PD-AAX-903

A.I.D. EVALUATION SUMMARY - PART I

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

IDENTIFICATION DATA

A. Reporting A.I.D. Unit:

Mission or AID/W Office AID/Lima
(ES#)

B. Was Evaluation Scheduled In Current FY Annual Evaluation Plan?
Yes [ ] Slipped [ ] Ad Hoc [X]
Evaluation Plan Submission Date: FY 88 Q 1

C. Evaluation Timing
Interim [ ] Final [X] Ex Post [ ] Other [ ]

D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
527-0298	An Assessment of the Institute for Liberty and Democracy	1985	12/88	1941	1941

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director

Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
- Continued funding of ILD through March '88 and subsequently through December '88.	M. Silverman	Nov. 87/ April 88
- LAC and PRE co-finance consulting team to work with ILD in preparing a 5-year Institutional Strategic Development Plan for ILD.	A. Williams	July 88
- Requiring ILD to contract services of Senior Economist and Controller.	M. Silverman	April 88

(Attach extra sheet if necessary)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: (Month) November (Day) (Year) 1987

G. Approvals of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	Mark Silverman		Luis Arreaga	William G. Rhoads
Signature	Mark Silverman		[signature]	[signature]
Date	June 3, 1988		7/5/88	7-5-88

ABSTRACT

H. Evaluation Abstract (Do not exceed the space provided)

The Project supports research and advocacy activities undertaken by the Institute for Liberty and Democracy (ILD) on behalf of Peru's large informal sector. This evaluation was conducted by Development Alternatives, Inc. Its purpose was to determine ILD's comparative advantages and disadvantages and make strategic recommendations regarding the enhancement of its effectiveness in performing policy research and promoting policy reform. The major findings and conclusions are:

- ILD has provided a fresh look at informality that stakes out new ground and forces the political debate into new areas.

- It should use its comparative advantage in certain areas and focus its activities on: 1) consolidating past work done on the urban informals; 2) conducting research on the economic effects of legal institutions and procedures; and 3) continuing action programs (lobbying efforts, publicity campaigns and group action) based on solid research.

- ILD should adopt a variety of financial planning tools to help manage the institution. Management should be involved in preparing pro-forma income statements and cash-flow and sensitivity analyses that cover the subsequent one-year period.

- ILD should hire an additional senior economist and a senior level financial manager/controller.

COSTS

I. Evaluation Costs

1. Evaluation Team

Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. $)	Source of Funds
Susan Goldmark	DAI	70	52,000	PD&S
Lennie Berliner	DAI			
Bruce Herrick	DAI			

2. Mission/Office Professional Staff Person-Days (Estimate) 25

3. Borrower/Grantee Professional Staff Person-Days (Estimate) 60

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)
Address the following items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office:	Date This Summary Prepared:	Title And Date Of Full Evaluation Report:
AID/Lima	6/1/88	An Assessment of the Instituto Libertad y Democracia - November 1987

A. ILD Research

(1) The members of the ILD should devote themselves to circulating their research methods throughout the group of social scientists in Lima, both to inform others and to profit from their comments and criticisms.

(2) The ILD should rapidly add to its series of "Cuadernos de Trabajo", with formally published notes on its research methodologies.

(3) The economists at the ILD should continue their review of the comments by Rossini and Thomas and Cole on methodology and results and should consider revising the ILD models, as appropriate.

B. Inter-Institutional Relations

(1) ILD should devise and implement procedures for strengthening its relations with other institutions.

(2) ILD should pay more attention to improving public administration, especially municipal administration.

(3) The ILD should attempt to build a coalition between formal and informal sector representatives based on the principle of private property rights.

(4) ILD should find ways to refer or otherwise deal with the raised expectations of the informals.

C. ILD Impact

(1) The ILD should build on its comparative advantage in regulatory analysis and begin to implement action programs in the field of public administration, particularly municipal administration.

D. ILD Finance and administration

(1) In accordance with AID's standard operating procedures, AID/Lima should conduct a financial review before the end of the grant period.

(2) The ILD should adopt a variety of financial planning tools to help manage the institution. Management should be involved in preparing pro-forma income statements, and cash flow and sensitivity analyses that cover the subsequent one-year period. Senior management, project managers, and the Peruvian staff member responsible for fund raising should also compare projections with achievements and make the corresponding adjustments each quarter.

(3) Until additional funding is ensured, management should reconsider actions that cause a net increase in the number of ILD staff.

(4) The ILD needs to strengthen its financial management and planning systems via training in the use of computer spreadsheet programs.

(5) Once funding is secured, the ILD should hire a senior-level financial manager/controller.

(6) The ILD should attempt to raise a greater proportion of funds from regional, especially Peruvian sources.

(7) The ILD should hire a bilingual fund-raising professional in Lima to help manage fund-raising activities, write monitoring reports to donors, and organize conferences and seminars.

(8) The ILD should consider broadening its Board of Directors to include respected individuals from a variety of backgrounds useful to overseeing the organization. It should also consider inviting representatives of current or potential funds agencies to join the Board. Board meetings should be held each quarter.

(9) To influence opinion more strongly in Lima's intellectual community, the ILD should hire a senior economist.

(10) The ILD should provide fringe benefits such as vacation time, sick leave, and medical insurance to its professional staff.

(11) The ILD should trim its program of proposed studies in economic fields until it can bring its economic staff back to the levels it had when the projects were initially formulated.

(12) Given the desirability of attracting young economists and augmenting their Peruvian training, the ILD should consider offering its best entry-level professionals contracts that combine periods of research in Peru with periods of study abroad.

