the area.

- Brokering to encourage Central American investment in neighboring countries, including efforts to repatriate flight capital.

- Encouraging development of financial mechanisms to increase equity participation in companies requiring long-term financing or venture capital.

- Hosting seminars and workshops on specific areas of interest in capital mobilization.

It is particularly important for FEDEPRICAP to take the leadership in promoting formulation of region-wide policies and regulations which will create a climate favorable to foreign and domestic investment, including venture capital. Such policy initiatives should address not only the kinds of incentives required to stimulate greater investment in productive enterprises, but should also deal with ways in which to stem capital flight. Among other mechanisms for creating increased investment FEDEPRICAP should examine are reinvigoration of the DICA (Central American Importation Right), encouragement of a secondary market, and debt/equity swaps. These and other options need to be explored thoroughly and shared with the FEDEPRICAP membership and public policymakers in the region.

At the same time, FEDEPRICAP should undertake efforts to work with the banking sector in particular to seek ways in which to make credit more accessible. Part of the problem of capital mobilization in the region is not necessarily a lack of capital, but limited access to loan funds which tend to circulate only within a small fraction of the private sector. Long term borrowing, traditionally restricted in Central America, has become even more scarce as external sources of loan capital have dried up.

While various strategies, and combinations of strategies, for mobilizing capital and alternatives to capital exist, it is important to keep in mind that there is still a prevalence for closely held private ownership in capital formation. Hence, the task of FEDEPRICAP will be not only to work with public and private sector officials in crafting policies and mechanisms to permit promotion of different methods for acquiring needed capital for development,

but also to help create new attitudes among many of its members to look beyond narrow interests and understand how greater accessibility to capital across the private sector can benefit all.

c. Trade

While the problems of trade in the region are primarily of a policy and regulatory nature, brought about by excessive protectionism, they are also in part a function of the lack of access to capital, particularly long term financing, and serious inefficiencies in regional transportation. The problems of the Central American Common Market have also contributed to the general deterioration of trade in Central America, both as a cause and effect. Hence, it is particularly timely and important for a private sector umbrella organization like FEDEPRICAP to mount efforts to regain and improve upon past initiatives at regional economic integration and cooperation.

The present situation is not just confined to trade within the region, but more importantly has affected the ability of the Central American countries to participate more effectively in the international marketplace. While some nations, such as Costa Rica and El Salvador, have taken initial steps to reduce counterproductive protective tariffs and become more competitive internationally, the scale of the nations in the region makes cooperation imperative if greater efficiencies, comparative advantage and competitiveness, particularly with respect to non-traditional exports, are to be achieved.

Most, if not all, key private and public sector officials agree on what are the major barriers to increased and more efficient trade within the region, despite their inability to date to take the steps required to put into place the necessary solutions. There are several issues which FEDEPRICAP can and should address in its role as the regional private sector umbrella organization. First, weak balances of payments and low reserve levels constitute a primary obstacle to reviving a multi-lateral payments mechanism

for intra-regional trade (i.e., regional CACM trade). Second, until the regional trade debt problem is solved, new trade financing will continue to be scarce. Third, compounding the above is the failure of the Central American Chamber of Compensation to be able to mature from a payments mechanism into a credit institution and the collapse of efforts to introduce the DICA. Fourth, other problems include diverse means of payment, exchange rates and economic policies within the region; inefficient transportation systems; and capriciously applied trade restrictions.

FEDEPRICAP can be instrumental in helping to bring about solutions to present trade and tariff problems. First, it can act as the regional voice of the private sector, working with its member associations to achieve needed policy and regulatory reforms at the national level. Second, it should seek to bring together key decisionmakers in the public and private sectors to discuss mutual problems of economic growth and development and come to agreement on common solutions. Third, it can provide access to timely, reliable and comprehensive information on trade opportunities, international markets and credit. Fourth, FEDEPRICAP can represent the trade interests of the private sector before multilateral organizations and countries outside the region.

2. Services and Activities

Four activity areas will be used to implement the three project components: 1) policy analysis; 2) negotiation; 3) representation; 4) information referral. The activities will be geared to achievment of the project's objectives to promote and represent the interests and needs of the private sector in the region; develop regional integration of and cooperation within the private sectors of Central America and Panama; and assist the private sector at the regional level to become more competitive in the international marketplace.

a. Policy Development and Reform

A major responsibility of FEDEPRICAP will be formulation of policy alternatives to promote a climate more conducive to private sector led economic development. This will involve a series of activities including: 1) identification of major problem areas; 2) conduct, sponsorship and/or promotion of relevant analyses; 3) facilitation of dialogue and awareness among FEDEPRICAP member organizations, the governmental sector, organized labor and the public through workshops, seminars and public education; 4) formulation of specific policy reform options for consideration and adoption by national governments to be addressed on a regional basis; and 5) monitoring of existing and proposed public policies affecting trade, finance and transportation, the three areas of major importance identified by FEDEPRICAP.

As an initial step in this process, it is important for FEDEPRICAP to host a series of seminars and workshops on its activities, goals and role in regional economic development. Seminars and workshops in each country should be conducted during the first year of operation. Similar seminars, by way of providing public awareness and knowledge of its efforts and successes, should be held periodically as well. One major purpose of the seminars and workshops should be to help develop a greater "regional mentality" in order to build an attitudinal support base for FEDEPRICAP's goals of regional cooperation and integration. As the regional organization representing the private sector, FEDEPRICAP will have the strength and credibility to push for much needed policy reform throughout the Isthmus.

While FEDEPRICAP should not be responsible for management of specific programs - aside from regional policy studies and other of its mandated activities - it should help to generate ideas and designs for specific programs to be implemented at the local or national level through its member associations. Such program initiatives would flow from restructured

and/or new policies governing transportation, trade and capital mobilization and be geared toward improving development at the regional level.

b. Negotiation and Conflict Resolution

Another role to be filled by FEDEPRICAP is that of facilitating negotiations and resolutions of conflicts between and among various sectors. This is an important task in promoting regional cooperation and achieving private sector consensus on important policy issues. FEDEPRICAP will work closely with its member associations in facilitating agreements with the various public sectors to formulate policies and draft regulations which enhance rather than impede private sector led economic growth and development. The organization will also act to facilitate resolution of conflicts between and among the various sectors comprising the business community, as well as disagreements between labor and management. This has been mentioned by many FEDEPRICAP members as a critical issue, vital to achievement of regional private sector unity.

As part of its negotiation/conflict resolution activities, FEDEPRICAP, in conjunction with other regional institutions such as INCAE and SIECA, will host forums to encourage open dialogue among competing sectors and interests. This will help create an awareness of the need to resolve jointly outstanding issues for common purposes, as well as actually facilitate a structure for negotiation. For example, FEDEPRICAP could organize bi-annual meetings, divided into major industrial sector groups to analyze and propose solutions to shared problems. In addition, FEDEPRICAP will arrange for training in negotiation/conflict resolution skills for its member organizations, which will be a key and tangible contribution to private sector effectiveness in problem-solving.

c. Representation

It is essential for local and national interests that FEDEPRICAP act as the Central American umbrella representative of the private sector. One of the weaknesses of the region's business community has been its inability to negotiate from a position of strength. In dealings with foreign investors, foreign commercial banks, international donors and foreign markets, there has been little to no regional unity. Deals have served only narrow local interests and have provided limited impact for growth and development.

FEDEPRICAP will not only serve as the regional private sector representative, as instructed by its Board of Directors, in the kinds of dealings noted above, it will also represent regional private sector interests and concerns before national governments in Central America and elsewhere. As part of this function, FEDEPRICAP will monitor and analyze relevant policies and legislation, develop regional private sector positions and make them known publicly, and provide useful information to public policy makers as may be necessary and requested. It will also inform its members on a routine basis of important relevant legislative and policy initiatives and proposals in the U.S. which could have an impact on regional development. In order to carry out this mandate, FEDEPRICAP will serve to coordinate private sector interests regionally so that consensus may be achieved by its members with respect to current and proposed policies affecting private sector development, and generally act as the authoritative voice of regional private sector interests.

d. Information Referral

One of the most important services FEDEPRICAP can provide its members is referral to timely, complete and accurate information for a variety of purposes. However, caution needs to be exercised not to duplicate existing information functions of FEDEPRICAP member organizations. Instead,

data gaps need to be identified first, before the kind and volume of information for referral is determined. Areas for which access to information should be developed include: finance/credit, debt securitization, investment, exports, policy/legislative, particularly as they apply to regional needs and development. In addition to acting as an information referral service, FEDEPRICAP would also summarize pertinent information for its members in trade, transportation and capital mobilization, distributing it in the form of regularly scheduled information bulletins or other publications.

FEDEPRICAP needs to develop an understanding among members of the regional private sector of the need to compete on a worldwide basis for capital and external markets for their products. Thus the organization needs to be able to refer its members to sources of accurate, up-to-date information on foreign markets and investment possibilities.

FEDEPRICAP will begin these activities with a series of awareness seminars throughout the region, addressing both public and private sector officials on FEDEPRICAP and its purpose and goals, as well as elaborating on the role of the private sector in contributing to economic regional recovery. This will be followed by implementation of the goals and objectives contained in the FEDEPRICAP strategic plan, including: 1) establishing positive intersectoral relationships; 2) providing tangible leadership in developing regional cooperation; 3) working to create the necessary policy climate for private sector development; 4) identifying and solving regional development problems in transportation, capital mobilization and trade; 5) working to promote greater participation of small enterprises within the region; and 6) strengthening the structure and functions of FEDEPRICAP as the regional private sector umbrella organization.

Some studies and topic specific seminars and workshops have already been held by FEDEPRICAP, particularly in the field of transportation. After signing of the Project Cooperative Agreement, FEDEPRICAP will begin immediately to host

awareness seminars. Part of the anticipated results from the seminars will be the identification of specific issues for analysis, negotiation and policy formulation. FEDEPRICAP will follow-up on these issues as consistent with its strategic plan, by underwriting selected studies, conducting negotiations with relevant sectors and engaging in appropriate representational activities. FEDEPRICAP will also provide training to its members in how to conduct successful negotiations. Outside short-term technical assistance will be used in developing and carrying out these and other project activities. Technical assistance will also be provided to FEDEPRICAP and selected members in developing strategies to remove or reduce obstacles to more efficient transportation and trade, and increased access to capital. Finally, both training and technical assistance will be made available to FEDEPRICAP in strengthening its institutional capacity to manage the project efficiently and effectively.

D. Project Inputs

1. Technical Assistance

The technical assistance (TA) will be be short term and focus on four project areas: 1) institutional development and support; 2) trade; 3) capital mobilization; 4) transportation. In order to maximize the impact of the TA, it is envisioned that four short-term consultants (STCs), one for each project component, will work on an as-needed basis closely with their FEDEPRICAP counterparts over the life of the project. This will insure continuity, permit development of greater project knowledge on the part of the consultants and achieve greater cost-efficiencies. The institutional development STC will initiate the TA by developing a detailed overall work plan, as well as yearly operational plans. In turn, the STCs for transportation, trade and capital mobilization will key off the overall work and operational plans, developing implementation strategies for their respective project components.

STCs will work closely with their counterparts, both providing technical assistance and transferring knowledge and technology. In addition, and as may be required, other STCs may be fielded for short, specialized assignments which cannot be covered adequately by the "permanent" STCs. However, it is anticipated that these STCs will be very few in number. All consultants will both train their FEDEPRICAP counterparts and assist in implementation of planned activities over the life-of-the-project.

The STCs will also work with the FEDEPRICAP planning committees and board of directors in the implementation of their assignments. Decisions regarding these assignments will be made by the contractor project manager, who will also serve as the STC for institutional development, and Executive Director of FEDEPRICAP. All STCs will possess Spanish language capabilities and will be recruited from both the U.S. and Latin America, particularly Central America and Panama.

2. Training

Short-term training for both FEDEPRICAP staff and its membership will be provided in transportation, capital mobilization and trade. Additional training will be made available in institutional development and management, policy analysis, negotiation, representation, and communications. All training will be conducted in the region. Various training methods will be used, depending on the subject and training objectives. To facilitate implementation, a training plan will be developed for each operational year. This will be based on a training needs analysis and include: 1) training objectives; 2) expected outcomes; 3) methods to be used; 4) required materials; and 5) evaluation forms and followup measures. Finally, in order to maintain a necessary regional balance in project activities, training sessions will be held in all countries, though not necessarily repeating the same subjects.

In addition to the training plan for its members, FEDEPRICAP will also include a separate plan for its staff. It is anticipated that the large majority of staff training will take place during the first operational year when project implementation begins. Further training may be necessary as new management and technical concepts and practices are developed and required.

E. End of Project Status

As a result of this project, the following achievements are expected:

1. Approximately 15 policy analyses on issues of regional development, especially in transportation, capital mobilization and trade, will have been conducted.

2. Approximately 37 training workshops/seminars will have been carried out within the region.

3. Agreements will have been reached between countries and economic sectors with respect to needed policy/regulatory reforms to promote more efficient transportation and trade within the region.

4. Mechanisms for more effective capital mobilization, such as stock exchanges and the establishment of more modern credit policies and practices, will have been further advanced in the region.

5. A functioning information network and referral system will have been established in FEDEPRICAP to provide its members access to timely and accurate information on transportation regulations, schedules and routes, and on trade regulations and standards in the U.S. and each of the regional nations.

6. FEDEPRICAP will have developed the institutional, technical and administrative capacity to make it a fully functioning, credible regional private sector umbrella organization.

It is important to note that the EOPS indicators will be revised in accordance with the yearly operational plans.

Table 1

PROJECT BENCHMARKS

Project Performance	Year 1	Year 2	Year 3
1. No. of Training Workshops/ Seminars/Training Courses	13	12	12
2. No. of TA Interventions	15	13	8
a. Transportation	5pm	5pm	2pm
b. Capital Mobilization	3pm	2pm	2pm
c. Trade	3pm	2pm	2pm
d. Institutional Development	4pm	4pm	2pm
3. No. of Policy Analyses	5	5	5
4. Information Systems Established	1	-	-

V. PROJECT IMPLEMENTATION ARRANGEMENTS

A. Administrative Arrangements

1. FEDEPRICAP Responsibilities

FEDEPRICAP will operate the project in as cost-effective and efficient manner as possible. In order to keep overhead costs to a minimum,

it will maintain a small administrative and technical staff, and rely principally on outside technical assistance to policy analyses, provide training workshops and seminars, and help design programs. In addition to consultant assistance, FEDEPRICAP will work with the staff of its member associations, primarily with the Executive Directors of each member association who comprise the Executive Committee of FEDEPRICAP. Services and activities, particularly in negotiations, and to a lesser extent in representation and information referral, are basically of a coordinative nature. Thus, it will depend in large measure on the participation and cooperation of its member affiliates in carrying out many of the planned activities.

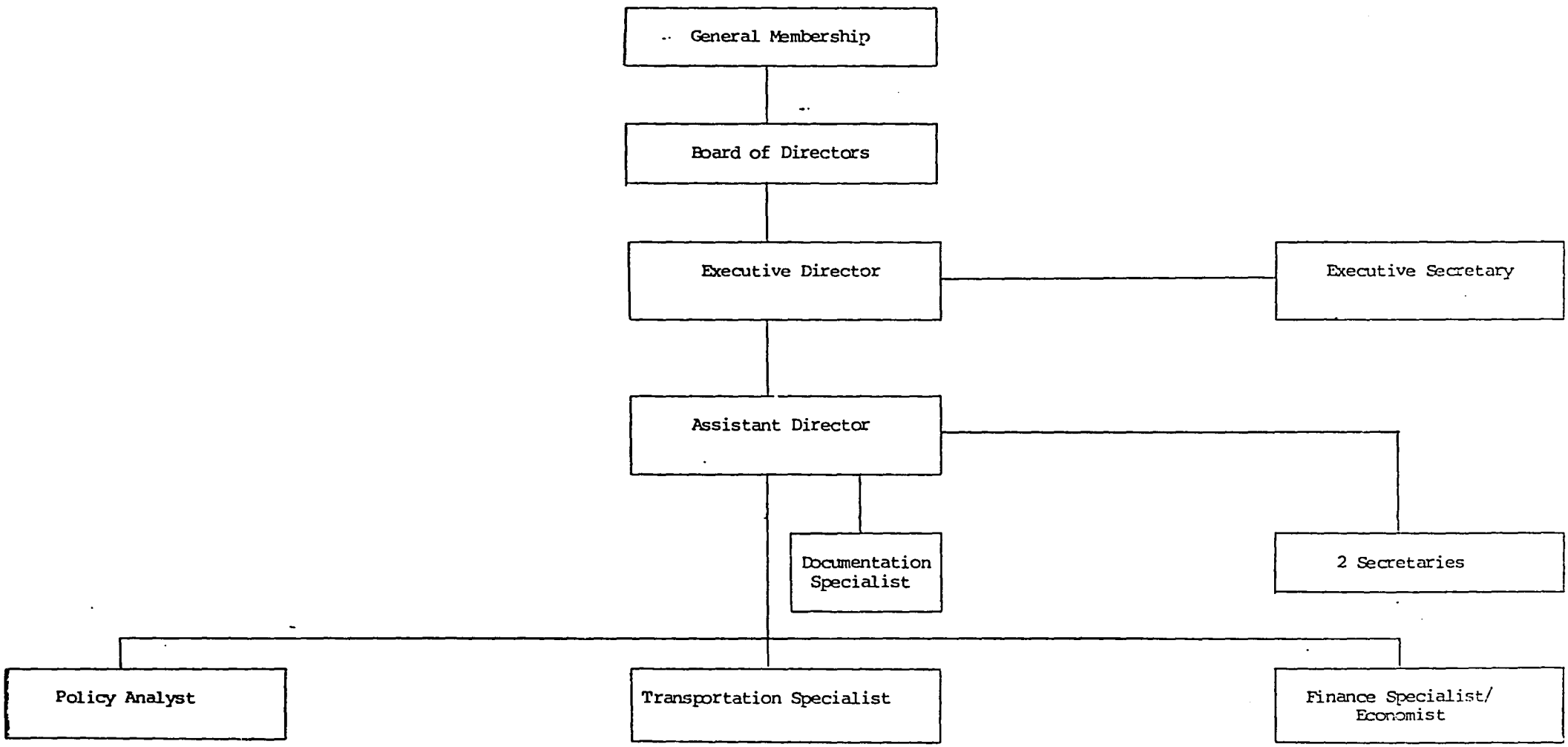
In order to complement and strengthen its activities, FEDEPRICAP will develop cooperative working relationships with other regional organizations, including CABEI, SIECA and INCAE. This will permit coordination of efforts to promote regional growth and development through mutual support and joint initiatives, and minimize the possibilies of duplication.

The Executive Director is responsible to the Board of Directors, as representative of the general membership. His duties include oversight of all FEDEPRICAP operations, including personnel, finance, and general management, development and maintenance of external relations, working with the Board as an ex oficio member, planning and budgeting of operations, program operations, including coordination of negotiation, representational, policy analysis and information activities, liaison with ROCAP, and maintenance of relationships with outside resource groups such as INCAE and SIECA.

The staff organization is shown on the following page.

The Assistant Director will report to the Executive Director and be responsible for the day-to-day management of all administrative activities including finance, purchasing, personnel, reporting requirements, contract compliance, and general management.

PRELIMINARY ORGANIZATIONAL STRUCTURE



In addition the Assistant Director will be responsible for the development and maintenance of the FEDEPRICAP information referral and network system, formulation of public relations strategies, liaison with member associations through his/her counterparts, development, printing and distribution of FEDEPRICAP information bulletins and other publications, and, with the Executive Director, establishment and maintenance of effective working relationships with members of the press and electronics media. The Assistant Director will hold a degree in Business Administration, Accounting or similar field, and have at least five years experience in public and/or private sector management.

The Policy Analyst will report to the Assistant Director and be responsible for identifying issues for analysis in conjunction with the Executive Director and Executive Committee, developing scopes of work for consultants and monitoring their activities, as well as dealing with the technical issues of research methodology. He/she will also coordinate and participate in workshops and seminars explaining and interpreting the results of selected policy analyses. The Policy Analyst will hold an advanced degree in political science or political economy and have at least five years experience in applied research and development. He/she will have at minimum a good reading knowledge of English.

The Transportation Specialist will report to the Assistant Director and be responsible for identifying major barriers to more effective transportation within and outside of the region, developing alternative strategies for reform and, working with the Policy Analyst, suggesting appropriate areas for research. He will also prepare scopes of work for and monitor short-term consultants. The Transportation Specialist will hold a degree in economics, engineering or other suitable discipline, and have a minimum of five years experience in transportation and development. He/she will be proficient in English.

The Economist/Finance Specialist will report to the Assistant Director and be responsible for identifying major impediments to mobilization of capital, including tax disincentives, onerous regulations, banking practices and counterproductive public policies, and help formulate strategies for solving attendant problems. He/she will prepare scopes of work for and monitor short-term consultants. The Economist/Finance Specialist will hold an advanced degree in economics, business administration or allied discipline, have a minimum of five years experience in economic/financial research, have a demonstrated capacity to understand international commerce and investment, and be proficient in English.

The Documentation Specialist will report to the Assistant Director. He/she will be responsible for developing and managing an information referral system, coordinating acquisitions of a select number of relevant publications and insuring materials are updated. He/she will have a university degree and be proficient in English.

Although the FEDEPRICAP Board and senior staff will have to develop a final operational system for implementation of project tasks, at this juncture it is possible to outline steps required in managing outside short-term technical assistance and training.

1. In response to specific tasks set forth in the FEDEPRICAP strategic plan, as well as specific requests from the Board of Directors, as representative of the membership as a whole, appropriate FEDEPRICAP staff will prepare scopes of work for the project consultants provided through the contractor. This will be the procedure both for training and TA interventions.

2. The consulting assignments will be carried out under the supervision of the appropriate technical staff member.

3. At the end of the assignment, the FEDEPRICAP staff member will evaluate the performance of the STC and share the results with ROCAP.

4. Where FEDEPRICAP staff are to be involved directly in a specific activity as technical experts, aside from their routine duties, the cognizant staff member will prepare a scope of work for his/her own activity for approval by the Executive Director.

In addition to its principal institutional role and activities, FEDEPRICAP will be responsible for participating with ROCAP in project evaluations, submiting required reports to ROCAP, and designing annual operating plans.

2. ROCAP Responsibilities

ROCAP will have several roles. First, it will be responsible for overall management and monitoring of the project. The Project Development Office, which also coordinates private sector activities for ROCAP, will oversee implementation of the Project, and will establish a Project Team to assist in monitoring project activities and proposing concrete recommendations for strengthening project implementation. Members of the Team will include staff from ROCAP's Agricultural Development and Program offices, which have strong intersecting interests in the areas of transportation and policy analysis. The Team will also be responsible for oversight of two project evaluations. The first will be a joint project performance assessment at the end of the first eighteen months of the project. The major purpose will be to identify strengths and weaknesses in project design, management and operations in order to make needed corrections. The second evaluation will assess the impact of the project in meeting its stated goal and purpose, examining changes in selected economic indicators.

The second role of ROCAP will be to contract a qualified 8-A firm to provide short-term consultants to assist FEDEPRICAP implement planned activities.

The third responsibility of ROCAP will be to monitor project activity, compliance with AID regulations, taking management actions as necessary.

3. Responsibilities of Consultants

a. Project Manager/Short-Term Consultant

One Project Manager/STC will begin work with FEDEPRICAP six weeks after the contract is signed with the 8-A firm. The consultant will work with the Executive Director in developing a yearly FEDEPRICAP operating plan to guide the Federation's activities over the course of each program year. In addition, the Project Manager/STC will work with his/her counterpart in designing a detailed work plan outlining the activities to be performed by the contractor. The STCs in transportation, capital mobilization and trade will provide similar work plans for their respective project components. As part of his/her initial set of tasks, the Project Manager/STC will conduct a review of FEDEPRICAP's institutional management needs, and identify actions necessary for implementing required changes and developing systems. The consultant will provide both on-the-job training to his/her counterpart as well as direct technical assistance in specific task areas.

b. Short-term Consultants

The other three short-term consultants will be used to provide specific assistance to FEDEPRICAP, and its membership, in transportation, capital mobilization and trade. These consultants work in the areas of negotiations, representation, information, and policy analysis. In addition, and as may be necessary from time to time, other STCs will be fielded for short, specialized assignments. The contractor will coordinate the recruitment and fielding of STCs to FEDEPRICAP. FEDEPRICAP will initiate requests for STCs, prepare appropriate scopes of work and manage consultant program activities.

