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**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  
ROCAP**

APO MIAMI, FL. 34024-0190

Telephones: 502-2-346761/62/63  
Fax: 502-2-348502  
Télex: 0372 3110 USAID GU

REGIONAL OFFICE FOR CENTRAL AMERICAN PROGRAMS

May 19, 1992

FEDEPRICAP  
Apartado 539-1002  
San Jose, Costa Rica

Subject: Cooperative Agreement No. 596-0149-A-00-9278-00  
Amendment No. 10

Gentlemen,

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, A.I.D. hereby amends the Cooperative Agreement in order to extend the completion date to December 31, 1992, and obligate an additional sum of \$300,000.00, changing the total obligation to date from \$2,030,000.00 \$2,330,000, as outlined in Attachment 1.

Accordingly cover letter and wherever else it appears, total obligation amount is changed from \$2,030,000.00 to \$2,330,000.00.

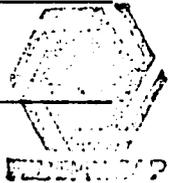
This Amendment is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning with the effective date and ending December 31, 1992.

Please sign the original and five copies of this letter to acknowledge your receipt of this Amendment No. 10, and return the original and four copies to USAID/Guatemala.

Sincerely,

John P. McAvoy  
Regional Agreement Officer

RECEIVED:  
By:   
Title: Executive Director  
Date: May 21, 1992



FISCAL DATA

<u>PIO/T No.</u>	<u>APPROPRIATION</u>	<u>BUDGET PLAN CODE</u>	<u>AMOUNT</u>
596-0149-3-900019	72-1191021	LDSA-89-25596-KG13	\$ 680,000
596-0149-3-000065	72-1101021	LDNA-90-25596-KG13	600,000
		LDSA-90-25596-KG13	250,000
596-0149-3-000130	72-1101021	LDSA-90-25596-KG13	3,747
596-0149-3-000131	72-11X1021	LDSX-90-25596-KG13	75,000
596-0149-3-10033	72-1111021	LDNA-91-25596-KG13	100,000
		LDSA-91-25596-KG13	321,253
596-0149-3-20037	72-112/31021	LDS2-92-25596-KG13	<u>300,000</u>
TOTAL			\$2,330,000 =====

Total Estimated Agreement Amount: \$2,330,000  
Amount Obligated Prior to  
this Amendment: \$2,030,000  
Amount Obligated by this Amendment: \$ 300,000  
Total Obligated Amount: \$2,330,000

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/cme

FEDEPRICAP FINANCIAL PLAN

Life of Project

Line Items	PREVIOUS BUDGET	THIS AMENDMENT	REVISED BUDGET	FEDEPRICAP CONTRIBUT.
FEDEPRICAP Personnel	\$835,907	\$ 88,466	\$924,373	\$124,735
Support Services	118,968	7,428	126,396	894,046
Operating Expenses	648,106	80,106	728,212	256,797
Training	417,019	116,000	533,019	130,000
Contingencies	<u>10,000</u>	<u>8,000</u>	<u>18,000</u>	<u>---</u>
T O T A L	\$2,330,000	\$300,000	\$2,330,000	\$1,405,578

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STATEMENT OF WORKAMENDMENT OF FEDEPRICAP COOPERATIVE AGREEMENTPurpose:

The purpose of this amendment is to increase overall funding by \$300,000 for FEDEPRICAP (the Federation of Private Sector Entities of Central America and Panama) to be able to undertake activities for an additional four months, extending the PACD from August 27, 1992 to December 31, 1992. This will allow for a transition period during which it will adjust and adapt to the changing regional needs for greater economic openness and competitiveness to trade and investment. It will also allow time to approach sustainability, principally by preparing to support itself by charging for services, increasing membership fees, and receiving subscriptions from international agencies to specific regional support services.

Background:

During three years of operation under a Cooperative Agreement with ROCAP, FEDEPRICAP has implemented several important activities and expanded into others related to its original mandate. It conducted seminars and workshops addressing a broad range of issues, from capital market development to practical entrepreneurial principles. It has worked within the framework of the Central American Presidential Summits of 1990 and 1991, promoting an Action Plan for Central American Economic Integration (PAECA), and it was instrumental in forging a relatively unified approach by the regional private sector with regard to commercial and trade policy with the United States and Mexico, among other trading partners, and in incorporating Panama into the regional integration process. It led the private sector in designing regional approaches to solving difficult transport problems. It held two regional conferences for women leaders in business, two for private universities leaders, and one for Jr. Achievers, developing a schedule of travel and study activities for each to ensure their fullest integration in the economic life of the region.

These experiences have revealed many strengths and weaknesses of the organization that were diagnosed during a 1991 Evaluation. There is now a need for FEDEPRICAP to align itself with ROCAP's new core agenda for trade and investment for the region.