E. Future ILD Programs

ILD's demonstrated comparative advantage implies that activities should focus on:

(1) Consolidating past work done on the urban informals,

(2) Conducting research on the economic effects of legal institutions and procedures,

(3) Continuing action programs (lobbying efforts, publicity campaigns, and group action) based on solid research,

(4) Conducting seminars on informality and institutional change directed toward Peruvian social scientists and professionals from other Latin American countries.

ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

- An Assessment of the Instituto Libertad y Democracia
  Development Alternatives, Inc.

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

XD-AAX-903-A

An Assessment of the Instituto Libertad y Democracia

Submitted to the U.S. Agency for International Development in fulfillment of contract number 527-0000-C-00-7307-00

Susan Goldmark
Leni Berliner
Bruce Herrick

November 1987

This report was prepared with the support of the USAID. However, any opinions, findings, conclusions, recommendations expressed herein are those of the authors and do not necessarily reflect the views of USAID.

Development Alternatives, Inc. 624 Ninth Street, N.W. Washington, D.C. 20001

TABLE OF CONTENTS

EXECUTIVE SUMMARY vii

CHAPTER ONE

INTRODUCTION 1

THE EVALUATION 1
THE ILD 1
RESEARCH METHODOLOGY 2
Data Gathering 2
Economic Analysis 3
Problems 3
LOCAL PROFESSIONALS' PERCEPTIONS OF THE ILD'S RESEARCH 4
Role of Perceptions 4
Perceived Strong Points of the ILD's Research 4
Criticisms by Professionals 5
INTERNATIONAL REVIEWS OF ILD'S RESEARCH METHODS 6

CHAPTER TWO

ANALYSIS OF THE ILD'S RESEARCH 9

UBLICITY GENERATED 9
Local References 9
International References 9
L OTRO SENDERO 10
Central Focus 10
Rejection of Conventional Explanations 11
Familiar Themes, But New to Peru 11
Legal Analysis and Economic Analysis 12
Anticipating the Future 13

CHAPTER THREE

INTER-INSTITUTIONAL RELATIONS 15

CHARTER 15
CRIPTION AND ANALYSIS OF ILD'S NETWORK 15
Overview 15
Government 16

Formal Private Sector 20
Informal Secto. Organizations 22
Press 23
SUMMARY. 24

CHAPTER FOUR

IMPACT TO DATE 25

ON ECONOMIC THOUGHT 25
In Peru 25
Internationally 25
LEGAL AND POLICY FRAMEWORK 26
Policy 26
Statute 26
Regulatory Processes and Regulation 28
Administration 28
SERVICES 29

CHAPTER FIVE

FINANCIAL AND ADMINISTRATIVE PROFILE 31

FINANCIAL ISSUES. 31
Funding Sources and Growth. 31
Current Financial Management Systems 34
Fund Raising. 37
ADMINISTRATION 39
Organizational Structure 39
Staff Composition. 41
Staff Salaries and Benefits 43
Staff Turnover 45

CHAPTER SIX

FUTURE ILD PROGRAM 47

OVERVIEW OF ILD PLANS 47
Opening Up Economic Participation (Economic Projects) 47
Total Economic Issues Projects 49
Sectoral Projects 50
Projects to Facilitate Non-monopolistic Decision Making and
Institutions to Control Monopolistic Decision Making (Legal Projects) 51
Action Projects 52
The International Program 53

FINANCIAL PROJECTIONS 56
RECOMMENDATIONS FOR POTENTIAL DONORS 66
Minimum Case 66
Medium Case 66
Magnanimous Case 67

CHAPTER SEVEN

A SEQUENCE FOR RECOMMENDATIONS 69

ECONOMIC RESEARCH 69
INSTITUTIONAL RELATIONS 69
FINANCIAL MANAGEMENT AND PLANNING 70
FUND RAISING 70

ANNEX A

STATISTICS ON ILD'S FUTURE PROGRAMS:
LEVELS OF EFFORT AND ASSOCIATED COSTS A-1

LIST OF TABLES AND FIGURES

Table		Page
V-1	Income and Expenses by Grant: 1982-87	32
V-2	Budget for AID Grant 527-0298	34
V-3	ILD Staff Composition	42
V-4	ILD Monthly Salary Levels	44
V-5	Dual Exchange Rate System	45
VI-1	Case One Cash Flow: Most Conservative Income Projections Core Staff Expenses	58
VI-2	Case Two Cash Flow: More Optimistic Income Projections Core Staff Expenses	60
VI-3	Case Three Cash Flow: More Optimistic Income Projections Expense Projections at Current Level of Operations	61
VI-4	Case Four Cash Flow: More Optimistic Income Projections Plan Integral Expenses	62
VI-5	Case Five Cash Flow: More Optimistic Income Projections Expense Projections at Current Level of Operations	64
A-1	Economics: Year 1 (in person-months)	A-3
A-2	Economics: Year 2 (in person-months)	A-4
A-3	Economics: Year 3 (in person-months)	A-5
A-4	Economics: Year 1 (in dollars)	A-6
A-5	Economics: Year 2 (in dollars)	A-7
A-6	Economics: Year 3 (in dollars)	A-8
A-7	Legal: Year 1 (in person-months)	A-9
A-8	Legal: Year 2 (in person-months)	A-10
A-9	Legal: Year 3 (in person-months)	A-11

A-10 Legal: Year 1 (in dollars). A-12

A-11 Legal: Year 2 (in dollars). A-13

A-12 Legal: Year 3 (in dollars). A-14

A-13 Total ILD Expenses: Years 1-3 . . . . . A-15

Chart Page

V-1 ILD Organizational Chart 40

EXECUTIVE SUMMARY

FINDINGS

Overview

The Instituto Libertad y Democracia (ILD) has made a significant contribution to the intellectual and political debate on the informal sector in Peru. It has demonstrated the value of market-oriented regulatory analysis and energized discussions on the legal framework necessary for economic and social development. In addition, the ILD has helped promulgate new laws that aim to alleviate some problems faced by the informals. These actions are a necessary first step toward changing the policy and regulatory environment.

