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UNCLASSIFIED

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20523

65212

PROJECT PAPER

ROCAP

SIECA Institutional Assistance

Project Number: 596-0040

LA/DR-77-2

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT  
**PROJECT AUTHORIZATION AND REQUEST  
 FOR ALLOTMENT OF FUNDS PART I**

1. TRANSACTION CODE

A ADD  
 C CHANGE  
 D DELETE

PAF

2. DOCUMENT CODE  
 5

3. COUNTRY ENTITY

ROCAP/SIECA

4. DOCUMENT REVISION NUMBER

1

5. PROJECT NUMBER

596-0040

6. BUREAU OFFICE

A. SYMBOL LA B. CODE 3

7. PROJECT TITLE (Maximum 40 characters)

SIECA INSTITUTIONAL ASSISTANCE

8. PROJECT APPROVAL DECISION

ACTION TAKEN  
 A APPROVED  
 D DISAPPROVED  
 DE DEAUTHORIZED

9. EST. PERIOD OF IMPLEMENTATION

YRS 03 QTRS 12

10. APPROVED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY 77		H. 2ND FY 78		K. 3RD FY 79	
		G. GRANT	D. LOAN	I. GRANT	G. LOAN	J. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) EH	797 B	710		418		387		175	
(2)									
(3)									
(4)									
TOTALS				418		387		175	

A. APPROPRIATION	N. 4TH FY		O. 5TH FY		LIFE OF PROJECT		11. PROJECT FUNDING AUTHORIZED		
	G. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	(ENTER APPROPRIATE CODE(S))	A. GRANT	B. LOAN
(1) EH					2,676		1 LIFE OF PROJECT		
(2)							2 INCREMENTAL LIFE OF PROJECT	2	
(3)									
(4)									
TOTALS						2,676		C. PROJECT FUNDING AUTHORIZED THRU FY 79	

12. INITIAL PROJECT FUNDING ALLOTMENT REQUESTED (\$000)

A. APPROPRIATION	B. ALLOTMENT REQUEST NO.	
	C. GRANT	D. LOAN
(1)		
(2)		
(3)		
(4)		
TOTALS		

13. FUNDS RESERVED FOR ALLOTMENT

TYPED NAME (Chief, SER FM FSD)

SIGNATURE

DATE

14. SOURCE/ORIGIN OF GOODS AND SERVICES

000  941  LOCAL  OTHER Local procurement in C.A. region.

15. FOR AMENDMENTS, NATURE OF CHANGE PROPOSED

FOR PPC/PIAS USE ONLY

16. AUTHORIZING OFFICE SYMBOL

A/AID

17. ACTION DATE

MM DD YY

18. ACTION REFERENCE (Optional)

ACTION REFERENCE DATE

MM DD YY

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D. C. 20523

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

Name of Regional Entity: SIECA      Name of Project: SIECA  
Institutional Assistance  
Number of Project: 596-0040

Pursuant to Part I, Chapter 1, Section 105 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Grant to SIECA (the "Cooperating Regional Entity") of not to exceed nine hundred and eighty thousand United States Dollars (\$980,000) (the "Authorized Amount") to help in financing certain foreign exchange costs of goods and services required for the project described in the following sentence. The project consists of assistance designed to improve within SIECA the analysis capability that provides decision makers in the region with policy options on matters affecting the economic and social integration of Central America and to undertake specific policy related studies with emphasis on employment and the agricultural sector (hereafter referred to as the "Project").


I approve the total level of A.I.D. appropriated funding planned for this project of not to exceed nine hundred and eighty thousand United States Dollars (\$980,000), of which \$418,000 will be Grant funded during FY 1977. I approve further increments during FY 1978 and FY 1979 of Grant funding up to \$980,000, subject to the availability of funds in accordance with A.I.D. allotment procedures. I hereby authorize the initiation of negotiation and execution of the Project Agreement by the officer to whom such authority has been delegated in accordance with A.I.D. regulations and Delegations of Authority subject to the following essential terms and covenants and major conditions; together with such other terms and conditions as A.I.D. may deem appropriate:

Source and Origin of Goods and Services

Goods and services financed by A.I.D. under the project shall have their source and origin in the United States, or

b-

in countries included in A.I.D. Geographic Code 941, including member countries of the Central American Common Market, except as A.I.D. may otherwise agree in writing.

  
\_\_\_\_\_  
Deputy Administrator

12/15/74  
\_\_\_\_\_  
Date

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SILCA INSTITUTIONAL ASSISTANCE PROJECT PAPER

ROCAP, SEPTEMBER, 1976

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SIECA INSTITUTIONAL ASSISTANCE PROJECT PAPER

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- C. The Secretariat for the Economic Integration of Central America (SIECA)
- D. PRP Approval Message

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## PROJECT COMMITTEE

Project Manager	Lawrence C. Heilman, ROCAP
Assistant Social Development Officer	Clara Carr, ROCAP
Financial Analyst	Douglas S. Franklin, ROCAP
Financial Analyst	Ramiro Eduardo, ROCAP
Systems Analyst	Elias Hill, RCCAP
Economist	Clark Joel, ROCAP
Agricultural Economist	Phillip Church, ROCAP
Program Officer	Robert Hechtman, ROCAP
Regional Adviser	Robert G. Fullmer, ROCAP

## ACRONYMS

CABEL	Central American Bank for Economic Integration
CACM	Central American Common Market
ECIECI	Joint Studies on Latin American Economic Integration
GAFICA	FAO Special Advisory Groups
IBRD	International Bank for Reconstruction and Development
ICAITI	Central American Research Institute for Industry
IDB	Interamerican Development Bank
INCAP	Nutrition Institute for Central America and Panama
SIECA	Secretariat for the Economic Integration of Central America
UNIDO	UN, Industrial Development Organization



AGENCY FOR INTERNATIONAL DEVELOPMENT

### PROJECT PAPER FACESHEET

TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE  
() APPROPRIATE BOX

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DOCUMENT CODE  
3

2. COUNTRY/REGIONAL ENTITY/GRAantee  
ROCAP SIECA

3. DOCUMENT REVISION NUMBER  
1

4. PROJECT NUMBER

5. BUREAU

A. SYMBOL

B. CODE

596-040

LA

3

6. ESTIMATED FY OF PROJECT COMPLETION

FY 79

7. PROJECT TITLE - SHORT (STAY WITHIN BRACKETS)

8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION

SIECA INSTITUTIONAL ASSISTANCE

A. INITIAL MO. YR.  01  77 B. FINAL FY  79

9. SECONDARY TECHNICAL CODES (MAXIMUM SIX CODES OF THREE POSITIONS EACH)

10. ESTIMATED TOTAL COST (\$000 OR EQUIVALENT, \$1= \_\_\_\_\_)

A. PROGRAM FINANCING	FIRST YEAR			ALL YEARS		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL	( 90 )	( 328 )	( 418 )	( 236 )	( 744 )	( 980 )
(GRANT)	( )	( )	( )	( )	( )	( )
(LOAN)	( )	( )	( )	( )	( )	( )
OTHER 1.						
U.S. 2.						
MOST GOVERNMENT	-0-	114	114	-0-	352	352
OTHER DONOR(S)	163	-0-	163	187	344	531
TOTALS	253	442	695	423	1400	1863

11. ESTIMATED COSTS/AID APPROPRIATED FUNDS (\$000)

A. APPROPRIATION (ALPHA CODE)	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE	FY 77		FY 78		FY 79		ALL YEARS	
			D. GRANT	E. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN	J. GRANT	K. LOAN
			EH	797B	710	418		387		175
TOTALS			418		387		175			980

12. ESTIMATED EXPENDITURES 331

13. PROJECT PURPOSE(S) (STAY WITHIN BRACKETS)  CHECK IF DIFFERENT FROM PID/PRP

To improve within SIECA the analysis capability that provides decision makers in the region with policy options on matters affecting the economic and social integration of Central America and to undertake specific policy related studies with emphasis on employment and the agricultural sector.

14. WERE CHANGES MADE IN THE PID/PRP FACESHEET DATA NOT INCLUDED ABOVE? IF YES, ATTACH CHANGED PID AND/OR PRP FACESHEET.  YES  NO

15. ORIGINATING OFFICE CLEARANCE

SIGNATURE *Darryl Adman*

TITLE *Acting Director*

DATE SIGNED

MO. DAY YR.  01  28  76

16. DATE RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MO. DAY YR.  01  30  76

AID 1330-4 (5-75)

- 1.2 Description of the Project: The proposal presented here continues a technical assistance project to enable the Secretariat for the Economic Integration of Central America (SIECA) to expand its technical analysis capability to provide decision-makers in the region with policy options on matters affecting the economic and social community and to study several key integration issues with emphasis on the agricultural sector.

SIECA has identified study areas which will be investigated by its Special Research Unit (hereinafter Unit). The continuing task of the Unit will be the execution of research on a broad range of integration issues and drawing from this research concrete policy options for the decision-makers in the region. By identifying obstacles to greater integration and providing policy options to remove them, the project activities will support Central American efforts to build an integrated economic and social community in Central America. This will be particularly true of the agricultural sector.

SIECA, through the Unit, will be the agent to implement the project. SIECA has served as coordinator and contractor of pertinent integration research for over 14 years. Most recently SIECA has carried out analyses of priority issues identified by the High Level Committee during the preparation of the proposed Treaty for the Central American Economic and Social Community (Tratado Marco). For the past three years, the Unit has formed the nucleus for such research.

AID financing required for the activity will be \$980,000 over three years. The Unit, advised as necessary by experts, will study social and economic integration problems and develop policy alternatives for the participating governments. Linkages SIECA has established with national government institutions will provide the means for obtaining country-specific data to apply to regional models and to refine methodology appropriate for use by the region as a whole and by the individual countries.

The conditions expected to exist at the end of the project period are the following:

- A. SIECA will have a research unit capable of (1) initiating and carrying out research on a broad range of development and

integration issues and (2) drawing from this research concrete policy options for decision-makers in the region.

- B. SIECA will have completed or furthered several specific studies dealing with the agricultural sector.
- C. SIECA will have financial resources to support future research activities by the Unit.
- D. Links to national institutions participating in policy formulation and economic studies will be expanded.

The inputs required to accomplish the Project Purpose are summarized in the following table.

(In thousands of Dollars)

	<u>CY 1977</u>	<u>CY 1978</u>	<u>CY 1979</u>	<u>All Years Total</u>
ROCAP				
Regional Research Training Assistance	90	91	55	236
Regional Research Operations	<u>328</u>	<u>296</u>	<u>120</u>	<u>744</u>
ROCAP Sub-Total	418	387	175	980
SIECA	114	118	120	352
Other Donors	<u>163</u>	<u>146</u>	<u>222</u> <sup>1/</sup>	<u>531</u>
Total	<u>695</u>	<u>651</u>	<u>517</u> <sup>2/</sup>	<u>1,863</u>

<sup>1/</sup> Hopefully, a significant portion of this figure will come from the Central American countries and will appear on the SIECA line. This would require an increase in total national contributions to SIECA. Failing either additional Central American or other institution support, the Unit would have to be cut back substantially.

<sup>2/</sup> The actual level of production of the Unit will not be affected by the reduced size of the Unit because of the gradual integration of personnel from national agencies in the Research conducted by the Unit in CY 1979. This should be valued at approximately \$125,000 from the five countries.

1.3 Summary Findings: ROCAP has concluded that this project is appropriate for continuation on a regional basis, and it will increasingly provide benefits to Central American integration, particularly in the agricultural sector, and to SIECA by virtue of the following factors: (1) SIECA continues to accord high priority to the Unit; a recent SIECA internal review of the Unit's output which included a review of the quality of work has reinforced SIECA's commitment; (2) SIECA has developed a list of study proposals for the project's continuation which addresses high priority research areas and relates to other ROCAP activities; and (3) Central American officials concerned with integration from Central Banks, Statistic Institutes and National Planning Offices have reviewed the past output and future plans of the Unit and have reaffirmed the utility of such research to their national and intraregional policies.

ROCAP has concluded that the project can impact positively on the welfare of the rural poor and especially the small farmer. Increasingly there appears to be realization within Central America of the costs of continuing policies of agricultural self-sufficiency. This realization can be traced in part to the results of work produced by SIECA and by the Unit. The project will focus on national and regional policies affecting agricultural production, income distribution and the small farmer. The Unit will analyze some integration issues from a social as well as economic perspective, e.g., the progress indicators project, and be staffed accordingly.

1.4 Project Issues:

A. SIECA Contribution: A principal issue concerns the extent to which one can be assured that SIECA will be able to pick up the slack as the AID contribution drops, particularly after the second year. Neither ROCAP nor SIECA can guarantee that the resources necessary to replace AID's contribution will be found.

SIECA's financial inputs have not significantly increased during the first three years. Project contributions during the same period from other sources, including the IDB and IBRD, were tied to specific purposes and were of limited duration. SIECA's contribution to this activity, nevertheless, is significant, including half the salary of the Director and all the rental and operating costs

of the Unit's separate building.

SIECA's overall financial circumstances and prospects are difficult. Stagnation of the integration movement has been reflected in the priority assigned to the regional institutions. Whether and when circumstances will change is far from clear. In any event, ROCAP's support for the Unit will drop substantially in the third year of the project. Should increased support from the C.A. governments not be forthcoming, SIECA might still meet its needs through support from other development assistance institutions, but it is possible that the Unit will have to be cut back sharply. A reasonable reduction in the Unit's size is in any event programmed for FY 79.

The April 1976 project evaluation conducted by Constantine Michalopoulos concluded, in this regard, that "...it is too soon to terminate AID's involvement. While a competent staff has been assembled and significant research output has been produced, the Unit has not been in existence long enough and output is only now becoming widely available. Thus it is too early to hope that funding can in large part be shifted to other sources."

The first reduction in the level of AID support will occur starting January 1978, which will oblige SIECA to locate and commit additional resources no later than the third trimester of 1977. While a reduced staff could continue work on a reduced work plan were SIECA unable to replace AID resources, the pace of the ongoing activity would slow and some valuable research probably would be suspended. However, the Unit hopes to expand its relationships with national institutions to have their personnel participate not only in data collection but also in policy formulation and development of methodology; if this comes to pass, the impact of a scaling down of the efforts of the regional body may be substantially mitigated, and some salutary complementarities may result.

- B. Relationship to Integration Progress: The Tratado Marco prepared by the High Level Committee of the Central American Republics with the help of SIECA was submitted to the governments for consideration in March of this year. Approval and ratification of

the Tratado Marco, even with significant modifications, appears unlikely, at least in the short run. The question arises whether any purpose remains in supporting further analysis of the benefits and costs of integration if the Economic and Social Community envisioned by the Tratado Marco does not become a reality.

SIECA and ROCAP have concluded that significant opportunities exist within the present institutional framework to justify continued investment in policy research and analysis, particularly with respect to the agricultural sector. The projects described in this paper support this conclusion.

In the event the Tratado Marco is approved, it is probable that the research to be undertaken would become more directly focused on immediate implementation questions. These new studies, approved in advance by ROCAP, would serve to enhance the Unit's importance to the Central American Republics.

- C. Requirements for Permanent Research Unit: In its review prior to continuation of this activity, ROCAP considered whether SIECA would not be better served by integrating the longer-term research function into the SIECA staff rather than supporting a semi-independent unit. Such an arrangement would permit SIECA to contract technicians with appropriate backgrounds according to study demands.

