

PROJECT APPRAISAL REPORT (PAR)

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1. PROJECT NO. 596-11-755-010	2. PAR FOR PERIOD: 6/30/73 TO 12/30/73	3. COUNTRY Central America	4. PAR SERIAL NO. 74-3
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5. PROJECT TITLE

SIECA Institutional Assistance

6. PROJECT DURATION: Began FY <u>72</u> Ends FY <u>75</u>	7. DATE LATEST PROP 3/2/73	8. DATE LATEST PIP ---	9. DATE PRIOR PAR 6/30/73
10. U.S. FUNDING	a. Cumulative Obligation Thru Prior FY: \$ 642,000	b. Current FY Estimated Budget: \$ 300,000	c. Estimated Budget to completion After Current FY: \$ 275,000

11. KEY ACTION AGENTS (Contractor, Participating Agency or Voluntary Agency)

a. NAME The Brookings Institution	b. CONTRACT, PASA OR VOL. AG. NO. Grantee Contract
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I. NEW ACTIONS PROPOSED AND REQUESTED AS A RESULT OF THIS EVALUATION

A. ACTION (X)			B. LIST OF ACTIONS	C. PROPOSED ACTION COMPLETION DATE
USAID	AID W	HOST		
X		X	<p>Revised PROP</p> <p>Note: This project encompasses three activities with SIECA, the Secretariat for the Central American Integration movement. A brief discussion of each project is included as Attachment 1.</p>	January 1974

D. REPLANNING REQUIRES: REVISOR OR NEW: PROP PIP PRO AG PIOT PIO/C PIO/P

E. DATE OF MISSION REVIEW: **January 11, 1974**

PROJECT MANAGER: TYPED NAME, SIGNED INITIALS AND DATE: **Ph:ETCostonello:sr**

MISSION DIRECTOR: TYPED NAME, SIGNED INITIALS AND DATE: **Irving G. Tragen, Director ROX/AP**

Continuation: A. Input or Action Agent - Comment on key factors determining rating - The Brookings Institution

size, adherence to scope of work and work schedule, home office support, and training and utilization of SIECA staff especially the on-the-job training of Research Unit professionals. Although not permanently located in Guatemala, the Brookings staff has made two short term visits to consult with the SIECA Research Unit, and will make two one-month visits during the first quarter of CY-1974. These visits have been arranged to give timely advice, assistance, and training to the SIECA Research Unit staff. Since only six months of the contract have elapsed, no research results have been published. However, from discussions with both SIECA and Brookings personnel, it is clear that the studies are on schedule. In view of the above, an overall rating of 5 (very satisfactory) has been given for the contractor.

Continuation: 4. Participant Training - Comment on key factors determining rating

who are already making a contribution, and who are probably reluctant to leave anyway for fear of losing their place in the organization. This is the perennial problem of short-run needs vs. long-run benefits and helps explain why only one rather than four participants received training under this project. Another factor was that the vacant positions discussed in the PROP were filled by a SIECA reorganization rather than by training. In view of these problems, together with the difficulty SIECA has experienced in resolving the issue it is probably unrealistic to push the matter further - especially when there are two alternatives. 1) In the first place, some promising SIECA employees in the SIECA/Brookings Unit are now receiving on-the-job training by working with their counterparts in the Brookings Institution. The advantage of this approach is that they are receiving top quality guidance which is job-oriented. Further, this approach is acceptable to both SIECA and the trainee and avoids many of the problems associated with long-term training abroad. In our continued cooperation with SIECA, this approach will be emphasized. 2) In order to get at the longer-run requirement of increasing the supply of highly qualified research personnel, we propose to work out a plan whereby the supply of qualified research personnel can be increased. This may involve SIECA and/or other appropriate integration institutions (CABEI, ICAITI, etc.) whereby a graduate of a regional university would be trained abroad, and after completing preliminary exams and residence requirements, would be hired by the

institution to write his dissertation on an appropriate field of applied research. Another possibility is to make a survey of Central Americans now terminating post graduate training and encouraging them to work for SIECA. The need to increase the supply of qualified research personnel is given a high rating since such people are essential if SIECA is ever to become an effective research institution. In view of the importance of training, the entire subject will be covered in a PROP which will articulate our proposed FY 1974-1975 programs with SIECA.