The ILD's best known publication, the book *El Otro Sendero*, has been influential not only in Peru but also in other Latin American countries. The ILD has received requests for assistance from groups in Chile, Colombia, Ecuador, El Salvador, Honduras, and Mexico. When the book is published in other countries, including the United States, its influence is expected to increase. Findings about the Peruvian informal sector appear to be applicable, with modifications, to other developing countries.

Opinions of Local Professionals

The evaluation team expected that local professionals would have some reservations about the ILD's methods and conclusions. Nonetheless, they were unanimous in praising the main thrust and effectiveness of the research. The problems of Lima's low-income populations and the home-grown solutions by the people themselves, especially in the squatter settlements, have long been studied. According to informants, *El Otro Sendero*'s fresh look at informality stakes out new ground and forces the political debate into new areas.

The financial support the ILD receives from the U.S. Agency for International Development is well known to Lima's economists and other social scientists. Nevertheless, they concurred in the judgment that AID had earned a high rate of return on its investment.

Although the ILD has provided a valuable fresh look at the problems of the informal sector, its best-known publications have not explained sufficiently its methods of economic analysis (in contrast to its institutional, legal, and historical analyses). This is because the existing appendices for *El Otro Sendero* have not been widely read or circulated. And although the ILD has built useful links to Congress and the ministries, organized informal sector groups, formal private sector groups, research institutes, and municipal governments, it apparently has let some important relationships deteriorate in recent times.

Internal Management

A detailed financial management system may not have been necessary during the early years of the ILD when the Director ran a shoestring operation. The institution now has an annual budget of over $1 million and almost 50 staff members. Its financial management systems have failed to keep pace with its growth. Inadequate financial planning, particularly for an institution so dependent upon unpredictable donor funding, leads to crisis management. Lack of sufficient income to cover expenses is not detected early enough to take corrective actions that minimize shock to the institution. Since the ILD does not conduct cash flow and sensitivity analyses, management now makes important decisions, such as increasing salaries, hiring new staff, and using consultants instead of staff, without being fully aware of their financial implications.

The ILD needs to strengthen its internal management. Its Board of Directors and founding members' organization do not appear to oversee ILD activities or advise on strategy. The lack of an active Board of Directors or founding members' organization means that no independent check on senior management exists.

Although the ILD employs a few experienced lawyers and economists who serve as project leaders, most of the staff are junior. These individuals cannot represent the ILD in public debates on ILD's economic research.

ILD staff salaries are competitive with those paid in Peru to similarly qualified professionals. The salaries are comparable to those paid by AID and private corporations in Peru since the ILD cannot offer long-term job security and does not offer fringe benefits.

Funding

The ILD has diversified its funding sources away from its original sole dependence on AID. During the AID grant period of April 1985-September 1987, ILD raised about 48 percent of its funds from non-AID sources. However, except for a few small grants from a Guatemalan foundation, ILD still receives all of its funds from North American sources. It is preparing large funding requests to multilateral funding organizations.

The ILD's President is pessimistic about obtaining donations from Peruvian sources. This outlook appears to be based on his unsuccessful efforts to woo Peruvian businesses shortly after the ILD was founded. More fundamentally, the formal private sector has been extremely reluctant to ally itself with informal sector organizations and causes. Given its prominent role in defending the principle of private property during the recent bank nationalization debate, the ILD's chances of raising funds from local sources appear to have improved. These funds would help stem local criticism that the ILD receives all of its money from North American sources and legitimate the ILD as a Peruvian institution.

Future Program

In April 1988 the ILD hopes to launch an ambitious five-year program that would triple its current budget and increase its staff correspondingly. These increases would strain the management and research capacity of the ILD beyond reasonable limits. Accordingly, it must come to grips with its most serious challenge to date. It cannot continue in its current posture of crisis management. Month-to-month potential shortfalls in income distract staff from more productive activities.

Meeting this challenge requires the ILD to engage in an unprecedented exercise: setting priorities within its list of future projects. It seems unlikely that all will be funded. It is equally unlikely, even if funded, that all could be performed. Therefore, establishing a core of group of personnel and a prioritized set of projects now becomes an inescapable requirement.

The priorities should follow the ILD's demonstrated comparative advantages. The evaluation team believes these to be the following:

- Carrying out policy-oriented survey research on problems affecting the urban informal sector;
- Formulating legislation related to property rights;
- Attracting domestic public attention to socioeconomic development through institutional change; and
- Generating debate throughout Latin America on the influence of the state on informal sector growth.

This list of comparative advantages implies that the ILD should focus its activities on:

- Consolidating past work done on the urban informals. Specifically, it should publish a series of research monographs on housing, transport, commerce, and industry to complement *El Otro Sendero* and its appendices;
- Conducting research on the economic effects of legal institutions and procedures;
- Continuing action programs (lobbying efforts, publicity campaigns, and group action) based on solid research; and
- Conducting seminars on informality and institutional change directed toward Peruvian social scientists and professionals from other Latin American countries.