SIECA and ROCAP have concluded that the goal of a permanent research capacity should be supported because (1) the pool of qualified experts in Central America is not such that qualified personnel can always be obtained as needed, (2) the subject matter under investigation requires long-term study and continuity of manpower, and (3) the studies interrelate so that experience in previous work frequently is applicable in subsequent efforts.

- D. Relationship of Studies to Congressional Mandate: The studies to be pursued by the Unit fall roughly into three groups: the first includes those that directly promote the Mandate; the second comprises studies designed to facilitate the making of policy decisions that promote regional economic integration and development (these, however, will indirectly promote the Mandate goals); and the third group will provide economic planners and technicians

with more reliable data and better tools to analyze integration and development problems.

The studies that most directly promote the Mandate include those dealing with agricultural development; the employment studies that lay out the major policy options and could serve as a basis for designing of projects to reduce unemployment and underemployment in Central America; and the development of the social progress indicators.

Studies in the second group (promotion of integration and general economic development) include those dealing with the benefits and costs of integration and the formulation of policies to attain a more balanced distribution of the benefits among the countries of the region; the price study investigating the effects of national policies (e.g., sales taxation) on relative price levels (these could lead to recommendations to harmonize policies which presently distort prices and production patterns); and the comparative advantage study that has obvious implications for specialization within the region as well as with respect to the rest of the world. These studies promote the basic purposes of the Congressional Mandate more indirectly since an accelerated rate of economic development resulting from a higher degree of integration and a more rational allocation of resources can be expected to benefit all socio-economic groups including those at the bottom of the income scale. In this regard, the Tratado Marco's goals of equity and balanced development are especially pertinent.

Studies in the third category (development of essential planning tools) include most of the price studies (consumer, import and producer prices); development of the input-output matrices and the macro-econometric model; and the link-up of that model with the input-output matrix. These, too, have the potential for significant contribution to the process of formulating policies and programs to impact on the target population.

## 2. PROJECT BACKGROUND

### 2.1 The Regional Setting and the Future of Integration:

- A. Background: The five countries of Central America have close historical ties and a common language. Political union, which existed for a brief 18 years after independence was obtained from Spain, has been an aspiration. For over a century, however, there were no pressing economic motives for integration. Economic development was dominated by commercial export crops for the world market such as coffee, bananas and cotton, which did not require cooperation or coordination of effort among the individual countries.

The push towards industrialization through import substitution, which gained support in developing countries after World War II, added a strong economic rationale to the general appeal of integration. In Central America this led to the General Treaty of 1960 creating the Central American Common Market. Considerable progress was made in tying the national economies closer together during the following years. However, by 1968 an array of problems had emerged which slowed the momentum, and the war between El Salvador and Honduras in July 1969 brought the evolutionary process to a halt.

The trade patterns and economic linkages developed during the sixties fortunately proved to be enduring. Although direct trade relations between El Salvador and Honduras were broken off and the road access for El Salvador's trade with Nicaragua and Costa Rica was interrupted, total intra-regional trade continued to increase substantially through 1974. <sup>1/</sup> This trend proved that integration had become an economic reality in production and trade. In an effort to help normalize political relations as well as to develop a new institutional framework for integration, an intergovernmental committee called the High Level Committee was formed in 1973 and charged with the drafting of a new treaty.

- B. Intra-Regional Trade and External Tariffs: From an economic point of view, the essence of integration is the creation of an enlarged market

<sup>1/</sup> The total value of trade dropped in Central America in 1975 importantly because of the worldwide recession.



for more efficient production and trade. In terms of internal and external tariffs and monetary policy, the Central American Common Market is to a large extent already a reality.

Generally, no internal tariffs are levied on commodities made in Central America and traded intra-regionally. Certain restrictions still exist in the free movement of some commodities of regional origin. These include basic grains, meat and livestock, textiles, clothing and shoes. A uniform external tariff covers about 97% of the product categories. Measured in terms of value, about 85 percent of all Central American imports from outside the region are covered by the common external tariff.

The financing of intra-regional trade does not present major problems. The currencies are convertible at fixed exchange rates and three of the five countries have no foreign exchange controls. A Central American Clearing House and a Central American Monetary Stabilization Fund are functioning and some limited progress has already been made toward the eventual establishment of a monetary union.

- C. Industrial Development: Numerous new industries, both small and large, have been established in Central America since 1960 in response to the tariff policies under the integration program. Some planners criticize the "commercial" orientation in this approach to industrialization and charge that it does not lead to structural change or the establishment of new basic industries. Unfortunately, past experiences with plant assignments to individual countries and with other forms of industrial programming have not been very successful. The Integration Industries System under the General Treaty, as well as programming attempts in other economic integration schemes, have not been encouraging. It is difficult to foresee whether the industrial programming approach envisioned in the Tratado Marco for relatively large industries would produce better results. In any case, it can be expected that future industrialization policies will give increasing weight to socio-economic objectives, but the reliance on market forces for the establishment of new manufacturing operations in the region will basically continue.
- D. Agricultural Development: The agricultural sector has been affected only to a minor extent by the economic integration process under the

General Treaty. The Tratado Marco stresses rural development, the raising of living standards of small farmers and landless peasants and the marketing of agricultural products. References are also made to agrarian reform.

There is an increasing consciousness in Central America regarding the mutual benefits to be gained from policy coordination in the agricultural sector, particularly as the difficulties and costs of national self-sufficiency policies are perceived. It is not clear how far agricultural integration can be carried, but there is substantial agreement in Central America that agriculture offers the possibility of a major new integration dimension.

E. Social Development and Equitable Distribution of Integration

Benefits: The Tratado Marco stresses the incorporation of those living at the subsistence level into the regional economy. It envisions the distribution of integration benefits more equitably among the countries.

Some have said, however, that social development objectives should largely remain a national policy issue in the individual countries. The equitable distribution of benefits among countries, of course, is by its nature an integration issue. It will require careful program analysis and investment planning to concentrate on the type of integration projects which will be cost effective and at the same time assure adequate benefits for the relatively less developed countries.

F. Conclusion: There are, fortunately, vested interests, particularly industrial and commercial, which favor a strengthening of the Common Market. These interest groups consist not only of large numbers of private firms but also by public sector planners who have noted the increasing accumulation of evidence of the merits of integration in terms of overall economic development.

The most immediate question, of course, concerns the Tratado Marco. Its ambitious projection over a twenty-five year time span contrasts sharply with the immediate reality of conflicts between two of the countries and uncertainty of commitment in all five. ROCAP's expectation is that the member countries will take a pragmatic approach and pursue, first of all, certain targets of opportunity within the existing

institutional framework of the Central American Common Market. At the same time, the Tratado Marco will continue to undergo close scrutiny and, probably, modification. It is difficult to speculate on the final terms of the treaty or whether indeed there will be one, but it may have a shorter time horizon and place greater emphasis on corrections of specific shortcomings in the General Treaty currently in force. What can be stated with reasonable confidence is that despite these problems and delays, intra-regional trade and coordinating measures among the governments will continue.

- 2.2 SIECA's Role in Central American Integration: To appreciate the basic rationale for AID/ROCAP continuing assistance to the SIECA Unit, an understanding of SIECA's special role and functions in the Central American integration movement is essential. Article 24 of the General Treaty charged SIECA with supervising the execution of various provisions of the General Treaty, assuming responsibility for the enforcement of the resolutions adopted by the Central American Economic Council (Ministers of Economy) and the Central American Executive Council (delegates from each country) and conducting studies assigned to it by these integration bodies. 1/

These functions clearly place on SIECA a major responsibility for conducting the necessary studies to resolve problems that impede progress of the integration movement. SIECA has interpreted its mandate to encompass analysis of the degree to which integration can help promote the region's economic development and to identify policy measures and institutional changes needed to accelerate the region's economic development and to carry the integration process forward.

In recent years, SIECA has been deeply involved with the resolution of various problems growing out of the El Salvador-Honduras conflict. The more important studies and negotiation spearheaded by SIECA include those relating to a formula for permitting the continued functioning of the integration bodies in the aftermath of the 1969 conflict and the de facto withdrawal of Honduras from the Central American Common Market (CACM) a year later, and studies and proposals which laid the basis for

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1/ For a fuller description of SIECA see Annex C of this paper, The Secretariat for the Economic Integration of Central America (SIECA).

the operation of the Normalizing Commission, which enabled the CACM to survive between 1971 and 1972. In 1972-73 SIECA formed a special study group with the aid of foreign consultants to undertake the ambitious ten-volume Decade Study, El Desarrollo Integrado de Centroamérica en la Presente Década, a comprehensive analysis of the strengths and weaknesses of the integration movement which identified the changes needed to restore the momentum of the integration movement and promote the continued economic development of the region. Over 1974-75 SIECA prepared the first draft of the Tratado Marco which followed the guidance provided by the High Level Committee and set forth the framework for an Economic and Social Community, a document that, if adopted, would carry the process of integration considerably beyond the General Treaty. 1/

2.3 Need for Special Unit: The need for a special research unit able to address the fundamental long-term problems confronting the integration movement as well as development problems that cannot be effectively resolved on a national basis derives from two basic considerations. The first relates to the importance and degree of complexity of the problems encountered as integration proceeds. The second derives from the need to separate the research work on these major long-term problems from the day-to-day concerns of a bureaucracy charged with various operational responsibilities.

A. The Problems: The following examples will serve to illustrate the types of problems that have arisen in recent years and have become the subject of studies by the Unit.

(i) Distribution of Benefits from Integration: The countries of the CACM are at substantially different stages of development, with Honduras relatively less developed than the other four. Honduras has consistently claimed that the other countries were deriving most of the benefits from integration and these were obtained largely at its expense. As a result it demanded special privileges in the area of fiscal incentives, assignment of key enterprises under the Integration Industries System, a greater share of loans

1/ For further information, see SIECA, Proyecto de Tratado de la Comunidad Económica y Social Centroamericana, March 1976 and the analyses thereof prepared by ROCAP in CAPTO CIRCULAR A-12 of June 25, 1976, and CAPTO CIRCULAR A-11 of June 25, 1976, with attachment.

from CARIB, and special tariff protection for its industries. These demands, together with the reluctance of the other C.A. countries to make special concessions, became a continuing source of tension that threatened the integration movement. SIECA concluded that a carefully prepared study was needed that would measure the magnitude of benefits and costs resulting from integration, review the manner in which these benefits and costs were distributed by country, and explore alternative measures that might be considered to improve this distribution, resulting in a more balanced development of the region.

- (2) Distribution of Benefits Among Groups: A second major concern arose with respect to the distribution of the benefits from integration and from the region's economic growth among the various social and occupational groups. In particular, there was a strong suspicion that the growth rate of per capita income of some social and occupational groups, e.g. the rural poor including small farmers and landless peasants, was lagging behind that of the regional average. This has led SIECA, with ROCAP support, to focus on two major problems: unemployment and the lag in the growth of the agricultural sector. The Decade Study highlighted these problems, and in-depth attention to these two areas is currently being provided in studies of the Unit.
- (3) Costs and Benefits of Import Substitution: Another problem relates to the costs and benefits of an import substitution industrialization strategy. While this policy has made a significant contribution to the establishment of a manufacturing base and to the growth of value added by manufacturing, there is a growing concern that the region will have to change its orientation to favor the production of goods destined to be sold in extra-regional markets and to promote the establishment of industries for intermediate and capital goods. Either approach would call for a new set of policies particularly with respect to the common external tariff which currently, through high protection levels, provides special incentives for import substitution of finished consumer goods most likely at the expense of export promotion.

- B. The Special Efficiencies of a Special Unit: There is a clear need to separate research on major long-term problems from the day-to-day operating concerns at SIECA. The basic problems referred to above require much in-depth analysis, including the development of complex and sometimes sophisticated methodology, the collection of a voluminous amount of data and the study of research conducted elsewhere on similar problems. The personnel assigned to these tasks cannot be interrupted to address day-to-day problems without major costs to the research program.

Moreover, there are great advantages to keeping specialized personnel together after each assignment has been completed. SIECA's experience with the alternative procedure of constituting a special task force to deal with the specific problems has not been encouraging. As soon as the particular task was completed, members of the task force were dispersed and potential gains that could be derived from cross-fertilization and pooling of training and experience were lost. This occurred with the task force that SIECA assembled to conduct the Decade Study.

There is thus a strong case for a permanent research center that functions on a continuing basis. This form is conducive both to the assembly of experienced staff with complementary skills and to the development of a body of knowledge that can be made immediately available as needed. It is essential that the activity be under SIECA's supervision and a close and continuing relationship be maintained between SIECA's management and department heads on the one hand and members of the Unit on the other. This will ensure that the Unit is at all times responsive to SIECA's needs and a close and continuing interchange of information exists between SIECA's technical divisions and staff of the Unit.

- 2.4 Historical Background: A succinct summary of the background of the project was provided by Roberto Mayorga-Cortés, Secretary General of SIECA, in a report of a meeting of the Ministers of Economy of the five Central American countries in March 1973, at which he informed the Ministers of the proposed research program that SIECA was considering with The Brookings Institution. In his words:

"The Secretariat (informed the Ministers) that since the middle

of 1972, it has been exploring the advisability of contracting the services of a specialized institution in order to carry out some studies which, at the present time and considering its personnel and budgetary constraints, SIECA is unable to undertake exclusively on its own. Furthermore, the Secretariat indicated that three areas of particular regional importance have been identified and could be researched jointly with the Brookings Institution, an organization having high international prestige and vast experience. The specific research areas are: i) study of the costs and benefits derived by each country from the economic integration process; ii) a comparative analysis of the structure and the level of prices in the Central American countries, with particular reference to products traded intra-regionally; and iii) analysis of unemployment and under-employment problems in Central America, including possible conflict areas between policies designed to increase the rate of growth of production and those seeking to maximize employment opportunities.

"Taking into consideration the Secretariat's presentation, the meeting deemed appropriate to assign particular importance to the undertaking of the studies that SIECA proposes to carry out with the technical support of the Brookings Institution. The reaching of an agreement by SIECA on this matter, in a short-term, was considered of utmost importance."

SIECA's basic purpose in contracting with Brookings was twofold: to upgrade the Unit's technical capabilities to enable it to undertake in-depth studies on its own; and to get Brookings' assistance on urgently needed studies for the integration movement. The choice of Brookings was governed by its reputation as a policy-oriented research organization in contrast with the more academic orientation of other research institutions and the fact Brookings was coordinating 21 research institutes within the context of a program of Joint Studies on Latin American Economic Integration (ECIECI). Furthermore, Brookings wanted to develop ties with other integration agencies in order to enhance its own knowledge of integration problems.

SIECA and Brookings entered into a contract financed by AID/ROCAP in April 1973. The contract specified three studies to be undertaken jointly

in the first phase of the project: (1) Balanced Development within the CACM (assessment and distribution of costs and benefits); (2) A Comparative Analysis of the Structure and Level of Prices Among the Central American Countries; and (3) Unemployment and Underemployment in Central America. Thereafter, the contract was extended to finance continuation of these studies and as well to finance Brookings assistance to SIECA to (1) develop a methodology for identifying production activities having high potential comparative advantage within each Central American country relative to the other CACM members, and for the CACM as a whole in relation to the rest of the world (the Comparative Advantage study); (2) to carry out an input-output analysis and make producer price comparisons among the Central American countries; (3) to undertake a study on Agricultural Development in Central America which was to consider the coordination of basic grains policies in Central America, the most appropriate location for the cultivation of crops, the development of food production, including agro-industries, the possibility of increased agricultural exports to third countries, and was to formulate policy recommendations favoring the small farmer.