Continuation: 6. Cooperating Agency - Comment on key factors determining rating

such that legitimate national concerns must be dovetailed into a regional structure. By maintaining contacts with national planning offices and employing highly placed figures as short-term consultants the Unit is able not only to tap the best data sources in each country but also to have a political representative of sufficient stature who can determine (and also influence) national positions on integration issues. For example, if the feedback from Honduras is that a program which makes good economic sense (like specializing in bean production and importing manufactured goods) is wholly unacceptable on political grounds, then this can be fed into the research units calculations. If such political facts of life are ignored, the unit's economic research will become an academic exercise.

SIECA is fully aware of the above factors and recently requested a restructuring of the illustrative budget and an amplification of the Research Unit which entails a speed-up in the utilization of available funds. These modifications were approved and we recently signed a revision to the PRO-AG. This, however, will require an acceleration of approval of FY-1974 funds. A revised PROP is being prepared and scheduled for approval no later than March 1, 1974.

Although the prospects for the unit are encouraging, it has not been in existence long enough to produce output. Consequently, the "very satisfactory" rating is based on progress to date in establishing the research unit rather than the output itself. However, the "importance of achieving project purpose" is given a "high" rating since it is felt that the outputs can never be realized unless the Unit produces the studies which will provide the inputs for regional decision making bodies.

4.

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II. 7. Continued: Comment on key factors determining rating of Other Donors

In 1972, other donors provided 26% of SIECA's total resources. These funds were timely, and as was the case with C.A. donations, are essential for continued SIECA operations.

III. KEY OUTPUT INDICATORS AND TARGETS

A. QUANTITATIVE INDICATORS FOR MAJOR OUTPUTS		TARGETS (Percentage/Rate/Amount)					END OF PROJECT
		CUMULATIVE PRIOR FY	CURRENT FY 74		FY 75	FY 76	
			TO DATE	TO END			
SIECA personnel trained for four key positions by 1974. (Error in prior PAR which stated that 3 participants had been trained - see 2-A, (4) in PAR 74-1).	PLANNED	3	1	0	0	0	4
	ACTUAL PERFORMANCE	1	0				
	REPLANNED			0	0	0	1
	PLANNED						
	ACTUAL PERFORMANCE						
	REPLANNED						
	PLANNED						
	ACTUAL PERFORMANCE						
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	PLANNED						
	ACTUAL PERFORMANCE						
	REPLANNED						
B. QUALITATIVE INDICATORS FOR MAJOR OUTPUTS		COMMENT: Professionals in SIECA research unit have been working with Brookings counterparts. To date two counterparts have been in Guatemala on two occasions for short-term visits and each plans to spend a month here in the first quarter of 1974. Meeting with consultants took place in August (Costa Rica) and December (Guatemala).					
1. SIECA personnel working closely with foreign experts and consultants.							
2. Prestigious U.S. institution under contract and research studies completed or in progress on basic policy issues.		COMMENT: Contract signed on April 9, 1973 and effective July 1, 1973. Three research studies have begun and progress is on schedule.					
3. Recommendations formally presented to and acted upon by appropriate regional bodies.		COMMENT: Although the studies referred to above are not yet complete SIECA made some special studies on industrial incentives and the Protocol of San José which were acted upon by the Tripartite Committee (see CAPTO CIRCULAR A-27).					

Continuation: B. Qualitative Indicators for Major Outputs

4. SIECA technicians working with national governments and institutions on implementation problems.

COMMENT: SIECA technicians are working with national governments and regional institutions on problems of regional importance.

IV. PROJECT PURPOSE

A. 1. Statement of purpose as currently envisaged. 2. Same as in PROP? YES NO

To strengthen the technical capacity of SIECA, enhance its prestige, and to achieve increased recognition of SIECA's essential role in the integration process thereby generally improving political and financial support for SIECA's activities.

<p>B. 1. Conditions which will exist when above purpose is achieved.</p> <p>(See attachment.)</p>	<p>2. Evidence to date of progress toward these conditions.</p> <p>(See attachment.)</p>
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V. PROGRAMMING GOAL

A. Statement of Programming Goal

The project goal is the creation of an integrated economic community.

B. Will the achievement of the project purpose make a significant contribution to the programming goal, given the magnitude of the national problem? Cite evidence.

Yes, shpping the elements of a regional economic community is a task of immense political, economic, and technical complexity and it is necessary to have an effective organization or institution such as SIECA to act as both a leader and catalyst in this process. Specifically, SIECA's role is to recommend appropriate policy alternatives to decision-making institutions. The most recent evidence of SIECA's role in this regard is contained in CAPTO CIRCULAR A-27 of August 9, 1973.