Financial projections highlight the urgency of the ILD setting its priorities. Only a small portion of the ILD's future activities has been funded.

Given the complexity of the ILD's potential future projects and the multiplicity of funding sources, donors should seek to understand the ILD's entire program before funding a discrete component.

Lessening Dependence

Although the ILD is attempting to get funds from multilateral donors, virtually all of the ILD's current income stems from North American sources. The evaluation team believes that this dependence on North American funding sources should be lessened. Accordingly, future donors may wish to require that their funds be matched by regional, preferably Peruvian, sources. All potential donors would be well advised to consider the following options:

Minimum Case: At a minimum, donors should provide sufficient funding so that the ILD can continue at current levels through September 1988. The funding level would range between $135,000 and $250,000, depending on the results of other fund-raising efforts.

Medium Case: If donors wish to ensure that the ILD continues to have significant impact in Peru and influence throughout Latin America, and allow the ILD President to concentrate his energies on substantive activities rather than fund-raising, they should provide multiyear funding that would cover a portion of the ILD's current staff and overhead expenses. Or donors may wish to fund specific items such as a portion of the salaries of the new positions suggested by the evaluation team. These include a financial analyst/controller, a senior economist, and a local fund raiser.

Magnanimous Case: If donors wish to participate in the expansion of the ILD's activities and to gain credit for specific activities, they should not only fund a portion of the overhead expenses but also cover the costs of the projects that appear most attractive, over a multiyear period.

RECOMMENDATIONS

1) The ILD should expend greater energy in diffusing its economic methodology to the economists and intellectuals in Lima's research institutes and government agencies. This would help to diminish the uncertainty of outside groups about the origin of the estimates. In addition, their suggestions could improve the ILD's methods of estimation.

2) Its efforts in both public diffusion and in-house research would be aided by the hiring of another senior-level economist.

3) The ILD should make a concerted effort to rebuild and maintain its relationship with certain key groups. It should pay greater attention to the municipal governments that are critical to implementing its proposed laws. Its activities should include investigating and proposing solutions to the problems of municipal and ministry administration of laws.

4) The ILD needs to strengthen its financial management and planning systems. Until future funding is ensured, the ILD should send the head of its Administration and Finance Division and its chief accountant to courses at a local business school. These intensive courses should teach financial management

and planning techniques, including the use of computer spreadsheet programs. The training can be effective only if senior management demonstrates a commitment to incorporating it systematically into daily operations. Once funding is secured, it is strongly recommended that the ILD hire a senior-level financial manager/controller.

5) The ILD should attempt to raise a greater proportion of funds from regional, especially Peruvian, sources. Its fund-raising strategy should include seeking funds from Peruvian companies, trade groups and individuals, foreign corporations with Peruvian subsidiaries, and European government organizations and private foundations. It should explore the feasibility of charging a fee for seminars, briefings, and advice provided to visiting groups.

6) The ILD should hire a bilingual fund-raising professional in Lima to help manage all fund-raising activities, write monitoring reports to donors, and organize conferences and seminars. This person should report to the President and work closely with the ILD representative in the United States.

7) The ILD should provide fringe benefits such as vacation time, sick leave, and medical insurance to its professional staff. This policy should be instituted instead of another salary increase in April 1988. The cost of these benefits should be calculated for all staff members and compared with staff salaries to devise a fringe rate multiplier. Proposals to donors should include an amount for fringe benefits as a separate line item.

8) If, by early December 1987, the ILD has not received strong positive signals that AID or another large funding source will provide additional funding, the ILD must take quick action to cut its costs.

9) The ILD should set its own priorities using a semi-annual review process that draws on both project experience and political experience of the preceding months.

CHAPTER ONE

INTRODUCTION

THE EVALUATION

This evaluation reviews and analyzes the past activities of the Instituto Libertad y Democracia (ILD) of Peru, determines its comparative advantages and disadvantages, and makes strategic recommendations regarding the enhancement of its effectiveness in performing policy research and promoting policy reform. The evaluation team arrived in late September 1987, and stayed for three weeks, reviewing the economic and legal programs of the ILD, its financial and administrative systems, and its relations with other organizations in Peru. The impending nationalization of the banks made this period a time of great uncertainty for Peru. The ILD, given its focus on analyzing and changing the political economy, had participated eagerly in the debate and thereby recently raised its local profile considerably. The evaluation team was careful to consider the environment when weighing the comments made by representatives of other institutions about the ILD.

Because AID funding was provided as institutional support for an ongoing program of applied research, the evaluation team focused on the process used to generate the ILD's research and policy products, in addition to evaluating the products themselves.

THE ILD

The ILD began its research into the informal sector in 1979, when it held the first of several seminars to which it invited economists, bankers, and representatives of informal sector organizations. The ILD was formally constituted as a private nonprofit organization with a local Board of Directors in 1980. The seminars continued until 1982, when the ILD began to conduct field research in the squatter settlements (*pueblos jovenes*). The original research team comprised the ILD President, an anthropologist, and a lawyer-journalist; it was augmented by economists in 1984 as part of the ILD's major expansion to its current size.

The ILD uses the results of its field research to develop and propose new laws and regulations, via public relations campaigns and lobbying Congress and the ministries. In this respect, it has been active in the fields of housing and urban lands, and the regulatory process itself.