- 2.5 Technical Assistance Provided by Brookings: Brookings has provided SIECA with the technical assistance required for the development of the various studies. It has advised on the appropriate methodology and provided guidance at crucial points of the analyses. The studies were, generally, collaborative efforts between SIECA and Brookings. The mix of Brookings and SIECA participation has varied from project to project. In the case of the Benefit-Cost Study and the follow-up study on Comparative Advantage, the Brookings senior member, William Cline, has been the principal author of the final document, though the SIECA staff played a major role in developing the data base. In other studies SIECA played the main role in drafting the report with Brookings performing an advisory role throughout. It is expected that this latter pattern will generally prevail with the studies currently in process and with future studies contemplated as the Unit's Central American professional gain in experience and expertise.
- 2.6 Relationship with National Institutions: In carrying out its work, the Unit has established contacts with the national offices of the five Central American countries most closely involved in the collection and analysis of statistical information. These include the research departments of



the central banks, the government planning offices and the offices of statistics and census. This cooperation is reinforced by means of periodic meetings at which SIECA sets forth the nature of the studies to be done and the methodology to be used in each. The Unit receives feedback and at the same time considers the opinions and judgments of the participating institutions and adjusts its own plans to the needs and requirements of each. In this way a thread of common interest is established and the participation of each institution is assured. The collaboration of several national institutions in the price surveys and in the development of the input-output tables has been particularly notable.

2.7 Project Accomplishments to Date: This section describes the major studies completed, and summarizes the status of some of those currently under way (the latter are described in detail in Section 3.4, Project Outputs - The Studies).

A. Balanced Development within the Central American Common Market and Benefits and Costs of Economic Integration in Central America. Under this heading two complementary studies were completed. One prepared by Enrique Delgado of SIECA deals with the institutional evolution of the CACM and the principle of balanced development. It describes the evolution of the CACM starting with the bilateral free trade agreements of the early fifties. It throws light on the emerging conflict between those who favored integration through planning and those who conceived free trade as the main element of the CACM. Finally, it attempts to identify the relative levels of development of the five countries, the implications of the concept of balanced growth and the benefits of economic integration as they have been perceived by the main actors within the CACM.

A second study, by William Cline of Brookings, describes and quantifies the major welfare benefits and costs of integration, explains the methodology used, and estimates the magnitude of the net welfare benefits obtained by each Central American country. It discusses alternative ways in which a more even distribution of the benefits from integration can be achieved. For a detailed description of the methodology used and the

findings, see ROCAP CAPTO Circular A-02 of March 12, 1976.

- B. Unemployment and Underemployment in Central America: This study was divided into four major parts - manufacturing, construction, agriculture, and the analysis of the inter-relationship between employment and poverty.

The study dealing with the manufacturing sector was published in August 1976. The studies dealing with the relationship of unemployment and poverty and employment in the agriculture sector will be completed in April 1977; the others will be completed by June 1977.

- C. Price Comparison: The first phase of the study, the consumer price survey based on prices in the five Central American countries as of November 1973, was concluded in the first quarter of 1975. Surveys of producer prices are well underway, and it is expected that the surveys will be completed before the end of 1976. There are as yet no results from the survey of import prices. Information for Guatemala is expected in October 1976 and for the other countries in the course of 1977.

- D. Comparative Advantage: The purpose of this study is to determine the comparative advantage of each Central American country with respect to the others and for the region as a whole in relation to the rest of the world. The first phase of this study conducted by Brookings has been completed in its English version.

- E. Input-Output Tables: Work on the national input-output tables and on a regional model that would serve to standardize and link the various national models is in progress. A meeting at SIECA of the various country representatives working on input-output is scheduled for January 1977. Progress in this area is intimately linked to the development of data provided by the price studies.

The five projects briefly described above do not constitute a

complete list of accomplishments. Other studies in progress include the development of Macro-econometric Models and Agricultural Development. These will be discussed in Section 3.4, Project Outputs-The Studies.

- 2.8 Evaluation of the Unit: Two formal evaluations of the activities of the Unit have been undertaken, one in April 1976 by Constantine Michalopoulos (PPC/AID/W) and the other in July 1976 by a SIECA Evaluation Group consisting of department heads appointed by SIECA's Secretary General. In addition ROCAP's Economic Section analyzed, summarized and commented on the major studies produced by the Unit and attended seminars at which the Unit discussed methodology. The major findings of the two formal evaluations are summarized below:

- A. The Michalopoulos Evaluation: Michalopoulos finds that, thanks to the project, an institutional research and analytical capacity has been added to SIECA. He notes that the "staff is relatively young, well trained, enthusiastic and show significant initiative and promise to carry out the research tasks assigned." SIECA values Brookings' aid and credits it with providing useful overall technical advice.

Michalopoulos also assesses the studies on the basis of the technical competence displayed; their relevance to integration issues; and the extent to which the results have been disseminated widely to policy makers. He finds that "with respect to the criteria of technical competence... all four studies <sup>1/</sup>rank high". The Benefit-Cost study is seen as a significant contribution to the literature on integration and is of considerable relevance to the issues of current importance in the Common Market. The employment study was found to have

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<sup>1/</sup> Cost and Benefits from Integration, Demand for Labor in the Manufacturing Sector (First Phase of the Employment Study), Study of Comparative Consumer Prices, and an analysis of the institutional development of the CACM (drafted by Enrique Delgado, Head of the Special Studies Unit).

have obvious implications for the harmonization of wages, social benefits and capital costs. Michalopoulos did, however, express strong reservations about the relevance to the integration process of the studies on prices. ROCAP and the Unit disagree; the studies will provide essential inputs to a number of other studies.

Michalopoulos indicated that various interviews conducted in Central America suggested that the work of the Unit "is considered in some respects too theoretical to be of direct relevance to the integration process", though he notes that "several positive comments were made about the relevance of the cost/benefit and institutional studies".

He also found that the studies were not adequately disseminated. Many people in key positions had not seen them (this could be due to the fact that many of the studies had become available only very recently).

Michalopoulos feels that the Unit has devoted too much time to collecting data and conducting theoretical analysis. He recommends less emphasis on macro-economic models and consumer prices and the allocation of more resources to analyze income distribution and other welfare issues and to address specific sectoral or regional development problems, particularly in the context of rural development.

The mix of studies to be carried in the next three years, we think, satisfactorily responds to this recommendation. While it is true that the Unit will continue its modelling and price-related activities, substantial effort and resources will be devoted to "welfare" questions and specific development problems, notably in the agriculture sector. Further the Unit will place greater emphasis on the policy implications of its studies, thereby reducing the "theoretical" orientation of the Unit's research.

- B. SIECA's Internal Evaluation: The SIECA group found that all the studies undertaken by the Unit were important from the viewpoint of deriving significant policy guidelines for influencing

the process of economic and social integration in Central America. The Evaluation Group also found that a good beginning had been made in the process of strengthening the technical capacity of the Central Americans working in the Unit and of the professionals in the Central American governments with which joint studies were in progress. The evaluation noted with satisfaction that this was the first time that systematic studies of regional problems were being conducted, and it was imperative that such studies be continued and periodically updated.

The Evaluation Group also noted certain shortcomings. It found that: (1) there was a deficiency in communications and in the interchange of ideas between the personnel of the Unit and the rest of SIECA (in general, there was no clear realization that the Unit was an integral part of SIECA in all of its aspects); and (2) the topics for study were being selected without consultation with the various countries (consultation was deemed essential to ensure that the studies reflected the priorities of the governments and that their results would be utilized).

The Evaluation Group's recommendations included the following: (1) a person within the Unit be designated, to draw from the studies the major policy implications; (2) preference be given to the employment of Central Americans or at least to nationals of similar culture (i.e. Latins) and employing other professionals only when these have skills and knowledge superior to available Latin Americans; (3) a complete inventory of data collected so far by the Unit be compiled for the benefit of all divisions of SIECA; and (4) SIECA provide faster and more adequate administrative support to the Unit, e.g., in matters relating to the issuance of contracts and the processing of payment vouchers.

- C. Conclusion: Both the Michalopoulos evaluation and SIECA's internal evaluation stressed the usefulness of the studies, the importance of the problems these studies addressed and the need to continue and indeed to further strengthen SIECA's Special Research Unit. The evaluations noted certain areas

where improvements were called for but were strongly positive with respect to the Unit's major role and accomplishments. This conclusion corroborates ROCAP's assessment of the Unit.

2.9 Other AID/ROCAP Activities at SIECA:

- A. Institutional Assistance During the 1960's: ROCAP has collaborated with SIECA for over 15 years in the preparation and execution of economic integration programs in the region. Early collaboration concentrated on institution building, by providing support to employ SIECA's permanent staff of specialists involved in trade negotiation, treaty formulation, and monitoring of the gradual reduction of internal barriers to trade and the erection of a common external tariff. Technical advisory assistance was also provided in a lesser proportion to assist in studies of infrastructure, industry fiscal incentives, and in manpower training.
  
- B. Support for Agricultural Programs: In the mid-sixties SIECA established an Agriculture Division to deal with trade liberalization for those food commodities left out of the General Integration Treaty because of their special relationship to the rural producer and urban consumer sectors of the region. The main activity of the Division was the preparation and monitoring of a special Protocol on Basic Grains (The Limon Protocol) ratified by the Central American countries in 1965. With the stagnation of the CACM in the late 1960's and during the period of re-evaluation of the integration process in the early 1970's, SIECA turned to ROCAP for financial assistance in conducting Agriculture Studies which appeared to hold promise for cooperation among the five Central American countries in the decade ahead. Between 1972 and 1975 ROCAP provided SIECA with \$450,000 to conduct three agricultural studies: (1) Grains production costs and prices; (2) Grains price stabilization; and (3) Evaluation of opportunities for diversified agricultural production in the non-traditional commodities.

The Agriculture Studies themselves provided a departure from the traditional budget support relationship with SIECA. The

Secretariat devoted some of its own talent and resources to the studies, and ROCAP funds were used to finance short-term contracts with Central American consultants to assist in the effort.

Some slight increase in contributions by the Central American countries as well as support from other international institutions, particularly the Inter-American Development Bank, have helped maintain the regular staff of SIECA. ROCAP initiated its support of the agriculture studies program as the FAO terminated its Special Advisory Group (GAFICA), which had completed its projections of the CA food and agriculture situation in the 1970's.

- C. Regional Agriculture Trade and Cooperation Study: In November 1975, ROCAP entered into discussions with SIECA to contract a study of regional agriculture trade and cooperation opportunities designed to identify short-run options for immediate action that could enhance the integration process. In June of 1976 SIECA approved a scope of work and contracted prestigious professionals from each of the five Central American countries, a coordinator and a chief researcher to undertake the trade study.

Once the Regional Agriculture Trade and Cooperation Study ("INTAGRO 76") was underway, it began to capture the attention of high level officials in the Central American governments. The study participants have identified a number of different projects which could promote regional trade and cooperation, and a profile will be prepared for each. Upon its completion this year, the study will also provide a good picture of the evolution of regional agricultural trade and constraints to its expansion.

There is a clear relationship between the study and the longer term agricultural sector studies of the Unit. Should the five countries move toward increased trade and cooperation, the Unit's studies may be helpful in identifying problems and opportunities by facilitating a better understanding of the costs and benefits of agricultural integration.

### 3. PROJECT DESCRIPTION

#### 3.1 Sector and Project Goal and Project Purpose:

- A. Sector Goal: To achieve higher rates of economic and social development in Central America with increased opportunities for participation by the poor majority in the benefits emanating from regional development.

Project Goal: To support Central American efforts to build an integrated economic and social community in Central America.

- B. Project Purpose: To improve within SIECA the analysis capability that provides decision-makers in the region with policy options on matters affecting the economic and social integration of Central America with special emphasis on employment and the agriculture sector.

#### 3.2 Project Inputs: AID funds will support two inputs: Regional Research Training Assistance and Regional Research Operations.

- A. Regional Research Training Assistance: SIECA will enter into contracts with various U.S. institutions and/or experts to provide advice and guidance on the nature of the research activities selected, the methodology to be employed, and the formulation of policy options derived from the research results. However, the actual research including the development of models and the presentation of results will be done by Unit personnel. The consultants will participate in seminars to discuss the progress of the studies and methodology employed as well as advise Unit personnel on how the requirements of national institutions can be incorporated into the study. The technical assistance provided in the final year will be considerably less than that provided in the previous two years, due to the fact that methodologies will have been established, some of the studies will have been completed, and the Unit's capability will have expanded.

Although the previous project used only one contractor,



this project will broaden the advisory base by expanding the Unit's contact with U.S. institutions, e.g., the National Bureau of Economic Research and Iowa State University. Studies begun under the previous project and those which directly flow from these endeavors will continue to employ the same source of counsel to maintain the impetus. In order to introduce new methodology and expand the Unit's capability in research, new contracts will be established with institutions and/or experts that have expertise in the subject matter to be investigated.

- B. Regional Research Operations: AID funds will provide a share of the general support costs for the Unit. The proportion will decline from an estimated 65% at the beginning of the project to 27% at the end of CY 1979. The first year of project funding is approximately at the level of the last year of the previous project. During the first two years of the project SIECA plans to train personnel from national institutions to carry out the data collection and other research requirements that are currently being handled by the Unit staff. Once these personnel are trained, SIECA hopes the Unit would be able to accommodate reduction in its staff since less demanding research activities would be incorporated into the national institutions.

While a scaling down of the Unit is anticipated, a major reduction in its size is not a goal, of course. The expectation that the governments will be unable to fully finance the Unit, plus the possibility that other funding sources will not completely meet any shortfalls, makes it important to support SIECA's intentions to work with national institutions in the conduct of research of benefit to the entire region.

- 3.3 Description of the Unit: The Unit was established in July 1973 to conduct regional economic research in coordination with The Brookings Institution. Since its inception, Enrique Delgado, former Nicaraguan Minister of Finance and founder-President of CABEL, has provided exceptional leadership in directing the Unit. He is supported by a staff of experienced Central Americans, many who have received advanced degree training abroad.

The Unit consists of approximately 30 people who are divided into seven study groups. Under SIECA/Brookings auspices six study groups have been formed. Each is headed by a senior professional who is assigned according to his area of expertise and academic training. The senior professionals are supported by five junior professionals, two full-time programmers, eight research assistants three secretaries, and short-term employees as required. The seventh study group is a technical research team consisting of a project chief and two full-time economists who are financed by SIECA and IDB to perform a macroeconometric model study. A member of SIECA's data processing service is also assigned to the Unit.

The individual study groups are assigned specific study areas identified by the Secretariat. The senior professional directs the development of the study and supervises the subordinates assigned. The size and composition of each study group is dependent on the nature of the study, its stage of development and manpower requirements. Under the current ROCAP project, Brookings has assigned an advisor to work with each study group.