ROCAP's newly-designed trade and investment strategy will support regional efforts to harmonize policy regimes across Central American countries that promote an open regional economy. ROCAP's program in trade and investment focuses on support to efforts to facilitate and enhance economic transactions among the Central American countries and their

partners. This priority outlines a core agenda addressing the following sets of concerns:

- barriers to trade, both within the region and with outside partners;
- obstacles to cross-border investments; and
- constraints to trade in financial and infrastructure services, in particular within the region.

ROCAP will support a FEDEPRICAP role that addresses these concerns, in the context of a relatively narrow band of areas where a highly-focused, private sector-oriented viewpoint can be developed.

Consonant with this core agenda, ROCAP can help FEDEPRICAP play a stronger advocacy role on behalf of its membership, focusing even more sharply on (a) removing trade barriers working in close collaboration with a strengthened SIECA, among other regional agencies, (b) enhancing the investment climate for cross-border capital transfers, particularly in the area of intellectual property rights and restrictive business practices, (c) removing constraints to trade in financial and infrastructure services, looked at from a strictly private sector perspective, and (d) providing its membership with supportive activities in these three areas. During a transition period extending from April 1992 through the new PACD, the additional time and resources will permit FEDEPRICAP to adapt its planning to ROCAP's. It may also give it time to restructure itself functionally (a) in order to compete effectively for donor service and analysis subgrants and contracts, (b) obtain more core funding from its membership, (c) increase services for which it can charge members, and (d) elicit donations from international private sector foundations.

#### Scope of Work:

A. Consistent with ROCAP strategy, and drawing upon three years of experience in working together, ROCAP will now support a role for FEDEPRICAP in each of the following four functions, and FEDEPRICAP will be expected to carry out its work during the transition period through the end of December, 1992, within these functional parameters:

1. Elicit from the private sector at a regional level its views with regard to policy issues;
2. Explain the implications of alternative public policy options to the private sector at a regional level;
3. Work to obtain consensus and to speak authoritatively for the private sector, on a regional level, in the course of fulfilling these two roles, and
4. Provide regionally-oriented services to the private sector that have a regional rationale.

During this time FEDEPRICAP will reshift its focus from (a) trade and integration, financial market development and transportation to (b) barriers to trade, obstacles to cross-border investments, and constraints on trade in financial and infrastructure services.

B. In addition, FEDEPRICAP will accelerate ongoing efforts to achieve sustainability by the end of CY 1992, on the assumption that practically all direct ROCAP support for salaries, operating expenses, and other "core expenses" will begin to end at that time. This means that FEDEPRICAP's President, the Assembly of Presidents, the Executive Directors of each of the twelve member federations and the staff itself must give the highest priority before the end of CY92 to obtaining funding for 1993 and onward for overhead expenses. They will encourage financing oriented to specific activities by offering concrete benefits to meet both donor and member needs. Among the sources that will have to be examined are (a) increased donations from members, (b) private foreign foundations, and (c) subgrants and subscriptions containing overhead provisions to specific regional support services from international donor institutions.

On this last point, it will be important for FEDEPRICAP to be able to compete and win proposals and grants offered by the international donor community that cover those aspects of trade and investment analysis and supporting activities of peculiar interest to business, and requiring an understanding of the business community's needs. FEDEPRICAP will have to strengthen its staff, particularly its abilities to win long-time grants and contracts by preparing effective proposals and submitting winning bids and to do this by drawing even more heavily than in the past on the reservoir of staff talent within its membership. To compete effectively, it must also draw upon its reputation as the most effective regional representative of the Central American private sector.

C. Show below are some of the specific areas which FEDEPRICAP will be expected to address with ROCAP support during this transition period.

1. Reduction of trade barriers;
2. Adequate protection of intellectual property rights; curtailment of restrictive business practices, especially with respect to cross-border entry, and
3. Liberalization of trade in services, including increased trade in financial services through regional coordination in liberalization and through improved prudential regulation and supervision; and enhanced trade in infrastructure services (energy, transportation, telecommunications), in particular the increased involvement of private entrepreneurs.

FEDEPRICAP activities in these areas will include:

- (a) in-depth surveys and analysis based upon business perceptions,
- (b) interventions with the private sector (including training and information-sharing) to affect those perceptions,
- (c) consensus-building, and
- (d) voicing of regional private sector views at appropriate forums.

D. Trade Barrier Reduction. Most specifically, FEDEPRICAP will work within a regional context to contribute to the reduction of trade barriers and to encourage an outward-orientation for the regional economy. The context for this support will center around the following illustrative themes:

a) Central American Trade Opening and Integration. Business views will be sought on: obstacles to intraregional trade and ways to overcome them, cost-benefits of regional integration, priorities for fiscal harmonization and for macroeconomic policy coordination within the region; and the effects of Panama's entry into the regional process;

b) International Competitiveness and Common External Tariffs. Business views on: incidence on industry of tariff reductions/harmonized regional tariff system/proposal for and implementation of uniform regional customs valuation, reforms in anti-dumping, minimization of capital and foreign exchange controls and registration; also, assessment of the factors influencing the cost competitiveness of Central American industries or industry clusters in a regional comparative context;

c) Free Trade Agreements and Negotiations. Business perceptions and positions regarding: Mexican-Central American (including assessment of environmental conditions and restraints); agreements with CARICOM, MERCOSUR, Andean and Southern Cone groupings; expanded trade relations with the European Community.

d) GATT. Impact on business of the Uruguay Round, if successful.