Through publication of its book, *El Otro Sendero* (EOS), and its public relations efforts, the ILD has demonstrated the value of market-oriented regulatory analysis, and energized the debate regarding the legal framework necessary for economic and social development. The work has been influential not only in Peru but throughout Latin America, with the ILD having received requests for assistance from countries such as Chile, Colombia, Ecuador, El Salvador, Honduras, and Mexico.

RESEARCH METHODOLOGY

Data Gathering

The data that underlie the work of the ILD come from five main sources:

- Participant informants, usually leaders of the informals themselves. Thus the organizers of invasions of previously idle state-owned land, leaders of bus drivers, etc. have recounted the nature of their activities;
- Surveys and censuses of the informals themselves. The most prominent example are the two censuses of street vendors, carried out in 1985 and 1986;
- Simulations. Researchers in the ILD have carried out a limited number of simulations of new businesses, to understand and experience the nature of the costs and time necessary to carry out the official procedures;
- Research on demography, migration, housing, informality, marginality, and socioeconomic conditions published by other Peruvian and foreign studies centers; and
- Macroeconomic statistics. These figures on output, employment, prices, interest rates, and foreign trade come from internal sources, such as the Instituto Nacional de Estadistica and the Banco Central de Reserva, and from international ones, such as the International Monetary Fund (IMF).

Economic Analysis

Using these data, together with historical description and legal analysis, the ILD's researchers have sought to quantify the size of the informal sector in Peru in terms of the numbers of people involved, their relative inputs of worker-hours, the size of output of the informal sector, and the projected magnitude of informality if it continues to grow at foreseeable rates. In addition, microeconomic estimates of costs to individuals of complying with existing regulations have been prominent in the ILD's research. The most recent tangible product along these lines has been the second of the *Cuadernos de Trabajo* on labor laws covering layoffs.

Problems

Both the macroeconomic and the microeconomic estimates have been the target of criticism. This is hardly surprising, given the boldness of the venture and the supercharged political atmosphere present in a country beset by decades of unresolved economic problems. The ILD, as an institution dedicated to studying the informal sector, regularly issues estimates of its size that are greater than those of other researchers. In addition, because the simulations of the ILD eschew the use of *tramitadores* and the payment of most bribes, it may have exaggerated the problems of establishing new businesses. These criticisms are both convenient and predictable. Neither one, in the evaluation team's opinion, seriously lessens the effectiveness of the research.

One other problem, more editorial than substantive, deserves mention. The estimates of the ILD are sometimes spuriously precise. For example, readers are told that squatter settlements in Lima embody expenditures by their owners of $8,319.8 million (EOS, p. 14) or that the census of street vendors revealed that they occupy 79,020 places on the streets (EOS, p. 64). An elementary knowledge of statistics, however, implies that these figures cannot be known with such a high degree of accuracy. Hernando de Soto, ILD's President, has explained that the figures were presented with an excess of seemingly significant digits to impress the Peruvian reader.

Recommendation: The ILD should avoid spurious precision in presenting its estimates, to maintain scientific integrity and avoid criticism from the professional community that the statistics are presented only for political purposes.

LOCAL PROFESSIONALS' PERCEPTIONS OF THE ILD'S RESEARCH

The ILD has never thought of itself as only a think tank. It does not engage in pure research merely to push forward the frontiers of social science. Instead, it sees itself as an institution using research to support its program of advocacy. Others share that view of its action orientation.

Role of Perceptions

If the ILD's advocacy is to be influential, local professionals must see its research as solid. Their evaluations of research quality are important. And for good or ill, their perceptions matter more than reality.

Not all the economists and academicians the team interviewed had read EOS, for example. Everyone, however, was eager to comment on it. No one was neutral or agnostic. The comments covered a wide range of political positions and intellectual sophistication. Nevertheless, the point can hardly be overemphasized that, no matter how justified the perceptions, they are what count in molding public opinion along lines that the ILD pursues.

Perceived Strong Points of the ILD's Research

The local professionals with whom the evaluation team talked were unanimous in their praise of the main thrust and effectiveness of the research. It has provided a fresh look at the informal sector. The point is more than merely polite or euphemistic. The concerted study of informality in Lima has a long history. The urban anthropological research of Professor William Mangin of the University of Syracuse, for example, dates back to the 1950s in Lima's squatter settlements, then known as *villas miserias* rather than *pueblos jovenes.* Given this long history of research by other institutions, the ILD's ability to provide a fresh look not only at marginality in housing but also at activities in commerce and transport is a significant accomplishment.

Furthermore, most informants knew that the evaluation team was associated with AID's funding of the ILD. They were again unanimous in spontaneously endorsing the effectiveness of that funding. The team found that somewhat surprising, since one might expect a degree of inter-institutional jealousy to cloud the opinions of some of those interviewed. To their credit, however, they said they thought that AID's investment in the ILD had earned a high rate of return.

The best characterization of the fresh look was provided by one professor who said that the ILD's research had resurrected the viability of a free-market approach to economic policy, as a strong alternative to existing statism. The 18th-century origin of free-market economic ideology is well known, and, although not moribund in Latin America, it is more prominent in textbooks of history of economic thought than in current policy discussions. This is the intellectual ambience that has been updated and improved by the ILD's careful documentation of the costs of current statist economic tendencies and the potential benefits of market liberalization.