B. Procurement Plan

Given the urgency of need in developing regional cooperation and seeking necessary policy and other reforms to create necessary conditions for accelerated and sustained growth in Central America, it is essential to procure the services of a qualified consulting firm as soon as possible. In addition, ROCAP firmly supports the Gray amendment, and has been and continues to be active in contracting minority firms. For these reason, the decision has been made to contract with a qualified and experienced 8-A certified firm to provide technical assistance and training to the project. Other considerations include:

1) the ability of the firm to provide TA and training in a timely manner,

2) the knowledge of the firm of problems affecting private sector and regional development in Central America and Panama,

3) the ability of the firm to backstop the TA and training personnel,

4) the quality and relevant experience of the firm's professional staff.

It is envisaged that the contract will require the sevices of four consultants who will commit themselves to FEDEPRICAP activities over the project life. These consultants will work directly with FEDEPRICAP staff to carry out the proposed activities under the project. Their assignments in the region will be short-term with periodic visits to the region to perform discrete activities as outlined in FEDEPRICAP's work plan for each project component. It is anticipated that the majority of their assistance will be provided in the first year of project, in an effort to assist FEDEPRICAP in designing

programs in transportation, capital mobilization and trade. Thereafter, assistance will be provided, during strategic periods as outlined in the work plan. The contract will also include funds for other short-term consultants to provide specific assistance to FEDEPRICAP's membership.

For the purpose of evaluation, ROCAP will contract directly with a qualified firm to perform the two evaluations called for under the Project. The ROCAP Controller's Office will conduct annual financial reviews either under IQC mechanism or utilizing ROCAP/Controller in-house financial analyst personnel. In addition, it is expected that FEDEPRICAP will undertake independent external audits on an annual basis and submit the results of the audit to the ROCAP Project Manager and to the ROCAP/Controller.

C. Implementation Plan

FEDEPRICAP will be the implementing agency in the Project Cooperative Agreement, responsible for project planning, administration and coordination of inputs such as technical assistance and training. In addition, FEDEPRICAP staff will manage STCs provided through the contractor during their assignments in the region, and work closely with the medium term consultant. ROCAP will contract for the short-term consultants.

The following represents planned key activities by date for project implementation. It should be noted that the dates in sequential order are illustrative only, and may be subject to change. The dates are scheduled from the signing of the Project Cooperative Agreement.

PROJECT IMPLEMENTATION PLAN

ACTIVITY	DATE
Year 1	
Project Paper Approved and Project Authorized	Month 1
Project Agreement Signed	Month 2
TA Contract Awarded	Month 3
Draft Initial Work Plan	Month 4
Review and Approve Work Plan	Month 4
TA Assistance Begins	Month 4
Conduct Transportation Diagnostic	Month 4

Conduct Trade Diagnostic	Month 5
Initiate First Policy Analyses	Month 6
Begin Legislative Monitoring	Month 6
Develop Information System	Month 6
Begin Identification of Areas for Negotiation	Month 8
Develop Programs	Month 11
Initiate First Seminars/Workshops	Month 11
Plan for Next Program Year	Month 12

Year 2

Continue Regular Program	1st quarter
Project Evaluation Begins	2nd quarter
Continue Regular Program	2nd quarter
Project Evaluation Ends	3rd quarter
Continue Regular Program	3rd quarter
Continue Regular Program	4th quarter
Plan for Next Program Year	4th quarter

Year 3

Continue Regular Program	1st quarter
Continue Regular Program	2nd quarter
Impact Evaluation Begins	3rd quarter
Continue Regular Program	3rd quarter
Impact Evaluation Ends	4th quarter
Short-term TA and Training End	4th quarter
PACD	

D. Project Evaluations

Two evaluations, one financial review and yearly independent audits of FEDEPRICAP are planned. The first evaluation will be conducted after the initial eighteen months of the start of project operations. It will focus on such performance measures as the number of training seminars/workshops held, number of TA interventions and results, number and quality of policy analyses conducted, quality and organization of information referral system, number and types of programs developed, number of negotiations coordinated and results, number of policy reforms made and legislative/policy initiatives drafted.

The second evaluation will be both an assessment of FEDEPRICAP performance and impact. As operational plans are developed by the project's technicians, additional evaluation indicators from those stated in the project paper will

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be developed. These will be used to measure impact on changed policies, procedures and behaviors as a result of the project, rather than macroeconomic indicators. The evaluation will survey the membership of FEDEPRICAP, as well as entities affected by its programs, in order to measure attitudinal or behavioral changes which will have occurred as a result of project activities. This will be conducted just before the end of the third and final project year. The evaluation will assess project impact on reducing tariffs, eliminating transportation bottlenecks and opening greater access to credit and creating mechanisms to mobilize capital.

In addition to aggregate project impact on the regional economy, the evaluation will also take into account the quality and effectiveness of the technical assistance and training, and the organizational and management capacity of FEDEPRICAP to administer the project.

The financial management review will be conducted on an annual basis under either IQC mechanism or utilizing ROCAP/Controller in-house financial analyst personnel. The objective of the financial reviews will be to examine vouchering procedures, internal controls and compliance with agreement terms. In addition, it is expected that FEDEPRICAP will undertake independent external audits on an annual basis and submit the results of the audit to the ROCAP Project Manager and to the ROCAP/Controller. Its objective will be to determine whether FEDEPRICAP's financial management and accounting systems comply with AID regulations. These yearly audits will be conducted by an independent auditing firm acceptable to ROCAP.

VI. SUMMARY PROJECT ANALYSES

A. Technical Analyses

1. Transportation Analysis

As the countries of the Central American region turn increasingly toward exports as a major strategy to create economic growth, it

is essential they be able to provide quality products and competitive prices. In the region, transportation is a key factor cost. Currently, transportation costs contribute 30 to 50 percent of the total c.i.f. value of non-traditional export products, which constitute about 40 percent of the value of all exports from Central America and Panama. These high costs reduce comparative advantages, lead to less productive economies, and slow the pace of growth dependent in large part in exports.

Transportation is a vital component of regional economic integration and cooperation, as well as the critical avenue to foreign markets. Transportation systems of the different Isthmusian countries are not independent of each other, but rather linked physically and/or through transportation providers. Thus, as a transportation decision in one country can affect the entire region, there is a clear need for the Central American republics and Panama to work together to take advantage of potential economies of scale to solve common problems.

There are several issues which need to be addressed. Excessive paperwork and processing delays at border crossings are costly to producers, especially where perishables are concerned. Empty backhauls, as the result of prohibitions against foreign truckers from picking up international freight, add needlessly to the cost of products, as the increases are passed on to producers and eventually consumers. Compounding the problem is a lack of a regional brokerage system for international shipments carried by truck.

There exist serious gaps in the primary transportation infrastructure system, as well as in ancillary services. Infrastructure maintenance is spotty and poor, particularly with respect to rail and highway systems. Ports tend to duplicate services - and costs. Air cargo services, especially important for many non-traditional export products, are expensive and unreliable. There is a lack of adequate refrigeration facilities in agricultural zones and export terminals, restricting the ability of producers to accumulate and consolidate shipments, resulting in increased costs and needless spoilage.

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These are some of the pressing issues which need to be resolved, and on which FEDEPRICAP has begun work. Their successful resolution is vital to achievement of greater cost savings, competitiveness and shipment efficiencies which, in turn, will allow the private sector to produce and sell a greater volume of non-traditional exports. Failure to address these concerns will result in continued disadvantage to the region as a whole, needlessly debilitating economic growth and development.

2. Capital Mobilization Analysis

One of the primary objectives of FEDEPRICAP will be to encourage development of financial mechanisms to mobilize investment for productive investment and seek ways in which to improve accessibility to credit. Historically, capital in the region has been provided by the governments (frequently financed by external borrowing) or by closely held private groups. In Central America, the commercial banking industry is not geared to provide long-term investment capital. This inability includes lack of project analysis and monitoring skills, sound risk return expectations, a secondary market for assets divestiture, where circumstances warrant, and flexibility to accept returns that vary with results from capital investment.

At the same time, there exists a prevalence of closely held private ownership in capital formation, leading to an excessive accumulation of wealth in a tiny portion of the population of the regional nations. This situation has been both a cause and effect of a lack of adequate financial infrastructure to provide alternative financing vehicles. There are, for example, only rudimentary stock exchanges in Costa Rica and Guatemala. In addition, venture capital activities are generally discouraged by an unfavorable regulatory and policy environment. Perhaps most encouraging, on the other hand, were almost universal expressions of willingness on the part of regional businessmen and women to invest in their own countries and the region, assuming appropriate financing mechanisms can be created.

In the 1970s, when global markets became more accessible and protectionism fell out of vogue, productivity was no longer limited to the demands of a small marketplace, and technology became less financially burdensome, as well as increasingly necessary to compete in the international market. At that juncture, the expanded horizons for industry and commerce in Central America created a condition for change in the means of capital formation. Under "normal" circumstances, an appropriate financial infrastructure for intermediation of savings would have emerged. However, the accessibility and efficiency of the Euro market, along with other external factors, provided a more rapid and certain source of necessary capital which undermined the necessity to create domestic capital source alternatives.

During the same period, fuel and other input costs soared, causing a demand for dollars far in excess of export revenues and external reserves. This further encouraged the external capital formation process in order to satisfy domestic currency needs, along with escalating foreign debt obligations. The result was to create unprecedented debt burdens, leading to deteriorating economic conditions accompanied by large scale capital flight in anticipation of local currency devaluation. As a consequence, any voluntary form of capital formation in Central America has come to a virtual halt.

This situation requires a series of initiatives, many of which can and should be undertaken by FEDEPRICAP. First, it is vital to seek formulation of region-wide policies and regulations to create a favorable climate for foreign investment, including venture capital. Second, a corollary effort needs to be implemented to coordinate information referrals for prospective investors seeking opportunities in the region, especially for enterprises with multi-country interests. Third, alternative financial mechanisms need to be developed to increase equity participation in companies requiring long term financing. As part of this effort, FEDEPRICAP could help provide technical assistance in promoting debt/equity swap strategies as an initial means both to develop capital markets and furnish long-term financing for non-traditional

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export opportunities. Fourth, FEDEPRICAP should sponsor a series of seminars to create an awareness among banking, private and public sector officials of the need to mobilize capital, creating the necessary institutional mechanisms and policy reforms.

3. Trade Analysis

Since the inception of the Central American Common Market (CACM) in 1961, intra-regional trade has doubled on the average every four years. Exports among CACM member countries expanded swiftly from $37 million in 1961 to $1,150 million in 1980. Since then, the decline has been equally rapid, reaching a low of $420 million in 1986.

The pace of intra-regional export expansion has been uneven among member countries. In the 1980 Guatemala accounted for nearly 40% of total intra-regional exports, while, at the other extreme, Nicaragua contributed less than 5%. These differences have grown even wider with the recent decline in intra-area trade.

A great disparity has persisted in the balances of intra-regional trade among member countries. Guatemala has always achieved a substantial surplus in trade with the rest of the area, whereas Nicaragua, Honduras, and El Salvador have shown persistent deficits. Costa Rica has moved from sizable surpluses to small deficits since 1986. This means also that Guatemala and Costa Rica have accumulated substantial payments deficits with the other three member countries. Defaults on these trade payment obligations now exceed $720 million, with Nicaragua accounting for about three quarters of this total.

2. Several Obstacles to efficient intra-regional trade have grown over the years. External impediments include:

a. Weak Balance of Payments/Low Reserves

Weak balances of payments and low reserve levels constitute a primary obstacle to reviving a multi-lateral payments mechanism for intra-CACM trade.

b. Exports to Third Markets

Faced with strong pressures to adjust to their global payments imbalance, individual Central American countries are now concentrating their export drive toward markets external to CACM, where hard currencies can be earned.

c. Global Trade Liberalization

Conditionality for structural adjustment loans to Central American countries will increasingly include implementation of global trade liberalization. International lending institutions have a demonstrated preference for global free trade and free markets rather than regional trading blocs.

d. Unpaid Balances

Until the regional trade debt problem is solved, new trade financing will continue to be scarce.

e. Failed Multi-lateral Payments Mechanisms

The Chamber of Central America Compensation (CCAC) failed to obtain new substantial hard currency resources to be able to grow from a payments mechanism to a credit institution, offering three to four year credit. An attempt to create a new multi-lateral fund also failed, as well as

efforts to introduce DICA's (rights to import within Central America). The collapse of the multi-lateral payments system has been the central manifestation of the decline in intra-CACM trade.

f. Payment Restrictions

Currently, the central banks of the individual Central American countries apply highly restrictive criteria for any trade payments still passing through the CCAC. As a result, less than 5% of intra-CACM trade currently is transacted via the CCAC's multi-lateral payments system.

g. Diverse Means of Payment

Currently, diverse means of payments are being employed in intra-CACM trade, mostly the use of dollar checks or letters of credit within bi-lateral trade accords. A general lack of credit, uniformity, and multi-literalism are obstacles to intra-regional trade expansion.

h. Exchange Rates and Economic Policies

Each country in the region maintains different exchange rate regimes which, consequently, impact differently on the export prospects in regional trade.

i. Regional Transport System

The inefficiencies and inadequacy of the regional transport system have been outlined elsewhere. They clearly constitute an important impediment to the future growth of intra-CACM trade.

j. Trade Restrictions

Although free trade has been established within CACM, there have been sporadic instances of temporary or emergency restrictions being applied, such as special tax surcharges due to balance of payments difficulties.

3. Several alternative solutions to the regional economic crisis need to be considered. Among them are:

a. Regional private sector cooperation and integration.

b. Sustained external support from the U.S. and E.C.C.

c. Resolution of regional political conflicts, with the full and productive participation of the private sector as a major contributor to necessary economic growth and development.

d. Revitalization of intra-CACM trade through elimination of trade restrictions and extrusions of bi-lateral agreements to include other countries in the region.

e. Increased finance for trade, including settlement of existing trade debts and development of mechanisms to minimize future defaults and excessive trade imbalances. Among other strategies to achieve these objectives are debt-equity swaps.

f. Development of a revised multi-lateral payment mechanism such as a restructured DICA.

Conclusions

Major obstacles to dymanmic intra-CACM trade development remain. Pessimism prevails that trade can be revitalized in the near term. Central American

private sector organizations are at odds with or distrustful of their respective governments in every country, and communication between business and government has been strained in several countries. Regional integration organizations have lost credibility due to their concentration on ineffective, often academic, studies rather than taking a vigorous lead in proposing innovative, workable initiatives.

The future benefits of further integration and growth of intra-CACM trade for the private sector are clear. The need for a new commitment to advance intra-CACM trade has been stressed by the private sector. Moreover, strong private sector organizations interested in developing new initiatives exist in each member country. To coordinate these organizations to advance effectively, new recommendations along the lines outlined in this report could set the stage for a lasting reversal of the downward spiral of intra-CACM trade. It could be the beginning for building a healthy free market economy throughout Central America.

B. Institutional Analysis

1. Objectives

The Federacion de Entidades Privadas de Centroamerica y Panama (FEDEPRICAP) is a not-for-profit, regional private sector umbrella organization. It was established to represent the interests of the private sector on a regional basis, helping to bring about necessary reforms in public and private sector practices, regulations and policies to permit greater economic growth and development in the Isthmus. Its membership is comprised of the two umbrella private sector associations in each of the countries in the region. Thus its reach is wide, representing the productive private sector with a single, authoritative voice, able to negotiate with national governments, international organizations and other social and economic sectors.

FEDEPRICAP's specific objectives, in addition to representing the interest of the private sector in the region, include support of democratic institutions and systems, development of productive working relationships with the public

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and other social and economic sectors, and creation of an awareness among other sectors and the public at large of the positive role of the private sector and the positive contributions it can make to regional growth and development. These objectives are focussed the need to make reforms in transportation systems, reduce tariffs and mobilize capital for private sector development.

2. Organization and Activities

FEDEPRICAP was founded in January, 1987. Its Board of Directors is constituted by the presidents of the two leading private sector associations in each country in the region, who serve in an ex oficio capacity. During its first two years of operation, FEDEPRICAP has demonstrated a firm commitment to regional development, and has maintained a growing institutional credibility among leading officials of the private and public sectors. As an expression of their faith in FEDEPRICAP and the goals it serves, the affiliate members have contributed average annual dues of $6,000 each.

FEDEPRICAP has an Executive Director who was trained in the U.S., and holds an MBA. In addition, he served as Vice Minister of Economic Policy and Planning in Costa Rica. He has proven to be a highly effective, energetic and credible director, able to balance effectively competing national interests and pressures which inevitably exist in an organization such as FEDEPRICAP. Currently, the Executive Director has a professional staff of one full time Transportation Specialist, one full time Policy Analyst, one half time Public Relations Specialist and one quarter time documentalist.

Since its inception, FEDEPRICAP has been active in promoting regional cooperation and integration, sponsoring workshops, developing an information referral system, monitoring legislation such as the CBI, and commissioning studies on specific issues of concern. The federation has been especially active in the transportation area, reviewing and identifying major bottlenecks and keeping members informed of relevant activities and changes in the transportation sector through a "Boletin Informativo."

In specific terms, FEDEPRICAP has hosted 13 seminars and workshops; held 8 technical conferences; sponsored two regional business roundtables; held two retreats for the Board of Directors; contracted or otherwise participated in four studies. Most recently, and with the assistance on a ROCAP contracted short-term consultant, the FEDEPRICAP Board of Directors and Executive Director formulated a strategic plan to guide the federation's activities over the next three years.

FEDEPRICAP will build on its already established institutional base to expand its services in policy analysis, negotiation, representation and information referral, and add program development to its list of activities. Job descriptions for new technical and administrative staff have already been drafted, and the Executive Director is actively recruiting candidates.

FEDEPRICAP possesses the required technical, institutional and leadership attributes to implement the project successfully. It has been established expressly for the purpose of representing the private sector on a regional basis, functioning as a catalyst for changes necessary to promote greater growth and development in Central America and Panama. It is presently engaged in a wide range of activities, including ones funded by ROCAP. It has a large and active membership, including most key leaders of the regional private sector. It is the only institution identified with active regional private sector cooperation and development. Given its charter, experience, credibility, broadly-based membership and leadership, it is clear that FEDEPRICAP is the only appropriate institution in the region to carry out the project.

C. Financial Analysis and Plan

1. Project Budget and Disbursement Plan

The proposed cost of the Private Sector Initiatives Project is $2,096,600 million. ROCAP's contribution will comprise 91% of the total project budget and will consist of $1,900,000 in grant funds. The remaining 9% of the budget or $196,600 will be contributed by FEDEPRICAP.

Table I contains the project summary by component, including FEDEPRICAP's counterpart funding, separating out the foreign exchange/local currency mix. Table II provides the projection of the summary expenditures by fiscal year, while Table III separates out the methods of implementation and payment for each expense sub-component. The detailed budgets by component, line item and counterpart are contained in Annex H, which includes the detailed budget calculations and the assumptions on which they were based. An inflation factor has been built into the estimates. The contingency factor was calculated at 9%.

Table 1
Private Sector Initiatives Project
Financial Plan by Activity ($000)

		ROCAP FX	ROCAP LC	FEDEPRICAP	TOTAL
1.	TA	400,000	-	-	400,000
2.	FEDEPRICAP Personnel	397,200	161,862	82,455	641,517
3.	Support Act.	-	29,844	4,200	34,044
4.	Adm./Operations	79,050	317,262	105,102	501,414
5.	Training	-	285,000	-	285,000
6.	Audit	30,000	-	4,843	34,843
7.	Evaluation	20,000	-	-	20,000
8.	Contingencies	179,782	-	-	179,782
	TOTAL	1,106,032	793,968*	196,600	2,096,600

* Because of the regional characteristics of the implementing institution, total ROCAP contributions will be made in US Dollars. However, approximately $800,000 will be used to cover expenses in Central American currencies, mainly CR Colones.

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Table II

Summary Expenditures by CY ($000)

CY	ROCAP	FEDEPRICAP	TOTAL
1989	664,668	49,300	678,244
1990	654,573	69,144	628,899
1991	586,759	78,156	609,675
TOTAL	$1,900,000	$196,600	$2,096,600

Table III

Method of Implementation and Financing for Procurement of Goods and Services

The following provides information relating to the methods of implementation and financing for grant funds planned to be obligated during the life of the project. The chart below does not include $179,782 in contingency funds.

ITEM	METHOD OF IMPLEMENTATION	METHOD OF FINANCING	AMOUNT
1. Technical Assistance	Dir. Contract-PIO/T	Direct Pay.	$400,000
2. Tech. Staff	Indirect-FEDEPRICAP	Direct Reimbursement	$559,062
3. Support Activities	Indirect-FEDEPRICAP	Direct Reimbursement	$ 29,844
4. FEDEPRICAP Admin. & Office Expense	Indirect-FEDEPRICAP	Direct Reimbursement	$396,312
5. Training	Indirect-FEDEPRICAP	Direct Reimbursement	$285,000
6. Project Evaluation/ Audit	Direct Contract	Direct Pay.	$ 50,000
TOTAL			$1,720,218

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The planned methods of financing fall within the preferred AID methods of financing. As indicated in the chart above, ROCAP will contract directly and finance the following:

1. Technical assistance - A.I.D. Direct contract with U.S. 8-A certified firm
2. Project Evaluation/Audit - Direct contract

Disbursements will be authorized for the above expenditures on the basis of the annual implementation plan and budget submitted to ROCAP. FEDEPRICAP will request advances for project expenditure estimates for ninety day operating requirements.

As indicated on the PP cover sheet, the ROCAP controller has reviewed the detailed assessment of the methods of implementation and financing for the activities included in the project paper as summarized above. The ROCAP controller will insure that a detailed financial review of FEDEPRICAP will be undertaken within the first 12 months of the project.

AID guidelines suggest that a Project Grantee be charged with the procurement of goods and services unless there are mitigating circumstances. In this case, it is felt that a realistic assessment of FEDEPRICAP's current administrative constraints indicates the need for procurement assistance by AID. Specifically, AID will contract an 8-A certified firm for short-term technical assistance and training.

D. Economic Analysis

In determining the most cost-effective institutional alternative for implementing the project, several factors were taken into consideration. First, a review was conducted of existing institutions; second, the costs of creating a new institution specifically for the purpose of carrying out the

project were estimated; third, the desirability and feasibility of using FEDEPRICAP was examined. The review concluded that the project would clearly yield sufficient benefits to justify the project and that C/B ratios and internal rates of return calculations could not be performed with any degree of precision. Instead, a "least cost" analysis was conducted.

Existing organizations were determined to be unacceptable for two principal reasons: one was organizational and the other financial. A review of potential existing organizations revealed that those institutionally capable of implementing the project were programmatically unsuitable. That is, their charters were inconsistent with the mandate, purpose and goal of the project. Even organizations which were considered to be more congruent with the character of the project, such as the Federación de Cámaras de Industria de Centroamerica, were either too limited in the scope of their mandate, or so institutionally underdeveloped as to be functional virtually in name only. The one organization which did fit the criterion of institutional viability was INCAE. However, apart from its high overhead costs, it is an academic institution. The project, on the other hand, is much more developmental and action oriented, although there is a research and analysis component.

Creation of a new organization was found to be financially more costly than using FEDEPRICAP. Start up costs were estimated to be $55,700, proportionately reducing project operational revenues. In addition, the costs associated with building the credibility and image of a new organization would have been substantial, in the order of $240,000.

FEDEPRICAP was found to be the least cost alternative, especially in terms of cost-effectiveness. It requires no start-up costs, and has a core staff already engaged in project-related activities. In addition, it has a paying membership providing it an independent, if small, support base. Finally, given the fact FEDEPRICAP's mandate fits all project programmatic criteria, it was felt to be the only viable alternative institution to support the project.