FEDEPRICAP will also inform and educate the business membership on the possible effects of changes in policy options, and in undertaking its other roles, e.g., consensus-building, speaking on behalf of the private sector, it will draw upon the results of the surveys and analysis.

E. Specifically, to encourage cross-border investments by providing adequate protection to intellectual property rights and curtailing restrictive business practices, FEDEPRICAP will work with its membership to protect property rights, essential

to the free flow of technology associated with new investment. Curtailment of restrictive business practices also represents one of the major factors in ensuring an open investment regime. The context for support will center around the following illustrative themes:

- a) Business views on the impact of proposed harmonization regimes in Central America for intellectual property rights; review of options for legislation; gainers and losers;
- b) Impact on business effectiveness of behavior or structures that restrict competition, e.g., laws and regulations, quotas, administrative red tape.

Among other areas, the membership would be surveyed on perceptions of returns and costs attributable to adhering to internationally accepted practices of protecting intellectual property rights; drawing from the results of these surveys FEDEPRICAP would exercise its role in consensus-building and information-exchange, and as a regional business voice.

F. In the area of Increased trade in services, using the following themes and activities as illustrative, FEDEPRICAP will:

(1) Increase trade in financial services-In line with its trade and investment strategy, ROCAP expects to be able to assist FEDEPRICAP in developing improved management structures needed to facilitate the requisite investments or to shift to more efficient trading patterns. In the area of financial services (including different kinds of banking services, equity markets, and ancillary services, such as insurance), FEDEPRICAP efforts will complement effectively the efforts of USAID Missions in promoting financial markets development.

Following its memberships wishes, FEDEPRICAP will work with the financial sector in assessing ways to strengthen the Association of Central American Stock Markets (BOLCEN); specific yet illustrative themes for study of interest to the membership could include:

- a) deregulation of institutional savings funds,
- b) incentives/disincentives for microentrepreneurs and workers in participating in capital markets,
- c) elimination of legal and operative restraints in Central America to transnational capital market flows, techniques and principles of autoregulation of stock exchanges, information disclosure practices,
- d) creation of a Central American version of American Depositary Rights.

- e) diagnosing business community needs for capital formation, based upon practical working experiences. One area worth studying is FEDEPRICAP's own experiences, measured in terms of successes or failures, in stimulating positive changes in capital market formation.

(2) Increase Trade in Infrastructure Services: FEDEPRICAP core staff or membership representatives will work in the following areas:

(a) Transportation. Participating in regional transportation forums such as REMITRAN, COCATRAM, et. al. FEDEPRICAP will identify and remove regulations and procedures that impede competition for road, maritime, air, and surface transportation;

(b) Energy. Compiling and analyzing energy legislation in Central America, the entity will seek formulas to create a legal framework that lends itself to the business community's participation in energy projects;

(c) Telecommunications. Undertaking a diagnosis of the status of technology in this sector, the entity will work through the membership economic committee and national transport committee systems to draw up terms of reference, task specific individuals, and seek consultancy assistance from donor agencies as appropriate.

### Budget

The Project Paper Amendment provides an additional \$300,000 to the Project for the period April 1 - December 31, 1992, which will be allotted to FEDEPRICAP prorated in approximately the same proportions for line item amounts as had been accorded in earlier years. In addition to this \$300,000, FEDEPRICAP will be expected to draw upon \$260,325 approved under its existing budget for expenses from April 1 - August 27, 1992.

A special effort will be made by FEDEPRICAP to maintain the same level of training and information-sharing conference and seminar activities as in the past during this transition, in recognition of its unique character as a consensus-builder among the private sector. In addition, \$60,000 of the \$300,000 has been added to personnel costs as a contingency for separation, required by Costa Rican law, in the event that the entity should cease to exist.

ROCAP funding would continue to support the two staff economists during this transition period, and this funding would be supplemented by other donors for consultancies and contracting for specific studies, the breadth and scope of which fall within ROCAP's trade and investment strategy, i.e., IDB for

analysis of the cost competitiveness of Central American industry groups; EEC for surveys on the impact of Central American integration on business. FEDEPRICAP will work closely with the business membership on the development of studies, consensus-building, and other activities, using its core staff resources principally to administer tasks through ongoing committee mechanisms with the national business membership, i.e., FEDEPRICAP's Comite Asuntos Economicos.

The details are included as Amended Financial Plan (Attachment III) and Detailed Budget by Line Item (Attachment IV).

#### Roles and Reporting Responsibilities

FEDEPRICAP will report to ROCAP's office of Regional Economic Analysis and Trade (OREAT), and more specifically to the Private Sector Officer and the Chief of Section. FEDEPRICAP will prepare two progress reports on the status of the activities listed in paragraphs (B) through (F), above, the first due August 31, 1992, the final due December 31, 1992.

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