Equipment for a small data processing service has been financed by ROCAP and this service has been organized in SIECA. The Unit is the primary user of the service, which consists of a Hewlett Packard 2100 desk-top computer and IBM key-punch, card-reader and card-verifier support machines. The Unit also has access to computer centers such as the Guatemalan Statistics General Directorate, as well as the commercial services of IBM in Guatemala. Some materials acquired from other research centers have been adapted to the SIECA Hewlett Packard computer for use by the Unit. At the termination of the present Brookings contract in December, materials in its computer related to the Unit's activities will also be adapted for use by the Unit.

The Unit receives support from other departments and offices of SIECA. Statistical information and data collected by the Statistics and Data Processing Department is provided on request. The Departments of Physical Infrastructure, Tax and Customs, Industry, and Agriculture provide both direct and indirect support to the

Unit. Administrative matters for the Unit are handled by the Economic and Social Programs Department. The number of employees currently assigned to the Unit will gradually be reduced over the life of the project. On-the-job training by the Unit will be provided national institution personnel to expand the research role played by these institutions.

During the project period special emphasis will be placed on disseminating the research results through means other than the publication of studies. Such dissemination will occur in annual meetings which will evaluate and discuss the implications of the regional research activities and include the participation of the interested national offices, regional organizations, universities, and other training and research centers in Central America.

In summary, upon completion of the project, the Unit will have sufficient technical experience and reputation to assure the continuance of its activities even at a reduced level. Relationships will have been established with the national institutions charged with economic studies at the national level, with other regional integration organizations and with centers of research outside the region. The studies performed will have a wide audience and serve the needs of decision makers in the region.

3.4 Project Outputs--The Studies: This section describes the major studies that SIECA plans to carry out over the next two to three years. While ROCAP sees the usefulness of all these projects, of greatest interest are those studies that have important and direct implications for basic policy formulation or for the identification of significant and sound projects and programs. We would not be prepared to finance the technical assistance requirements of all the projects planned by the Unit, e.g. the development of macroeconometric models. The technical assistance requirement for this project in any event is being financed by the IDB. In the case of the input-output matrix, ROCAP will provide financing through June 1977, when the Guatemala Input-Output Table will be completed. On the other hand, ROCAP has a strong interest in the studies dealing with agricultural development, comparative advantage within the

region and between the region and the rest of the world, examination of alternative development strategies, and studies dealing with the various aspects of the unemployment problem.

- A. Unemployment and Underemployment in Central America. The following studies examine the seriousness of the employment and underemployment problem in each of the countries of the region, the impact that integration has had on labor absorption, and the impact of possible alternative government policies on employment generation. The studies explore the inter-relationship between employment and income distribution and considers the conflict that might exist between the goals of maximizing economic growth and employment opportunities.
- (1) Employment in Housing Construction in Guatemala: This study will quantify the direct and indirect effects of housing construction on employment, income, investment and the balance of payments. Housing construction is a sector that has received inadequate attention as a means of alleviating the unemployment problem. The Guatemalan study will serve as a model for similar studies to be carried out in other countries.
  - (2) Employment and the Utilization of Productive Capacity in Central American Industry: This study will develop recommendations that would promote an increase in demand for labor through the fuller utilization of existing productive capacity in manufacturing industry. Several authors have pointed to the existence of excess capacity in the LDCs and of opportunities for a more rational utilization of the labor force by adding shifts, modifying the relative price of the factors of production, and other measures.
  - (3) Analysis of Alternative Regional Development Policies on Income and Employment: This study would examine the likely effects on income and employment of policies such as promoting the increased mobility of labor and capital, the harmonization of salaries and the selection

of particular technologies taking into consideration sectorial differences in production and consumption patterns. It would follow an ongoing analysis led by Clark Reynolds of Brookings that explores the prevalence of unemployment and underemployment in the agricultural sector, the concentration of unemployment by country and region, and examines possible policy options to deal with it.

- B. Price Comparison: These studies collect information on consumer prices, prices received by producers and import prices in each of the Central American countries. This information is valuable both in terms of its direct policy implications and as a basis for other studies which would, in turn, provide useful guidelines for policy decisions. For example, the consumer price study would indicate the extent to which existing exchange rates reflect the purchasing power parity of the various Central American countries. It would thus be helpful in deciding whether current exchange rates are appropriate or the direction and degree to which they should be adjusted. The study will also throw light on inflationary trends and provide some assessment of the adequacy of monetary and fiscal policy. The data on producer prices would throw light on production costs and comparative advantage of the various countries in the region; the data will also be basic to the construction of input-output tables which in turn are essential to calculate the rates of effective protection provided by the common external tariff. The latter analysis is essential to provide a basis for the revision of the common external tariff.

The following studies will be undertaken:

- (1) Consumer Price Survey: SIECA will update its consumer price study of November 1973 with price data for November 1976. A consumer price survey is planned for March 1977.
- (2) Import Price Survey: SIECA will undertake a survey of import prices which, in comparison with internal producer and consumer prices, will indicate the region's competitive position with respect to the rest of the world and

will help determine the degree of protection offered by the tariff.

- (3) Producer Price Survey: SIECA will update its data on producer prices through a survey in March 1977. This will permit the plotting of price trends as well as provide a better basis for the determination of production costs and comparative advantage and provide essential elements for the construction of the Input-Output Tables and for the calculation of effective rates of tariff protection. The comparative advantage study and a revision of the common external tariff, which would favor import substitution, are expected to have significant implications for agricultural development in view of the region's favorable natural resource endowment.
  - (4) Effects of National Policy Decisions on Prices: The countries of the region have followed distinct tax policies. There are significant differences in the level of excise and general sales taxation on goods and services which have introduced artificial differences in the prices of the various products. These affect the competitive position of each country and provide incentives or disincentives to various activities. The study attempts to quantify the effects of such policies and arrive at a set of undistorted prices which will help identify actual areas of comparative advantage. This study would be the basis for recommendations to harmonize tax policies and remove the distortions.
- C. Agricultural Development: The first phase of this study is the development of an agricultural development model based on the Mexican (Chac) model and the Mexican experience with it. The model throws light on supply responses to the prices established for basic grains and to the availability and cost of various inputs. A model will be developed for each country as well as for the region as a whole. These models will help determine the most appropriate crop mix for each country and for regions within each country as well

as the optimum combination of inputs, appropriate prices, levels of production, and land tenure systems. This knowledge will be important in evaluating alternative agricultural policies in terms of their social benefits and costs.

- D. Comparative Advantage : The study is designed to determine the productive activities, both agricultural and industrial that can be assigned to the countries, taking into account comparative advantage based on resource endowment. To the extent possible, the fundamental objective of promoting balanced economic development among the countries and the various economic sectors will be considered. The determination of comparative advantage within the agricultural sector will be based on the Agricultural Development Study (C).
- E. Alternative Development Strategies Related to International Specialization: This study will analyze the implications of the development strategy followed by Central America so far, i.e. emphasis on import substitution in the manufacturing sector, as well as study future plans for the establishment of new industries producing industrial raw materials and capital goods. Continuing the trend of orienting economic development toward the internal market will be contrasted with the opportunities provided by developing industries whose main markets lie outside of the Central American Common Market. The benefits and costs of each pattern of development will be assessed. Significant policy implications will result as each method will require a different combination of tariff measures, credit and fiscal policies and institutional arrangements. This analysis will draw heavily on both the Agricultural Development and Comparative Advantage studies (C and D). It is expected that these will indicate the advantages (and the need) of reorienting the region's development strategy toward the production and export to the rest of the world of agricultural based products in which the region has an obvious comparative advantage.
- F. Development of Social Progress Indicators: The restructuring

of the Common Market has as one of its fundamental objectives the improvement of living standards, a more equitable distribution of income and a greater participation of the poor in the process of development. To formulate effective programs in these areas, indicators should be devised to measure changes that take place through time. These would serve to identify the geographic regions and social and economic groups that are mostly in need of assistance and provide a basis for judging the relative efficacy of various types of projects and programs. It is anticipated that TAB will work closely with the Unit on the study and provide substantial technical assistance. The MDCC is particularly interested in this activity.

- G. Other projects of somewhat lesser interest to ROCAP but also on the proposed SIECA list of studies include the following:
- (1) Input-Output Tables: The linking of the national matrices into a regional model is being developed. These input-output tables constitute a tool that would help to identify bottlenecks to Central American development, assist in the planning task, and determine effective rates of protection resulting from the common external tariff. Such a regional table would enable analysts to estimate the various indirect effects of major investment projects, increasing government expenditures and changing levels of taxation. Moreover, an input-output table would facilitate the determination of what country has a comparative advantage in a particular line of economic activity.
  - (2) Macroeconometric Models: The Unit with the collaboration of the IDB has begun the development of macroeconomic models for the Central American countries. These national models will be linked by SIECA into a regional model. The models will be used to predict through simulation the effect on the economy of each country of alternative policies, such as changes in



the level of government expenditures and taxation, impact of major investment projects, etc.

- (3) Linkages Between Input-Output and Macroeconometric Models: SIECA plans to line the regional macro-econometric model with the input-output matrix. The macro-econometric model will show the broad macro-effects of alternative policies, while the input-output matrix would be useful in tracing the effect of given economic policies on particular sectors and subsectors. The integration of these two models will provide SIECA with a useful tool to assess the effects of particular economic measures in all of their ramifications, and would thus constitute an important planning tool.

- 3.5 End of Project Status: At the end of the project SIECA will have achieved a technical and institutional capacity to perform new economic, social and agricultural research in areas basic to the development of the Central American region. Several important policy-related economic, social and agriculture studies will have been completed and disseminated and these studies will provide decision-makers in the region with policy options on matters affecting the economic, social and agriculture integration of Central America. The Unit of SIECA will be a competent team of Central American professionals meeting the increasing research requirements for the new economic and social integration plan of Central America under the Tratado Marco.

Cooperative relationships previously established with national institutions most directly interested in study materials and economic planning (departments of economic studies of the central banks, national offices of planning and general directorates of statistics) will be expanded to provide for the gradual involvement of technical personnel from these national institutions into the research being conducted by the Unit. The gradual integration of such personnel will provide a practical approach to increasing regional participation in the technical research, expanding relationships and responsibility for the implementation of the studies, and will contribute to the adoption of common

analytical methods in the five Central American countries. The Unit will be the focal point where such methodology is generated and where the analytical programs and statistical data of the region are coordinated.

During 1977 with the existing base of experience, the Unit will continue the coordination process and expand its area of influence so that upon completion of the project a network of relationships will have been established which can then include other national institutions. This network will permit coordination with other regional integration organizations so that the research analysis plans and activities of CABEL, INCAP, ICAITI, etc., are drawn upon in the design and conduct of the studies. In this way, duplication of effort will be reduced and the utility of the studies will be enhanced.

The completed studies of 1975 under the SIECA/Brookings project will be published in English by Brookings in 1977. Brookings will also publish a second volume containing the studies completed in 1976 and at the beginning of 1977. These volumes will be published in Spanish as will the studies to be performed under this project.

- 3.6 Implementation Plan: The research topics identified for this project were selected on the basis of consultations with the countries and participating institutions and approved by the Secretary General of SIECA. This selection process will continue throughout the life of the project. These topics affect policy options in the economic development of the region and the integration process and the national institutions see them as responsive to their particular needs as well. These studies are described in Section 3.4, Project Outputs--The Studies. The attached table, Studies Planned 1976-1979, lists all the studies to be carried out by the Unit with proposed beginning and completion dates and sources of technical assistance and financing. These actions are also described in the Project Performance Tracking Network, Annex B, and in addition ROCAP has prepared a PERT that tracks in considerable detail actions for the life of the project. The studies under this project will be published in Spanish using well known Latin American

publishing firms.

During the project the Unit will make special efforts to disseminate the research results and consequent alternatives for policy decisions not only through publication of the results and methodology employed but also via discussions of policy implications. Periodic meetings will be held by the Unit to discuss with pertinent national institutions the methodology used and to incorporate comments to adjust to the needs of these institutions. A yearly evaluation meeting will be sponsored by the Unit to discuss all studies regardless of their stage of development and to present the participants with completed studies. Such annual reviews will permit the refinement of on-going studies to meet current needs and will keep decision-makers in the region informed of tentative results.

Several U.S. institutions and/or experts under contract will provide technical assistance in analytical methods and guidance in the conduct of the studies. Each study will have an advisor assigned to perform the required technical assistance. Costs of the regional research technical assistance are identified in Table 1, Summary Cost Estimate and Financial Plan, of Section 4.4. Using the existing organizational base, the U.S. contractors will advise the study group rather than actually perform the studies themselves.

Studies Planned 1976-1979

<u>Study</u>	<u>Beginning Date</u>	<u>Completion Date</u>	<u>Technical Assistance Institution</u>	<u>Financing Institution</u>
Unemployment and Underemployment in Central America				
a. Employment and Poverty	Continuing	April 1977	National Bureau of Economic Research (NBER)	ROCAP
b. Agriculture Sector	Continuing	April 1977		ROCAP
c. Employment in Housing Construction in Guatemala	Continuing	June 1977	NBER and Michigan State	POCAP
d. Employment and Utilization of Productive Capacity in Central American Industry	July 1977	June 1979	Center for Latin American Development Studies, Boston University (CLADS)	POCAP
Analysis of Alternative Regional Development Policies on Income and Employment	July 1977	October 1979	NBER	ROCAP
Price Comparison	Continuing	September 1978	Brookings	ROCAP
Effects of National Policy Decisions on Prices	January 1977	April 1978	Brookings	ROCAP
Agricultural Development Models	Continuing	March 1978	Brookings and IBRD	POCAP and IBRD
Analysis of Various Alternative Policies for the Agriculture Sector	April 1978	April 1979	Iowa State University	POCAP and IBRD

<u>Study</u>	<u>Beginning Date</u>	<u>Completion Date</u>	<u>Technical Assistance Institution</u>	<u>Financing Institution</u>
Production Activities among Central American Countries (by sector and geographic regions)	March 1978	October 1979		POCAP
Comparative Advantage	July 1978	October 1979	CLADS	POCAP
Alternative Development Strategies Related to International Specialization	March 1978	October 1979		POCAP
Development of Social Progress Indicators	January 1977	October 1978	TAB, AID/W Boston University	TAB, AID/W
Input/Output Tables				
a. Guatemala				
b. Other Countries	Continuing	June 1977	Brookings Institute of International Applied Economics, Concordia University (IIAE) IIAE	ROCAP Canadian International Development Agency (CIDA) CIDA
c. Central American Model				
Macroeconometric Models	Continuing	March 1979	Pennsylvania University	IDB
Linkages Between Input/Output and Macroeconometric Models	July 1977	June 1979	IIAE	CIDA

#### 4. PROJECT ANALYSIS

- 4.1 Institutional Analysis: The basic purpose for creating the Unit in SIECA was to provide that organization with the necessary analytical capacity to perform in-depth studies in areas identified during the development of the Decade Study. The Secretary General of SIECA planned to convert the Unit into a regional center of economic studies under the SIECA umbrella charged with research in areas critical for the development of the region and for the integration process.<sup>1/</sup>

The Unit has not achieved the autonomy suggested by the concept of a center. SIECA's current thinking is to retain close links to the Unit; coordination with the other divisions of SIECA and their activities is seen as particularly important.

SIECA proposes to contract two or more Central Americans with experience in the integration process and organizational development to advise SIECA on the Unit's role in the foreseeable future given the present institutional organization and the probable reorganization resulting from the Tratado Marco. The experts will advise SIECA on institutionalizing the Unit within the current and proposed regional framework and what decisions and/or procedures are most appropriate for continuing the Unit's work. As discussed in Section 2.3, Need for Special Unit, there are important reasons why the Unit should retain a degree of independence in the SIECA framework.