B. 1. Conditions Which Will Exist When Purpose is Achieved

a. SIECA will have developed the institutional capability to do a broad range of studies to meet its responsibilities: Evidence to date of progress: SIECA in October 1972 terminated an analysis of CACM progress and the obstacles that surfaced during the 1960's, examined prospects for the 1970's, and proposed policy alternatives to give new impetus to the integration process. This study has served to focus debate on restructuring and has been a catalyst for prospective government action in this regard. As a result, a High-Level Committee (HLC) of presidential representatives of CACM countries has been formed with SIECA as Secretariat to formulate plans and schedules for restructuring. The HLC has met on several occasions and appears to be making progress in restructuring the CACM.

b. The Quality of SIECA Studies is Recognized by C.A. Governments and Institutions: Evidence to date of progress: Regional decision-making bodies have increasingly accepted the recommendations made by SIECA on its studies of pertinent industrialization and trade issues.

c. SIECA's Advice and Guidance is Sought by Both Governments and Integration Institutions. Evidence to date of progress: El Salvador, Guatemala and Nicaragua have asked and received technical assistance with respect to industrial development plans, training of functionaries, and formulation and evaluation of projects for implementation of national development plans. In addition, SIECA guidance is instrumental in developing regional positions in such matters as GATT, SCOM, the 1973 round of multilateral trade negotiations, and energy matters, and in such specific things as industrial, textile, and import/export policies.

d. SIECA's need for Long-Term Foreign Technical Assistance Will Have Been Significantly Reduced or Eliminated: This condition has not yet been realized. SIECA's reliance on external assistance increased from 43% in 1971 to 47% in 1972. SIECA is scheduled to receive an increase in country contributions of \$50,000 per country in January 1974. If this increase is realized, and external assistance remains unchanged at 1972 levels (1973 data not yet available) SIECA would still be dependent on external agencies for 41% of her resources in 1974.^{a/}

^{a/} There is some doubt that a \$50,000 increase per country will be forthcoming. For example, Guatemala's approved budget for 1974 shows no increase over her 1973 contribution.

An important reason for the continued need for external resources is the increased work load as a result of the increased requirements occasioned by the restructuring of the CACM. These increases have typically been financed from external sources (e.g. U.N. sources for the 12 volume SIECA decade study and AID financing for the SIECA/Brookings contract and research unit). However, once the obstacles to a restructured CACM are removed (basically a settlement of the Honduras/El Salvador border issue) and the integration movement gets back on track, there is reason to feel that SIECA will begin to move away from dependence on external resources.

I. Pro-Ag 72-11

This Pro-Ag was signed on April 21, 1972, revised on June 27, 1972 and revised again on May 30, 1973. The total amount involved remained unchanged at \$346,000. There were five activities contemplated; three under contract services, one under participants, and one under other costs. The status of these activities is summarized below:

A. Contract Services

1) PIO/T 596-010-3-20016 (\$108,000.00): The purpose of this PIO/T was to transfer \$108,000 from this Pro-Ag to Pro-Ag 73-9. The latter Pro-Ag is discussed below.

2) PIO/T 596-010-3-20031 (\$35,000.00): This activity includes the salaries of six statistical clerks and data processing supplies and services. The amount allotted for salaries (\$15,384.90) was exhausted by June 30, 1973, and we estimate that the amount remaining on September 30, 1973 (i.e. \$13,498.28) for rental of equipment and data processing supplies will be spent before the FCD of June 30, 1974. No follow-on activities are planned.

3) PIO/T 596-010-3-20030 (\$59,328.01): This activity was to pay for the services of three economists (Agricultural, Industrial and Transportation) for one year each (\$30,000); logistical support (\$6,000); and local consultants (\$23,328.01). As of August 30, 1973 \$21,300 had been spent for the economists, about \$1,500 on support and only \$500 on consultants. However, in August and September three consultants were hired and are now on-board. Here again, we estimate funds under this PIO/T will be utilized by the FCD of June 30, 1974. No follow-on activities are planned.

B. Participant Training

1) PIO/P 596-010-1-20015 (\$877.16): These funds, which were reduced to this level from the original level of \$12,000.00, were used to send one participant to MIT from August 14-25 to participate in a course on the Analysis and Design of Transportation Systems. No follow-on activities of this type are planned although long-term training to increase the supply of research personnel will be a topic of continuing discussion with SIECA.