E. Social Soundness Analysis

1. Introduction

As was true is most of the world, the nations of Central America and Panama, as a whole, achieved improvements, sometimes impressive, during the 1970s in the provision of education, health and family planning services, nutrition and housing. These achievements relied on heavy public investment which, in turn, was financed by massive foreign borrowing. When the economic crisis of 1982 hit the region, among other things the result was to arrest and even cause retrenchment of government social spending, and shift priority attention toward economic growth. Without economic improvement, social development will continue to stagnate in some countries and deteriorate in others.

Notwithstanding the change of policy emphasis from social to economic development, the governments of the region cannot ignore popular expectations. At a minimum, efforts have to be made to maintain existing levels of services. At best, social services need to be consolidated in order to form a base from which they can slowly begin to expand to keep pace with demographic trends.

There remain areas of severe poverty in all the nations of the region, more pervasive and enduring in some than others. The rural areas are especially impoverished, and continue to feed growing urbanization. This has produced high rates of unemployment and underemployment, and spawned an expanding informal economic sector. Crime, previously not evident in many places, is a relatively new and growing phenomenon, underscoring dramatically the decaying economic and employment conditions throughout the region. Overlaying all this, is the persistent civic conflict in El Salvador, Nicaragua and Panama.

It is the projected growth of unemployment over the next five years and beyond which gives greatest cause for concern. If the increasing numbers of entrants into the labor force are unable to find jobs, and the burden of their support must be borne by others, urban poverty will spread and become even more intractable. The restricted resources of the national governments in the region allow for only limited measures to alleviate directly the severest effects of increased poverty. A solution can only be provided by the private sector through a rapid increase in the generation of employment.

2. Impact on the Beneficiaries

The objective of this project is to contribute to the reactivation of the regional economy by providing technical assistance and training required for development of the private sector. Reduction, if not elimination, of tariffs, transportation bottlenecks and barriers to access to credit and capital mobilization will create greater comparative advantage for exports, lower costs for consumer goods, and increase employment, economic growth and improved income distribution.

The target population can be divided into three distinct categories of beneficiaries that will be reached by this project. They are: 1) private sector business in the region; 2) unemployed or underemployed workers; 3) farmers. The proposed project will benefit these groups both directly and indirectly. With increased demand, jobs will be created for skilled and semi-skilled labor in industrial but particularly agribusiness operations, as well as among farmers and farm workers who produce agricultural products and raw materials.

The producers, processors and manufacturers who benefit from this project will be those who are able to improve productivity and competitiveness as a result of more efficient transportation and lower imported input costs, as well as to gain access to necessary long term capital for improving and expanding

operations. This will have particular benefit for those companies which produce exports, and have to lower costs in order to be able to compete effectively in the international market. This, in turn, will permit greater economic activity, contributing to overall economic recovery. From that will come more employment, tax revenues and expanded social services. At the same time, it is important to note potential negative impacts of the project. By moving to promote policy reforms to open up markets and expand exports, particularly non-traditional products, some existing companies, oligopolies, and monopolies could experience an erosion of their preferred status. Freer markets and increased international trade require relatively high levels of productivity and competitiveness. Many enterprises in Central America and Panama are currently not competitive and stand to lose profitability or, in the most extreme cases, go bankrupt. However, it is anticipated that the number of companies suffering adverse effects will be minimal compared to those that will benefit.

3. Other Socioeconomic Benefits

Many of the project's activities will involve non-traditional products with backward linkages to the rural population. Agribusinesses such as wood product industries, fisheries, and leather product industries are heavily dependent on raw materials from the rural sector. Rural employment and the quality of life are consequently linked to agribusiness, as are ancillary industries such as transportation and warehousing.

The regional population as a whole will also derive direct and indirect benefit from the project, as it is able to promote new and expanded investment, reduce consumer costs and generate international demand for exports. The national economies will grow, foreign exchange earnings improve and idle capacity be mobilized.

4. Impact on Women

The project is expected to benefit women in several significant ways. First, as economic growth is stimulated, additional jobs for women should be generated. Second, female-owned enterprises could also benefit from increased economic activity, both through expansion of existing businesses and creation of new ones. Third, although the project cannot guarantee a wide spread favorable impact on women, FEDEPRICAP will make it a matter of policy to support activities and policies geared toward improving the position of women in and through the developmental processes. Finally, the development of a FEDEPRICAP for women, or broader involvement of women entrepreneurs in member organizations is currently under development and will be implemented during the course of the Project.

5. Caveats

Although the project is socially sound, and will make measurable contributions to the socioeconomic development of the region, it is important to place project expectations within the reality of the regional sociocultural context. The stated purposes of the private sector member associations of FEDEPRICAP are progressive and essentially democratic in tone. However, not surprisingly, their modes of operation are not always or entirely consistent with their institutional rhetoric.

The by-laws of the FEDEPRICAP member associations are very similar. To varying degrees, they have as their overall goals the promotion of the private sector and its interests; the defense of the free enterprise system as a guarantor of liberty and individual rights; the support of activities which in turn promote the national economic, social, physical, social, intellectual and, in some cases, moral well-being.

The kinds of activities authorized under the by-laws to carry out stated objectives are also similar in nature and scope. Generally, they are to mount

projects to create a greater public awareness about the benefits and principles of free enterprise; support efforts to solve socioeconomic problems, including provision of consulting services to organizations in both the public and private sectors; promote investment in all sectors of private initiative for the purposes of generating increased economic growth and jobs.

While many of the associations comprising FEDEPRICAP appear to have experienced some successes in achieving the objectives set forth in their by-laws, gaps between rhetoric and action still exist. Of particular concern is an apparent inability, or reluctance, to distinguish between free enterprise and private enterprise. Protectionist attitudes are still strong, publicly held companies are rare and there continues to be only limited access to loan and investment capital. Business sector leaders continue to pursue traditional oligopolistic practices, protecting their favored economic position; most large companies are privately held by family groups who have interlocking industrial and banking interests. There is little incentive, therefore, for the private sector leadership to respond to ROCAP initiative to expand equity participation in companies, make capital more accessible or invest in promotion of non-traditional exports, which would require greater production efficiencies, marketing and competitiveness.

Finally, it is important to note that, consistent with the cultural history of the region, associations abound but little cooperation exists. Private sector and business associations tend to be formed more for social purposes than for sustained and vigorous support of free enterprise. Interest articulation is for protection of narrow interests and maintenance of the economic power status quo. Few efforts have been made to expand the base of private sector associations and push for the kinds of policy and regulatory reforms which would open up the private sector to more participants and competition. Moreover, most private sector associations tend to be underfinanced, inadequately staffed, able to provide only limited services to members, and reactive to government policies rather than taking the initiative to propose

policy reforms. Project implementation will explore ways in which FEDEPRICAP can, by example, training, or other means, work on changing these practices and attitudes, so that private association goal and actions are more congruent.

6. Conclusion

There are no major social considerations related to project implementation. The desire of the people at all socioeconomic strata in the region for better income-earning opportunities has been demonstrated by the flood of publications for available jobs and the eagerness with which training opportunities are sought. The ability of regional entrepreneurs to expand their businesses will be developed through the series of FEDEPRICAP activities and services in the areas of transportation, trade and capital mobilization. These arrangements provide assurance that the project is socially sound.

F. Environmental Impact

ROCAP's Initial Environmental Examination recommended a negative determination based on the consideration that the classes of action under the project are eligible for categorical exclusion per section 216.2(C) (ii) of 22 CFR part1216. The LAC Bureau's Environmental Officer concurred with the recommendation (Annex N).

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AGENCY FOR INTERNATIONAL DEVELOPMENT
ROCAP

November 9, 1988

ACTION MEMORANDUM FOR THE ROCAP DIRECTOR

FROM: Pirie M. Gall, PDO

SUBJECT: Project Identification Document (PID) for the Private Sector Initiatives Project (596-0149)

Action: To approve the subject PID.

Background: The Federación de Entidades Privadas de Centro América y Panamá (FEDEPRICAP) has requested ROCAP assistance in promoting greater development through enhanced regional cooperation and integration. They have requested a Grant of $1.9 Million to implement a series of activities over a five year period in the areas of transportation, capital mobilization and trade.

Discussion: FEDEPRICAP was created by the Central American private sector over two years ago to assist in removing regional constraints to increased productive investment, non-traditional exports and employment. To date, ROCAP has supported FEDEPRICAP with three Specific support Grants for a cumulative period of nineteen months. The first grant (May, 1987) provided initial seed capital to assist in defraying up-front organization costs and administrative costs associated with the identification, analysis and follow-up work of specific project activities. An amendment to the first Grant (September, 1987) provided additional funds to four discrete projects (Transportation, Capital Markets, CBI and Debt/Equity) which were of major importance to regional development. The third Grant (August 1988) allowed FEDEPRICAP to fund a series of ad hoc studies and conferences directed at specific aspects of FEDEPRICAP's mandate in the region. In the short period of time since these Grants have been in effect, FEDEPRICAP has completed a series of activities related to regional development. In addition, FEDEPRICAP for the first time in Central America, has successfully brought together the major private sector groups under one organization.

FEDEPRICAP is now in a position to assist the Central American Private Sector in addressing regional constraints which require regional solutions. Currently, there are a number of immediate problems which should and could be addressed by FEDEPRICAP. First, transportation costs, lack of cooperation among shippers and between shippers and users, and operating inefficiencies continue to constitute a major barrier to regional growth, particularly with

respect to exports. Second, capital formation and access, as well as debt management, remain severe obstacles to development and the expansion of the private sector. Third, while many countries have taken initial steps to reduce protectionist policies and tariffs, much more needs to be accomplished in order to stimulate greater trade and consequent expansion of production on a regional basis. These issues are of a regional nature and can only be resolved by agreements among the Isthmus nations. This requires an organization with a regional perspective as the most appropriate and effective vehicle to promote solutions to these problems.

Issues: Attached you will find the discussion and resolution of issues that resulted from the PID review meeting on October 12, 1988.

Authority: Pursuant to State 266453, Review of ROCAP's FY 1989-90 Action Plan, the approval of the PID for the subject project has been redelegated to the ROCAP Director.

Recommendation: Based on the information presented above, ROCAP's Project Team recommends that you use your authority and approve the Project Identification Document for the Private Sector Initiatives Project (596-0149).

Approved: ✓

Disapproved: _____

Date: December 19, 1988

Nadine M. Hogan
Regional Director

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LOGICAL FRAMEWORK

PROGRAM OR SECTOR GOALS/TARGETS:	OBJECTIVELY VERIFIABLE INDICATOR MEASURES OF GOAL ACHIEVEMENT:	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS-- ASSUMPTIONS FOR ACHIEVING GOAL
Accelerate and sustain the rate of economic growth in Central America and Panama	Increases in standard economic indicators including: 1) GDP, 2) volume and dollar amounts of exports; 3) savings and investment rates; 4) industrial and agricultural output; 5) productivity levels; 6) increases in employment; 7) growth in long-term credit; 8) number of capital mobilization mechanisms created; and 9) reductions in transportation costs.	Review of national data on economic indicators from established sources including: national central banks; IMF/IBRD and ECLAC; review of USAID and other donor evaluation reports; review of REMITRAN reports.	That the political situation will not deteriorate further, impeding economic growth and development; that the U.S. will not pass legislation restricting major Central American exports; that governments in the region will continue to rely on the private sector as the "motor" of growth.
PROJECT PURPOSE	**END OF PROJECT STATUS**	**MEANS OF VERIFICATION**	**IMPORTANT ASSUMPTIONS ASSUMPTION FOR ACHIEVING PURPOSE**
To strengthen the Central American private sector's capacity to influence the direction of socioeconomic development in the region, and to increase the knowledge and participation of the private sector in the developmental process.	FEDEPRICAP will have developed a strategic and business plan, and be a fully operational private sector regional umbrella organization. It will have developed a comprehensive information referral system for transportation, trade and finance, promoted negotiated settlements among regional nations and social/economic sectors for private sector development, and monitored relevant legislation in the region and elsewhere.	AID and relevant ministry records; international agreements; FEDEPRICAP records; interviews with key private and public sector officials; ROCAP evaluations and audits.	That the nations in the region will be willing to enter into regional and bi-lateral agreements to promote policies and procedures to improve transportation and development efficiencies; that the membership of FEDEPRICAP will act aggresively to work with public officials to bring about needed policy reforms; that FEDEPRICAP staff and board members will have developed and implemented a feasible strategic plan.

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OUTPUTS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS ASSUMPTIONS FOR ACHIEVING GOAL
1) Approximately 15 policy analyses on issues of regional development, especially in transportation, capital mobilization and trade, will have been conducted. 2) Approximately 20 training workshops/ seminars will have been carried out within the region. 3) Mechanisms for more effective capital mobilization, such as stock exchanges and the extablishment of more modern credit policies and practices, will have been further advanced in the region. 4) A functioning information network and referral system will have been established in FEDEPRICAP to provide its members access to timely and accurate information on transportation regulations, schedules and routes, and on trade regulations and standards in the U.S. and each of the regional nations. 5) FEDEPRICAP will have developed the institutional, technical and administrative capacity to make it a fully functioning, credible regional private sector umbrella organization.	10 Regional Private Enterprise Programs; 2-3 Regional/Bilateral Agreements; 15 Seminars/ Workshops; policy/ legislative reforms.	ROCAP reports, evaluations, and other documents; FEDEPRICAP reports, studies, minutes of meetings and membership surveys.	1) FEDEPRICAP staff will function effectively with full support of board and members. 2) National governments in the region will be willing to act on regional basis for own interests. 3) Other than AID donor assistance will be available for programs, in addition to fees levied by FEDEPRICAP. 4) Other social/economic sectors will be willing to enter into negotiations with the private sector, either within nations or at the regional level, to address common problems.

INPUTS	ASSUMPTION FOR PROVIDING INPUTS
	Estimates of TA and training are adequate

(Project Budget US$ 000's)

	ROCAP	FEDEPRICAP	TOTAL
T. A.	400	-	400
Training	285	-	285
Technical Personnel	559	82	641

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1989 Appropriations Act Sec. 523; FAA Sec. 634A. If money is sought to obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified? — YES

2. FAA Sec. 611(a)(1). Prior to an obligation in excess of $500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? — (a) YES (b) YES

3. FAA Sec. 611(a)(2). If legislative action is required within recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? — N/A

4.	FAA Sec. 611(b); FY 1989 Appropriations Act Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)	N/A
5.	FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?	N/A
6.	FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.	YES The project is a regional project.
7.	FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.	(a) YES (b) YES (c) YES (d) YES (e) YES
8.	FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	The project will encourage free trade throughout Central America.

9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.	N/A
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	N/A
11. FY 1989 Appropriations Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?	The assistance is not for the production of a commodity for export.
12. FY 1989 Appropriations Act Sec. 549. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?	NO
13. FAA Sec. 119(g)(4)-(6) & (10). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other	(a) NO (b) NO

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wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? — (c) NO (d) NO

14. FAA Sec. 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? — N/A

15. FY 1989 Appropriations Act. If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? — N/A

16. FY 1989 Appropriations Act Sec. 538. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? — YES

17. FY 1989 Appropriations Act Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has prior approval of the Appropriations Committees of Congress been obtained? — N/A

18. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). — N/A

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B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FY 1989 Appropriations Act Sec. 548 (as interpreted by conference report for original enactment). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers?	N/A
b. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental	The Project will support efforts to modernize the Private Sector in Central America. It is anticipated that, increased productivity and employment will accrue to the region. Women will be significantly involved in the developmental process.

institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

c.	FAA Secs. 103, 103A, 104, 105, 106, 120-21; FY 1989 Appropriations Act (Development Fund for Africa). Does the project fit the criteria for the source of funds (functional account) being used?	YES
d.	FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?	YES
e.	FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?	N/A
f.	FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?	YES

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

The project will contract for technical services, of which, many will be supplied by consultants in the region. The project will also provide training to private sector members in the area of conflict negotiation in an effort to bring about a productive dialogue between the public and private sector.

h. FY 1989 Appropriations Act Sec. 536. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

NO

Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

NO

Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

NO

i. FY 1989 Appropriations Act. Is the assistance being made available to any organization or program which has been determined to support or participate in the management of a program of coercive abortion or involuntary sterilization?

NO

If assistance is from the population functional account, are any of the funds to be made available to voluntary family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services?

N/A

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j. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? — YES

k. FY 1989 Appropriations Act. What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? — Approximately 25% of the assistance will finance a Section 8 (a) Contract.

l. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (a) stress the importance of conserving and sustainably managing forest resources; (b) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (c) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (e) help conserve forests which have not yet been degraded by helping to increase — N/A

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production on lands already cleared or degraded; (f) conserve forested watersheds and rehabilitate those which have been deforested; (g) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (h) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (i) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (j) seek to increase the awareness of U.S. government agencies and other donors of the immediate and long-term value of tropical forests; and (k)/utilize the resources and abilities of all relevant U.S. government agencies?

m. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project (a) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (b)/take full account of the environmental impacts of the proposed activities on biological diversity? N/A

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n. FAA Sec. 118(c)(14). Will assistance be used for (a) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (b) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas? NO

o. FAA Sec. 118(c)(15). Will assistance be used for (a) activities which would result in the conversion of forest lands to the rearing of livestock; (b) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (c) the colonization of forest lands; or (d) the construction of dams or other water control structures which flood relatively undegraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development? NO

p. FY 1989 Appropriations Act. If assistance will come from the Sub-Saharan Africa DA account, is it (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) being provided in accordance with the policies contained in section 102 of the FAA; N/A

(c) being provided, when conistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups; (e) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

q. FY 1989 Appropriations Act Sec. 515. If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same general region as originally obligated, and have the Appropriations Committees of both Houses of Congress been properly notified? N/A

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest. N/A

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest? N/A

c. FAA Sec. 122(b). Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities? N/A

3. Economic Support Fund Project Criteria

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA? N/A

b. FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes? N/A

c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N/A

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

1.	FAA Sec. 602(a). Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?	YES
2.	FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him?	YES
3.	FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?	N/A
4.	FAA Sec. 604(e); ISDCA of 1980 Sec. 705(d). If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)	N/A

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5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) — NO

6. FAA Sec. 603. Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? — N/A

7. FAA Sec. 621(a). If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? — YES

8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? — YES

9. FY 1989 Appropriations Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? — YES

10. FY 1989 Appropriations Act Sec. 524. If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? YES

B. CONSTRUCTION

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used? N/A

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the CP), or does assistance have the express approval of Congress? N/A

C. OTHER RESTRICTIONS

1. FAA Sec. 122(b). If development loan repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? N/A

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? YES

4. Will arrangements preclude use of financing:

   a. FAA Sec. 104(f); FY 1989 Appropriations Act Secs. 525, 536. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; or (4) to lobby for abortion? YES

   b. FAA Sec. 483. To make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? YES

   c. FAA Sec. 620(g). To compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? YES

   d. FAA Sec. 660. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? YES

   e. FAA Sec. 662. For CIA activities? YES

f. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? YES

g. FY 1989 Appropriations Act Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? YES

h. FY 1989 Appropriations Act Sec. 505. To pay U.N. assessments, arrearages or dues? YES

i. FY 1989 Appropriations Act Sec. 506. To carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? YES

j. FY 1989 Appropriations Act Sec. 510. To finance the export of nuclear equipment, fuel, or technology? YES

k. FY 1989 Appropriations Act Sec. 511. For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? YES

l. FY 1989 Appropriations Act Sec. 516; State Authorization Sec. 109. To be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? YES

5. FY 1989 Appropriations Act Sec. 584. Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? YES

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Annex D

MEMBER ASSOCIATIONS OF FEDEPRICAP

1. Fundación Salvadoreña de Desarrollo (FUSADES), El Salvador
2. Asociación Nacional de Empresas Privadas (ANEP), El Salvador
3. Comité Coordinador de Asociaciones Agrícolas, Comerciales, Industriales y Financieras (CACIF), Guatemala
4. Cámara Empresarial de Guatemala (CAEM), Guatemala
5. Unión Costarricense de Cámaras y Asociaciones de la Empresa Privada (UCCAEP), Costa Rica
6. Coalición Costarricense de Iniciativas de Desarrollo (CINDE), Costa Rica
7. Consejo Superior de la Empresa Privada (COSEP), Nicaragua
8. Instituto Nicaraguense de Desarrollo (INDE), Nicaragua
9. Fundación para la Inversión y el Desarrollo de Exportaciones (FIDE), Honduras
10. Consejo Hondureño de la Empresa Privada (COHEOP), Honduras
11. Consejo Nacional de la Empresa Privada (CONEP), Panamá
12. Asociación para el Desarrollo de Panamá (ADEPA), Panamá

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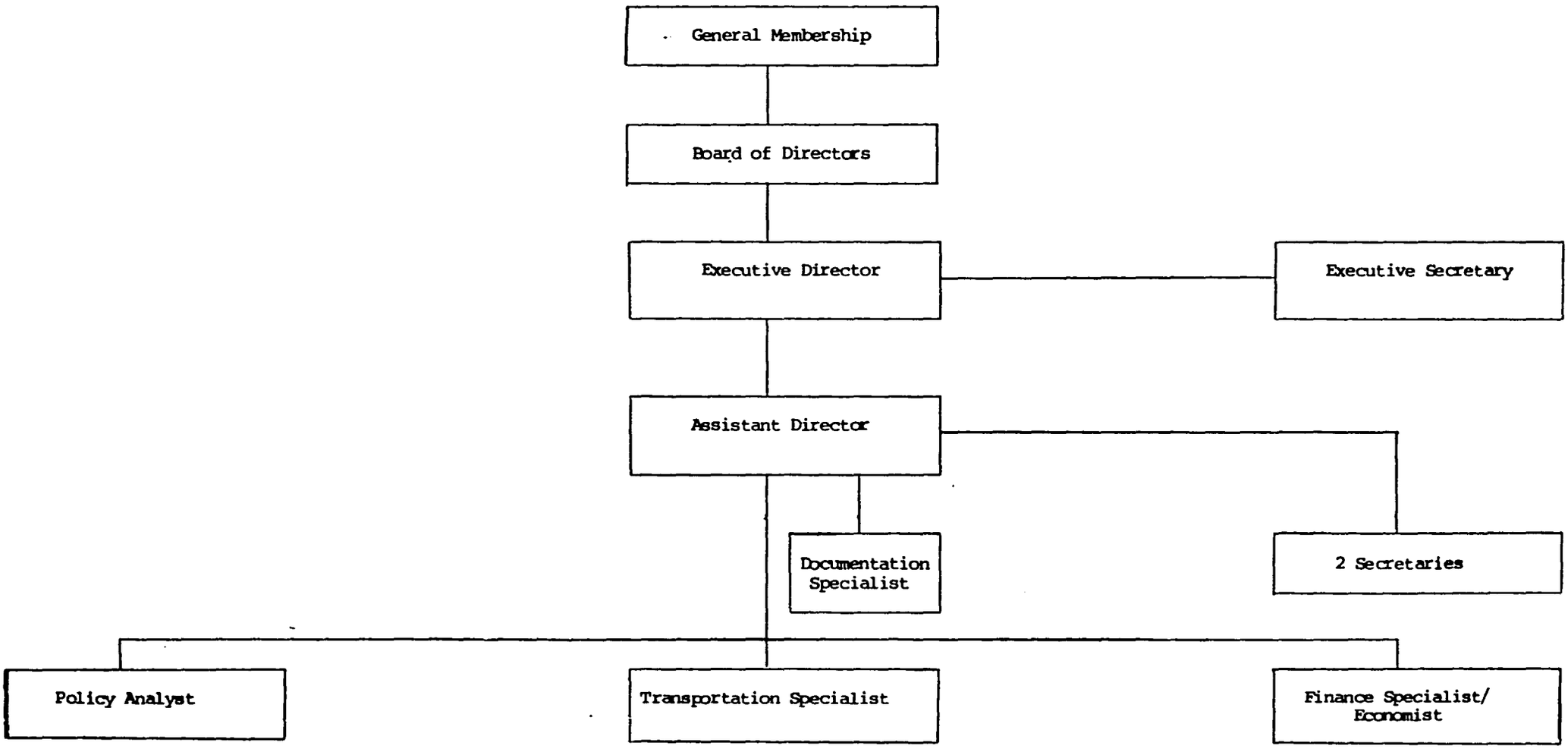
Annex E

PRELIMINARY ORGANIZATIONAL STRUCTURE



FEDEPRICAP ACCOMPLISHMENTS

The attached list of twenty-nine projects represents FEDEPRICAP's accomplishments over not quite two years. Since its inception in January 1987, FEDEPRICAP, operating with an abbreviated staff, has managed to develop and sponsor a series of projects which attest to its institutional capacity and commitment to its goals. During its brief existence, FEDEPRICAP has hosted thirteen seminars, eight technical conferences and two business roundtables. It has also had two retreats, one for the purpose of putting together a three year strategic plan. In addition, it has also been responsible for sponsoring four other special events.