Criticisms by Professionals

Predictably, every professional interviewed criticized the ILD's research activities. The criticisms were varied and in some cases contradictory. Nevertheless, a persuasive consensus emerged whose main points include the following:

- Definition of informality: To the extent that informality is defined only on the basis of illegality, the definition is unnecessarily restrictive. Every Peruvian engages in illegal practices of one sort or another; not everyone is an informal. At the same time, informals comply with laws and regulations in connection with some of their activities. In short, the definition was seen as creating conceptual problems for the research.

  More broadly, informality can be characterized as a socioeconomic phenomenon in which questions of entrepreneurial attitudes, size of enterprise and scale of operations, ownership characteristics, choice of technology, and a host of other characteristics might be thought to play important roles.

- Methodology of the studies: Those interviewed were unanimous in their opinion that insufficient publicity had been given to the ILD's research methods. The existing appendices for EOS have not been widely read or circulated. ILD researchers have not participated in ongoing round tables and seminars dealing with the problems of the informals. The ILD has shown outstanding capacity to inform public opinion about its interests and

concerns. In contrast, the local community of social scientists reports itself uninformed about the methods underlying the ILD's research. While some inter-institutional jealousy undoubtedly plays a part in this criticism, the ILD can do much more than it has done in this regard.

Recommendations:

1) The members of the ILD should devote themselves to circulating their research methods throughout the group of social scientists in Lima. At a minimum, this implies finding out about symposia and round tables and attending them as they occur, without waiting for formal invitations. More actively, the ILD should convene its own series of monthly seminars devoted to learned discussions and criticisms of its ongoing research -- both to inform others and to profit from their comments and criticisms.

2) The ILD should rapidly add to its series of *Cuadernos de Trabajo*, with formally published notes on its research methodologies. Monographs with in-depth treatment of the squatter settlements, street vendors, and bus lines could also be prominent in this series. Although the monographs will not circulate widely among the general public, they will more fully inform one set of Lima's most influential intellectuals.

INTERNATIONAL REVIEWS OF ILD'S RESEARCH METHODS

The ILD is not alone in its desire to measure the size of the informal sector and to ascertain its influence on national development. Similar estimates have been generated for the United States and West European countries, where the size of the underground economy troubles the fiscal authorities, among others. Researchers at the ILD have, in fact, adapted their methods from those used abroad in U.S. and British universities and in the IMF, following extended consultations with foreign experts.

Note that the leading authorities on measurement of the size of the underground economy in the United States differ in their estimates by a factor of five times. That is, Professor Feige's estimate is five times that of the IMF's Dr. Tanzi. Thus it is hardly surprising that the less-developed Peruvian statistical environment generates estimates that differ by a factor of two.

The pioneering efforts of the ILD in generating these estimates have attracted attention from foreign economists. Two papers commenting on its methods and results have come to the team's attention. Neither has yet been published. The

first was written by R.G. Rossini and J.J. Thomas of the London School of Economics. Entitled "The Statistical Foundations of *El Otro Sendero*," it has been presented in seminars in Lima and Bogota. The second was written by Julio Cole, a professor at the Universidad Francisco Marroquin in Guatemala. Its title is "Sobre-Estimando la economia informal: Comentarios sobre la metodologia del ILD." Both focus on the estimates of the size of the informal sector in Peru.

Each paper, although sympathetic with the ILD's underlying goal, criticizes the methods. These criticisms may be divided into two categories: monetary and econometric. This report does not propose to discuss either aspect in detail, but only to suggest reasonable conclusions.

- Monetary: The paper by Rossini and Thomas takes issue with movements of monetary variables crucial to the hypothesis that the informal sector has grown more rapidly than the formal sector. Although they use the same monetary statistics as does the ILD, they interpret them differently. In the evaluation team's opinion, the ILD's interpretations are correct.

- Econometric: The application of advanced methods of mathematical statistics is highly technical. Both Rossini and Thomas and Cole call attention to possible errors in specification of the equations, the presence of auto-correlation, and other equally technical matters. The research economists of the ILD are studying these criticisms with care and are reviewing and refining their results in the light of these comments.

This is the kind of international interchange that is at the heart of good science. No pioneering application is beyond criticism. What is important is what follows the criticism. If the responses are constructive rather than reflexively defensive and if they lead to improving the models and their estimates, the research process will have been well served.

Recommendation: The economists at the ILD should continue their review of the comments by Rossini and Thomas and Cole and should consider revising their models, as appropriate.

CHAPTER TWO

ANALYSIS OF THE ILD'S RESEARCH

PUBLICITY GENERATED

Apart from the focus and quality of the research performed by the ILD, the most notable aspect of its research program is the circulation it has gained, both in Peru and, more generally, in the hemisphere.

Local References

Realizing the value of this publicity, the ILD maintains files of newspaper clippings of references to its work, now numbering in the thousands. The ILD itself wrote some of these, especially before the publication of EOS, but most have been independently generated. The ILD's activities are covered seriously, according to the biases of the particular newspaper or magazine. In addition, editorial references and citations by leading political figures appear each day in the local papers. The most recent, occurring during the visit of the evaluation team, were those by Prime Minister Larco Cox, who referred to the problems of informality in his message about the government's new economic plan and committed the government to simplifying the registration process for newly incorporated businesses. Although for political reasons the Prime Minister chose not to say so, his references to informality appear to have been stimulated by the results from the ILD's research program.

International References

The avalanche of publicity has grown well beyond the borders of Peru. Internationally, one can mention President Reagan's reference to the ILD's work in his recent speech to the General Assembly of the United Nations; the World Bank's dedication of a highlighted "box" in its 1987 *World Development Report* (p. 74-75); and Gabriel Roth's citation of Peruvian problems with registering new business in his path-breaking book, *The Private Provision of Public Services in Developing Countries* (Oxford University Press, 1987, p. 267). Again, these references can be multiplied 100-fold.