ROCAP is satisfied that the Unit will continue to play a vital role under the new integration scheme, whatever the outcome of this institutional study. We believe SIECA or its successor organization will continue to provide the Unit with the necessary support.

- 4.2 Role of Women in Development: ROCAP has stressed to the Unit's Director the need to ensure that the research and analysis efforts

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<sup>1/</sup> The Unit is described in detail in Section 3.3., Description of the Unit.

of the Unit give due consideration to the role of women in development. Wherever possible, the studies should take into account the significance of discriminations against or opportunities for women. The Social Progress Indicators sub-project should attempt to identify appropriate indicators for this purpose.

Further, SIECA as an institution is aware of AID's concern regarding the role of women. Within the Unit employment is based on the level of academic training with no discrimination as to sex. Currently 20% of the staff is female, including three professionals. Promotion policies are based on levels of higher education with all employees having obtained economic degrees beyond the bachelor level.

4.3 Environmental Impact: The Unit provides regional decision-makers with policy options on matters affecting the economic and social integration of Central America. The outputs of this activity include preparation of analyses of priority problems facing the Central American integration movement. While the eventual policy choices which flow from the analyses and recommendations of the Unit may lead to programs and projects which themselves may have an environmental impact, it is obviously premature to speculate now about these impacts.

4.4 Financial Analysis:

A. ROCAP Funding: Life-of-Project AID funding is estimated at \$980,000. As reflected in the Summary Cost Estimate and Financial Plan (Table 1), this funding is split between the two project specific inputs, with 24.1% relating to Regional Research Training Assistance and the remaining 75.9% identified with Regional Research Operations. AID funding for the 36-month project life is programmed as follows:

<u>Calendar Year</u>	<u>Funding Requirement (000's Omitted)</u>
1977	\$ 417.8
1978	387.1
1979	<u>175.1</u>
	\$ 980.0

The declining AID monetary inputs will hopefully be offset by increased inputs from SIECA and other donors in the last twelve months of the project (see Table 3, Detailed Budget).

- B. SIECA Contributions: SIECA has indicated that it will increase its support of the Unit proportionate to any increase in member country contributions. Since SIECA's only major source of income which is not tied to specific programs is the member countries' annual quotas, these contributions must support the project. The historical growth of these quotas is shown in the table below:

<u>Year</u>	<u>Members' Quotas</u>
1967	500.0
1968	600.0
1969	750.0
1970	900.0
1971	900.0
1972	900.0
1973	900.0
1974	900.0
1975	1,250.0

The \$350,000 increase in contributions to SIECA in 1975 was in response to a financial crisis attributable to (1) rising costs due to inflation ; (2) the absorption of personnel costs formerly met by IDB, UNIDO, CABEI and ROCAP; and (3) increased program demands generated by the High Level Committee as well as those relating to specific problems, e.g., the oil crisis. SIECA has been successful in making this \$350,000 a permanent increase. It is unlikely that an increase of such magnitude will be repeated absent considerable progress in the integration movement, i.e., acceptance of the Tratado Marco. The SIECA Financial Projections (Table 5) do reflect increases of \$50,000 per country in 1977, \$25,000 in 1978, and \$33,000 in 1979. While these increases are items for negotiation, the historical record of member countries' donations would tend to support such increases though they are not assured. During the period



1967-1974, increases averaged 11.4% per year or 80% for the seven-year period. The projected average annual increase for the life of the project is 10.8%.

It should be noted that SIECA is by far the largest recipient of Central American government contributions to the integration institutions. In 1975 SIECA received \$1,250,000 out of the \$2,325,281 total (or 54%) contributed by the Central American governments to all such institutions.

If the total projected activity of the Unit is considered (including studies ROCAP will not be supporting), the Unit will have an unfunded portion of its 1979 budget of \$176,274. If sources are not found to meet this shortfall, research activities will be scaled down; fewer studies would be completed. However, the studies will be designed in such a way that funding could be diverted from proposed new studies in the second year to finish ongoing studies, with priority to ROCAP supported activities, and thus reduce the number of partially completed studies (see PPT, Annex B). A project review in mid-1978 will be used to determine funding requirements and if sufficient funding for 1979 cannot be counted on, the project will be adjusted to allow for completion of ongoing studies. Funding might come from a proportional share of increases in SIECA's internal resources or from other donors. SIECA will make every effort to locate additional funding for the project and understands that AID will not provide any additional resources to this project.

Tables 4 and 5 are combined audited Balance Sheets and Income Statements of SIECA for the years 1973, 1974 and 1975, along with projections of operating results for the years 1975-1979. The Balance Sheet reflects a recent history of debt financing and a net worth of (\$33,813) at December 31, 1975. This normally would be an indicator of serious financial difficulties. However, in this case, over 97% of SIECA's liabilities consists of a \$500,000 note to CABEI and \$392,238 in Employee Benefit Funds held in trust. The note has an unpaid balance of \$300,000. While the note is short term, SIECA should be able to renew it at maturity with virtually no difficulty.

TABLE 1

SUMMARY COST ESTIMATE AND FINANCIAL PLAN  
(In US \$000's)

PROJECT PAPER

SOURCE	AID			SIECA LC	OTHER			TOTAL
	FX	LC	TOTAL		FX	LC	TOTAL	
Regional Research Training Assistance	\$ 235.7		\$ 235.7		\$ 187.2		\$ 187.2	\$ 422.9
Regional Research Operations		\$ 744.3	744.3	\$ 352.6		\$ 343.1 <sup>1/</sup>	343.1	1,440.0
TOTAL	\$ 235.7	\$ 744.3	\$ 980.0	\$ 352.6	\$ 187.2	\$ 343.1	\$ 530.3	\$1,862.9

<sup>1/</sup> Includes \$176,274 of unidentified sources of funds. Fund Sources to be identified not later than Mid-1978

COSTING OF PROJECT INPUTS  
(In US \$000s)  
PROJECT PAPER

New            X  
Rev No.           

Project No. 596-11-755-040  
Title: SIECA Institutional Assistance

PROJECT SPECIFIC INPUTS	FY 1977	FY 1978	FY 1979	FY 1980	TOTAL
AID Appropriated:					
Regional Research Training Assistance	\$ 69.9	\$ 91.9	\$ 59.9	\$ 14.0	\$235.7
Regional Research Operations	<u>261.1</u>	<u>286.3</u>	<u>188.0</u>	<u>8.9</u>	<u>744.3</u>
TOTAL	<u>\$331.0</u>	<u>\$378.2</u>	<u>\$247.9</u>	<u>\$ 22.9</u>	<u>\$980.0</u>
SIECA					
Regional Research Training Assistance	-.-	-.-	-.-	-.-	-.-
Regional Research Operations	<u>\$ 85.8</u>	<u>\$117.3</u>	<u>\$ 119.5</u>	<u>\$ 30.0</u>	<u>\$352.6</u>
TOTAL	<u>\$ 85.8</u>	<u>\$117.3</u>	<u>\$119.5</u>	<u>\$ 30.0</u>	<u>\$352.6</u>
Other Donors:					
Regional Research Training Assistance	\$ 71.0	\$ 81.4	\$ 30.9	\$ 3.9	\$187.2
Regional Research Operations	<u>51.5</u>	<u>68.7</u>	<u>171.4</u>	<u>51.5</u>	<u>343.1<sup>1/</sup></u>
TOTAL	<u>\$122.5</u>	<u>\$150.1</u>	<u>\$202.3</u>	<u>\$ 55.4</u>	<u>\$530.3</u>
TOTAL					
Regional Research Training Assistance	\$140.9	\$173.3	\$ 90.8	\$ 17.9	\$ 422.9
Regional Research Operations	<u>398.4</u>	<u>472.3</u>	<u>478.9</u>	<u>90.4</u>	<u>1,440.0</u>
TOTAL	<u>\$539.3</u>	<u>\$645.6</u>	<u>\$569.7</u>	<u>\$108.3</u>	<u>\$1,862.9</u>

<sup>1/</sup> Includes \$132,205 in FY 1979 and \$44,069 in FY 1980 of unidentified resources. Fund Sources to be identified not later than Mid-1978.

SIECA INSTITUTIONAL ASSISTANCE  
ESTIMATED PROJECT COSTS BY SOURCE OF FUNDING  
CY's 1977-1979

TABLE 3

	CY 1977					CY 1978					CY 1979					All Years					
	Project Cost		Source of Funds			Project Cost		Source of Funds			Project Cost		Source of Funds			Project Cost		Source of Funds			
	Local	Technical Assistance	NOCAP	SIECA <sup>1/</sup>	Other	Local	Technical Assistance	NOCAP	SIECA <sup>1/</sup>	Other	Local	Technical Assistance	NOCAP	SIECA <sup>1/</sup>	Other	Local	Technical Assistance	Total	NOCAP	SIECA <sup>1/</sup>	Other
1. Unemployment & Underemployment in Central America	\$ 27,762	\$ 19,920	\$ 47,368	\$ --	\$ --	\$ 20,312	\$ 7,128	\$ 27,440	\$ --	\$ --	\$ 14,340	\$ 3,850	\$ 17,378	\$ --	\$ 1,011 <sup>2/</sup>	\$ 72,617	\$ 30,481	\$ 100,086	\$ 100,087	\$ --	\$ 1,011
2. Analysis of Alternative Regional Development Policies on Income and Employment	9,666	--	9,666	--	--	13,278	5,297	18,675	--	--	43,729	14,897	38,812	--	23,824 <sup>2/</sup>	66,783	19,894	86,677	63,833	--	22,834
3. Price Comparisons	26,602	19,728	46,330	--	--	8,328	8,433	13,761	--	--	8,900	--	2,116	--	3,794 <sup>2/</sup>	28,820	28,181	67,991	64,207	--	3,784
4. Effects of National Policy Decisions on Prices	6,807	-9,130	11,637	--	--	6,264	8,148	11,412	--	--	2,850	--	914	--	1,636 <sup>2/</sup>	13,321	10,378	23,699	23,963	--	1,636
5. Agriculture Development Models	78,681	59,400	101,821	--	63,360 <sup>2/</sup>	20,304	63,158	39,782	--	43,700 <sup>2/</sup>	--	--	--	--	--	90,983	154,858	250,343	141,843	--	108,960
6. Analysis of Various Alternatives of Policies for the Agric. Sector	--	--	--	--	--	21,023	13,276	23,308	--	--	21,137	--	7,886	--	12,671 <sup>2/</sup>	42,190	13,276	54,466	40,893	--	13,571
7. Production Activities Among C.A. Countries (by Sector and Geographic Regions)	--	--	--	--	--	19,430	7,128	26,548	--	--	42,029	14,443	34,889	--	21,782 <sup>2/</sup>	61,449	21,571	83,020	61,237	--	21,783
8. Cooperative Advantages	--	--	--	--	--	12,618	11,883	24,501	--	--	18,950	7,750	17,323	--	9,372 <sup>2/</sup>	21,548	19,333	50,901	41,523	--	9,373
9. Alternative Development Strategies Related to International Specialization	--	--	--	--	--	19,758	7,128	26,886	--	--	24,777	14,442	33,090	--	17,120 <sup>2/</sup>	64,538	21,571	78,108	66,978	--	17,130
10. Development of Social Progress Indicators	13,292	10,583	23,863	--	--	13,823	7,128	21,080	--	--	--	--	--	--	--	27,334	17,721	45,045	45,045	--	--
11. Input-Output Tables	21,600	8,838	30,438	--	--	--	--	--	--	--	--	--	--	--	--	21,600	8,838	30,438	30,438	--	--
12. Macroeconomic Models	22,320	21,200	--	24,700	90,100 <sup>2/</sup>	22,320	21,200	--	24,700 <sup>2/</sup>	90,100 <sup>2/</sup>	47,400	15,850	--	18,000 <sup>2/</sup>	45,000 <sup>2/</sup>	228,400	78,250	318,650	--	91,400	228,250
Total Direct Cost	\$ 278,713	\$ 184,492	\$ 273,145	\$ 34,700	\$ 153,260	\$ 237,847	\$ 147,707	\$ 253,054	\$ 24,700	\$ 133,800	\$ 221,042	\$ 70,723	\$ 147,608	\$ 18,000	\$ 126,187	\$ 747,802	\$ 422,823	\$ 1,190,334	\$ 873,607	\$ 91,400	\$ 425,327
Indirect Costs	134,600	--	144,700	--	9,900 <sup>2/</sup>	143,900	--	134,000	--	9,900 <sup>2/</sup>	112,650	--	27,495	--	85,137 <sup>2/</sup>	411,150	--	411,150	308,193	--	104,957
SIECA Contribution	77,700	--	--	77,700	--	81,300	--	81,300	--	81,300	102,000	--	--	102,000	85,137 <sup>2/</sup>	281,200	--	281,200	--	281,200	--
Total Project Cost	\$ 411,013	\$ 184,492	\$ 417,845	\$ 114,400	\$ 163,260	\$ 422,247	\$ 147,707	\$ 287,054	\$ 114,200	\$ 144,200	\$ 414,442	\$ 70,723	\$ 172,103	\$ 120,000	\$ 221,324	\$ 1,139,952	\$ 422,823	\$ 1,282,834	\$ 980,000	\$ 212,400	\$ 530,284

NOTES

- 1/ SIECA's Contribution to total project cost (Direct and Indirect).
- 2/ Estimated Contribution by the World Bank for Technical Assistance only.
- 3/ IDB Contribution.
- 4/ Expected IDB Contribution and SIECA Counterpart.
- 5/ Fund Sources to be identified not later than Mid-1979. Figures represent unfunded project costs in the total amount of \$176,274.

SIECA  
BALANCE SHEET  
As of 12/31/73, 12/31/74 and 12/31/75  
(In 000's of US \$)

TABLE 4

<u>ASSETS</u>	<u>1973</u>		<u>1974</u>		<u>1975</u>	
<u>CURRENT ASSETS</u>						
Cash in Banks	\$	306.2	\$	226.7	\$	280.7
Accounts Receivable, Central American Governments		180.0		247.5		355.0
Accounts Receivable, International Organizations		77.1		31.6		44.4
Deferred Charges		13.6		11.9		29.7
Other Receivables		<u>41.8</u>		<u>54.9</u>		<u>71.4</u>
		\$ 618.7		\$ 572.6		\$ 781.2
<u>FIXED ASSETS (NET OF DEPRECIATION)</u>						
Vehicles and Equipment	\$	82.7	\$	90.2	\$	79.1
Buildings		<u>28.7</u>		<u>26.3</u>		<u>23.8</u>
		\$ 111.4		\$ 116.5		\$ 102.9
TOTAL ASSETS		<u>\$ 730.1</u>		<u>\$ 689.1</u>		<u>\$ 884.1</u>
<u>LIABILITIES AND EQUITY</u>						
<u>CURRENT LIABILITIES</u>						
Accounts Payable	\$	15.3	\$	237.6	\$	20.7
Notes Payable		<u>-.-</u>		<u>-.-</u>		<u>500.0</u>
		\$ 15.3		\$ 237.6		\$ 520.7
<u>DEFERRED INCOME</u>						
		\$ 13.4		\$ 5.0		\$ 5.0
<u>LONG TERM LIABILITIES</u>						
Employee Benefit Fund		<u>\$ 277.8</u>		<u>\$ 328.5</u>		<u>\$ 392.2</u> <sup>1/</sup>
TOTAL LIABILITIES		\$ 306.5		\$ 571.1		\$ 917.9
<u>EQUITY</u>						
Paid-in-Capital	\$	111.4	\$	116.4		102.9
General Reserve		<u>312.2</u>		<u>1.6</u>		<u>(136.7)</u>
		\$ 423.6		\$ 118.0		\$ ( 33.8)
TOTAL LIABILITIES & EQUITY		<u>\$ 730.1</u>		<u>\$ 689.1</u>		<u>\$ 884.1</u>

<sup>1/</sup> At 12/31/75 the composition of assets held by SIECA reflected by this liability were cash \$236.5 and Accounts Receivable SIECA Cooperative \$50.2. The remaining \$105.5 was used by SIECA to pay current operating costs. Since these costs are ultimately transferred to the equity section of the Balance Sheet, the net result is a reduction in the Institution's net worth.