C. Other Costs

1) These Costs (\$142,794.83) were used essentially to cover the salaries and related expenses of 5 SIECA departments (Agriculture, Industry, Infrastructure, Trade, and Statistics) during FY-1973. On July 1, 1973, these expenses were picked-up by SIECA, and the small remaining balance of \$877.21 is available for re-programming. No follow-on activities are planned.

Comments: For all practical purposes this is a terminating activity. The FCD was moved from June 30, 1973 to June 30, 1974 in order to allow the consultants in PIO/T 20030 to finish their work. The nature of ROCAP's continuing support of SIECA will be described in a revised PROP which will be submitted for AID/W approval by March 1, 1974.

II. Pro-Ag 73-11

This Pro-Ag for \$60,000 was signed on June 13, 1973, and is intended to finance the publication of 7 statistical series which will cover a broad range of regional economic and financial data. Two of the series are new and five are continued and/or expanded series. To accomplish this, three activities are contemplated:

A. Contract Services

1) PIO/T 596-010-3-30027 (\$24,600): This covers the salaries of six statisticians plus \$3,000 for travel and per diem.

B. Commodities:

1) PIO/C 596-010-9-30039 (\$9,400): This equipment consists of a calculator with attachments for matrix operations and a typewriter for supplying inputs and printing outputs. This relatively sophisticated unit will be used not only by the statistics section, but by the SIECA/Brookings Unit as well. The equipment has been ordered and should become operational during January 1974.

C. Other Costs:

1) Other Costs (\$26,000): These include expenses for data

processing supplies and services and printing and distribution costs,

Comments: In May 1973 SIECA began a reorganization program, and in the process SIECA picked up eleven positions which had been previously supported by ROCAP under Pro-Ag 72-11. To finance the reorganization required an additional \$250,000 increase in member country contributions (\$50,000 per country). This increase was scheduled to begin in 1974, but because of the need to gear up SIECA for the urgent work of reorganizing the CACM, SIECA's Secretary General decided to move ahead immediately on the reorganization plan. In support of this decision ROCAP agreed to a reprogramming of FY-1973 pipeline funds. The \$60,000 for the statistics program represents the use of these funds and permitted SIECA to move ahead with the reorganization program earlier than would have been otherwise possible. ROCAP was reluctant to use these resources to finance mainly ongoing activities, but agreed to do so in view of the circumstances and the clear understanding that once the funds were expended (FCD is June 30, 1974) SIECA would pick-up the salaries of the statisticians. Consequently, no activities in this area will be undertaken.

For FY-1974 ROCAP's cooperation with SIECA will be limited to our support of the SIECA/Brookings Unit (see Pro-Ag 73-9) and a program in the agricultural division (see Pro-Ag 73-8).

III. Pro-Ag 73-9

The third Pro-Ag was signed on February 23, 1973, and amended on May 16, 1973 when the amount was increased by \$45,000 to \$235,600. There are three activities contemplated: Two under contract services and one under "other costs". The status of each is summarized below:

Contract Services:

1) PIO/T 596-010-3-30023 (\$79,000): This activity includes the salaries of the special SIECA/Brookings Research Unit consisting of

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a project coordinator, two senior professionals, two junior professionals, two research assistants and two secretaries, all hired specifically to work on the SIECA/Brookings Contract. The Unit was formed in June 1973, and is being back-stopped by the Brookings Institution. The Unit is currently being expanded in order to be more responsive to the requirements of the HLC.

2) PIC/T 596-040-3-30016 (\$135,600): These funds together with the \$108,000 from Pro-Ag 72-11 are being used to cover the costs of an 18-month contract between SIECA and Brookings (\$243,600). Under the 18-month contract, signed on April 9, 1973, and effective on July 1, 1973, Brookings provides assistance and guidance in the preparation of three studies which will lead to policy recommendations to the HLC. Contract performance to date has been on schedule.

3) Other Costs (\$21,000): This activity covers the travel, per diem, recruiting costs and supplies and equipment costs of the SIECA/Brookings Unit described in 1) above.

Comments: This Pro-Ag together with amounts transferred from Pro-Ag 72-11 represents our basic support for the SIECA/Brookings Research Unit. It is this activity which is being evaluated in this PAR.