It is hard at this early juncture to measure the impact of FEDEPRICAP's activities. Nevertheless, a review of its role in promoting the intrests of the private sector in Central america and Panama as a principal strategy for economic growth and development appears to have produced both results and expanding potential.

An institutional analysis of FEDEPRICAP was conducted in the Fall of 1988. Key public and private sector officials were interviewed in Guatemala, El Salvador, Honduras and Costa Rica. The universal agreement was that FEDEPRICAP was a credible, essential organization filling a regional void; i.e., the need to spur greater regional cooperation and integration. Public Sector officials were particularly enthusiastic at the prospect of being able to enter into a dialogue with the private sector on a regional basis, something which they view as a possiblity as the result of the existence and role of FEDEPRICAP.

Private sector leaders, on the other hand, perceive FEDEPRICAP as an institutional focal point representing their combined regional interests, both

at the national level, within the region and with third countries. Evidence of the faith the private sector places in FEDEPRICAP may be seen in the sustained support of its membership through continued contribution of dues.

Selected accomplishments of the federation attest to its effectiveness to date. These include:

- Formulation of a strategic plan to guide FEDEPRICAP activities over the next three years. This was the result of a two day retreat with the Board of Directors.

- A continuing series of meetings on transportation, including routinely scheduled meetings of the Transportation Technical Committee. The most recent activity was just completed, as members of FEDEPRICAP met with port authorities from New Orleans to explore alternative transportation routes and facilities into the U.S. in an effort to lower costs to regional exporters.

- A seminar with women leaders in the private sector. As part of AID's policy to promote greater participation in and recognition of women in development, FEDEPRICAP has not only sponsored a meeting to address relevant issues, but has also moved to create a FEDEPRICAP for women.

- Hosting of a series of seminars on topics including GATT, Debt/Equity conversion and applications of biotechnology to economic development.

The following are examples of FEDEPRICAP's accomplishments in the Transportation Sector:

To present the findings and recommendations of the Parsons Brinckerhoff Regional Transportation Study conducted in 1987, FEDEPRICAP sponsored National-level transportation seminars in Guatemala, El Salvador, Honduras and Costa Rica. Additionally, a regional seminar was held in Guatemala City on February 18 and 19, 1988 with the purpose of presenting the conclusions of each National Level Seminar and to follow up and to broaden awareness and participation in seeking solutions to Regional Transportation issues.

The Regional Seminar resulted in extensive follow-up actions in the areas of Ground, Air and Sea Transport. As a result, FEDEPRICAP developed a Cargo Transportation Action Program, which defines roles, actions, time frames, and resources required to implement the program.

FEDEPRICAP manages the Cargo Transportation Program through a Coordinator, who works directly with Transportation Program Coordinators from each of the private sector institution members of FEDEPRICAP: CAEM and GREMIAL DE EXPORTADORES from Guatemala, FUSADES from El Salvador, FIDE from Honduras and CINDE from Costa Rica. The above Coordinators constitute the Transportation Technical Committee, presided over by FEDEPRICAP'S Coordinator. This organization represents the Central American Private Sector in the transportation area.

Project implementation is carried out in accordance with practical and specific guidelines that require the effective participation of the Technical Committee. The Committee meets regularly every two months. The main purpose of these meetings is to coordinate and define immediate priorities of the Transportation Action Plan and determine responsibilities and due dates to accomplish short term actions. Further meetings are held to revise and update each of the activities described in the Transportation Action Plan, as well as to keep members informed of current events and to give them the opportunity to share individual experiences and common problems.

The Coordinators have worked to organize Transportation User Committees in each country. The Guild of Exporters in Guatemala has hired a Consultant to be in charge of the Executive Secretariat of the Guatemalan User Committee. FUSADES in El Salvador, with the participation of COEXPORT has also established the Salvadoran Transportation User Committee, in an effort to directly address export constraints. Additionally, Honduras, through its User Committee is also working very closely with FEDEPRICAP's Transportation Action Program. On the other hand, Costa Rica through its User Committee in CINDE-CAAP has developed excellent coordination between entrepreneurs and Miami Port Authorities, with the participation of the Costa Rican Chambers of Agriculture.

Port Diversification in the U.S. is another activity presently being developed by FEDEPRICAP. A study was developed with the assistance of the U.S. Department of Commerce containing valuable information about 22 ports in the U.S., including contact names, addresses, types of services offered, existing infrastructure, etc. In addition to the above, FEDEPRICAP's Program Coordinator has invited representatives from various ports to give presentations to the members of the Technical Committee of the services they can offer. The purpose was to identify means of reducing transportation costs as well as identifying new markets for Central American products. The above allowed for an intense information and participation exchange among Central Americans and the Ports of Tampa, Miami, Houston and New Orleans. The above has resulted in COHUTI AND FEPROEXAAH from Honduras working together to exclusively use the Port of Tampa and negotiating with ocean freight companies for melon exports.

FEDEPRICAP has developed a periodic Information System for Cargo Transportation. Newsletters are issued monthly.

In its effort to streamline the procedures for export transactions, FEDEPRICAP has collected information from each country on their experiences with procedures for exporting. Based on the above, FEDEPRICAP organized the First Central American Meeting of Directors of "Single Windows", (one-stop export service) which was held in Guatemala with the participation of high government officials, transportation coordinators and members of FEDEPRICAP. The purpose of this conference was to explain and disseminate how the "Single Window" works in Guatemala, in order to reduce bureaucratic delays. A second meeting is scheduled for January to further promote the concept.

Under FEDEPRICAP's initiative, a study is being prepared on existing laws and regulations concerning exports. This will be very useful for identifying necessary reforms to existing regulations.

Port tariffs is one area that requires improvement. For this purpose, FEDEPRICAP organized a Port Tariff Seminar which took place in New Orleans in December 1988, with the participation of Port Directors and Technical Port personnel from Central America who have direct responsibility for tariffs. The Ports and Waterways Institute of Louisiana sponsored the Seminar. The outcome of this event was that the Central American participants had an opportunity to compare notes on a wide range of shared problems, to learn about methods of contemporary analysis of port pricing under different assumptions and management objectives, and developed country-specific follow-up plans.

One of the main recommendations that resulted from the National and Regional Seminars as a priority action for efficient exporting, was the need to coordinate and consolidate export volume in order to increase Central America's negotiating position with shipping companies. FEDEPRICAP has given special attention to this issue and is pursuing a strategy in this area. One example of the above is FEPROEXAAH in Honduras, who with the assistance of the

Honduras National Port Enterprise (who donated the sites for cargo consolidation) has joined melon producers to export a high percentage of their crop to the U.S. This has given the melon producers the capacity to negotiate from a position of strengh.

The results of these and the other FEDEPRICAP initiatives have accomplished a number of objectives. First, these activities have helped to establish the credibility of FEDEPRICAP as a serious organization, able to respond to expressed needs of the private sector. Second, many of the seminars and meetings sponsored by the federation have helped promote productive dialogue between the public and private sectors, something which will become increasingly important as public policies governing investment promotion, exports, transportation and capital mobilization are crafted. Third, FEDEPRICAP's initiatives are resulting in the development of a more positive image for the private sector as a key contributor to economic growth and regional cooperation.

CALENDAR OF ACTIVITIES FOR FEDEPRICAP 1988
CARGO TRANSPORTATION PROGRAM

	ACTIVITY	PLACE	DATE	STATUS
1.	Regional Sem.	Guat/C.Real H.	02/18-19	Done
2.	Meet. of Trans. Tech. Committee	El Salvador Sheraton H.	06/24	Done
3.	C.A. Meet. of Open Window Directors	Guatemala Finance Ministry	09/8-9	Done
4.	Meet. of Trans. Tech. Committee	Guatemala Guild of Exp. CAEM	09/9	Done
5.	C.A. Workshop on Cold Storing Networks	Costa Rica REFRINA	09/13-14	Done
6.	Seminar on Port Tariffs for Directors	Louisiana, U.S. Ports and Waterways Inst.	12/15-17	Done
7.	C.A. Meeting on Port Tariffs	San Pedro Sula	11/25	Done
8.	Seminar on Port Tariffs for technicians	Costa Rica	01/89	Confirmed
9.	III Meeting of the C.A. Technical Committee of Cargo Transportation	Honduras	01/89	Confirmed
10.	Seaports Conn. USDA	New Orleans, U.S.	04/89	Confirmed

CALENDAR OF ACTIVITIES FOR FEDEPRICAP 1988
THROUGH 10/18/88

	ACTIVITY	PLACE	DATE	STATUS
1.	Workshop 936	Guat/CAEM	02/17	Done
2.	Reg. Trans. Sem.	Guat/CAEM	02/18-19	Done
3.	Mr. Bush visit	Hond-C. Rica	02/21-27	Done
4.	CCAA/bearings Retreat	Wash., D.C.	02/27-03/02	Done
5.	Gatt/BID Seminar	Costa Rica	03/17-18	Done
6.	Tech. Council Meet.	Costa Rica	05/05	Done
7.	Sup. Council Meet.	Costa Rica	06/06	Done
8.	Solidarity Seminar	Costa Rica	06/16-18	Done
9.	Tech. Committee Meet.	Teguc-COHEP	07/28	Done
10.	Debt/Equity Sem.	Teguc-COHEP-FIDE	07/29	Done
11.	Grupo Andino Round Tab.	Guatemala	08/17-19	Done
12.	AILA Meeting	Cartagena-Col.	08/22-23	Done
13.	Eval. Workshop CBI	Ant. Guat.	09/07	Done
14.	Nicaraguan Bus. Day MGU*	CONEP Nicaragua	09/08	Done
15.	Women's Bus. Lead. Conf. CCAA	Ant. Guat.	09/08	Done
16.	Strategic Plan. Workshop	Guatemala	10/13-14	Done
17.	Superior Concil	El Salvador	11/18	Done
18.	Biotechnology Seminar	Honduras	11/21-23	Done
19.	Miami Conference/CCAA	Miami	11/29-12/02	Done

* No. U.S. financing was involved in this activity

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STRATEGIC PLAN

I. GOALS, OBJECTIVES AND PRIORITIES

The members of the Board of Directors have developed the following strategic plan to give direction to the operations of FEDEPRICAP over the next three years. As with all "strategic" plans, the document will serve as a general guide for the FEDEPRICAP executive staff, incorporating enough flexibility to accomodate unanticipated external and internal changes. While the plan is general and broad in scope, it is important to bear in mind that FEDEPRICAP will narrow its operational focus in order to be able to carry out a few specific tasks well, instead of attempting to accomplish all of its objectives in the short run. This is a critical strategic principal, particularly in view of the fact that FEDEPRICAP is a new organization which will have to concentrate on its institutional development as well as manage programmatic activities. It is imperative for FEDEPRICAP to demonstrate its capacity to serve the regional private sector and effectively implement its mandate. Overextending its activities would needlessly risk achieving initial solid successes.

The plan is predicated on a candid review of FEDEPRICAP's institutional strengths and weaknesses. The purpose is to capitalize on existing strengths and develop ways by which to overcome or compensate for acknowledged weaknesses. The plan states agreed upon goals and objectives, putting them into priority order. Finally, the plan sets forth the strategies and tactics to be used in accomplishing goals and objectives, allocating the appropriate and necessary financial, human and organizational resources.

1. Strengths and Weaknesses

A. Strengths

1) Programmatic

A strategic foundation of this plan is to capitalize on existing strengths in specific areas of demonstrated programmatic capacity to permit FEDEPRICAP to build credibility in the private and public sectors. As FEDEPRICAP grows and matures organizationally, it is anticipated that its strengths will expand. As part of its institutional development, FEDEPRICAP will begin to recognize those areas in which it can implement quality programs to meet specific needs, eliminating those areas for which there is no demand or in which FEDEPRICAP does not possess sufficient program skill. Programmatic strengths which have been identified include:

- Potential to represent the regional private sector before various groups and international organizations, presenting policy alternatives for solving economic problems

- FEDEPRICAP's programmatic and institutional image as an organization through which international assistance can be channeled for regional development

- FEDEPRICAP's ability to act as representative of private sector interests before regional organizations and groups

- The development of an institutional capacity to conduct policy analyses and research on the impact of transportation on intraregional economic growth and development

2) Organizational

In spite of the fact that FEDEPRICAP is a newly created organization, several institutional strengths are readily apparent and should serve to assist the Federation in developing its programs. These include:

- The ability of FEDEPRICAP to serve as a regional organization representing the private sector
- The existence of FEDEPRICAP as an organizational mechanism with the potential to create a regional private sector mentality to solve common problems
- The ability of FEDEPRICAP to defend, at the regional level, the interests of the private sector during the current economic crisis
- The ability of FEDEPRICAP to aggregate and articulate regional private sector interests
- The non-partisan character of the Federation
- The positive international image of FEDEPRICAP
- Member organizations of FEDEPRICAP which are strong and credible in their own countries.

B. Weaknesses

While several organizational and programmatic deficits are evident, most of them are to be expected, given FEDEPRICAP's

relative infancy. Most of the weaknesses can be corrected relatively quickly and easily. Others, however, will require a greater effort and more time. Finally, there are some problems which have no solution and need to be reasonably accommodated. For example, many FEDEPRICAP member organizations have frequently rotating presidencies, making Board continuity difficult.

1) Programmatic

- Lack of an agreed upon definition of free enterprise (NOTE: The difference between "free" and "private" enterprise needs to be underscored. "Private" enterprise is not synonymous with "free" enterprise, although frequently the terms erroneously are used interchangeably.)

- Lack of coordination in developing export strategies

- Lack of adequate export information

- Lack of follow-up

- Duplication of export-related activities

- Need to expand coordination with other private sector organizations

- Need to establish efficient internal program development procedures

2) Organizational

- Different mandates, goals and operating procedures of FEDEPRICAP member organizations
- Dependence on foreign assistance
- Frequently rotating presidencies of member organizations
- Weak institutional infrastructure
- Lack of adequate funding base
- Need for creation of decision-making and program development processes
- Relatively frequent absences by Presidents of member organizations at FEDEPRICAP board and other meetings
- Competing national pressures on member organizations

2. Strategic Goals and Objectives

The following goals and objectives reflect the programmatic and organizational directions FEDEPRICAP intends to pursue over the next three years, as consistent with its charter mandate, and is the result of consensual agreement among the member organizations.

A. GOAL: Promote Leadership Role of Private Sector

Objectives:

- Create awareness at the local and national levels of the role of the private sector and free enterprise in regional development

- Strengthen relationships with existing relevant private and public sector organizations and initiate contacts with others

- Represent regional private sector interests at local, national, regional and international levels

- Sponsor management training programs

- Seek to improve intersectoral relationships

B. GOAL: Support Strengthening of Democratic Systems and Institutions

Objectives:

- Provide training to appropriate private sector officials in defense of democratic systems and institutions

- Develop strategies and tactics for focussing international attention on anti-democratic activities and devising appropriate solutions

C. GOAL: Conduct Relevant Activities in the Social, Economic and Political Sectors.

Objectives:

- Seek to reactivate the Central American Common Market and Regional Cooperation, through a series of sustained activities including: working with Central Banks, coordinating with other regional organizations, reviewing existing regional treaties, supporting implementation of business roundtables among leading private sector representatives in the region, preparing policy and structural options for a full reactivation of the Common Market

- Promote awareness of the partnership role of the private sector with the public and other sectors in development, and the contributions it can make to economic and social growth

- Participate in the decision-making processes in each sector, where appropriate, and possible

- Act in capacity of think tank for achieving intersectoral solutions to common regional problems

- Provide necessary empirical information to formulate strategies for solutions to problems of regional economic growth and development

- Promote intersectoral approach to problem-solving

- Work with and seek ways to support development of micro and small private enterprises

- Identify mechanisms for achieving greater interterritorial understanding and cooperation

D. GOAL: Make All Social and Economic Sectors aware of FEDEPRICAP and Free Enterprise

Objectives:

- Make all sectors aware of the crucial and positive role of the private sector in regional economic growth and development, and how FEDEPRICAP is instrumental in promoting this goal

- Through intersectoral cooperation and understanding, create a regional economic, social and political climate favorable to foreign and domestic investment and business growth

- Secure international financial support and technical assistance for regional private sector development

E. GOAL: Strengthen FEDEPRICAP organizational structure and operations (NOTE: This is an organizational rather than a programmatic goal and, in that sense, needs to be treated separately from the goals listed above. Development of FEDEPRICAP's institutional capacity will be a parallel goal whose attainment is basic to the ability of the organization to carry out its program objectives.)

Objectives:

- Finalize organizational structure

- Hire qualified staff

- Establish an MIS (Management Information System), appropriate to the needs and institutional capacity of FEDEPRICAP

- Establish an efficient decision-making system
- Seek diversified funding sources
- Charge fees for related services and products
- Establish a reliable two-way communication system between FEDEPRICAP, its member organization
- Promote exchange of ideas, experiences and information with other organizations involved ineconomic development activities

3. Priorities

Appendix A to this plan constitutes the list of priorities by goal and objective as agreed upon at the FEDEPRICAP strategic planning meeting in Guatemala City in October, 1988. The priorities are already generally reflected in the objectives set forth above and do not need to be repeated in the text of the document. It should be noted that many of the priorities are actually methods of achieving objectives, rather than objectives themselves. In this sense, the programmatic direction as determined by the priorities is also reflected in strategies set forth in the appended planning forms.

The priorities are put in rank order to assist the Executive Director and his senior staff in making choices among competing demands for limited institutional resources and foci. At the same time, it needs to be kept in mind that the differences between and among priorities are slight, and there is even a tendency for some priorities to overlap and to be mutually reinforcing.

II. STRATEGIES

1. Strategies and Tactics:

Needless to say, there is no single strategy to achieve the several goals and objectives of FEDEPRICAP. Instead, the following planning forms have been prepared as a way of consolidating in an orderly and logical fashion the various strategies and tactics to be used in achieving specific goals and objectives. Each form identifies the pre-established goal, objective and priority; describes the strategy to be used; lists the activities and corresponding dates for task completion; identifies the responsible staff member; lists required cooperating organizations; and identifies potential obstacles to successful attainment of the objective(s).

A critical point needs to be made with respect to FEDEPRICAP strategies - which can also be applied to its goals and objectives. While there is much to be done to bring about private sector coordination and participation as a major force in promoting regional growth and development, FEDEPRICAP has limited resources, is a newly formed organization and is still relatively little known among key decisionmakers. Therefore, it is essential that FEDEPRICAP limit its activities to highly focussed and manageable tasks which can be successfully implemented. As its institutional capacity and credibility grow, FEDEPRICAP can begin to expand its activities. This caveat is reflected in the planning forms.

2. Resources:

The planning forms indicate the allocation of human resources for the various planned activities. Financial resources will have to be distributed according to the various strategies and tactics when

FEDEPRICAP has secured program funds from ROCAP. If FEDEPRICAP is to be a policy driven organization, it is important that fund allocations reflect accurately the established priorities. As FEDEPRICAP is labor intensive, the large majority of funds will go for salaries and benefits. Other resources will be used to support travel and associated expenses, equipment purchase, office space, supplies and other routine costs required to sustain an association such as FEDEPRICAP.

Although final resource allocations have yet to be made, it is useful to list the types of resources which are potentially available to FEDEPRICAP.

A. Human:

- Permanent staff
- Short term consultants (including those consultants provided to FEDEPRICAP through the ROCAP technical assistance contract)
- Members of the Board of Directors and their associations
- Other related private sector organizations

B. Financial:

- ROCAP
- Dues
- Bilateral grants
- International organizations

C. Physical:

- Facilities and equipment of members, associations
- FEDEPRICAP offices and equipment

3. Evaluation:

A. Indicators:

The goals, objectives priorities, strategies and time frames listed on the planning sheets will serve as indicators to measure FEDEPRICAP performance and, to a more limited extent, impact. Specific indicators include:

- Objective
- Mission and Priorities
- Strategy
- Schedule of Activities

B. Follow-up:

A critical task of FEDEPRICAP will be to carry out aggressive follow-up to insure desired results. Follow-up will be required in all activity areas, including: programs; management; planning; communication.

C. Review:

The entire strategic plan will be reviewed annually and, if necessary, adjustments made. Similarly, a quarterly review of goal/objective attainment will be made, primarily as a means to insure efficient program and organizational management and make any necessary mid-course corrections.

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OPERATIONAL PLAN - PLANNING YEAR 89-93 Date 11/4/88

I. OBJECTIVE: Identify the objective (program specific or support) being addressed this fiscal year.

FOMENTAR EL DESARROLLO SOCIAL Y RELACIONES ARMONIOSAS INTERSECTORIALES

II. MISSION and PRIORITIES:

A. Specify the FEDEPRICAP goal(s) addressed by above objective.

AREA SOCIAL

1-A. PROMOVER RELACIONES INTERSECTORIALES POSITIVAS

B. Organizational Priorities (

#1. EN AREA SOCIAL
#2. EN AREA ECONOMICA

III. STRATEGY: Briefly describe the strategy to achieve the objective.

ANALIZAR LA CONVENIENCIA DE FOMENTAR INICIATIVAS TIPO IV-1 Y IV-2 EN FUNCION A LOS RENDIMIENTOS POSIBLES Y LA OPORTUNIDAD DE IMPLEMENTACION.