SIECA  
STATEMENT OF INCOME AND EXPENDITURES  
FOR FISCAL YEARS ENDING 12/31/73-75 (ACTUAL) AND 12/31/76-79 (PROJECTED)  
(US \$ 000's)

TABLE 5  
Page 1 of 2

INCOME	1973	1974	1975	1976	1977	1978	1979
<u>Internal Resources:</u>							
C.A. Gov'ts. Contributions	\$ 900.0	\$ 900.0	\$ 1,250.0	\$ 1,250.0	\$ 1,500.0	\$ 1,500.0	\$ 1,500.0
C.A. Gov'ts. Contributions (to be negotiated)	--	--	--	--	--	125.0	290.0 <sup>1/</sup>
Other Income	10.5	11.5	21.9	20.0	25.0	25.0	25.0
Sub-Total - SIECA Internal Res.	\$ 910.5	\$ 911.5	\$ 1,271.9	\$ 1,270.0	\$ 1,525.0	\$ 1,650.0	\$ 1,815.0
<u>External Resources:</u>							
ROCAP Projects	\$ 240.3	\$ 506.1	\$ 393.1	\$ 319.0			
IDB Projects	68.8	15.3	126.5	101.9			
OAS Projects	72.0	122.1	113.1	20.6			
Other External Resources	154.0	134.1	140.7	104.4			
Sub-Total External Proj.Asst.	\$ 535.1	\$ 777.6	\$ 773.4	\$ 545.9	--- 2/	--- 2/	--- 2/
GROSS INCOME	\$1,445.6	\$ 1,689.1	\$ 2,045.3	\$ 1,815.9	\$ 1,525.0	\$ 1,650.0	\$ 1,815.0
<u>EXPENDITURES</u>							
<u>Operating Expenses:</u>							
Salaries and Overtime	\$ 682.4	\$ 758.4	\$ 852.3	\$ 905.5	\$ 937.5	\$ 1,031.3	\$ 1,134.5
Temporary Contracts	23.1	27.9	23.1	11.5	22.5	24.7	27.2
Employee Benefits	137.6	144.7	166.2	168.5	178.5	196.3	216.0
Travel and Per Diem	77.1	71.1	80.0	45.6	73.5	80.8	88.9
Moving and Installation Exp.	11.8	5.7	4.4	0.4	4.5	4.9	5.5
Representation Expenses	14.1	7.4	9.5	3.9	7.5	8.3	9.0
Materials & Supplies	13.5	9.5	7.4	12.6	10.5	11.6	12.7
General Services	133.4	195.4	240.3	218.2	243.0	267.3	294.0
Miscellaneous Expenses	1.0	20.6	26.9	14.4	22.5	24.8	27.2
Sub-Total - SIECA Oper. Exp.	\$1,094.0	\$ 1,240.7	\$ 1,410.1	\$ 1,380.6 <sup>3/</sup>	\$ 1,500.0 <sup>4/</sup>	\$ 1,650.0 <sup>4/</sup>	\$ 1,815.0 <sup>4/</sup>
<u>Special Project Expenses:</u>							
ROCAP Projects	\$ 240.3	\$ 506.1	\$ 393.1	\$ 319.0			
IDB Projects	68.8	15.3	126.5	101.9			
OAS Projects	72.0	122.1	113.1	20.6			
Other Intern't'l & Govt. Projects	154.0	134.1	140.7	104.4			
Sub-Total External Projects	\$ 535.1	\$ 777.6	\$ 773.4	\$ 545.9	--- 2/	--- 2/	--- 2/
TOTAL EXPENDITURES	\$1,629.1	\$ 2,018.3	\$ 2,183.5	\$ 1,926.5	\$ 1,500.0	\$ 1,650.0	\$ 1,815.0
NET INCOME (LOSS)	\$ (183.5)	\$ (329.2)	\$ (138.2)	\$ (110.6)	\$ 25.0	\$ --	\$ --

See Notes on following page.

SIECA  
STATEMENT OF INCOME AND EXPENDITURES

NOTES

- 1/ For 1978-1979 increased contributions must be negotiated to cover anticipated increased costs.
- 2/ External Project Assistance has not been projected for fiscal years 1977-1979. However, all revenue for such projects will be offset by their associated costs and no additional income or loss will be incurred by SIECA.
- 3/ 1976 total expenses are projected at a lower level than 1975 due to funding limitations agreed upon by the C.A. Governments.
- 4/ Expenses for 1977-1979 are based on actual costs for 1974-75 and 6 months of 1976 using a 10% incremental increase each year.

5. PROJECT EVALUATION PROCEDURES

This project shall be continuously evaluated. Evaluation will focus on the quality of studies, their utility, their dissemination and their use. In addition, the nature and the quality of support SIECA lends to the Unit in terms of increasing financial resources as well as in terms of access to and consultation with other SIECA leadership will be closely followed. Evaluation will be conducted as follows:

A. By SIECA:

1. As each study progresses, and upon conclusion, the work plan, conclusions and recommendations will be reviewed by the consultants financed under the project. Their comments on the completed studies shall be made available to SIECA leadership and to ROCAP with the comments of the Director of the Unit.
2. On a semi-annual basis the entire output of the Unit shall be reviewed by an Evaluation Commission, composed of four senior SIECA personnel not associated with the Unit. This commission is identical to that which conducted SIECA's review of the first three years of this activity. The results of these evaluations will be submitted to the Director General of SIECA and to ROCAP.

B. By ROCAP:

1. Studies: With regard to studies produced by the Unit and financed herein, upon completion of a study ROCAP will conduct an in-house technical review which will assess the quality of methodology, manner of presentation and potential impact. The results of these reviews will be submitted to SIECA for comment, incorporated into ROCAP's annual project evaluations and submitted to AID/W if of sufficient interest.
2. SIECA Support: Since SIECA's ability to replace U.S. resources with other funds in order for SIECA to conduct



economic research at projected levels is a critical issue, ROCAP will pay particularly close attention to the financial aspects of this activity. Although regular project monitoring will concern itself with the quality of support the Unit receives, ROCAP's annual evaluations will review in detail the financial resources the Unit is receiving and is likely to receive, and the effect resources available have on the continuity of Unit personnel.

3. Impact: As part of regular project monitoring ROCAP will pay particular attention to the impact which completed studies have within SIECA, other regional institutions and within the Central American nations themselves. How far these studies go in proving their utility will be examined in the annual evaluations with the help of Central American USMID or economic officers, where appropriate. This subject will also be dealt with in the annual joint evaluations, discussed below.
  4. Final Evaluation: As the activity nears final disbursement ROCAP will conduct a major evaluation, covering the foregoing subject matter, but designed to review the cumulative results SIECA research has produced and the impact the research has had, and to present likely areas which SIECA may wish to examine in future activities. We see this final evaluation as a joint effort between SIECA, ROCAP, project technical advisors and a consultant previously unassociated with this activity.
- C. Joint Evaluations: During the first three years of this activity three meetings were held with representatives of those Central American institutions most closely associated with this activity, viz. the national planning offices, the Central Bank economic study offices and the national statistic offices. These meetings reviewed the Unit's work and its impact and discussed objectives of future research. These annual meetings will continue and will be held with ROCAP participation as well as that of other international institutions associated with the Unit. A final report of these meetings, prepared by SIECA, will be submitted to ROCAP.

- D. Timing: To benefit from professional interchange, and to minimize disruption caused by consultant review of work in progress, ROCAP and SIECA will coordinate their evaluations. Reviews of completed studies, for example, can be coordinated without major inconvenience. ROCAP's annual review, and the proposed annual joint Central American evaluation should also mesh well. Alternatively, ROCAP's annual review may be coordinated with the annual internal review conducted by the Evaluation Commission.

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

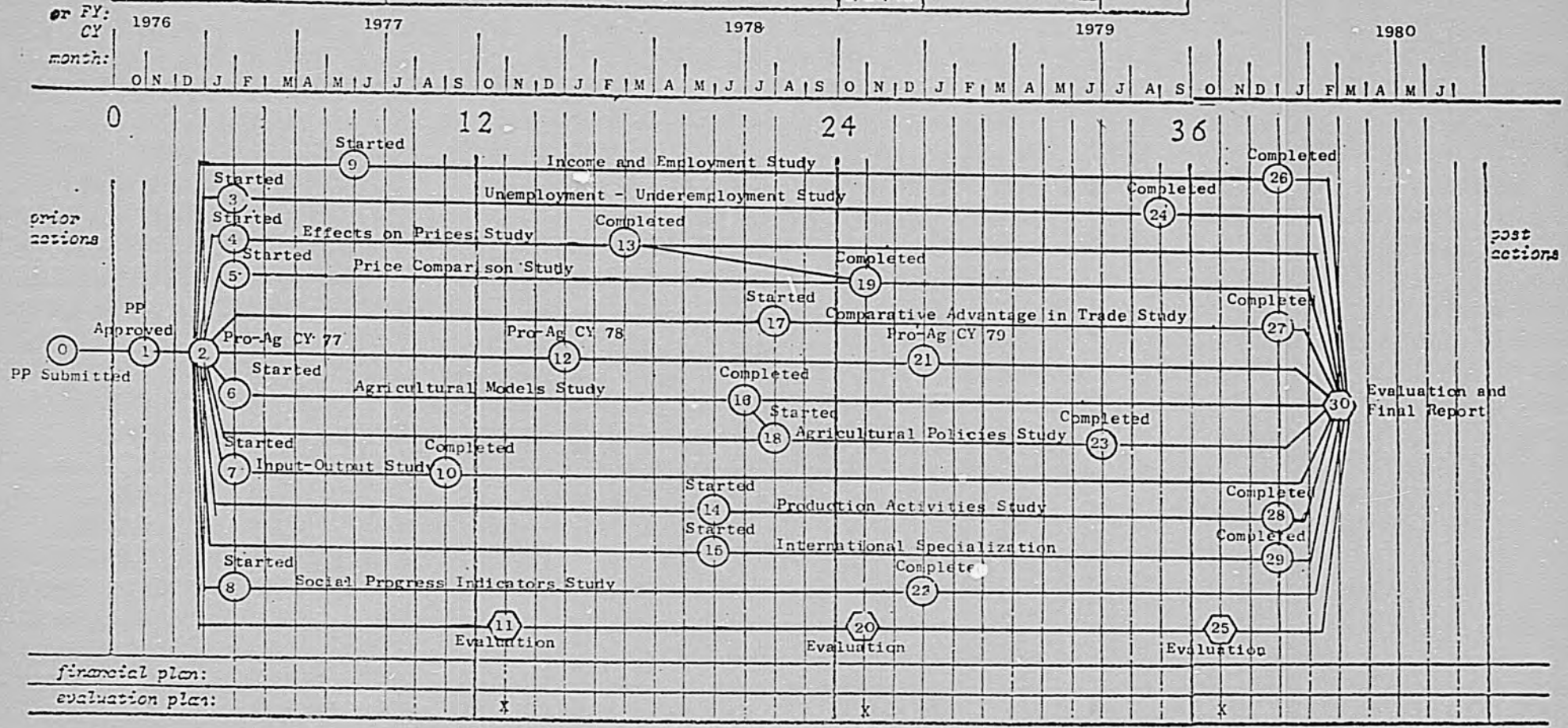
Life of Project:  
From FY 72 to FY 79  
Total U. S. Funding 2,590,000  
Date Prepared: September 1976

Project Title & Number: SIECA Institutional Assistance - 596-0040

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes: <u>Sector Goal:</u> To achieve higher rates of economic and social development in Central America with increased opportunities for participation by the poor majority in the benefits emanating from regional development. <u>Project Goal:</u> To support Central American efforts to build an integrated economic and social community in Central America.</p>	<p>Measures of Goal Achievement:</p> <ol style="list-style-type: none"> <li>Expanded trade, especially in goods, currently not being traded.</li> <li>Regionally coordinated development policies in industry, physical infrastructure, agriculture and social sectors.</li> </ol>	<ol style="list-style-type: none"> <li>Central American trade statistics.</li> <li>Comparative examination of developmental policies in Central American countries.</li> </ol>	<p>Assumptions for achieving goal targets:</p> <ol style="list-style-type: none"> <li>That national governments and regional institutions (including SIECA) take necessary measures to further integration.</li> <li>That national leaders will seriously consider the policy options developed by SIECA.</li> <li>That SIECA's institutional functions will continue under CACM or any subsequent regional treaty.</li> </ol>
<p><u>Project Purpose:</u> To improve within SIECA the analysis capability that provides decision-makers in the region with policy options on matters affecting the economic and social integration of Central America and to undertake specific policy related studies with emphasis on employment and the agricultural sector.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ol style="list-style-type: none"> <li>Level of effort of Unit being sustained.</li> <li>Communications network functioning to provide identification, execution, and utilization of studies.</li> <li>SIECA is presenting concrete policy options to decision-makers in the region.</li> </ol>	<ol style="list-style-type: none"> <li>Inspect unit.</li> <li>Check distribution of studies and yearly meetings.</li> <li>Consultation with decision-makers in the region.</li> </ol>	<p>Assumptions for achieving purpose:</p> <ol style="list-style-type: none"> <li>That SIECA and its Special Research Unit will continue to receive financial and political support from five countries and international donors.</li> </ol>
<p><u>Outputs:</u> Economic and agricultural studies.</p> <p>Special Research Unit carrying out economic and agriculture research on broad range of integration and development issues.</p> <p>Create network for the dissemination of study results and methodology employed.</p>	<p><u>Magnitude of Outputs:</u></p> <ol style="list-style-type: none"> <li>Studies completed and published in Spanish.</li> <li>Professional research staff employed.</li> <li>Systems of regular and special conferences established to permit close dialogue between Unit and appropriate CACM participants.</li> </ol>	<ol style="list-style-type: none"> <li>Copies of studies.</li> <li>Check distribution of studies and yearly meetings.</li> <li>SIECA records.</li> </ol>	<p>Assumptions for achieving outputs:</p> <ol style="list-style-type: none"> <li>The Unit's energies will not be dissipated by excess demands of national or regional bodies.</li> </ol>
<p><u>Inputs:</u> Regional Research Training Assistance. Regional Research Operations.</p>	<p><u>Implementation Target (Type and Quantity)</u> See Table 3 <u>Financial Analysis</u>, Section 4.4.</p>	<ol style="list-style-type: none"> <li>ROCAP financial records.</li> <li>SIECA financial records and quarterly reports.</li> </ol>	<p>Assumptions for providing inputs:</p> <ol style="list-style-type: none"> <li>Projected levels of support from SIECA and other donors will be realized.</li> </ol>