No other research institute in Latin America has such effective publicity-generating results. Below is the team's own evaluation about the quality of the research and the perceptions that others have of it. But the sheer quantity of reaction represents an outcome that other think tanks active in national development inevitably envy.

EL OTRO SENDERO

The ILD's research products include a variety of analyses. Nontechnical readers have been the target of short articles in weekly publications such as *Caretas*, and in Lima's largest daily, *El Comercio*. In addition, the ILD has published two volumes of conference proceedings: *Democracia y economia de mercado* (1981) and *Dependencia y desarrollo en debate* (1983), as well as two *Cuadernos de Trabajo*: *El defensor del pueblo* (April 1986) and *Las leyes de estabilidad laboral y sus efectos economicos* (1986[?]).

By far the most prominent publication, however, has been EOS, first printed in November 1986. Now in its sixth printing in less than a year, it is estimated to have sold 40,000 copies in Lima, and editions have appeared as well in Argentina, Colombia, Ecuador, Mexico, and Venezuela. An English-language translation has been completed, but the book has not yet been accepted for publication in the United States.

Central Focus

EOS focuses on the ways in which current laws and regulations governing economic activity have pushed millions of Peruvians into the informal economy. It concludes that this institutional framework has held back the rate of economic advance of a people demonstrably ingenious, energetic, and tenacious. It treats squatter settlements, street vendors, and urban bus lines as examples of informal economic activity -- informal because they are illegal, and illegal not because the activities themselves are forbidden but because the owners have not applied for the many official permissions necessary to carry out their activities legally. Of course, as informal or underground businesses, the firms do not pay most taxes or observe the labor laws.

Rejection of Conventional Explanations

EOS convincingly rejects some standard explanations for Peruvian underdevelopment, namely:

- Racial and ethnic explanations (for example, underdevelopment is related to Peru's Indians, whose economic impulses are weak or absent);
- Cultural explanations (for example, Peru's unique and historic culture predisposes it to underdevelopment); and
- Geopolitical explanations (for example, imperialism lies at the root of Peru's problems).

By suggesting an alternative set of economic and legal explanations, based on the maximizing behavior of individuals acting in their own self-interest, and related to readily observed behavior, EOS has rendered a valuable service to those seeking to understand not only Peruvian reality, but indeed the nature of economic underdevelopment in Latin America.

The analysis of EOS is sufficiently unusual to evade easy political labeling. With its emphasis on low-income informals, is it populist? With its call for lowered government regulation, is it merely another apology for the political right? With its condemnation of the greed of the rich seeking to maintain privileged positions in the society, is it crypto-Marxist? A less-than-careful reader might leap to any one of these conclusions. Precisely because the work, while ultimately unified, lends itself superficially to any of these three interpretations, it represents a new and unique point of view, and it attracts criticism from vested ideological interests on both the left and the right.

Familiar Themes, But New to Peru

Some themes, familiar elsewhere but not prominent in Peruvian intellectual and ideological circles, are treated. EOS notes that property rights -- visible, enforceable, alienable, and stable -- reduce uncertainty and thus lead to higher investment and presumably to faster growth. Similarly, citing research on the

economics of collective action, it notes that groups organize to seek economic gains through the political system when it is rewarding to do so. The work's usefulness lies not in the mere repetition of these principles, but in the detailed recitation of Peruvian experience.

EOS is extensively based on microeconomic legal analysis. Its methods of analysis can be usefully contrasted to the predominant structuralism of more conventional approaches, whether from the south -- the Economic Commission for Latin America (ECLA) -- or the north -- U.S. and British universities and the international multilateral organizations (World Bank and IMF). Structuralist approaches focus on exchange rates, tariffs, import quotas, foreign markets especially for products of Peruvian agriculture, fishing, mining, outputs of whole sectors, and economy-wide interest and wage rates. These variables, although central to the prevailing structuralist approach to the study of economic development, are absent in EOS, since they are simply not seen as relevant to the choices open to the urban squatter, the street vendor, or the microbus owner. In contrast, the ILD's emphasis on the costs of informality (information costs, transactions costs, greater uncertainty, distorted capital markets, investments in contacts, and standing in line) is correspondingly ignored by the structuralists. It is in this sense that EOS and the work of the ILD more generally have provided a fresh look at Peruvian underdevelopment and at the economic crisis that has been ripening in Peru since at least the 1940s.

Legal Analysis and Economic Analysis

The book's thoroughness on legal matters is impressive. At the same time, it takes a more casual approach to economic comparisons. Results on overall output, employment, and productivity are presented in a sentence or two, without explanation of their derivations. By its cavalier treatment of these macroeconomic magnitudes, the book loses part of its credibility and thus part of its potential influence. Fortunately, the other aspects of the work are more complete -- for example, the presentation of its detailed institutional history and its care in relating the Peruvian legal and regulatory frameworks to an economic analysis of the results of operating within that framework.

The book's research methods and their presentation have been the object of some criticism. Laws are extensively footnoted, European historical experience less so with references to unpublished notes of ILD's researchers among the citations, and methods of economic analysis hardly at all. The last are, however, described in more detail in two typewritten appendices. The first appendix is a compendium of tables describing in greater quantitative detail the behavior mentioned in the text's narrative. The second appendix is econometric, and describes the econometric estimation of the overall size of the informal sector in Peru's economy. These estimates stem from methods adapted from the attempts of developed countries to measure the size of their own underground economies. Measuring the unmeasurable is a challenge in a well-documented economy. In Peru it is even more difficult. Nevertheless, estimates of the size of the informal economy have been given unusual attention in the press, so a brief evaluation of the ILD's methods appear below.