IV. Schedule of Milestones/Activities to achieve the Objectives	Completion Dates (if appropriate)	Person(s) Responsible	Inter-office Assistance Needed	Potential Obstacles Hindering Completion
1. ANALISIS DE ALTERNATIVAS DE PARTICIPACION LABORAL EN EL CAPITAL EMPRESARIAL (TIPO ESOPS)	89-92	Direct. Ejec. Economista Area Política	GEAI/	APOYO POLITICO
2. FOMENTAR MODELOS DE COOPERACION OBRERO/ PATRONAL (TIPO ESOPS/SOLIDARISMO)	89-92	Direct. Ejec. Economista Area Política	C. Solidarista Lat.	FINANCIERO
3. MANTENER RELACIONES CON ORGANISMOS DE CARACTER SINDICAL, MULTI Y BILATERALES EN EN AREA SOCIAL	89-93	Direct. Ejec.		CREDIBILIDAD Y CONFIANZA

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IV. Schedule of Milestones/Activities to achieve the Objectives	Completion Dates (if appropriate)	Person(s) Responsible	Inter-office Assistance Needed	Potential Obstacles Hindering Completion
4. PROGRAMA REGIONAL DE EMPLEO PARA REFUGIADOS -ESTUDIO -SEMINARIOS	12/91	AREA POLITICA ECONOMISTA DIRECTOR EJEC	ACNUR	-APOYO SISTEMA -SITUACION MACROECONOMICA -PROBLEMAS SOCIALES Y POLITICOS

APPENDIX A

OPERATIONAL PLAN - PLANNING YEAR 89-93

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Date 11/4/88

I. OBJECTIVE: Identify the objective (program specific or support) being addressed this fiscal year.

CREACION DE CONCIENCIA

II. MISSION and PRIORITIES:

A. Specify the FEDEPRICAP goal(s) addressed by above objective.

- HACER QUE EL EMPRESARIO ASUMA POSICION DE VANGUARDIA
- APOYAR AL FORTALECIMIENTO DE SISTEMAS E INSTITUCIONES DEMOCRATICAS

B. Organizational Priorities (I

#5 12/3

III. STRATEGY: Briefly describe the strategy to achieve the objective.

FORTALECER LA CAPACIDAD DEL SECTOR PRIVADO PARA QUE ASUMA LA POSICION DE VANGUARDIA EN CENTROAMERICA Y DE PROTOCOLO CUANDO SEA NECESARIO, ASI COMO FOMENTAR CONSTANTEMENTE LA BUENA IMAGEN DE FEDEPRICAP

IV. Schedule of Milestones/Activities to achieve the Objectives	Completion Dates (if appropriate)	Person(s) Responsible	Inter-office Assistance Needed	Potential Obstacles Hindering Completion
1. SEMINARIO ACTIVILIZACION POLITICO/ IDEOLOGICA	6/89	AREA POLITICA		FINANCIERO
2. FOMENTO DE RELACION C/ENTIDADES DE INTEGRACION DE SECTOR PRIVADO (OIE, CEOE, COOPARMEx, CAIC, ITALIANOS ETC.)	89-93	PRESIDENTE DIRECTOR EJEC. AREA POLITICA	CUPULAS AFILIADAS CCAA IOB	COSTO BUROCRACIA
-SEMINARIOS -BECAS -INVESTIGACIONES				

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IV. Schedule of Milestones/Activities to achieve the Objectives	Completion Dates (if appropriate)	Person(s) Responsible	Inter-office Assistance Needed	Potential Obstacles Hindering Completion
3. DEFENDER A LOS SECTORES PRIVADOS QUE ESTEN EN DIFICULTADES EN ESE PAIS Y DIVULGAR SU SITUACION A TRAVES DE COMUNICADOS, RUEDAS DE PRENSA, CARTAS, ETC.	89-93	DIRECTOR EJEC. AREA POLITICA RELAC. PUBLIC.	O.I.E/CUPULA CEOE/MEDIOS DE COMUNICACION	RECURSOS COMPROMISO ENTIDADES COOPERATIVAS
4. PREPARACION DE INFORMES PERIODICOS SOBRE COYUNTURA POLITICA Y PERSPECTIVAS	89-93	AREA POLITICA	INCAE/ENTIDADES AFILIADAS	FALTA DE INFO/ COSTO
5. MEJORAR Y PUBLICAR EL BOLETIN INFORMATIVO ASI COMO LA REVISTA SEMESTRAL	89-93	DIRECTOR DE COMUNICACION RELAC. PUBL° DIRECTOR EJEC.	ENTIDADES AFILIADAS	COSTO
6. MEJORAR EL SISTEMA DE COMUNICACION CON LOS MEDIOS DE COMUNICACION COLECTIVA	89-93	DIRECTOR DE COMUNICACION RELAC. PUBL. DIREC. EJEC.	ENTIDADES AFILIADAS	VOLUNTAD POLITICA Y RECURSOS
7. COADYUVAR AL ESTABLECIMIENTO DE LA ORGANIZACION FEMENINA EMPRESARIAL REGIONAL	89	DIRECTOR EJEC.	ROCAP/ENTIDADES AFILIADAS/CCAA	COSTO

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OPERATIONAL PLAN - PLANNING YEAR 89-93

Date 11/4/88

I. OBJECTIVE: Identify the objective (program specific or support) being addressed this fiscal year.

II. MISSION and PRIORITIES:

A. Specify the FEDEPRICAP goal(s) addressed by above objective.

1. FORTALECER LA ESTRUCTURA Y FUNCIONAMIENTO ORGANIZACIONAL DE FEDEPRICAP

B. Organizational Priorities (1

#1. A/B/C/E

III. STRATEGY: Briefly describe the strategy to achieve the objective.

LOGRAR CONJUNTAR UN EQUIPO DE TRABAJO INTERDISCIPLINARIO Y DE ORIGEN INTRARREGIONALADECUADAMENTE EQUIPADO, Y DESARROLLANDO MECANISMOS QUE MEJOREN LA COMUNICACION INTRASISTEMICA Y ADMINISTRATIVA Y HACIA LA PERIFERIA, Y LA POSICION DE FEDEPRICAP COMO CABEZA DEL SISTEMA

IV. Schedule of Milestones/Activities to achieve the Objectives	Completion Dates (if appropriate)	Person(s) Responsible	Inter-office Assistance Needed	Potential Obstacles Hindering Completion
1. CONTRATAR PERSONAL Y CONSOLIDAR EQUIPO DE TRABAJO	3/89	DIRECTOR EJEC.	COMITE TECNICO	FALTA OBJETIVIDAD POLITIZACION FINANCIAMIENTO
2. DESARROLLO DEL SISTEMA DE INFORMACION PARA LA TOMA DE DECISIONES	89-93	DIRECTOR EJEC.	ENTIDADES AFILIADAS ROCAP	RESISTENCIA A COMPARTIR INFORMACION NO USOS SISTEMA COSMO

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IV. Schedule of Milestones/Activities to achieve the Objectives	Completion Dates (if appropriate)	Person(s) Responsible	Inter-office Assistance Needed	Potential Obstacles Hindering Completion
3. CONSOLIDACION DEL CONSEJO SUPERIOR Y EL COMITE TECNICO DE FEDEPRICAP	89-93	DIRECTOR EJEC	ENTIDADES AFILIADAS	- RECURSOS - VOLUNTAD POLITICA

OPERATIONAL PLAN - PLANNING YEAR 89-93 DRAFT APPENDIX A

Date 11/4/88

I. OBJECTIVE: Identify the objective (program specific or support) being addressed this fiscal year.

Monitoring the
REACTIVACION DEL MERCADO COMUN REGIONAL

II. MISSION and PRIORITIES:

A. Specify the FEDEPRICAP goal(s) addressed by above objective.

ASUMIR POSICION DE LIDERAZGO EN LA REDEFINICION DE LA COOPERACION REGIONAL

B. Organizational Priorities (Jis

ECONOMICOS

#1. DESARROLLO DE MERCADO COMUN
#1-A. FORTALECER COMERCIO EXTERIOR
#3. PRIVATIZACION
#4. COMERCIO TURISTICO

III. STRATEGY: Briefly describe the strategy to achieve the objective.

EVALUAR CONSTANTEMENTE Y DESARROLLAR FORMULAS DE COOPERACION COLECTIVA Y LA REACTIVACION REGIONAL Y AL DESARROLLO ECONOMICO

IV. Schedule of Milestones/Activities to achieve the Objectives	Completion Dates (if appropriate)	Person(s) Responsible	Inter-office Assistance Needed	Potential Obstacles Hindering Completion
1. ESTUDIO SOBRE POSIBILIDADES DE INTEGRACION	01/89	DIRECTOR EJC.	OAS/UNDP	
2. SEMINARIO SECTORIAL SOBRE INTEGRACION	02/89	DIRECTOR EJEC	OAS/UNDP/IDB FECAICA/FECAEXCA EFCANCO	A) ELECCIONES EN SAN SALVADOR B) ATENCION A CONVOCATORIA
3. EVALUACION DE LOS ESQUEMAS DE COMERCIALIZACION DE LAS ENTIDADES AFILIADAS A DEDEPRICAP Y MEJORAR SISTEMA DE COMERCIO EXTERIOR REGIONAL.	06/89	ECONOMISTA	IDB/BLADEX/CARANA	APERTURA DEL SEMINARIO
4. ANALISIS PERMANENTE DE PROBLEMAS Y OPORTUNIDADES DE INTEGRACION, INCLUYENDO ESQUEMAS DE COMUNICACION	89-93	ECONOMISTA	CABEI/UNDP (PLS) IDB/SIECA/CADESCA OAS	INFO.AVAILABILITY JELOUSY

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IV. Schedule of Milestones/Activities to achieve the Objectives	Completion Dates (if appropriate)	Person(s) Responsible	Inter-office Assistance Needed	Potential Obstacles Hindering Completion
5. SEMINARIO PRIVATIZACION	3/89	DIRECTOR EJEC	COHEP/AID_HONDURAS	$/ENTIDADES AFILIADAS
6. ANALISIS DE DESARROLLO MERCADO DE CAPITAL EN LA REGION (ACTUALIZACION DEL ESTUDIO)	89-93	ECONOMISTA	CARANA/BCIE	-LENTO DESARROLLO DE BOLSAS -RESISTENCIA
#6-A. SEMINARIO SOBRE INTEGRACION DE MERCADOS DE CAPITAL		ECONOMISTA	LOCAL BOURSES & BURLAS	
7. ANALISIS Y FOMENTO DE POLITICAS ADECUADAS DE MANEJO DE LA DEUDA EXTERNA Y QUE FOMENTEN LA INVERSION (CONCEPTO D/E, ETC.)	89-93	DIRECTOR EJEC. ECONOMISTA AREA POLITICA	CARANA CCAA	COSTO PARA ADQUIRIR INFO.
8. ANALISIS DE ESQUEMAS EXISTENTES Y ELABORACION DE PROPUESTAS DE PERSPECTIVA REGIONAL SOBRE PROTECCION INV. EXTRANJERA Y COMERCIO	89-93	ASESOR LEGAL ECONOMISTA DIRECTOR. ASISTENTE	INCAE/CARANA	CONFLICTOS DE CARACTER INTERSECTORIAL
#8-A. SEMINARIOS Y MISIONES (ORGANIZACION Y (ORGANIZACION Y PARTICIPACION)				RECURSOS FINANCIEROS APOYO INSUFIC. DEL SISTEMA FEDEPRICAP

OPERATIONAL PLAN - PLANNING YEAR 89-93 DRAFT Date 11/4/88

I. OBJECTIVE: Identify the objective (program specific or support) being addressed this fiscal year.

MEJORAR EL NIVEL DE COMERCIO EXTERIOR DE LA REGION

II. MISSION and PRIORITIES:

A. Specify the FEDEPRICAP goal(s) addressed by above objective.

CONTRIBUIR AL DESARROLLO ECONOMICO DE LA REGION Y A FORTALECER AL SECTOR PRIVADO COMO FACTOR DE DESARROLLO

B. Organizational Priorities (list

AREA ECONOMICA

1-A.
2.
1.

III. STRATEGY: Briefly describe the strategy to achieve the objective.

ELABORAR INICIATIVAS CONDUCENTES A MEJORAR EL NIVEL CUANTITATIVO Y CUALITATIVO DEL COMERCIO EXTERIOR REGIONAL

IV. Schedule of Milestones/Activities to achieve the Objectives	Completion Dates (if appropriate)	Person(s) Responsible	Inter-office Assistance Needed	Potential Obstacles Hindering Completion
9. SEGUIMIENTO LEGISLACION Y POLITICA COMERCIAL Y OTRA (POLITICA) EN EEUU/CEE/ASIA/GRUPO ANDINO	89-93	DIRECTOR EJEC. ECONOMISTA	MANCHESTER TRADE CCAA/CEE/	-RECURSOS FINANCIEROS
#9-A. PARTICIPACION Y ORGANIZACION DE SEMINARIOS		AREA POLITICA ASESOR LEGAL		
10. SEGUIMIENTO PARA FORTALECIMIENTO ESTRATEGICO SECTOR PRIVADO SOBRE INGRESO Y NEGOCIACION GATT DENTRO PARTICIPACION REGIONAL	89-93	DIRECTOR EJEC. ECONOMISTA	IDB /SIECA	
10-A. SEMINARIOS	2/89 10/89	DIRECTOR EJEC. ECONOMISTA	IDB/ ENTIDADES LOCALES	-APOYO ENTIDADES AFILIADAS

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IV. Schedule of Milestones/Activities to achieve the Objectives	Completion Dates (if appropriate)	Person(s) Responsible	Inter-office Assistance Needed	Potential Obstacles Hindering Completion
11. FOMENTAR RUEDAS DE EMPRESARIOS	89-93			
-ALADI	10/89		SIECA/ENTIDADES	PREPARACION
-CEOE	8/89	DIRECTOR EJEC.	AFILIADAS PAIS	PREVIA
-GRUPO ANDINO	6/90		SEDE/VCIE	
-CEE	3/90	&	FECAEXCA	
-ASIA	8/90			
-CANADA	2/91	ECONOMISTA		
12. PROYECTO TRANSPORTES	19/90	MARIO BARBOZA	CARANA	DIFICULTADES POLITICAS NO CONTROLABLES NO VOLUNTAD REGIONAL
13. ANALISIS PERMANENTE CON CRITERIO REGIONAL DE LOS PROGRAMAS DE AJUSTE ESTRUCTURAL	89-92	DIRECTOR/ ADJUNTO ECONOMISTA	SIECA/BCIE/ IDB AID	FALTA DE INFO.

OPERATIONAL PLAN - PLANNING YEAR 89-93

Date 11/4/88

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I. OBJECTIVE: Identify the objective (program specific or support) being addressed this fiscal year.

PROMOVER TRANSFERENCIA TECNOLOGICA DE PUENTE Y DESARROLLO CIENTIFICO HACIA LA PRODUCCION

II. MISSION and PRIORITIES:

A. Specify the FEDEPRICAP goal(s) addressed by above objective.

FORTALECIMIENTO ECONOMICO DE LA REGION

B. Organizational Priorities (list)

AREA ECONOMICA
#6.

III. STRATEGY: Briefly describe the strategy to achieve the objective.

ANALIZAR OPORTUNIDADES DE DESARROLLO PARA EL SECTOR PRIVADO ORIGINADAS EN NUEVOS DESARROLLOS CIENTIFICOS Y TECNOLOGICOS PARA ATACAR PROBLEMAS CONTEMPORANEOS Y FUTUROS.

IV. Schedule of Milestones/Activities to achieve the Objectives	Completion Dates (if appropriate)	Person(s) Responsible	Inter-office Assistance Needed	Potential Obstacles Hindering Completion
1. ANALISIS DE OPORTUNIDADES ORIGINADAS EN NUEVOS TECNOLOGIAS APLICADAS 1-A. SEMINARIOS 1-B. PROPUESTAS CONCRETAS	89-93	DIRECTOR EJEC ECONOMISTA		-POCO APOYO PARA ACTIVIDADES DE PROYECCION A LARGO PLAZO Y POSIBLE ALTO COSTO

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Financial Analysis

Detailed Financial Plan

This project represents $1,900,000 in assistance to FEDEPRICAP to assist in providing technical assistance and training to the private sector in Central America to develop greater cooperation in order to create the conditions necessary for economic growth and development. The total program cost over the planned three year implementation period is $2,096,600, which includes a FEDEPRICAP contribution of $196,600, approximately 9% of total program costs.

Private Sector Initiatives Project
Financial Plan by Activity ($000)

	ROCAP FX	ROCAP LC	FEDEPRICAP	TOTAL
1. TA	400,000	-	-	400,000
2. FEDEPRICAP Personnel	397,200	161,862	82,455	641,517
3. Support Act.	-	29,844	4,200	34,044
4. Adm./Operations	79,050	317,262	105,102	501,414
5. Training	-	285,000	-	285,000
6. Audit	30,000	-	4,843	34,843
7. Evaluation	20,000	-	-	20,000
8. Contingencies	179,782	-	-	179,782
TOTAL	1,106,032	793,968*	196,600	2,096,600

* Because of the regional characteristics of the implementing institution, total ROCAP contributions will be made in US Dollars. However, approximately $800,000 will be used to cover expenses in Central American currencies, mainly CR Colones.

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Inputs into each of the activities itemized above will consist of the following:

1. Technical Assistance ($400,000): Foreign exchange financed technical assistance is anticipated to consist of thirty-six person-months of short-term technical assistance to carry out discrete activities in the areas of transportation, capital mobilization and trade. The cost of short-term technical assistance is calculated at an average of $11,100 per person-month. Table I shows an illustrative budget for short-term technical assistance.

2. FEDEPRICAP Personnel ($559,062): Local currency will be used from project resources to fund the salaries and fringe benefits of support staff ($161,862) while foreign exchange costs will be used to finance the salaries and fringe benefits of technical personnel ($397,200) who will be hired to implement the project. An inflation factor has been built into the estimates.

3. Support Activities ($29,844): Local currency will be used to fund the contract services of legal counsel and accounting services.

4. Administrative/Operating Expenses ($396,312): Both local currency ($317,262) and foreign exchange ($79,050) will finance, on a declining basis, the operating costs of FEDEPRICAP to implement project activities. It is anticipated that funds from other sources will be used to augment short falls in the institution's recurrent budget. The project will finance office equipment (commuters, typewriters, furniture), office supplies, rent, utilities, communications and travel and per diem for FEDEPRICAP staff. Estimates for these expenditures are based on historical data from FEDEPRICAP's last two years of operation with provision for increased staff implications.

5. Training ($285,000): Local currency will finance approximately 20 seminars and workshops over the life-of-the-project at a cost of $10,000 per

session. This amount is also based on historical data from FEDEPRICAP. Additionally, the project will provide $85,000 for 17 two-day training sessions for FEDEPRICAP staff and members.

6. Also included in the above ROCAP budget is $229,782 for audits, evaluations and contingency. FEDEPRICAP's contribution to the Audit line-item is $4,843.

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TABLE I

ILLUSTRATIVE TECHNICAL ASSISTANCE BUDGET

Salary ($274/day)	$ 5,480
Insurance 4% of salary	137
Per Diem (30 days)	2,700
Travel	500
Overhead (31% of Salary)	1,698
Contingency	585
Total	$11,100

TABLE II

PRIVATE SECTOR INITIATIVES PROJECT - FEDEPRICAP
DETAILED BUDGET BY LINE ITEM

LINE ITEM	NUMBER OF PERSON MONTHS	YEAR 1 ROCAP	YEAR 1 FEDEPRICAP	YEAR 2 ROCAP	YEAR 2 FEDEPRICAP	YEAR 3 ROCAP	YEAR 3 FEDEPRICAP	TOTAL ROCAP	TOTAL FEDEPRICAP
1. TECHNICAL ASSISTANCE									
A. SHORT TERM CONSULTANTS*									
1. TRANSPORTATION SPECIALIST									
$5,480/MO	12	$27,400	-	$27,400	-	$10,960	-	$65,760	-
2. CAPITAL MOBILIZATION									
$5,480/MO	7	$16,440	-	$10,960	-	$10,960	-	$38,360	-
3. TRADE SPECIALIST									
$5,480/MO	7	$16,440	-	$10,960	-	$10,960	-	$38,360	-
SUB-TOTAL	26	$60,280	-	$49,320	-	$32,880	-	$142,480	-
* BURDENED RATE									
B. HOME OFFICE SUPPORT									
1. INSTITUTIONAL DEVELOP.									
$4,500/MO	10	$18,000	-	$18,000	-	$9,000	-	$45,000	-
2. FRINGE BENEFITS (26%)		$4,680	-	$4,680	-	$2,340	-	$11,700	-
3. OVERHEAD (31%)		$5,580	-	$5,580	-	$2,790	-	$13,950	-
SUB-TOTAL	10	$28,260	-	$28,260	-	$14,130	-	$70,650	-
C. TRAVEL									
1. AIR FARE (US-C.A.)									
24 TRIPS-$750/TRIP		$6,000	-	$6,000	-	$6,000	-	$18,000	-
2. LOCAL TRAVEL		$1,000	-	$1,000	-	$1,000	-	$3,000	-
3. PER DIEM									
840 DAYS a $90/DAY		$31,500	-	$31,500	-	$12,600	-	$75,600	-
4. COMMUNICATIONS/REPORTS		$500	-	$1,000	-	$500	-	$2,000	-
5. DBA (4% CONSULTANT SALARIES)		$2,411	-	$1,973	-	$1,315	-	$5,699	-
SUB-TOTAL		$41,411	-	$41,473	-	$21,415	-	$104,299	-
D. CONTINGENCY (FEES, G&A, ETC.)		$27,525	-	$27,523	-	$27,523	-	$82,571	-
TOTAL TECHNICAL ASSISTANCE		$157,476	-	$146,576	-	$95,948	-	$400,000	-
2. FEDEPRICAP PERSONNEL			-						
1.1 TECHNICAL PERSONNEL			-						
SALARIES BASED ON 3 YR AVERAGE			-						
EXECUTIVE DIRECTOR (1) (12 MONTHS X $1576/MO)		$18,000	$24,000	$18,900	$25,200	$19,836	$26,460	$56,736	$75,660
FINANCIAL SPECIALIST (2) (12 MONTHS X $2627/MO)		$30,000	-	$31,500	-	$33,072	-	$94,572	-
TRANSPORTATION SPECIALIST (2) (12 MONTHS X $2102/MO)		$24,000	-	$25,200	-	$26,460	-	$75,660	-
POLICY ANALYST (2) (12 MONTHS X $2102/MOYR)		$24,000	-	$25,200	-	$26,460	-	$75,660	-
ASSISTANT DIRECTOR (2) (12 MONTHS X $2627/MO)		$30,000	-	$31,500	-	$33,072	-	$94,572	-
SUB-TOTAL TECHNICAL PERSONNEL		$126,000	$24,000	$132,300	$25,200	$138,900	$26,460	$397,200	$75,660

LINE ITEM	NUMBER OF PERSON MONTHS	YEAR 1 ROCAP	YEAR 1 FEDEPRICAP	YEAR 2 ROCAP	YEAR 2 FEDEPRICAP	YEAR 3 ROCAP	YEAR 3 FEDEPRICAP	TOTAL ROCAP	TOTAL FEDEPRICAP
1.2 SUPPORT PERSONNEL									
EXECUTIVE SECRETARY (1) * (12 MONTHS X $526/MO)		$6,000	-	$6,300	-	$6,624	-	$18,924	-
2 SECRETARIES (1) * (12 MONTHS X $420/MO EACH)		$9,600	-	$10,080	-	$10,584	-	$30,264	-
DOCUMENTATION SPECIALIST (2) * (12 MONTHS X $736/MO)		$8,400	-	$8,820	-	$9,264	-	$26,484	-
JANITOR/MESSENGER (1) * (12 MONTHS X $315/MO)		$3,600	-	$3,780	-	$3,960	-	$11,340	-
SUB-TOTAL SUPPORT PERSONNEL		$27,600	$0	$28,980	$0	$30,432	$0	$87,012	$0
1.3 FRINGE BENEFITS *		$20,984	$2,100	$22,033	$2,233	$23,132	$2,322	$66,149	$6,655
1.4 OVERTIME (10%) *		$2,760	-	$2,898	-	$3,043	$0	$8,701	$140
TOTAL FEDEPRICAP PERSONNEL		$177,344	$26,100	$186,211	$27,433	$195,507	$28,782	$559,062	$82,455
3. SUPPORT SERVICES **									
1.1 LEGAL COUNSEL * (12 MONTHS AT $567/MO)	12	$6,600	$1,200	$6,600	$1,596	$7,200	$1,404	$20,400	$4,200
1.2 ACCOUNTING ASSISTANT * (12 MONTHS AT $262/MO)	12	$3,000	-	$3,144	-	$3,300	-	$9,444	-
TOTAL SUPPORT SERVICES		$9,600	$1,200	$9,744	$1,596	$10,500	$1,404	$29,844	$4,200
TOTAL (1.+2.+3.)		$344,420	$27,300	$342,531	$29,029	$301,955	$30,186	$988,906	$86,655

(1) SOCIAL SECURITY 22% OF SALARY + CHRISTMAS BONUS
(2) RECEIVE ONLY CHRISTMAS BONUS

* INDICATES LOCAL CURRENCY EXPENDITURES
** CONTRACT SERVICES

COMPONENT	NUMBER OF EVENTS	YEAR 1 ROCAP	YEAR 1 FEDEPRICAP	YEAR 2 ROCAP	YEAR 2 FEDEPRICAP	YEAR 3 ROCAP	YEAR 3 FEDEPRICAP	TOTAL ROCAP	TOTAL FEDEPRICAP
4. OPERATING EXPENSES									
4.1 EQUIPMENT & MAINT *		$2,000	-	$3,000	-	$2,000	-	$7,000	-
4.2 OFFICE EQUIPMENT *		$15,000	-	$2,000	-	$2,000	-	$19,000	-
4.3 ELECTRICAL INSTALLATIONS *		$500	-	$300	-	$100	-	$900	-
4.4 COMPUTER ASSISTANCE *		$5,000	-	$2,500	$2,500	$1,250	$3,750	$8,750	$6,250
4.5 REPRESENTATIONAL EXP		-	$5,000	-	$6,000	-	$6,000	$0	$17,000
4.6 RENT *		$18,000	$1,200	$13,500	$8,580	$11,250	$14,142	$42,750	$23,922
4.7 UTILITIES *		$4,500	$500	$3,375	$2,025	$3,656	$2,144	$11,531	$4,669
4.8 OFFICE MATERIALS *		$12,500	$2,500	$9,375	$5,625	$10,156	$4,844	$32,031	$12,969
4.9 COMMUNICATIONS *		$30,000	$3,750	$33,000	$4,125	$36,300	$4,537	$99,300	$12,412
4.10 PUBLICITY & PROMOTION *		$17,000	$2,000	$17,000	$3,000	$17,000	$3,000	$51,000	$8,000
4.11 PUBLICATIONS		$2,000	$500	$2,200	$600	$2,200	$600	$6,400	$1,700
4.12 TRAVEL *		$15,000	$5,000	$15,000	$6,000	$15,000	$7,000	$45,000	$18,000
4.13 PER DIEM		$25,000	-	$22,000	-	$24,000	-	$71,000	$0
4.14 SUBSCRIPTIONS		$500	$50	$550	$60	$600	$70	$1,650	$180
TOTAL OPERATING EXPENSES		$147,000	$20,500	$123,800	$38,515	$125,512	$46,087	$396,312	$105,102
5. TRAINING *									
5.1 WORKSHOPS AT $10000 EACH	20	$80,000	-	$60,000	-	$60,000	-	$200,000	$0
5.2 TRAINING SESSIONS AT $5000 EACH	17	$25,000	-	$30,000	-	$30,000	-	$85,000	$0
TOTAL OF TRAINING		$105,000	$0	$90,000	$0	$90,000	$0	$285,000	$0
6. AUDIT		10,000	$1,500	10,000	$1,600	$10,000	$1,743	$30,000	$4,843
7. EVALUATION		-	-	$10,000	-	$10,000	-	$20,000	$0
8. CONTINGENCIES		$58,248	-	$78,242	-	$43,292	-	$179,782	$0
TOTAL		$320,248	$22,000	$312,042	$40,115	$278,904	$47,830	$911,094	$109,945
GRAND TOTAL		$664,668	$49,300	$654,573	$69,144	$580,759	$78,016	$1,900,000	$196,600

TOTAL PROJECT COSTS ARE : $2,096,600

*INDICATES LOCAL CURRENCY EXPENDITURES

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Economic Analysis

The long run objective of the Project is to establish some of the conditions necessary for bringing about improvements in the economic system of Central America. The Project is primarily an institution building project which will strengthen the region's private sector capacity to influence the direction of socio-economic development in the region. As such, it cannot with certainty provide direct or immediate pecuniary benefits. One of the often used techniques to analyze the economic feasibility of a project --that of cost-benefit analysis or calculating the internal rate of return-- is difficult to apply to projects of this nature. Most of the measures of project outputs cannot be assigned meaningful monetary values. It is particularly difficult to monitize the value of policy analyses, awareness campaigns or the worth of the increased skills acquired by participants as a result of the additional training which they may receive.