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country:	project no:	project title:	date:	/ x / original	PPT appr
ROCAP	596-11-755-040	SIECA INSTITUTIONAL ASSISTANCE	9/20/76	/ / revision#	



PROJECT PERFORMANCE NETWORK

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Country: ROCAP      Project No.: 596-II-755-040      Project Title: SIECA INSTITUTIONAL ASSISTANCE

Date:  
9-20-76



Approved:

CPI NARRATIVEPRIOR ACTIVITIES

O. PP prepared and submitted to AID/W for approval

CPI DESCRIPTION

- |    |         |  |     |         |  |
|----|---------|--|-----|---------|--|
| 1. | 11/1/76 | PP approved by AID/W and ROCAP advised. (AID/W).                       | 9.  | 6/1/77  | Analysis of Alternative Regional Development Policies on Income and Employment Study started. (SIECA).           |
| 2. | 1/1/77  | Pro-Ag for CY 1977 prepared and signed. (ROCAP-SIECA).                 | 10. | 9/1/77  | Input/Output Tables Study for Guatemala completed and disseminated among policy makers. (SIECA).                 |
| 3. | 2/1/77  | Unemployment and Underemployment Study is being continued. (SIECA).    | 11. | 11/1/77 | Program evaluation conducted. (ROCAP).   |
| 4. | 2/1/77  | Price Comparison Study is being continued. (SIECA).                    | 12. | 1/1/78  | Pro-Ag for CY 1978 prepared and signed. (ROCAP-SIECA).   |
| 5. | 2/1/77  | Effects of National Policy Decisions on Prices Study started. (SIECA). | 13. | 3/1/78  | Price Comparison Study completed and disseminated among policy makers. (SIECA).                                  |
| 6. | 2/1/77  | Agricultural Development Models Study is being continued. (SIECA)      | 14. | 6/1/78  | Production Activities among Central American Countries (by sector and geographic region) Study started. (SIECA). |
| 7. | 2/1/77  | Input/Output Tables Study for Guatemala is being continued. (SIECA).   | 15. | 6/1/78  | Alternative Development Strategies Related to International Specialization Study started. (SIECA).               |
| 8. | 2/1/77  | Development of Social Progress Indicators Study started. (SIECA).      | 16. | 7/1/78  | Agricultural Development Models Study completed and disseminated among policy makers. (SIECA).                   |

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Country: ROCAP	Project No.: 596-11-755-040	Project Title: SIECA INSTITUTIONAL ASSISTANCE	Date: 9-20-76	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Revision	Approved:
<u>CPI NARRATIVE</u>					
17.	8/1/78	Comparative Advantage Study started. (SIECA).	25.	11/1/79	Program evaluation conducted. (ROCAP).
18.	8/1/78	Analysis of Various Alternative Policies for the Agriculture Sector Study started. (SIECA).	26.	1/1/80	Analysis of Alternative Regional Development Policies on Income and Employment Study completed and disseminated among policy makers. (SIECA).
19.	11/1/78	Effects of National Policy Decisions on Prices Study completed and disseminated among policy makers. (SIECA).	27.	1/1/80	Comparative Advantage Study completed and disseminated among policy makers. (SIECA).
20.	11/1/78	Program Evaluation conducted. (ROCAP).	28.	1/1/80	Production Activities among Central American Countries (by sector and geographic region) Study completed and disseminated among policy makers. (SIECA).
21.	1/1/79	Pro-Ag for CY 1978 prepared and signed. (ROCAP-SIECA).	29.	1/1/80	Alternative Development Strategies Related to International Specialization Study completed and disseminated among policy makers. (SIECA).
22.	1/1/79	Development of Social Progress Indicators Study completed and disseminated among policy makers. (SIECA).	30.	3/1/80	General program evaluation conducted and final program report submitted to AID/W.
23.	7/1/79	Analysis of Various Alternative Policies for the Agriculture Sector Study completed and disseminated among policy makers. (SIECA).			
24.	9/1/79	Unemployment and Underemployment Study completed and disseminated among policy makers. (SIECA).			

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The Secretariat for the Economic Integration of Central America  
(SIECA)

The General Treaty of Economic Integration of 1960 established an organizational structure which could be expanded as necessary to support the integration process. The basic structure it created consists of the Central American Economic Council (composed of the Ministers of Economy from the member countries), the Executive Council (composed of a delegate from each country), and the Secretariat for the Economic Integration of Central America (SIECA). Each of these organizations has functions and characteristics designed to respond to the integration process.

The principal organization in the regional hierarchy is the Central American Economic Council. Its position of importance is determined by: its exclusive function of directing the integration of the individual economies and coordinating a regional economic policy; its membership (the Ministers of Economy); and its role as the court of last resort. The Executive Council applies and administers the General Treaty and implements the steps to continue the economic union through its membership consisting of delegates from each country. SIECA, a legal international entity, acts as the permanent secretariat of both councils and also as the regional administrative organization for the integration process.

Both the Economic Council and the Executive Council have given SIECA mandates to: (1) continue conversations with the Panamanian Governments on their participation in the integration process; (2) initiate negotiations with the European Common Market and establish an office to link the region with the European Economic Community Commission; and (3) form a joint Central American programming mission for dealing with international organizations and specialized agencies of the United Nations and coordinate its functions with the Central American regional organizations. Both councils have authority to resolve differences that appear in the interpretation or application of any of the General Treaty's clauses and other basic integration agreements. The same authority is conferred on SIECA when the interpretation of agreements is not specifically assigned to another organization.

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The only economic integration organization established by the General Treaty which has the role of an international legal entity is SIECA which was established in 1961. Therefore, SIECA represents the Central American Common Market in the international sphere but in a limited form since other regional institutions (CABEI, ICAITI, etc.) have their own spheres of representation.

SIECA also serves as secretariat for the Central American Economic Council and the Central American Executive Council, and SIECA's sphere of involvement has expanded considerably beyond its original charter. Its most important functions are:

1. To insure the proper application of the General Treaty and other Central American multilateral and bilateral instruments and agreements adopted or to be adopted in the context of free trade and economic integration of the region.
2. To interpret economic treaties whenever this authority is not specifically assigned to another regional economic integration organization.
3. To insure implementation of the resolutions adopted by the Economic and Executive Councils.
4. To perform the functions assigned by the Executive Council through a Council resolution which defines the scope of the delegated functions.
5. To perform work and studies assigned by the Councils and procure whenever necessary the collaboration of pertinent Central American or international institutions.

SIECA's current nature can be defined as quasi-supernational since SIECA has no authority for making its own regulations but needs approval of the Economic Council for any regulatory proposals. However, in exercising its authority prescribed by the economic integration documents, it acts as a regional organization, limited only by the treaties and the internal legislation of each country. As a regional administrative organization, SIECA is in charge of coordinating its own functions with the Councils, ICAITI, the



Monetary Council, the Central American Bank, and other regional organizations as well as with the economic integration technical assistance received by the Central American countries from the United Nations and its specialized agencies. This coordination function gave rise to a Central American Economic Council resolution to institutionalize regional technical planning undertaken by the joint Central American planning mission in SIECA.

To carry out this assignment of additional functions, SIECA underwent a reorganization in 1973 which established supervisory levels within the institution, designated new departments and units to deal with the separate fields of activities, and assigned a coordination function to two committees. A brief description of the functions at each level accompanied by an organization chart follows:

1. Directorate Level: This administrative level consists of the Secretary General and Assistant Secretary Generals, an advisory group and the legal counsel.
  - A. Advisory Group: Advises on decisions being adopted; performs studies and specifically assigned research; and represents the Secretariat when assigned.
  - B. Legal Counsel: Advises on all legal matters relating to the economic integration of Central America paying particular attention to improving the process; represents the Secretariat when assigned.
2. Implementation Level: This level implements programs adopted by the Directorate under guidelines and decisions taken by regional authorities; consists of the departments, offices and units which follow.
  - A. Financial and Administrative Department: Prepares annual budget; administers personnel; controls administratively and financially external technical assistance; is responsible for organization development; provides general services. Offices: External Technical Assistance Coordination; Organization and Methods. Units: Finance, Personnel Administration, Conferences, Publications, Central Files,

Secretarial Services, General Services.

- B. Statistics and Data Processing Department: Provides support services to other departments of the Secretariat by compiling, processing and distributing statistics; designs and implements special research; promotes the establishment of a coordinated Central American Statistical system. Units: Statistics, Data Processing.
- C. External Commercial Policy Department: Prepares proposals for decisions on external commerce to be taken on behalf of the countries; formulates recommendations on problems confronted by regional exports in the external markets; performs studies required for Central American participation in the international scene particularly related to other regional groups of integration.
- D. Tax and Customs Department: Performs studies on internal tariffs within Central America; advises national public sectors in budgetary matters; assists in the application of a common tax structure; provides technical assistance to governments on tax, revenue and customs matters. Units: Uniform Taxation, Budgetary Programs, Revenue and Customs Administration Policy.
- E. Infrastructure Integration Department: Advances and improves regional public works system in conjunction with the other integration sectors and availability of physical resources in Central America; assists in the administration of regional agreements to permit the coordination of physical integration policies; promotes the creation and operation of regional public services. Units: Infrastructure Programs, Promotion and Coordination of Agreements.
- F. Economic and Social Programs Department: Performs macro-economic and social research related to the economic integration process; prepares studies on the actual situation and perspective of the individual countries and the region as a whole in development financing, unemployment and underemployment, and the labor movement; reviews national development plans for the gradual establishment of a regional planning system; supervises special programs of social-economic research for the Secretariat. Units: Economic Programs, Social Programs.

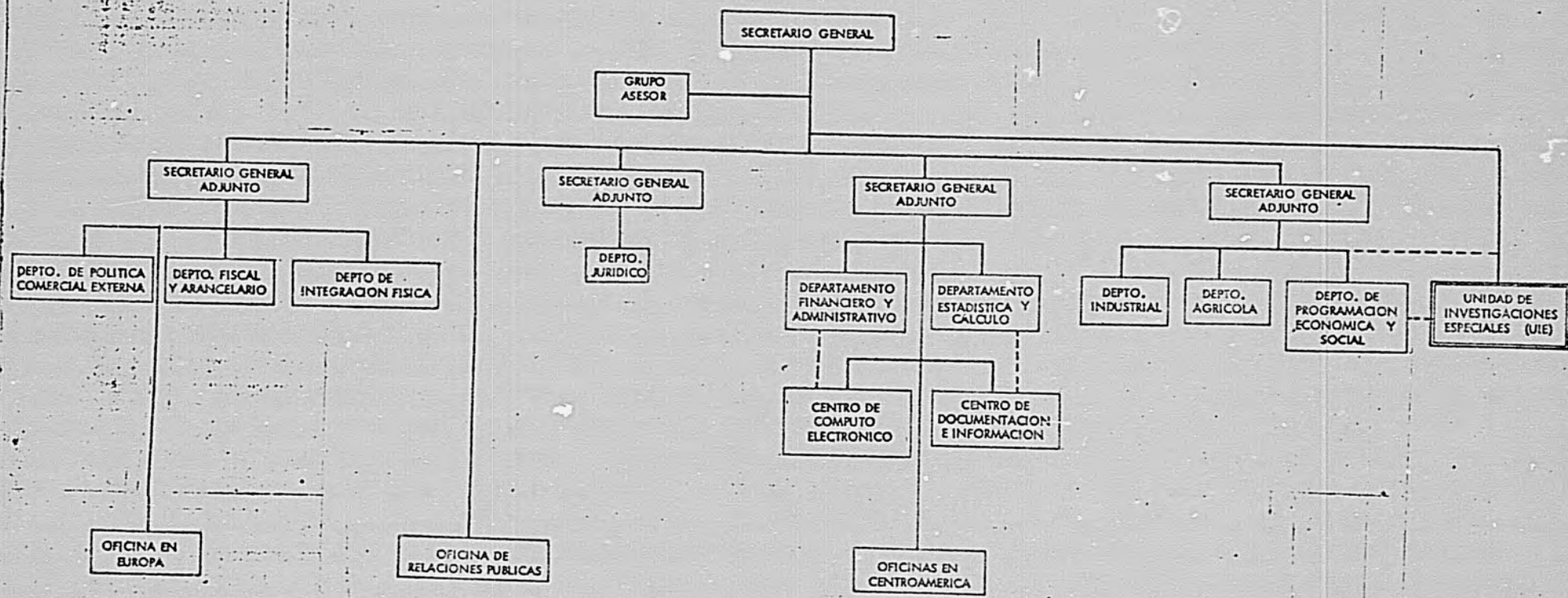
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- G. Industry Department: Performs studies and research for the formulation and implementation of a Central American industry policy; provides technical assistance in the field of industrial programming when requested by the individual governments. Units: Industrial Programs, Administration of Agreements.
  - H. Agriculture Department: Performs research for the formulation of a Central American agriculture policy; provides technical assistance in the field of agricultural programming when requested by the individual governments; keeps informed of sector agreements. Units: Agricultural Programs, Administration of Agreements.
3. Internal Specialized Units
- A. Office of Public Relations: Publicizes the objectives and activities of the Secretariat; promotes through the media Central American economic integration activities.
  - B. Documentation and Information Center: Provides information to the Secretariat; maintains files and publications of work internally produced; provides reference services; coordinates with the Statistics and Data Processing Department.
4. External Relations Units
- A. European Office: Maintains relations with integration or cooperative economic movements existing in Europe; supplies SIECA with information on matters of CACM interest; participates in conferences and meetings.
  - B. Central American Offices: Provides liaison with individual governments; keeps Secretary General informed of national events of interest to SIECA; publicizes activities of the CACM.

Throughout the organization, research is conducted in response to various integration efforts. The Special Research Unit, with Brookings technical assistance and ROCAP support, originally was located within the Department of Economic and Social Programs. The Unit was charged with

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performing research that would help decision-makers of the five governments to formulate economic and social policies as well as strengthening the Central American research capability. Under Administrative Order 5 SGE-73, the Unit was made independent, reporting on technical matters directly to the Secretary General and receiving administrative support from the Economic and Social Programs Department. During the past three years the Unit has continued to operate under this organizational arrangement. Due to a separate physical location and the divided reporting responsibility, the Special Research Unit has gradually assumed more control of its administrative affairs.



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ACTION  
ROCAP

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TAGS:

SUBJECT: DAEC DECISION CABLES ON FY 77 PROJECTS

GUATEMALA: FOR ROCAP

1. DUE TO THE OVERLAPPING WORKLOADS GENERATED BY THE DAEC REVIEW PROCESS (70 REVIEWS IN NOV.-DEC. PERIOD) AND THE FY 77 CONGRESSIONAL PRESENTATION, CABLES ON THE OUTCOME OF CERTAIN DAEC REVIEWS HAVE BEEN DELAYED. IN THE CASE OF ROCAP, THE FOLLOWING PROJECTS WERE APPROVED:

- A. VEG. AND FRUIT WHOLESALING MARKETING PRP (SHELTO) 2/6
- B. SIEGA POLICY PRP (G) 2/6
- C. AGRIBUSINESS 1/30
- D. GRAINS MARKETING (NOTIFICATION) 2/6
- E. MARKETING AUTHORITY PRP (G) 1/26

2. DAEC GUIDANCE MESSAGES ON THE ABOVE PROPOSALS ARE EXPECTED TO BE SENT O/A THE DATES INDICATED. WE REGRET THE DELAY BUT ASSURE INTENSIVE REVIEW IS PROCEEDING BASED ON MISSION'S KNOWLEDGE OF POINTS RAISED AT REVIEW MEETING.

3. NOTE: A. AND D. IN PARA 1. WILL REQUIRE SPECIAL CONGRESSIONAL NOTIFICATION FOR FY 77 AUTHORIZATION. KISSINGER

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LIST OF PERSONNEL, POSITIONS AND RESPONSIBILITIES\*

A. <u>Senior Professionals</u>	<u>Position</u>	<u>Main Areas of Research</u>
1. Enrique Delgado	Coordinator	Costs and benefits of integration
2. Gabriel Siri	Consultant/Head of Study	Macro-econometric models
3. Carlos M. Selva	Head of Study	Input-output analysis
4. Max A. Soto	Head of Study	Employment study
5. Carlos A. Sevilla	Head of Study	Employment study
6. Jorge Borstcheff	Head of Study	Price comparisons study
7. Iván García	Head of Study	Agricultural development
8. Horacio Bobadilla	Head of Study	Statistical surveys
9. William Flores	Chief programmer	System analysis
B. <u>Junior Professionals</u>		
1. Henry Lewin	Research Assistant	Employment (A5)
2. Marilú Castellanos	Research Assistant	Employment (A4)
3. Hugo R. Hernández	Research Assistant	Macro-economic models (A2)
4. Gustavo Almengor	Research Assistant	Input-output (A3)
C. <u>Assistants</u>		
1. Arnaldo Gómez	Assistant	Input-output (A3)
2. Tito Rivera	Assistant	Input-output (A3)
3. Daniel Gómez	Assistant	Input-output (A3)
4. Juan Sebastián Blas	Assistant	Input-output (A3)
5. Carlos A. Cervantes	Assistant	Input-output (A3)
6. Gloria Castro	Assistant	Agricultural Dev. (A7)
7. Ana Rosa de Osorio	Assistant	Price comparisons (A6)
8. Carlos Vallejo	Assistant	Macro-economic models (A2)
9. Alejandro Morales	Assistant	Custom tariffs
10. Luis Mijango	Assistant	Computer operator (A2)
D. <u>Secretaries</u>		
1. Julia Elena de Castañeda	Secretary	Exec. Secret & Adm. Assist.
2. Tita Ordóñez	Secretary	Secretary I
3. Ana María Álvarez	Secretary	Secretary II

\* Annex: Brief curricula vitae.

# I.

AI Enrique Delgado. Economist. Nicaraguan. Married. Born:  
Aug. 28, 1918.

Actually: Coordinator SIECA/Brookings Project and Chief Special Research  
Unit SIECA; since 1973.

Formerly: Independent Consultant; 1966-1973;  
Vice-President ADELATEC (Adela Technical Services) 1965-66;  
Executive President, Central American Bank for Economic Inte-  
gration, Tegucigalpa, Honduras 1960-1965;  
Executive President, National Electric Power Co. Nicaragua  
1959-1960;  
Minister of Economy, Nicaragua 1954-1959;  
Executive Director, International Monetary Fund, Washington D.C.  
1952-1954;  
Minister of Economy, Nicaragua: 1949-1952.

Education Post-graduate work: Georgetown University, Washington D.C.  
1952-1953, Status: M.A. Candidate Ph.D.  
Undergraduate: Universidad Católica de Chile: 1940; J. W.  
Goethe Univ. Frankfurt a/m Germany 1936-39.  
Preparatory: Physics-Mathematics, México, D.F. 1935/36.

Teaching Professor: Seminars in Economic Integration, Schools of Economics  
and Business Administration, Catholic University, Managua, Ni-  
caragua: 1970-71.  
Professor of Economy I and II Courses, School of Economics, Cen-  
tral University, Managua, Nicaragua: 1942-1943.

Languages: Spanish, English, reading knowledge of German and French.

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- A2**            Gabriel Siri: Civil Engineer and Economist. Salvadorean.  
Married. Born: Dec. 31, 1931.
- Actually        Senior Professional, Head of Macro-economometric Model Project:  
Since 1973.
- Formerly:      Consultant for SIECA and INTAL in Macro-economic models:  
1973-76.  
Consultant for the Central American Transportation Study: 1975.  
Consultant for the IDB in infrastructure and transportation 1971-73.  
Public investment consultant for Joint Planning Mission and SIECA  
1963-68.  
Head of Planning Office, Ministry of Public Works, El Salvador  
1962-63.  
Head of Design Department of Highways, Highways Department,  
El Salvador 1955-1962.
- Education:     Graduate work: University of Pennsylvania, Ph. D. candidate in  
Economics: 1970-72.  
Yale University M.A. Degree in Economics: 1967-69.
- Teaching:     Professor at the University of El Salvador: 1959-63.
- Languages:    English and Spanish, reading knowledge of French.
- A3**            Carlos M. Selva: Civil Engineer and Economist. Honduran.  
Married. Born: May 3, 1937.
- Actually:        Senior Professional. Head of Input-output study: since Aug. 1974.
- Formerly:      Research Assistant at MIT-CPA. 1969 - 1971.  
Head of the Regional and Urban Planning Department of the Council  
of Economic Planning of Honduras: 1964-69.  
Civil Engineer at the Société Generale des Constructions Indus-  
trialisée S.G.C.I., 154 Rue de l' Université Paris VII, France.
- Education:     Civil Engineer; Honduras, 1960.  
Pure Mathematics: 1962-65, at the Sciences Faculty of the  
Sorbonne, Paris, France.

Education  
(cont.) Economic Development and Natural Resources at the Institutue of Higher Studies of Latinoamerica-Sorbonne, Paris, France. Regional and Urban Planning, Economic Models -MIT, 1971-1973.

Languages: English, French, Spanish, Italian.

A4 Max Alberto Soto: Industrial Engineer and Regional Planner. Costa Rican. Married. Born: October 20, 1946.

Actually: Senior <sup>Professional</sup> ~~Economist~~, Head of the Employment Study.

Formerly: Coordinator of the Social Policy Group, SIECA/UNCTAD Mission to Central America; 1972.  
Research Assistant, Regional Planning Department, Graduate School of Planning of the University of Puerto Rico: 1971.

Education: Graduate studies: M.S. in Regional Planning, University of Puerto Rico; 1969-1971.  
Graduate studies in Operations Research, North Carolina State University; 1969.  
Course on Problems of Small Scale Industries, Research Institute for Management Science, The Hague, Holland; 1970.  
B.S. in Industrial Engineering, N.S. State University; 1964-68.

Awards: Raleigh Rotary Club Scholarship to pursue graduate studies in planning: 1969-70.  
Scholarship granted by the Government of the Netherlands to study at the Research Institute for Management Science in the Hague, 1970.

Languages: Spanish and English. Reading knowlede of French, Portuguese and Italian.

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- A5 Carlos A. Sevilla: Economist. Nicaraguan. Single. Born: Jan 26, 1949.
- Actually: Senior <sup>Professional</sup> ~~Economist~~ Senior Professional Employment Study: since 1973.
- Formerly: Research Assistant, Food Research Institute, Stanford University: Spring 1973.  
Junior Economist, Interamerican Development Bank, Division of Social and Economic Research: Summer of 1972.  
Research Assistant, Banco Nacional de Nicaragua, Technical and Agricultural Department: Summers of 1967 and 1969.
- Education: Graduate work: Stanford University, Food Research Institute (1970-73).  
M.A. obtained in 1972, and course requirements for the Ph D. completed in 1973. Doctoral dissertation to be submitted in Sep. 1976.  
Undergraduate work: University of Hawaii, B.A. in Economics 1966-70.
- Awards: Stanford University, four-year fellowship for the Ph. D. granted in 1970. LASPAU (Latin American Scholarship Program of American Universities) scholarship, 1966-1970. Phi Beta Kappa, Alpha of Hawaii, 1970.
- Languages: Spanish and English
- A 6 Jorge Borstcheff: Economist. Guatemalan. Married. Born Jan. 23, 1937.
- Actually: Senior Professional. Head of Price Comparisons Study: since July 1973.
- Formerly: Advisor to the "Fondo de Inversiones para el Desarrollo Económico", Central Bank of Dominican Republic: 1972.  
Economist of the Central American Research Institute for Industry (ICAITI), Guatemala: 1963-1971.

- Education: Licenced in Economy, Universidad de San Carlos de Guatemala: 1960.  
 Technical Trainee of the "Centro de Estudios Monetarios Latinoamericanos" (CEMLA), México, D.F.: 1969.
- Teaching: Professor of Economics, Universidad de San Carlos de Guatemala: 1969-1971.  
 Universidad Autónoma de Santo Domingo: 1972.  
 Universidad Rafael Landívar de Guatemala: 1973-1976.  
 Universidad Mariano Gálvez 1973-1976.
- A7 Iván García Marenco: Economist. Nicaraguan. Married. Born February 12, 1937.
- Actually: Senior Professional. Agricultural Development Study: since 1974.
- Formerly: Agricultural analyst and economist of SIECA's Agricultural Department: 1973-1974.
- Education: Master in Agricultural Economics. The Ohio State University, 1969-1972.  
 Graduate studies: St. Mary's University, Halifax, N.S. Canada; 1965-1969. Master in Arts and theology.  
 Degree in Philosophy, Universidad Católica de El Ecuador. 1959-1962.  
 Degree in Clasic Humanities, Universidad Católica de El Ecuador 1956-1959.
- Teaching: Assistant Professor, Universidad Rafael Landívar. Guatemala: 1974.  
 Professor, Universidad Mariano Gálvez, Guatemala: 1975.
- Languages: Spanish, English, German, Latin.

A 8            Horacio Bobadilla Matta: Economist. Guatemalan. Married.  
Born: March 19, 1926.

Actually: Senior Professional Statistical Surveys' organization and analysis  
since 1974.

Formerly: Functionary of the Banco de Guatemala: 1956-1974.  
Technical Assistant to the Executive Director, International Mo-  
netary Fund, Washington D.C.: 1969-1970.  
Director, Bureau of Census and Statistics of Guatemala: 1963-  
1966.

Education: Post-graduate studies of Monetary Economy, London School of  
Economics: 1960-1961.  
Economics and Financial Statistics (specialization studies), CIEF  
and Universidad de Chile: 1957-58.  
Economist of Universidad de San Carlos de Guatemala, July 1960.

Teaching: Professor of Universidad de San Carlos de Guatemala; since 1963.

Languages: Spanish and English

A 9            William Flores Saenz: Chemical Engineer. Guatemalan. Married.  
Born: July 11, 1944.

Actually: Chief Programmer and System Analyst: since 1975.

Formerly: Chief of Computer Center, Statistical Division "Instituto de Nu-  
trición para Centroamérica y Panamá (INCAP)", Guatemala: 1970-  
1972.

Education: Post-graduate work: Programming in analogic and hybrid computers,  
Operations' Research, Technical School of Wien, Austria: 1973-  
1975.  
Graduate: Chemical Engineer, Universidad de San Carlos de Gua-  
temala, 1970.

Languages: Spanish, German, reading knowledge of English.

7.

- B 1**      Henry Franklin Lewin: Guatemalan. Married. Born Aug. 8, 1948. Business Administration degree.
- Actually: Junior Professional, Research Assistant, Employment Study. (a5).
- Formerly: Assistant Manager, La Intercontinental, Co. Guatemala 1970-1973.
- Education: Business Administration, Universidad de San Carlos de Guatemala.
- Languages: Spanish, English.
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- B 2**      Marilú Castellanos: Guatemalan. Single. Born December 12, 1945. Economist (pending thesis).
- Actually: Junior Professional, Research Assistant, Employment Study. (A4).
- Formerly: Economist Assistant to the Director of Agriculture Department (SIECA): 1973-1975.
- Education: Economics, Universidad de San Carlos de Guatemala
- Languages: Spanish, English.
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- B 3**      Hugo R. Hernández: Guatemalan. Married. Born: Aug. 1st., 1947. Business Administration Degree.
- Actually: Junior Professional, Research Assistant, Macro-economic models (a2).
- Education: Business Administration, Universidad de San Carlos de Guatemala.

8.

B 4            Gustavo A. Almengor: Economist Degree. Guatemalan, Married.  
Born: Aug. 16, 1946.

Actually:        Research Assistant, Input-output study (A3). since 1974.

Formerly        Assistant, Agricultural Sector, "Consejo Nacional de Planificación", Guatemala: 1973-1974.  
Analyst, Agricultural Sector, "Dirección General de Servicios Agrícolas (Digesa)" Guatemala, 1973.

Education:      Economist (1975), Universidad de San Carlos de Guatemala.

C 1            Arnaldo Gómez: Student of Civil Engineering. Guatemalan.  
Married. Born: Dec. 9, 1949.

Actually:        Assistant Input-output study (A3): since 1973.

Formerly:        Assistant, Road Department, Road Studies and Design Division.  
Ministry of Transportation, Guatemala 1970-1973.

Education:      Civil Engineer student, Universidad Mariano Gálvez, Guatemala: 1973-1976: Universidad de San Carlos de Guatemala: 1970-1973.

C 2            Tito Rivera; Candidate Business Administration Degree. (pending  
comprehensive examination). Born: Jan. 4, 1952.

Actually:        Assistant Input-output Study.

Education:      Business Administration, Universidad de San Carlos de Guatemala.

- C 3      Daniel Tirteo Gómez: Economist (pending thesis). Salvadorean.  
Married. Born: Feb. 11, 1949.
- Actually:      Assistant, Input-output Study.
- Education:      Economics, Universidad de El Salvador.
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- C 4      Juan Sebastián Blas: Student of Economics. Guatemalan,  
Single. Born: May 16, 1953.
- Actually:      Assistant Input-Output Study (A3).
- Education:      Student of Economics, Universidad Mariano Gálvez, Guatemala,  
1973-1976.
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- C 5      Carlos Alfonso Cervantes: Student of Architecture. Guatemalan.  
Single. Born: Oct. 1st.,  
1954.
- Actually:      Assistant, Input-output Study.
- Education:      Architecture, Universidad de San Carlos de Guatemala.
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- C 6      Gloria Castro: Economist (pending comprehensive examination)  
Nicaraguan. Single. Born: April 20, 1951.
- Actually:      Assistant, Agricultural Study.
- Education:      Economics, Universidad de San Carlos de Guatemala.

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C 7      Ana Rosa de Osorio: Economist (pending comprehensive examination). Guatemalan. Married. Born: Feb. 6, 1950.

Actually:      Assistant, Price Comparisons (A6).

Education:      Economics, Universidad de San Carlos de Guatemala.

C 8      Carlos Francisco Vallejo: Student of Economics. Guatemalan. Single. Born: Jan 17, 1950.

Actually:      Assistant, Macroéconomic models (A2)

Education:      Student of Economics, Universidad de San Carlos de Guatemala.

C 9      Luis Mijango: Salvadorean, Married. Born: July 25, 1929.

Actually:      Computer operator, Hewlett Packard System HP 30.

Education:      Accountant.