The project addresses major development constraints with a budget of $1.9 million. Clearly, if the benefits could be appropriately calculated, this project would meet any reasonable cost-benefit or internal rate of return criteria. Accordingly, a least cost analysis is the most appropriate analytical tool for determining how best to proceed with project implementation.

In determining the least costs for implementing the project, several important factors were taken into account. First, a review of existing institutions; second, the costs of creating a new organization specifically for implementing the project; third, the feasibility and desirability of using FEDEPRICAP.

1. Existing Organizations

Prior to establishing least cost comparisons, it was necessary in developing the project design to review existing organizations which

conceivably could implement the project, as consistent with its goals and purpose.

Given the private sector nature of the project, existing public interregional institutions, such as ICAITI and SIECA, were not considered appropriate. That immediately limited the range of alternative possibilities. Several regional private sector organizations do exist which theoretically could accommodate the project. However, they presented two types of limitations. First, their mandates were restricted to specific economic sectors or were not entirely region-wide, making the appropriateness to the project somewhat inconsistent with its more global approach to private sector development. Second, and more to the point, these organizations, such as the Federación de Cámaras de Comercio de Centroamérica are inchoate in their organizational structure. Placing the project in them would have been tantamount to incurring the costs required to establish a new entity. Finally, INCAE was also considered as a possible organizational vehicle for implementing the project. In addition to many of the project activity inconsistencies to INCAE's mandate, it was felt that the indirect cost burden of the Institute would be too great, at least relative to the alternative.

2. New Organizations

The second option to be considered was creation of a new organization, specifically established for the purpose of implementing the project. This too was rejected as not being a sufficiently cost-effective alternative. Table I shows the relative costs between creating a new organization and placing the project in FEDEPRICAP. Initial Start up costs would effectively add $55,700 (i.e., the difference between $19,800 from $75,500) to expenses, which would have to come from project operational costs, assuming a constant project obligation maximum. Total cost differential between using an existing organization - i.e., FEDEPRICAP - and creating a new one is $295,700 as explained below.

Creating a new organization would require ancillary costs, including:

- o Incorporation costs
- o Recruitment costs of an Executive Director
- o Recruitment costs for equivalents of existing staff, including:
  - 3 secretaries
  - 1 part-time public relations specialist
  - 1 transportation specialist
  - 1 messenger
- o Establishment costs

These represent sunk costs of approximately $240,000, or the costs required to incorporate a new organization, recruit and hire the equivalent staff currently on the FEDEPRICAP payroll and firmly establish the institution in the regional as a responsible and credible entity. (Costs do not include the "policy analyst" who is currently contracted to FEDEPRICAP as a consultant.) It assumed that the costs of incorporation, especially an attorney's time, are $5,000. It is also assumed that both the time to recruit and hire an Executive Director and the time required to hire the remaining personnel will cost approximately $5,000. Additionally, based on data from the last two years of operation, FEDEPRICAP has expended approximately $240,000 in establishing itself in the region as the lead regional private sector institution promoting developmental efforts. Hence, the total estimated cost of creating a new organization to implement the project is $240,000 plus $55,700, or $295,700. This would have to be deducted from the total ROCAP obligation of $1.9 million, proportionately reducing the potential impact of the project. Moreover, ROCAP in a general sense has a strong preference for strengthening existing institutions over creation of new ones.

3. FEDEPRICAP

The third alternative considered in analyzing the "least costs" for implementing the project was FEDEPRICAP. This organization meets all the substantive or project requirements. That is, it is a regional private sector organization, representing all sub-sectors of the productive private sector throughout Central America and Panama. In addition, its charter mandate is entirely consistent with the goal and purpose of the project.

In estimating the relative costs of implementing the project through FEDEPRICAP, neither internal rates of return nor cost benefit rations were deemed practical. This was not necessary given the fact that no other institution was determined to meet the programmatic requirement for managing the project. Therefore, the only appropriate mechanism for measuring the cost-effectiveness of FEDEPRICAP for implementing the project was "least cost" analysis.

In that sense, FEDEPRICAP was determined to be the only, if not preferred least cost option. First, it is an existing organization which requires no start up costs. Second, it is a fully functioning institution which does not require the investment otherwise necessary in developing the institutional capacity of alternative organizations such as INCAE. Third, FEDEPRICAP's overhead is not as burdensome as that of INCAE, assuming that INCAE is an appropriate mechanism through which to implement the project, which it is not. Fourth, FEDEPRICAP has a paying membership which contributes an average of $60,000 annually in dues. It is estimated that FEDEPRICAP members will contribute an additional $196,600 over the life of the project. An identical or greater contribution would not be forthcoming from any alternative institution. Finally, FEDEPRICAP has already laid the groundwork, making it a credible and respected regional umbrella private sector organization. This kind of "intangible" cost has been the result of two years of work. It is assumed that a new organization would have to expend a similar amount of time and incur approximately the same costs as FEDEPRICAP, adding another $240,000 to project costs. (Based on historical data).

It is clear that FEDEPRICAP Is not only the "least cost" institutional option for implementing the project, but in reality it is the only appropriate and effective alternative. Its charter is entirely consistent with the goal and purpose of the project. Its staff structure is organized in such a manner as to permit effective operation of the project. Finally, it has an active and dues paying memberships which gives it a secure, independent financial base, adding to project revenues and ineffect expanding its cost-effectiveness.

TABLE I

ESTIMATES OF COMPARATIVE NET COSTS OF PROJECT UNDER EXISTING INSTITUTION AND UNDER NEW INSTITUTION

	FEDEPRICAP PAST INVESTMENT	NEW INSTITUTION INVESTMENT
A - STARTUP COSTS		
DEPOSIT ON RENT (2 MONTHS)		$3,000
EQUIPMENT		
OFFICE EQUIPMENT	$15,000	$50,000
FURNITURE	$4,000	$20,000
ELECTRIC/PHONE INSTALLATION	$800	$2,500
TOTAL START-UP COSTS	$19,800	$75,500
B - OPERATING EXPENSES		
SALARIES		
EXECUTIVE DIRECTOR	$18,000	$18,000
EXECUTIVE SECRETARY	$6,000	$6,000
LEGAL COUNCIL	$6,600	$11,600
SECRETARIES (3)	$14,400	$14,400
DOCUMENT. SPECIALIST	$8,400	$8,400
ACCOUNTING ASST.	$3,000	$3,000
MESSENGER	$3,600	$3,600
TRANSPORTATION ANALYST	$15,000	$15,000
RECRUITMENT COSTS		$5,000
SUBTOTAL SALARIES		
FRINGE	$15,000	$15,000
SUBTOTAL	$90,000	$100,000
OPERATING EXPENSES		
RENT	$6,700	$19,200
EQUIPMENT MAINTENANCE	$1,000	$1,000
COMPUTER ASSISTANCE	$5,000	$5,000
REPRESENTATIONAL EXPENSES	$5,000	$12,000
UTILITIES	$5,000	$5,000
OFFICE MATERIAL	$5,000	$15,000
COMMUNICATIONS	$33,750	$33,750
PUBLICITY, PROMOTION	$8,000	$12,000
PUBLICATIONS	$500	$2,500
TRAVEL, PER DIEM	$40,000	$40,000
SUBSCRIPTIONS	$500	$700
AUDIT	$1,500	$1,500
OTHER EXPENSES	$8,050	$8,050
SUBTOTAL	$120,000	$155,700
SEMINARS/CONFERENCES	$30,000	$40,000
TOTAL OPERATING EXPENSES	$240,000	$295,700

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Institutional Analysis

I. Introduction

The Federacion de Entidades Privadas de Centroamerica y Panama (FEDEPRICAP) was formally incorporated on January 31, 1987. It was conceived and established in response to the need to address serious economic and social issues on a regional basis through the mobilization of private sector efforts, and to serve as a vehicle for economic change. In part, FEDEPRICAP is a reconstituted Federacion de Entidades de Centroamerica (FEDEPRICA). This predecessor organization had little measurable support from the private sector, and never developed an institutional base. At the time of its existence, the Central American Common Market (CACM) was still a functioning entity, making the need for FEDEPRICA marginal. FEDEPRICAP, on the other hand, has maintained an agressive and effective support base. Its members include the umbrella private sector organizations in each of the Central American countries and Panama. Each member association pays on average dues of U.S.$11,000 annually, providing the organization with a minimal but secure financial base, and demonstrating the seriousness of commitment of the regional private sector leadership to FEDEPRICAP.

The singular deterioration of the Central American Common Market left the Central American Isthmus without any functioning regional entity to formulate and implement unified strategies to bring about sustained economic recovery on a cooperative basis. The need for regional cooperation is unarguable. Evidence of that fact may be witnessed in the recent interest of a Central American Parliament. FEDEPRICAP represents another, equally important institutional response to the need to develop solutions to critical social and eocnomic problems on a regional basis.

FEDEPRICAP is unique in that it is an entirely private sector organization, comprised of the two leading business umbrella associations in each member country (see Annex D). Thus, FEDEPRICAP's reach is wide,

representing the productive private sector throughout the Isthmus. Moreover, FEDEPRICAP has been created expressly to represent the interests of the private sector in Central America and Panama, formulating agreed upon strategies for common purposes, and implementing them for benefit of the entire region. FEDEPRICAP gives the private sector in Central America and Panama a single authoritative voice, able to negotiate with national and non-regional governments, international and bi-lateral organizations, and other social and economic sectors.

II. Structure

A. Board of Directors:

FEDEPRICAP is governed by a regional Board of Directors. Members of the Board are the Presidents of their respective national private sector umbrella member associations and serve ex-oficio on the FEDEPRICAP board. There are ten board members, two from each country. The by-laws are succinct and generally recognize the necessary divisions between board and executive functions. That is, the provisions of the by-laws afford the executive staff protection from unnecessary board management. The one deficiency in the by-laws is the provision calling for a rotating site for FEDEPRICAP's office and operations.

While this provision has been altered from a two to three year cycle, any regularized change of site would be an unnecessary and seriously debilitating requirement. First, the costs involved would be high if not prohibitive. Second, it would be personally disruptive to staff who would have to find new housing, move children to different schools, and incur expenses inevitably associated with moving and which are not covered by FEDEPRICAP. Third, it would be very difficult to recruit and keep qualified staff. The fact of the matter is that no serious regional organization engages in such a practice. While there is an important, understandable and legitimate reason to insure

equitable participation in FEDEPRICAP activities and formulation of policies on the part of all members, rotating office sites is simply not the way to achieve that goal. Instead, steps can be taken by the executive staff to recruit a regionally balanced staff. Moreover, the fact that membership on the Board of Directors is equitably distributed among countries should serve to guarantee national interests are fairly represented. Finally, the goal of FEDEPRICAP is to promote the private sector and insure its full participation in regional growth and development. Constantly moving the organization's offices every three years would constitute a major impediment to fulfillment of that goal.

B. Executive Staff:

Since its inception two years ago, FEDEPRICAP has been operating with a skeleton staff: an Executive Director, Transportation Specialist, two secretaries and a messenger. In development of both the PID and strategic plan, a rational organizational structure was created (see Annex E). This plan includes the minimal staff required to implement planned and anticipated activities in an efficient and effective way. Job descriptions have already been developed for new staff, and plans for recruiting remaining personnel have been made.

1. Administrative Staff:

Administrative staff will be responsible for routine management duties as described in the job descriptions. The Executive Director, however, will also be active in promoting the image of FEDEPRICAP, establishing good working relations with key officials in the public sector, international organizations, organized labor, education and other private sector associations.

As FEDEPRICAP is still relatively unknown, a major part of the Executive Director's responsibilities will be initially in public relations and "marketing." Thus, he will need to recruit a highly experienced and qualified Assistant Director for Administration to give him and FEDEPRICAP necessary management support. The Assistant Director for Communications will have to be similarly qualified, as so much of FEDEPRICAP's initial tasks will be developing broad awareness of its activities.

2. Technical Staff:

Given the scope of its mandate and planned activities, FEDEPRICAP's professional technical staff will serve basically as research and project managers. Their role will be to recruit and manage consultants and researchers, develop scopes of work and insure quality control. They will also be responsible for interpreting results of analyses. There are two advantages to this kind of arrangement. First, by tapping into consultant networks, FEDEPRICAP will be able to access a wide range of requisite expertise. Second, it is significantly more efficient than maintaining a large and costly staff whose expertise may used only periodically.

In order for FEDEPRICAP to capitalize on existing expectations, and to reinforce a positive image, recruiting qualified staff needs to be a priority. FEDEPRICAP's ability to meet the needs and demands of its members in quality fashion and on a timely basis is essential to maintenance of its image as a credible and effective organization.

III. Services and Activities

Despite its small staff and short organizational life, FEDEPRICAP has managed to assemble an impressive record of accomplishments (see Annex F). In its less than two years of existence it has: sponsored 13 seminar/workshops on a diverse range of important topics, from the role of women in private sector

leadership to port tariffs; held 8 technical conferences on major regional trade and development issues, particularly those dealing with transporation; hosted two business roundtables; held two retreats, one of which was for the purpose of formulating the strategic plan; and underwritten four other events, including the Nicaraguan Entrepreneurs' Day.

Current and planned activities include, among others: development of workshops on negotiation; conduct of studies and sponsorship of workshops on GATT; on-going tasks in transportation such as legislative monitoring, development of studies and formulation of strategies for seaport regulations; improving labor-management relations (solidarismo); implementation of a UNDP funded seminar on regional cooperation and integration; FEDEPRICAP funding of INCAE to produce analytical overviews of the political situation in each of the Isthmus countries, and share and interpret findings in a series of seminars; work with ALADE to host a business roundtable with leaders of the Mexican private sector; and development of seminars on privatization with ROCAP.

In addition, FEDEPRICAP has developed a strategic plan to guide its activities over the next three years (see Annex G). While the plan specifies projected activities over the three year period, these need to be refined in annual operational plans. Based on its strategic plan, charter and current and anticipated organizational capacity, FEDEPRICAP will focus on five functional activities:

- Policy Analysis:

  Proposed national legislation and policies affecting issues of direct concern to the private sector will be analyzed for their actual and/or potential impact on regional development. Analyses will focus on policy initiatives in all Isthmus countries, the U.S., ECC and leading international organizations.

- Representation:

FEDEPRICAP will coordinate with its member associations in monitoring selected legislative committees and executive departments which have an impact on private sector development, as well as conduct analyses of specific legislative and executive proposals. In addition, FEDEPRICAP will represent the private sector on issues affecting regional development.

- Negotiation:

FEDEPRICAP will facilitate negotiation and conflict resolution between and among productive sectors, labor and management, government and business, on selected issues affect regional development. This is a major part of the Federation's strategy for developing greater regional cooperation.

- Information and Communication:

Information on foreign capital mobilization alternatives, investment potential and markets, transporation schedules, routes and costs, trade regulations and tariffs will be made availabe to members through an information referral system. Information would be provided in both scheduled FEDEPRICAP publications, such as the "Informativo del Programa de Transporte de Carga," or as may be requested through already established procedures.

- Program Development:

FEDEPRICAP will not manage programs. Instead it will help generate project ideas and designs in the areas of transportation, capital mobilization and trade and help in seeking funding sources.

In addition to these types of service areas which will form its institutional capability base, FEDEPRICAP will focus on three substantive issue areas, which are reflected in the organizational structure. It is universally believed that these three issues - transportation, finance and trade - are of such enduring and fundamental importance, that they need to maintain an institutional expertise in each which is of paramount importance.

1. Transportation:

The Transportation Analysis (Annex K-1) deals in detail with the leading issues affecting regional development and transportation. FEDEPRICAP, as an institution, will continue to expand its activities in this substantive area. As of almost one year ago, the Executive Director hired the transportation consultant on a full-time basis as the Transportation Specialist.

2. Finance:

Issues of finance are covered in the Finance Analysis (Annex L-2). As is true of transportation, access to credit is a major regional issue, as are the absence of capital markets and debt securitzation. Formulating innovative approaches to accessing and raising capital and working at the policy level to bring about needed reforms in the region are key activities for FEDEPRICAP.

3. Trade:

FEDEPRICAP will recruit an economist with expertise in trade and finance to manage both areas. The Trade Analysis is appended to the Project Paper and identifies principal barriers to more efficient intraregional commerce, suggesting potential solutions. FEDEPRICAP will build on this knowledge, working with its member associations, to devise effective

strategies for inducing necessary policy reforms in order to stimulate more efficient and profitable trade.

4. Institutional Capacity and Development

This section of the institutional analysis addresses the strengths and weaknesses of FEDEPRICAP, and shows why it is the most appropriate institution to carry out the the goal and purpose of the proposed project. The fact that the FEDEPRICAP strategic plan has recently been completed has contributed substantially to a review of the organization's strengths and weaknesses. The plan represents a candid appraisal of FEDEPRICAP by its Board of Directors and selected executive staff. The plan, perhaps not so coincidentally, also mirrors accurately the findings from an intensive set of interviews of leading public and private sector officials conducted throughout the Isthmus in August 1988, in the course of preparing the PID and again in November for the Project Paper design.

A. Strengths:

In spite of the fact FEDEPRICAP is a relatively newly created and functioning organization, several institutional strengths are readily apparent. These include:

1. The ability of FEDEPRICAP to serve as a regional organization representing the private sector:

Other than FEDEPRICAP, there exists no regional organization representing the private sector in Central America and Panama with the mandate to defend and promote the interests of the private sector as a major contributor to regional socioeconomic development. The fact that the leading private sector associations in the Isthmusian countries have created FEDEPRICAP and sustained it as dues paying members testifies to the commitment

to and the faith in the organization. It is also express recognition on the part of the private sector of the need for an institutional mechanism to facilitate regional solutions to regional problems, especially as they affect "free" enterprise.

2. FEDEPRICAP member organizations which are strong and credible in their own countries

This is a critical factor in the legitimacy and potential of FEDEPRICAP. Its member associations are the leading private sector umbrella organizations in their own countries. This gives FEDEPRICAP an exceptionally strong voice in regional issues affecting the private sector. This kind of unity is unprecedented in Central America and Panama, and presents FEDEPRICAP with the opportunity to deal effectively at the regional policy table.

3. The ability of FEDEPRICAP to aggregate and articulate regional private sector interests:

Formulation of the appropriate public policy mixes to support efficient private sector growth is essential to sustained economic development. To date, the private sector has been singularly ineffective in presenting its case to policymakers, at least on a regional basis. Given the charter mandate of FEDEPRICAP to promote and represent the interests of the private sector, the organization has the necessary statutory consensus to act on behalf of the business community. Perhaps more importantly, FEDEPRICAP also has the financial and working support of its members. As FEDEPRICAP grows, its legitimacy and role as the regional private sector representative will gain in impact. It is clear that FEDEPRICAP is serving a critical set of needs which to date have been unattended.

4. The existence of FEDEPRICAP as an organizational mechanism to create a regional private sector mentality:

A major shortcoming of both the private and public sectors in the Central American countries and Panama has been a general inability and/or unwillingness to develop a "regional mentality" to deal with common problems. Exceptions to this rule exist, of course, such as the CACM and Central American Parliament. But while the CACM has deteriorated and the Parliament has only recently come into being, other regional organizations do exist and function, such as SIECA, CABEI and ICAITI. Notably, none of these is a private sector entity. To be certain, there are some private sector regional organizations - the Federacion de Camaras de Comercio del Istmus de Centroamerica; Federacion de Camaras de Industria de Centroamerica - but these do not represent Panama and function in only the most marginal way and are sector specific. FEDEPRICAP, on the other hand, is a highly active and credible organization whose membership includes the leaders of the private sector in Central America and Panama. This puts the organization in a unique position to work directly with its members and other groups to develop a regional private sector mentality to seek solutions to shared problems.

5. The non-partisan character of FEDEPRICAP

Implementing FEDEPRICAP's goals is in large measure a political process. That is, a principal aim of the organization is to gain a seat at the policy making table to be able to help bring about necessary reforms to permit greater private sector development. If FEDEPRICAP were perceived as the captive of any particular partisan interest, it would undermine its credibility as a professional regional private sector organization, and severely damage its ability to work with the diverse partisan forces in the area. The fact that the Board of Directors is firmly committed to partisan neutrality is a signal strength of FEDEPRICAP.

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6. A capable and energetic Executive Director

Given the institutional character and composition of FEDEPRICAP, it is important that the Executive Director be a strong and capable individual who, at the same time, is able to work effectively with private sector leaders representing diverse and frequently competing interests. The current Director has been able to function in this role very effectively. However, as FEDEPRICAP grows, it will be critical to establish an administrative system which will serve both to support the Director and give the organization the institutional strength and continuity it needs in order to function as an institution and not the preserve of one individual. The Director is aware of this and is taking steps to rationalize the FEDEPRICAP structure and functions, particularly as ROCAP funds become available to permit greater expansion of staff. It should also be emphasized that the professional members currently working in FEDEPRICAP are also well-qualified and industrious.

7. The ability of FEDEPRICAP to act as a legitimate and efficient organization through which international donor funds can be channeled for development

This is an especialy important strength since donor agencies prefer to be able to interact directly with intermediary rather than governmental organizations. (It is realized that most international donors are either reluctant to fund or restricted from funding non-governmental organizations directly. However, that is beginning to change.) The ability of FEDEPRICAP to operate eficiently, unfettered by the kinds of bureaucratic constraints of the public sector, enhances the productivity of the organization's funds, whether they are in the form of international grants or membership dues. FEDFEPRICAP does, however, need to be careful that as it grows it too does not become unnecessarily bureaucratized.

B. Weaknesses:

As FEDEPRICAP has been in existence scarcely two years, it is only to be expected that it displays the kinds of institutional deficits associated with a recently created organization. Despite its relative youth and modest funding base, FEDEPRICAP has by and large performed well. Nevertheless, several weaknesses can be identified, in addition to some of those already discussed in detail in Section II.

1. Competing mandates and agendas of member associations

This is an inescapable situation and one which has no permanent or complete solution. Each member association by political necessity must serve its national and local interests first. Yet the very fact the members have come together to form FEDEPRICAP is evidence of their concern and support for serious regional cooperation.

2. Rotating presidencies of member associations

This, too, is a problem for which there is most likely no ideal or complete solution. Continuity and institutional memory are and probabably will continue to be through technical staff.

3. Lack of adequate management structure

This is a weakness which is "natural" given the brief history of FEDEPRICAP operations. Now that it is beginning to grow significantly, it will be necessary to develop appropriate management systems, formulate institutional policies and operating procedures, and establish authority and accountability relationships. An annual operating plan, along with individual staff work plans (MBO), need to be developed and implemented, permitting necessary authority delegations and manageable spans of control.

4. Lack of Programmatic Focus

The challenge before FEDEPRICAP is substantial and critical to the development of the region. In order for the federation to be able to implement its mandate effectively, it is extremely important for it to focus clearly on a few priority areas in which it will work over the next three years. An initial step has already been made in development of the strategic plan. The next steps should be for the staff to operationalize in manageable form FEDEPRICAP's goals, using the strategic plan as the guide.

5. Underdeveloped public image

Extensive interviews with public and private sector officials revealed a relatively lack of knowledge about FEDEPRICAP, its goals and purposes. However, those familiar with the organization viewed it very favorably. Clearly there is a pressing need, understood by the staff, to design and implement an aggressive awareness campaign throughout the Isthmus.

IV. Conclusions

As an organization established to help create conditions necessary for economic change in Central America and Panama, FEDEPRICAP has a clear challenge before it. Nevertheless, its activities to date indicate that FEDEPRICAP has begun effectively to implement its mandate as a regional catalyst, addressing pressing issues currently impeding greater and more efficient private sector development. The overall impression is that FEDEPRICAP is uniquely positioned to coordinate regional private sector interests and activities to help craft solutions to policy, financial, trade and transportation barriers to intraregional economic and commerical growth.

FEDEPRICAP is a at a critical juncture in its development as an institution. The fact that it has drafted a strategic plan for the next three

years, identified its programmatic and organizational strengths and weaknesses, and set goals, objectives and priorities, has helped FEDEPRICAP focus more clearly on what it intends to accomplish. In addition, the ability of FEDEPRICAP to sustain the active interest and financial support of its members since its inception, is one more favorable indication of its support and credibility in the private sector.

Specific conclusions of this analysis which need to be highlighted are:

- It is imperative for FEDEPRICAP to maintain a sharp focus on a specific and limited set of goals. During its first two years of existence it is understandable that the organization would be seeking to identify and establish specific objectives. Now that the strategic plan has been completed, the staff needs to put into manageable or operational terms the goals, objectives and priorities spelled out in the plan. This can be accomplished through formulation of both an annual operating plan and individual staff work plans.

- At the same time, there is a need to strengthen the organization itself. This includes enhancement of existing and establishment of new operating and administrative systems - i.e., an MIS, staff procedures and policies, program development procedures and financial controls to manage ROCAP funds properly. Individual staff work plans (MBO) need to be developed and appropriate delegations of authority and lines of accountabilty established. Spans of control need to be kept to manageable limits.

- Safeguards need to be put into place to insure that "favoritism" is not the primary criterion for selecting an

Executive Director or staff. A detailed job description of the Executive Director needs to include specific qualifications and experience standards which cannot be altered, except by a three-fourths majority vote of the entire Board. At the same time. ROCAP should insist as a covenant that it will have veto and-or ratification powers over Executive Director nominees.

- FEDEPRICAP is well aware of the need to hire additional professional staff as soon as possible. However, it is critical that newly employed staff, at this juncture, not be Costa Rican but reflect a regional balance.

- As the board and staff know, it is important for FEDEPRICAP to undertake as a first order of business an aggressive awareness campaign to inform appropriate sectors of its activities and the urgent need for greater regional cooperation to deal with the economic crisis.

- In a similar vein, FEDEPRICAP needs to strengthen relationships with its affiliate members, involving them directly in its activities and capitalizing on their resources

FEDEPRICAP is already moving in many of the areas listed above. As its resource base expands, it will be able to pursue more aggressively and effectively its goals and objectives. Given the magnitude of the economic crisis in Central America and Panama, not to mention the accompanying social and political conditions, the need for FEDEPRICAP is more urgent than ever. The chances for regional cooperation, by the same token, are perhaps greater than ever.

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Technical Analyses

1. Transportation Analysis

A. Perceived Problem

The previous economic strategies of import substitution, protection of local industry and regional integration have not achieved the levels of economic growth that were expected of them. The countries of the region are now turning to export-oriented strategies to generate the foreign exchange necessary to pay foreign debts and acquire needed imports. However, to sell in world markets, quality products must be offered at competitive prices. Transportation is an important factor affecting the costs of Central American export products. Transportation costs contribute 30 to 50 percent of the total c.i.f. value of non-traditional export products, which constitute about 40 percent of the value of all exports from Central America and Panama. The high transportation costs incurred by Central American exports reduce the competitive advantage of the export products, lead to less productive economies and slow the pace of economic development achievable through increased exports.

B. Program Description

The objective of the transportation component of the project is to increase the efficiency of transportation in the region via private sector participation in problem identification and problem solving, thereby reducing costs and making regional products less costly and more competitive in external markets as well as in regional markets.

A broader purpose of the project is to contribute to the design of a new strategy for regional integration and socio-economic development based on a more active participation of the private sector and a closer collaboration of the private and public sectors to achieve the desired ends, including;

- o greater public and private sector cooperation in resolving the transportation problems that create inefficiency, reduce productivity and impede economic growth;
- o increased net foreign exchange earnings via lower costs and increased volumes of exports;
- o greater employment and income in the export-producing sectorts; and
- o strengthened private sector entities.

C. The Role of FEDEPRICAP

The transportation component of the project is designed to build upon the existing FEDEPRICAP Transportation Program (including the local transportation units in affiliated entities) to take advantage of the progress already achieved in this area. The primary elements of the transportation component are the following:

- The FEDEPRICAP Transportation Program has been expanded from its current level of one short-term consultant to a full-time staff transportation specialist. He will be supported by secretarial and administrative staff, as well as short-term technical personnel.

- To assist the local staff at the outset of the project, an expatriate transportation specialist will be provided for a period of five months. The expert should be a transport economist or operations analyst with expertise in maritime and motor transport, cost analysis, policy analysis and project evaluation.

- Short-term consulting assistance to supplement the permanent staff in areas of specific expertise, such as maritime operations, trucking management, intermodal operations, air transport agreements, trade analysis, etc., need to be provided as required, from either U.S. or local sources as appropriate.

- Part-time consulting services in the U.S. will be engaged to provide information and keep FEDEPRICAP abreast of new developments and legislation affecting the transportation of exports from the region. (The scope of services could also be expanded to cover other aspects of the export trade.)

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- The FEDEPRICAP affiliates in each country will be encouraged to strengthen their own local member transportation unit. The local units should consist of one or more permanent staff and an advisory committee consisting of users, transport companies and at least one government representative. The local units should mobilize each country's private (and public) sector resources, with the assistance of the FEDEPRICAP Transportation Specialist, to carry out transportation improvement projects at the country level.

The major participants in the FEDEPRICAP transport project will be the FEDEPRICAP Transport Program staff, the local transportation units in the affiliated entities, users of transportation services, providers of transportation services, and government agencies involved with transportation sector activities and policy. The Transportation program will introduce a new approach to achieving private and public sector cooperation, as well as regional cooperation.

The role of the FEDEPRICAP Transportation component will be to act as a catalyst and promoter in the resolution of transportation problems and the reduction of transportation costs, with special emphasis on the transportation of non-traditional export products. To carry out this role, the FEDEPRICAP will:

- identify problems and areas of concern either of overall regional interest, or of interest to two or more countries in the Isthmus and, with the concurrence of the local transportation committees or affiliated entity directors, assign priorities to the problems to be addressed by FEDEPRICAP;

- analyze problems, propose solutions, identify opportunities, prepare prefeasibility studies and provide information necessary to resolve problems selected for FEDEPRICAP intervention;

- maintain an information referral system on transportation costs, demand and product movements, tariffs, transportation services, etc.; provide summary information related to transportation matters to affiliated entities;

- coordinate and collaborate with the Meeting of Transportation Ministers (REMITRAN) and its associated regional commissions (facilities, maritime, highway, air, etc.), and assist the local transportation units to work with the designated REMITRAN commissions in each country;

- encourage and assist in the formation and capacitation of user groups and other associations, at both the regional and national levels

- o assist in the resolution of transportation-related conflicts by providing training in problem solving and conflict resolution and by preparing analyses and providing information to facilitate and support negotiations between affected parties;

- o coordinate the provision of training to user groups, trucking companies, etc., in situations where a regional approach would be effective and efficient;

- o where problems cannot be resolved by making better use of existing infrastructure, prepare and provide supporting information to sources of financing of infrastructure improvement projects (such as CABEI, IDB, IDRB and private sector entities); and

- o provide assistance in creating mechanisms that enable new producers and exporters to enter markets, expanding private sector participation in economic development and growth beyond the traditional entrepreneurial classes in each country.

An important aspect of the FEDEPRICAP activities will be to provide constant monitoring and follow-up of progress in actions taken to improve transportation efficiency, working with and through the local units, to ensure that desired objectives are achieved.

D. Socio-Cultural Context

In spite of the existence of associations, federations, etc., there is still a need for more cooperation among the private subsectors, and between the public and private sectors, in each country in the isthmus. The same is true at the regional level. There has been some, but limited, success in achieving any meaningful and sustained cooperation within the private sector, as well as among governments at the regional level.

Transportation is an important element in the physical and economic integration of the region, as well as in the linkage of the region to external markets. The transportation systems of the different countries are not independent. To the contrary, they are linked either physically or through transportation providers (shipping companies, airlines, trucking companies, etc.). Transportation policy in one country can also affect other countries. There is a need to work together to create markets, take advantage of economies of scale and solve common problems, instead of focusing only on the interests of individual parties in individual countries.

Lower transportation costs and a more efficient transportation system will achieve important benefits for several groups within the region. These include:

- o providers of transportation services, through lower costs and greater margins;

- o producers and distributors of export products, depending in part to the extent to which the providers of transportation services pass their cost savings on to transportation users through lower tariffs;

- o national economies in general, through increased foreign exchange earnings and employment, also depending to the extent to which cost savings are converted into increased sales by the producers and distributors of export products.

Some improvements designed to facilitate the transportation of export products (internal and external to the region) will also result in lower costs for domestic trade, affecting a different set of beneficiaries. As noted above, achievement of the desired benefits from improvement in transportation will depend to the extent to which the cost savings are passed on through lower transportation prices, and the extent to which the market responds to the lower prices (the price elasticity of demand for the export products). Benefits will also depend on the capacity of the producers to respond to increased demand. FEDEPRICAP should make a special effort to monitor cost savings and consequent price reductions to ensure that the resulting benefits are equitably distributed to both producer and consumer. Also, efforts should be made to encourage the creation of new producers and new exporters in response to new opportunities.

The feasibility of the Transportation Program will be affected by the ability to overcome the traditional distrust between private sector and government, nations, users and providers of transportation, and producers. The Program is designed to promote trust and confidence by focusing on projects with tangible benefits to all participants at the outset, with the objective of achieving quick and significant results to prove the effectiveness and credibility of the mechanism.

The social impact of the Transportation Program, if successful, will include the expansion of the private sector through the creation of new producers and exporters, the creation of new employment, a strengthened role of the private sector in economic development, and a new spirit of cooperation in regional affairs.

Economic Considerations

Background

The new export strategies being pursued by the Central American countries require efficient transportation systems to compete successfully in world markets. The private sector in the region, as represented by FEDEPRICAP and the affiliated entities in each country, recognizes this need and has initiated a mechanism and a process through which transportation problems can be addressed. The Central American governments also recognize the need for

more efficient transportation but lack all the resources required to identify, analyze and resolve the many difficulties that must be overcome. Some of the problems lie entirely in the private sector, out of the normal scope of action of government agencies.

The Central America Regional Transportation Study carried out in 1987 by ROCAP and the work to date of the FEDEPRICAP Transportation Program have identified several problem areas at the regional level and at the national level in more than one country that would benefit from a regional approach. (Purely national problems not affecting regional trade or found in only one country are best left to the individual countries to resolve.)

A regional approach to problem solving with the participation of the private sector will expedite the creation of a more efficient and productive transportation system in the region, with the consequent benefits to regional trade and exports outside the region. FEDEPRICAP is uniquely situated to provide such private sector input. A Transportation Program has been initiated within FEDEPRICAP and has achieved the collaboration of the affiliated private sector entities in each country. The enthusiasm with which the Transport Program has been received by both public and private sector entities testifies to its potential effectiveness in reaching the goals of this project.

Transportation Deficiencies and the Impacts of Eliminating Them

The following are examples of the transportation problems in the region which the FEDEPRICAP Transportation Project can help to overcome. Also indicated are the expected impacts of eliminating the problems or improving the existing systems.

The following are the major transportation problems in the region which should be addressed by FEDEPRICAP, accompanied by projected impacts of their solution.

0 Excessive paperwork and processing delays are encountered at border crossing stations. These affect trucks in regional trade and the movement of trailers and containers in the maritime trades. Streamlining the procedures would allow a more efficient use of the truck fleet and result in lower trucking costs for regional and export cargoes.

o Empty backhauls are often caused by prohibiting foreign truckers from picking up international freight. The elimination of these restrictions and creation of a brokerage system for international shipments would make more efficient use of the truck fleet and reduce trucking costs.

- There is a general lack of refrigeration facilities in agricultural zones and at the export terminals, restricting the ability to accumulate and consolidate shipments, resulting, among other things, in needless spoilage of products. Containers are often used for temporary refrigerated storage, contributing to higher shipping charges. Provision of proper storage facilities would reduce losses, allow consolidation of shipments and reduce shipping costs.

- Procedures for obtaining export authorizations usually require travelling to several locations. Centralizing all the procedures in one location would save time and reduce costs. (This solution has been implemented in Guatamala.)

- Small volumes and the lack of freight consolidation terminals increase shipping charges and deter small producers from exporting. The provision of such facilities would encourage small producers to enter the market and reduce transportation costs.

- The demand for refrigerated containers is highly variable throughout the year. High peak periods are common. Exporters often do not communicate their needs to shipping companies or airlines with sufficient anticipation. Better communication and planning of harvests could reduce the shipment of empty containers, ensure that sufficient refrigerated containers are available and reduce costs.

- There is a general trade imbalance leading to the shipment of empty containers. An effort to coordinate imports and exports at both regional and national levels could help to reduce empty container movements and lead to lower shipping rates.

- Transportation users and governments are often inadequately represented at liner conference rate-setting sessions. There is a general perception in the region that shipping rates are unjustifiably high. Providing appropriate analyses and information to user groups to support negotiating positions could lead to reduced freight rates and to a justification of the rates that are charged.

- Users do not always understand the factors that contribute to high transportation costs. Increasing user awareness of these factors and providing them with analyses and information would enable them to take the measures required to reduce their transportation costs. Such measures would include, for example, an increased use of service contracts, improved packaging and knowledge of alternative modes or routes.

- New markets are often difficult to enter because of insufficient volumes to attract low-cost transportation services. With planning and coordination, for example, markets on the West Coast of the U.S. and in the Far East could be served by consolidation cargo in one

Pacific port, making arrangements with a shipping line already serving those regions.

- o A few gaps in the primary transportation infrastructure of the region still exist. Working with government and private entities to prove feasibility, locate financing, expedite project execution and improve maintenance procedures and execution would lead to more efficient transportation and lower costs.

- 0 Air cargo service is not always reliable, and rates are high. Working with the region's airlines and regulatory authorities to eliminate regulations that restrict service and to provide for consolidated shipments at principal airports would reduce charges to shippers.

- o The resolution of conflicts is often impeded by the adversarial approaches taken by the parties involved. The provision of training in group problem solving and conflict resolution would help to overcome many of the problems caused by a lack of understanding and the inability to reach a solution acceptable to all parties.

The economic benefits of the proposed FEDEPRICAP transportation component are difficult to estimate. Most of the activities of the component will be directed towards reducing transportation costs. The potential for

cost reduction is great. Reliable estimates of total transportation costs for non-traditional exports from Central America and Panama are currently not available, but may exceed $500 million annually. Even a one percent savings in these costs would more than justify the cost of the transportation component.

The lower transportation costs will lead to lower export prices and increased exports, assuming that export sales respond to the lower prices. The increased exports will produce greater foreign exchange earnings, more employment opportunities and higher income.

The success of the Transportation Program will be affected by the ability of FEDEPRICAP to overcome the traditional distrust between private sector and government, the nations in the region, users and providers of transportation, and producers. The Program is designed to promote trust and confidence by focusing on projects with tangible benefits to all participants at the outset, and with the objective of achieving quick and significant results to prove the effectiveness and credibility of the mechanism. The impact of the transportation component will include, among other benefits, the expansion of the private sector through the creation of new producers and exporters, the creation of new employment, a strengthened role of the private sector in economic development, and a new spirit of cooperation in regional affairs.

E. Conclusions and Recommendations

The new export strategies being pursued by the Central American countries require efficient transportation systems to compete successfully in world markets. The private sector in the region, as represented by FEDEPRICAP and the affiliated entities in each country, recognizes this need and has initiated a mechanism and a process through which transportation problems can be addressed. The Central American governments also recognize the need for more efficient transportation, but lack the resources required to identify, analyze and resolve the many difficulties that must be overcome. Some of the problems lie entirely in the private sector, out of the normal scope of action of government agencies.

The "Central America Regional Transportation Study," carried out in 1987 by ROCAP, and the work to date of the FEDEPRICAP Transportation Program, has identified several problem areas, at the regional and national levels, whose solutions require a regional approach.

F. Potential for Related Projects

The work of the transportation component will likely identify several projects suitable for ROCAP financing. One such project would be to assist in the development of a modern system for controlling and monitoring border crossings. The recent meeting of the REMITRAN Commission Directors from each country adopted the following project objectives with a high priority:

- o providing modern equipment to improve communications between border posts and central headquarters;

- o moderization of the equipment and facilities at the border posts; and

- o seeking technical assistance to streamline procedures and carry out the design of the new equipment and facilities.

Because of the regional nature of the project and its potential to contribute to regional integration and to lower export costs, FEDEPRICAP will consider financing the technical assistance for feasibility studies and design related to the above program. The REMITRAN directors expressed great interest in FEDEPRICAP assistance.

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Capital Mobilization Analysis

With the exception of some rudimentary organizations, such as inchoate stock markets in Costa Rica and Guatemala, few capital markets exist in Central America. The issues of long-term financing, long-term debt and third party investment in Central America should be considered a priority by FEDEPRICAP. Similarly, there exists no effective pool of information that identifies areas of possible investment for the region. Local investors who have successful operations in one country, generally do not have access to investment opportunities in others.

It was a consensus of those public and private sector officials interviewed, that the basic lack of information on capital markets development is a serious problem which needs to be addressed in order to permit informed consideration of capital mobilization alternatives, including the following:

A. Debt/Equity

Due to the relative newness of the Debt/Equity Conversion process, only two countries in the Hemisphere provide relevant models for use in Central America: Chile and, to a lesser extent, Mexico. Ideally, there should be a cross-pollination of ideas, methods and procedures on development of debt equity alternatives for application in Central America and Panama, either individually or as a region, taking into account local needs, capacities and circumstances. Whatever the eventual methods used to arrive at the development of usable debt/equity conversion, the following six issues should be taken into account, at a minimum.

- The need for a clear understanding of the objectives of a debt/equity program/model

- A sound working knowledge of the rules and regulations which will enable the process to develop and be applied successfully;

- Identification and definition of the opportunities of the proposed debt/equity program;

- The realities of the international investment market, including return on investment risk factors, and the way these and other factors are determined in a competitive environment;

- Identification of the opportunities each country has to offer potential investors in the way of local markets, access to international markets, input (i.e., labor, raw materials) costs and financing; and

- Identification of incentives that each country provides to investors.

B. Fund

Due to the perceived level of investment risk in the region, along with the lack of a general investor information network, the possibility of a Central American debt equity fund to be managed by qualified investment banks should be explored by FEDEPRICAP. Such a strategy would provide investors with a credible institutional structure to provide necessary information on returns and risks. Such funds already operate in other countries where debt equity programs exist.

C. Stock Market, Private and Public

While the idea of developing local and/or a regional stock markets appears to be gaining currency as a capital mobilization vehicle in Central

America, and some active steps have been taken in this direction, one important obstacle still remains. That is, many existing, privately held companies tend to perceive the relative benefits of public ownership - spreading of risk, long term financing - as not being worth the trade-off. Yet the need for a stable base of investment and long-term financing is essential to expanded growth and development. It would be useful for FEDEPRICAP to examine mechanisms already in place in other Latin countries, especially Brazil, to promote divestiture of public companies to encourage more broadly-based investment. FEDEPRICAP could also help design projects for developing and putting into place alternative capital mobilization mechanisms.

FEDEPRICAP could also function as a broker, establishing guidelines for new projects that could be developed in the areas of markets, business plans, financial projections and ultimately private or public stock markets.

E. Conclusions: Financial FEDEPRICAP Priorities

1. Establish Central American Data Base that should be market driven and Partially self financing initially as part of a strategy leading to an information broker role.

2. Utilize its C.A. position to identify and promote a certain core standard of rules and regulations affecting investments, and within this area identify and capture data for dissemination.

3. Encourage cross investment as a broker for Central American investors, and flight capital.

4. On the basis of focused and coherent data bases are developed and used, consider its role as a lobbyist within the region.

5. Consider its membership as a base for regional tariffs, etc., to be negotiated.

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Trade Analysis

Introduction

Since the inception of the Central American Common Market (CACM) in 1961, intra-regional trade doubled every four years on the average. Exports among CACM member countries expanded from a mere $37 million in 1961 to a peak of $1,150 million in 1980. Since then, the decline has been equally rapid, reaching a low of $420 million in 1986, with moderate expansion since then.

The pace of intra-regional export expansion has been uneven among member countries. In the peak year, Guatemala accounted for nearly 40% of total intra-regional exports, while, at the other extreme, Nicaragua contributed less then 5% and Honduras less than 10% to the total. These disparities have grown even wider with the recent decline in intra-area trade.

A great disparity has persisted in the balances of intra-regional trade among member countries. Guatemala has always achieved a substantial surplus in trade with the rest of the area, whereas Nicaragua, Honduras, and El Salvador have shown persistent deficits. Costa Rica has moved from sizable surpluses to small deficits since 1986. This means also that Guatemala and Costa Rica accumulated substantial payments deficits with the other three member countries. Default on these trade payment obligations now exceeds $720 million, with Nicaragua accounting for about three quarters of this total.

Past rapid growth of intra-regional trade has been the main driving force of the progress achieved with Central American economic integration. As this trade began to decline after 1980, so did also the entire process of integration. The spirit of optimism about the Common Market gave way to pessimism about its future among the private sector, foreign investors, local governments, and even Common Market institutions. After a period of concerted efforts of expanding cooperation among member governments, and harmonization of a wide range of economic policies and the building of durable regional institutions, individual member governments have in recent years turned their attention increasingly to the markets external to the region. They have, however, maintained essentially free trade throughout the region and hope for renewed dynamism of regional integration at some point in the future.

In this report, a brief analysis of existing major impediments to expanding intra-regional trade will be presented, followed by some recommendations of how these obstacles might be diminished, particularly by mobilizing local private sector organizations under the leadership of FEDEPRICAP.

Obstacles to Intra-CACM Trade

1. Historical Problems

A substantial showdown and eventual virtual stagnation in the growth of intra-CACM trade became inevitable under the old concept of import

substitution. As intra-area trade restrictions were being reduced and lifted after the formation of the CACM, intra-area trade expanded rapidly during the 1960s as wide-ranging opportunities for economical import substitution had been created. Later in the 1970s, however, further substitution of finished goods imports from third countries by regional production and intra-area trade entailed importing raw materials and component inputs from third countries in paymet for hard currencies.

Payments imbalances in intra-CACM trade grew and net balances had to be liquidated in dollars, which were increasingly financed abroad. The response of Central America to the energy crisis, falling commodity export prices, a world recession, and rising international interest rates during 1973-81 was to accelerate external borrowing and to start inflationary deficit spending rather than slowing economic growth and demand for imports. As external borrowing capacity and dollar reserve levels became exhausted, Central American countries started to default on their external debt and intra-area trade payment obligations, and began to adopt their individual adjustment policies.

The debtor countries in intra-area trade (Nicaragua, Honduras, El Salvador) were forced to reduce imports as their credit and reserves were being used up, and even had to curtail production and exports with a high import content for which no hard currency was available. The creditor countries in CACM trade (Guatemala and Costa Rica) curtailed their credit and

exports as the debtor countries defaulted on their expanding payments imbalance. Thus the Central American Common Market demonstrated its fragility, and intra-CACM trade revealed a devastating vulnerability to negative external economic trends.

Current obstacles are presented in the following analysis:

2. External Obstacles

a. Weak Balance of Payments/Low Reserves

Weak balances of payments and low reserve levels are a primary obstacle to reviving a multi-lateral payments mechanism for intra-CACM trade.

Currently, there seem to be no good prospects for a substantial improvement in the global external balances of Central American countries. They remain weak, in deficit, and very vulnerable to future U.S. aid reductions, any future global recession, or other negative external trends. Many export prices of major Central American commodities remain depressed, or their production and export volume has shrunk substantially. Pressures exist for trade deficits to become larger, capital flight continues sporadically, and heavy global external debt service payments have to be largely capitalized, directly or indirectly. Thus, individual countries do not have adequate reserves available to liquidate net imbalances from intra-CACM trade.

Foreign private banks or international lending institutions are not willing to finance a common fund designed to liquidate net intra-CACM trade payment imbalance.

b. Exports to Third Markets

Faced with strong pressures to adjust to their global payments imbalance, individual central American countries are now concentrating their export drive toward markets external to CACM where hard currencies can be earned. Intra-CACM trade has been relegated to a somewhat neglected role of "additional trade," which is generally accorded limited prospects by the private sector and some government officials. A high import component in many Central American industries re-enforces the priority for hard currency export earnings in order to minimize industrial shortages and lay-offs.

c. Global Trade Liberalization

Conditionality for structural adjustment loans to Central American countries will increasingly include implementation of global trade liberalization. International lending institutions have a demonstrated preference for global free trade and free markets rather than regional trading blocs. This means that individual Central American countries will both reduce their external tariffs and set up diverse external tariff rates, moving away from the planned harmonization and eventual common external tariff. This

process has already begun. Lower external tariffs reduce the relative cost advantage of intra-CACM traded goods versus those from outside the region.

Changes of the external tariff in one country changes also the imported cost components in local production and hence distorts the relative prices in intra-CACM traded goods. Both factors tend to discourage intra-area trade or de-stabilize intra-area trade patterns.

d. External Political Support

There has been no visible strong external support in recent years for the revitalization of intra-CACM trade. After U. S. economic aid to the area increased, following the Kissinger Commission Report, the emphasis shifted increasingly to political and military initiatives directed against Marxist advances in the area. Commitments from the U. S., the European Economic Community, and Japan, helped re-focus local attention to the prospects for intra-CACM trade.

3. Internal Obstacles

a. Military conflicts

Continuing conflicts with guerrilla movements absorb large amounts of foreign exchange and national income for the war effort and imports from

outside the region. They also disrupt the efficient and safe operation of the transport system serving intra-CACM trade. Hence, military conflicts dampen intra-CACM trade prospects.

b. Nicaragua

Nicaragua's economic system of total state control over trade, production, pricing, credit, exchange rates, and most other cost elements is at odds with the private market-oriented system in the other member countries. The result has been an unsustainable widening of Nicaragua's global trade deficit to an estimated excess of $800 million in 1988, largely as a result of the virtual disappearance of all exports--at least all registered exports. Nicaragua has also accumulated the largest external debt of the area, in excess of $5 billion, and it accounts for three-quarters of the regional payments imbalance in default.

Nicaragua's central geographical position in Central America has created diverse transport problems for intra-CACM trade. Aside from sporadic delays at border checkpoints, transit fees are being imposed and fuel costs have to be paid in dollars. At times, national shortages have caused fuel to become unavailabe for trucks crossing Nicaragua.

Nicaragua's current chaotic economic situation and its economic system are clearly major obstacles to a revitalization of regional trade.

c. Unpaid Balances

Until the old regional trade debt problem is solved, new trade financing is not made available.

d. Multi-lateral Payments Mechanisms Failed

The chamber of Central American Compensation (Cámara de Compensación Centroamericana) was designed to act as a Central American trade payment clearing house, with net imbalances being liquidated in dollars by individual member countries after a laps of six months. The intra-CACM trade itself was conducted in national currencies. The external economic crisis and Nicaragua's Marxist convulsion caused the debtor countries to default on their regional payments obligation. The Cámara failed to obtain new substantial hard currency resources to be able to grow from a payments mechanism to a credit institution offering three to four year credit instead of six months. An attempt to create a new multi-lateral fund failed, as well as efforts to introduce DICA's (rights to import within Central America). The collapse of the multi-lateral payments system has been the central manifestation of the decline in intra-CACM trade.

e. Payment restrictions

Currently, the central banks of the individual Central American countries apply highly restrictive criteria for any trade payments still passing through the Cámara. As a result, less than 5% of intra-CACM trade currently is transacted via the Cámara multi-lateral payments system. Thus, the payment conditions currently maintained by the individual central banks are themselves an obstacle to the growth of multi-lateral trade in Central America.

f. Diverse Means of Payment

Currently, diverse means of payments are being employed in intra-CACM trade, mostly the use of dollar checks or letters of credit within bi-lateral trade accords. A general lack of credit, uniformity, and multi-lateralism are obstacles to intra-regional trade expansion.

g. Exchange Rates and Economic Policies

With the start of the economic crisis after 1980, the individual CACM member countries were forced to shift policy priorities away from regional cooperation and harmonization toward adjustments to control external payment problems. This process continues. Each country maintains different exchange rate regimes which, consequently, impact differently on the export prospects in regional trade. Exchange rate and other economic policies among member

countries would have to be harmonized and coordinated before future run-away payment imbalances in regional trade could be avoided.

h. Regional Transport System

The inefficiencies and inadequacy of the regional transport system have been outlined elsewhere. They clearly constitute an important impediment to the future growth of intra-CACM trade.

i. Trade Restrictions

Although free trade has been established within CACM, there have been sporadic instances of temporary or emergency restrictions being applied, such as special tax surcharges due to balance of payments difficulties. Also arbitrary administrative delays or restrictions have been applied as well as excessive health regulations to some goods traded within CACM. These are trade obstacles which tend to discourage trade expansion or lead to incentives for nonregistered trade expansion.

j. No Political Commitment

There is currently no strong political commitment within the local private sector, among financial organizations nor local governments for re-vitalizing intra-CACM trade. Many sources consider prospects unfavorable

for the near term and prefer to focus attention on the much larger external markets that can generate hard currency.

Policy Recommendations

Current discussions with Central American opinion leaders in government, the private sector, and even in regional institutions have revealed pessimism that intra-regional trade in the near term can recover the levels reached at the beginning of this decade. Nonetheless, recommendations have been advanced for efforts designed to lay a solid foundation for future progress.

1. Private Sector

Important private sector organizations interested in improving the conditions for growth of intra-regional trade exist in all Central American countries. However, lack of cooperation, mistrust, or outright confrontations exist between private sector organizations and local governments in each country which, in turn, hamper the effectiveness of the private sector to persuade their government to adopt new regional trade initiatives.

a. The private sector in each country, and possibly under the leadership of FEDEPRICAP, could review its strategies vis-a-vis their local government with regard to the effectiveness of accomplishing private sector objectives, revising these strategies if necessary to achieve better results.

b. Improvements could be implemented in the capability of the local private sector organizations to communicate, influence, and negotiate with their governments and with international organizations to advance the goals of its members.

c. SIECA (Secretariat of Economic integration for Central America) has begun to recognize the importance of cooperation with the private sector representatives, and have planned a series of seminars with the private sector in each country to explore ways for revitalizing the CACM. Thus, new opportunities should be exploited by the private sector to push for more practical, more results-oriented studies and programs by regional organizations. The Cámara de Industrias of Guatemala is already developing proposals to this effect.

d. Efforts should be intensified and better organized by the private sector to develop non-traditional exports to regional as well as external markets. These efforts would find support among the private sector, governments, integration organizations, international lending institutions, and foreign governments. These efforts could include training programs for better international marketing by smaller firms, analysis of markets abroad, organizing Central American embassies abroad as effective information sources, and re-oriented Central American government policies and regulations for promoting non-traditional exports. Success would stimulate intra-regional trade.

2. External Support

a. A strong commitment in support of Central American integration, including growth in intra-CACM commerce from the United States, Japan, and the European Economic Community would serve to encourage also the local private sector and government to renew efforts to revitalize integration.

b. Re-directing some United States Aid and grants from economic assistance to individual Central American countries to regional institutions designed to advance integration would help significantly to revitalize Central American economic integration. The largest impact for advancing intra-CACM trade would be financing to re-establish a regional trade payments system.

3. Regional Political Issues

a. Intra-CACM trade and economic integration in general cannot be revitalized alone with a renewed political commitment by Central American governments to accord integration and regional trade priority over issues external to the region. Governments should intensify efforts to revive the spirit of integration and to re-establish credibility among the private sector in the future of the CACM.

b. There exist sufficient CACM institutions--SICA, the Central American Monetary Council, the Central American Bank of Economic Integration and

others—to organize direct, and supervise new intra-CACM trade initiatives. The private sector, however, could help some of these institutions to make their work more effective and more result-oriented and accountable to the member governments.

c. One exception to the above would be a Central American development Organization, with membership open also to the U. S. and other governments external to the region, which was recommended by the Kissinger Commission and the concept approved by the U. S. Congress. Such an organization would act as a Central American forum for discussion and resolution of regional issues and conflicts, including those arising in intra-CACM trade.

d. New proposals should be developed to bring Honduras fully back into the CACM, including full participation in all CACM trade initiatives. The private sector might be able to develop detailed proposals that would prove acceptable to both Honduras and the other member countries.

e. Nicaragua should not be excluded from the CACM. Its central geographical location is an important factor in the effective conduct of intra-CACM trade, particularly where efficient transportation is concerned. However, Nicaragua's current chaotic economic situation and its economic policies would prove a serious handicap to the revitalization of intra-CACM trade, payments, and financing if Nicaragua were fully included. An intermediate and temporary formula should be sought where Nicaragua would be

temporarily suspended from full participation in the CACM, or reduced to some form of associated status (as previously Greece and Turkey in the EEC), until Nicaragua is again able to abide fully by the rules and intent of integration as accepted and practiced by the other member countries.

4. Intra-CACM Trade

a. All remaining intra-CACM trade restrictions should be removed. Health restrictions against some imports, arbitrary or sporadic administrative rulings applied to intra-regional imports and other forms of red tape should be examined by SIECA, possibly with assistance from affected private sector groups, to determine whether these impediments to regional trade can be removed.

b. Currently, there is a high imported component in domestic industrial production in Central American countries which requires hard currency payments. Studies should be undertaken to determine opportunities for Central American products to displace some of these imported inputs and thereby enhance intra-CACM trade.

c. After the collapse of the Central American multi-lateral payments mechanism (Cámara de Compensación), intra-CACM trade has been conducted under bi-lateral agreements. The possibility of extending bi-lateral to tri-lateral trade agreements should be explored where a bi-lateral accord has proven to work smoothly and effectively in stimulating trade.

5. Trade Financing

Intra-CACM trade is being hampered by three major problems currently:

a) lack of trade financing

b) unequal rates and stages of economic development among member countries, and

c) lack of coordination and harmonization of individual country foreign exchange rate and other economic policies impacting on trade development.

Lack of trade financing and a mechanism to clear up net trade imbalances is viewed as the major current impediment to the growth intra-CACM trade.

a. A program needs to be developed and accepted by CACM member countries for removing the old trade debt problem and to conceive a new scheme for intra-CACM trade financing which would prevent or minimize future default and excessive growth of trade imbalances. Three-quarters of the old intra-CACM trade debt of $720 million is owed by Nicaragua and could conceivably be written off.

The smaller amounts owed by other member countries to each other could be eliminated under the most appropriate of several alternative proposals that

have been advanced or could still be worked out. For example, the old debt could be converted into investments by the creditor country in the debtor country via a debt-equity swap agreement. Alternatively, the debtor country could re-purchase its debt from the Central American creditor country in the secondary market, applying the prevailing discount rate. Alternatively, the old debt could be liquidated 30% with payment in dollars by the debtor country, 30% by a long-term loan from the creditor country, and 40% from a multi-lateral fund established with input from international lending institutions.

b. Various proposals for reviving regional trade financing could be examined to determine which is most appropriate, feasible, and acceptable to member countries.

a) A multi-lateral payments scheme could be resurrected in revised form: DICA's (derechos de importación centroamericana) could again be issued. A Central American importer would pay for his import with a deposit in local currencies in his Central Bank. That Bank could issue a DICA to the Central Bank of the Central American exporting country. That Central Bank would pay the exporter in his local currency for the export. The DICA held by the Central Bank of the exporting country could be returned to the Central Bank of the importing country in payment for imports from that country or used in trade payments with any of the other Central American countries. At agreed points in time, overall net balances would have to be liquidated in some agreed form--in hard currency or loans or investments.

b) Substantial trade between El Salvador and Guatemala has been developing freely, largely without resort to central banks. This scheme could be extended to other Central American countries because it furthers the efficient development of free market trade and free financial transactions. Under this arrangement, the exporter and importer agree on the means of payment for their trade transactions: use of local currency, dollars, letter of credit, barter, etc. Usually, local currency is accepted in payment which the exporter then converts into dollars in the parallel or free market of the importing country.

c) A Cámara de Compensación Centroamericana can be revived by establishing a hard currency fund adequate to provide short-term financing of a member country's net intra-CACM trade imbalance. In view of the low reserve levels of the member countries, such a fund would have to be funded in large part by an international lending institution or a consortium of external banking sources from the major clearing house in combination possibly with the Central American Bank of Integration, which could provide medium-term credits to finance net regional trade imbalance to member countries.

d) The creation of a Central American Currency Exchange (Bolsa de Monedas Centroamericanas) has been mentioned for trading Central American currencies, and possibly also DICA's, to facilitate regional payments in local currencies. Risks of devaluations or over-valuation of currencies could be reduced or eliminated with a forward market attached to this Currency Exchange.

e) A renewed effort must be made to resume close coordination and harmonization at regional levels of the foreign exchange and other economic policies impacting on trade of the individual member countries. Currently, each country maintains a very different foreign exchange regime and diverse fiscal, monetary, and investment incentive policies. Under a new multi-lateral payments mechanism, without correcting safeguards, Nicaragua, Honduras, and El Salvador which maintain over-valued exchange rates would again develop unmanageably large trade payment imbalances with Guatemala and Costa Rica. Hence, broad regional policy harmonization is required to avoid a future repetition of the collapse of the regional payment mechanism. Also, external funding of a stabilization fund would probably not become available unless regional economic policy harmonization designed to limit and to correct trade payment imbalances is institutionalized.

Conclusions

Major obstacles to dynamic intra-CACM trade development remain. Pessimism prevails that trade can be re-vitalized in the near term. Central American private sector organizations are at odds or distrustful of their respective governments in every country, and communication between business and government has been strained in several countries. Regional integration organizations have lost credibility due to their concentration on ineffective, often academic, studies rather than taking a vigorous lead in proposing innovative, workable initiatives. Internal political/military conflicts in

some countries and their external economic crisis have been major factors in diverting attention from Central American integration.

The future benefits of further integration and growth of intra-CACM trade for the private sector are clear. The need for a new commitment to advance intra-CACM trade has been stressed by the private sector. Moreover, strong private sector organizations interested in developing new proposals exist in each member country. To organize these organizations to advance effectively, new recommendations along the lines outlined in this paper could set the stage for a lasting reversal of the downward spiral of intra-CACM trade. It could be the beginning for building a healthy free market economy throughout Central America.

4051j:DPDO:12/28/88:lg

Annex L

4 de enero de 1989
REF.: FP-013-89
Fax: 311130

FEDEPRICAP

Sr. Paul Tuebner
Oficial de Proyectos encargado del Proyecto
Fedepricap/Rocap
Rocap-AID
Embajada Americana
Ciudad de Guatemala, Guatemala.

Muy estimado Señor Tuebner:

Satisfechos como estamos con nuestra relación con Rocap y deseosos de continuar dicha relación de cooperación en áreas de interés común, es que de la manera más atenta le solicitamos estudiar la posibilidad de otorgar un financiamiento adicional a partir de marzo de 1989, hasta febrero de 1992, por un monto de US$ 1,900,000.00. Dicho financiamiento, en la cantidad sugerida, nos permitiría consolidar Fedepricap, continuar la ejecución de los proyectos actuales é iniciar otros.

En aras de la brevedad y por estar usted informado de los proyectos que desarrollamos y los que están en perspectiva, es que no elaboro al respecto, cosa que se hará, de usted requerirlo.

Sin más por el momento y a la espera de noticias de su parte me repito atentísimo servidor,

Carlos Ml. Echeverría Esquivel
Director Ejecutivo

FEDEPRICAP
Dirección Ejecutiva

msm

cc.: Sra. Nadine Hogan-Directora General de Rocap.
Sr. Víctor E. Herrera-Presidente de Fedepricap.

FEDERACION DE ENTIDADES PRIVADAS DE CENTROAMERICA Y PANAMA
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330909

POSITION DESCRIPTIONS FOR FEDEPRICAP
TECHNICAL AND ADMINISTRATIVE STAFF

Assistant Director

The Assistant Director (AD) reports to the Executive Director and in the latter's absence, acts as his deputy. The AD is responsible for the day-to-day operations of FEDEPRICAP' including: contracts management; purchasing, management of accounts; personnel; facilities; and general administration. The AD administratively coordinates the activities of all staff, providing technical personnel necessary organizational support. The AD interacts with cognizant ROCAP administrative, contracts and program officials as necessary. The AD will also be responsible for meeting reporting requirements and managing insurance of contract compliance.

The AD is also responsible for managing all activities related to communication, public relations, media relations, public information. In addition, the AD will develop and maintain an information referral system for FEDEPRICAP members. He/she will be responsible for helping the Executive Director formulate and implement public relations, negotiations and representational strategies. The AD will hold a degree in business or public administration, or related field, and have a minimum of five years experience in management. He/she will be proficient in English. Desirable but not essential qualifications include prior experience with AID supported projects.

Policy Analyst

The Policy Analyst report to the Assistant Director, except with respect to day-to-day administrative duties, in which case he/she reports to the Assistant Director for Administration. The Policy Analyst is responsible for

identifying issues for analysis, in conjunction with the Executive Director; developing scopes of work for consultants and managing and monitoring their activities; dealing with technical issues of research methodology. He/she will also coordinate and participate in workshops and seminars, explaining and interpreting results of selected policy analyses.

The Policy Analyst will hold an advanced degree in political science or allied discipline, and have at least five years experience in applied research and development. He/she will be proficient in English. Desirable qualifications include teaching experience at the university level and publications.

Transportation Specialist

The Transportation Specialist will report to the Assistant Director, except with respect to day-to-day administrative duties, in which case he/she reports to the Assistant Director for Administration. The Transportation Specialist will be responsible for identifying major barriers to more effective and efficient transportation within and outside of the region, developing alternative strategies for reform and, working with the Policy Analyst, suggesting appropriate areas for research. He will also prepare scopes of work for and manage short-term consultants.

The Transportation Specialist will hold a degree in Economics, Engineering or other relevant discipline, or possess the equivalent in practical job experience, and have a minimum of three years experience in transportation and development. He/she will be proficient in English. Desirable qualifications include an advanced degree in one of the specified fields along with direct private sector related to transportation.

Economist/Finance Specialist

The Economist/Finance Specialist will report to the Assistant Director, except with respect to day-to-day administrative matters, in which case he/she reports to the Assistant Director for Administration. He/she will be responsible for identifying major impediments to capital mobilization, including tax disincentives, onerous public policies, banking practices and counterproductive public regulations and deterrents to foreign and domestic investment. He/she will assist the Executive Director in formulating alternative strategies for addressing attendant problems. He/she will prepare scopes of work for and manage short-term consultants.

The Economist/Finance specialist will hold an advanced degree in economics, finance, business administration or allied discipline, and have a minimum of five years experience in economic and/or financial analysis in the private sector. He/she will be proficient in English. Desirable qualifications include experience in the public sector, particularly at the policymaking level, and/or work in investment promotion.

Documentation Specialist

The Documentation Specialist will report to the Assistant Director. He/she will be responsible for developing, along with the AD/C, and managing the FEDEPRICAP information referral system, coordinating acquisition of publications and insuring materials are updated.

He/she will have a university degree and be proficient in English.

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AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D C 20523

LAC-IEE-89-09

ENVIRONMENTAL THRESHOLD DECISION

Project Location	:	ROCAP
Project Title	:	Private Sector Initiatives
Project Number	:	596-0149
Funding	:	$1.9 million
Life of Project	:	Five years
IEE Prepared by	:	Paul C. Tuebner, DPDO ROCAP/Guatemala
Recommended Threshold Decision	:	Negative Determination
Bureau Threshold Decision	:	Concur with Recommendation
Comments	:	None
Copy to	:	Nadine Hogan, Director ROCAP/Guatemala
Copy to	:	Paul C. Tuebner, ROCAP/Guatemala
Copy to	:	Alex Sunderman, LAC/DR/CEN
Copy to	:	Frank Zadroga, ROCAP/San Jose
Copy to	:	IEE File

John O Wilson Date DEC 28 1988

John O. Wilson
Deputy Environmental Officer
Bureau for Latin America
and the Caribbean

INITIAL ENVIRONMENTAL EXAMINATION

Project Location:	Central America
Project Title:	Private Sector Initiatives
Funding:	$1.9 Million
Life of Project:	Five Years
Prepared by:	Paul C. Tuebner, DPDO

Project Description:

The purpose of the project is to strengthen the Central American private Sector's capacity to influence the direction of Socioeconomic development in the region, and to increase the knowledge and participation of the private sector in the democratic process. FEDEPRICAP, with ROCAP assistance, will strengthen private enterprise in Central America in order to promote greater economic development through enhanced regional cooperation and integration.

Environmental Impact:

The project has three objectives: 1) Promote and represent the interests and needs of the private sector in the region; 2) develop regional integration of and cooperation within the private sectors of Central America; and 3) assist the private sector at the regional level to become more competitive in the international marketplace. Project activities will include technical services, studies and seminars in the following areas: policy development and reform; identification and formulation of private sector initiatives and programs; negotiations and conflict resolution; representation; and information dissemination.

Section 216.2 (C) (2) of 22 CFR Part 216, Environmental Procedures, describes the classes of action which are eligible for categorical exclusion and for which an Environmental Threshold Decision is not generally required. The activities of the subject project are applicable to the following categorical exclusions:

1.	216.2 (C) (i)	Education, Technical Assistance and training programs
2.	216.2 (C) (iii)	Analysis, studies, workshops and meetings

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3.	216.2 (C) (V)	Document information and transfer
4.	216.2 (C) (X)	Support for intermediate credit institutions
5.	216.2 (C) (XIV)	projects to develop the capacity of recipient countries in development planning

Environmental Action Recommended:

Based on the categorical exclusions discussed above, the Mission recommends that the Private Sector Initiatives Project be given a Negative Determination requiring no further environmental review.

Nadine M Hogan

Nadine M. Hogan
Regional Director

December 19, 1988
Date

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