Anticipating the Future

The book can be taken as prophetic: An increasingly Byzantine set of rules creates greater economic stagnation, leading to ever more frenzied attempts to break the existing mold. If the system is seen as repressing the economy, it will be changed. The particular form of change need not follow lines suggested by EOS, of course. The nationalization of financial institutions is only the most recent move. The nationalization ignores the prescriptions of EOS while confirming its analysis. In that sense, the work of the ILD has not instantly reversed the trends toward greater participation of the state in economic life.

CHAPTER THREE

INTER-INSTITUTIONAL RELATIONS

ILD CHARTER

According to its charter, the ILD is dedicated to redefining the functions of the state; conducting research on the methods by which laws are developed and promulgated, and their affect on economic development; proposing improvement in the current system; analyzing the dynamics of economic and social underdevelopment; promoting economic conditions that will allow the consolidation of democracy and justice in the country; and supporting the study of free market economies.

DESCRIPTION AND ANALYSIS OF ILD'S NETWORK

Overview

The different roles or sets of activities pursued by ILD require collegial, stable, and mutually beneficial relations with a variety of institutions. The ILD has developed relations with other organizations that enabled it to pursue its research activities successfully. However, the ILD's links with many of these organizations have deteriorated.

Since its inception, the ILD has used a three-part approach to its relations with other institutions. First, it relies on contacts within certain institutions to provide not only technical data but also information about the political environment; this approach has been useful to the ILD, especially in its dealings with Congress and with some of the ministries and municipal governments. In other cases, the ILD is approached by other institutions. The Supreme Court, a parastatal, a public administration institute, and some municipalities have approached it for technical assistance or to invite it to participate in special projects. The third approach is the most formal one, that of negotiating and working under *convenios* (memoranda of agreement) with a variety of organizations; it seems this approach has been reserved for either testing or implementing ideas arrived at through the research projects.

Convenios have been developed with a variety of organizations, but only four have been signed.

The evaluation team conducted interviews with representatives of Lima's research community, municipal governments, informal groups, the formal private sector, and relevant quasi-governmental organizations and international development groups to get a sense of their perception of the ILD. On the one hand, it is felt that the ILD has done a great service in presenting new and previous research on informality in a way that challenges traditional Peruvian assumptions and stimulates the demand for changes in law and regulation. On the other hand, many believe that the ILD has isolated itself from many of those who might wish to work with it, and has failed to maintain and strengthen ties with those who helped conduct its research.

Recommendation: ILD should devise and implement procedures for strengthening its relations with other institutions.

Government

Congress

The ILD has contacts who work with the *grupos de trabajo multipartidarios* in both chambers of Congress. These specialized, nonpartisan working groups hammer out proposed bills before they are presented to the standing committees (*comisiones*). ILD's contacts have been made on the basis of either personal acquaintance or technical interest. Since these are nonpartisan groups, the ILD has been able to avoid over-identification with any one party. In addition, the ILD has a contact in the Senate who provides information and assists it in lobbying.

These relationships have borne fruit in the sponsorship of the Administrative Simplification and Public Information acts, and passage of improved Land and Housing (Construction) Titling acts. The ILD has lobbied intensively against the nationalization of the banks; the evaluation team was not able to determine what impact this activity has had on its contacts in Congress.

Municipalities

The ILD's recommendations for change, particularly in the area of housing, have a direct impact on or must be implemented by the municipal governments. Good relations with the various municipal governments are crucial to the research effort of the ILD, and to lobbying efforts as well. To date it seems to have had better luck with research at the municipal level than with lobbying for institutional or legal change; this could be due as much to the nature of municipal governments as to any problem on the part of the ILD. The municipalities still have limited avenues for generating their own revenue and rely heavily on the redistribution of central government revenue (sales tax receipts) for their budget. These central monies are allocated via the municipal *Consejos Partidarios*, thus rendering municipal administration vulnerable to political pressure. Thus any intervention (other than research) by the ILD in municipal affairs, and the target municipality itself, must be carefully selected or the ILD runs the risk of being confronted by political forces.

Municipal governments have approached the ILD on several occasions for technical assistance in the area of administrative simplification. It has chosen not to provide these services, notwithstanding the municipalities' ability to pay, as it has other priorities for staff time. Moreover, it has faith in the ability of the Instituto Nacional de Fomento Municipal's (INFOM) to provide assistance. The mayors seem to be less sanguine about INFOM, and some would like to see the ILD provide services as a means of building its political base.

Recommendation: ILD should pay more attention to improving public administration, especially municipal administration.

The ILD has contacts in the directors' offices of several municipal governments. As is the case in Congress and the ministries, these people provide information and tell ILD where and how they can influence change. Since early 1986 the ILD has had one staff member responsible for maintaining non-project communication with mayors, cooperatives, and other groups. This is a minor activity, and a difficult task due to the lack of an ILD action program in this area.

In 1985 the ILD signed an agreement with the municipality of San Martin de Porres (SMP) under which the Institute was to conduct studies and propose solutions to development problems in the areas of small industry, transport, housing, commercial activity, and municipal administration. The agreement specified two desired outcomes of the proposed research activities:

- To design and help implement a system for neighborhood participation in municipal regulatory affairs; and
- To establish an economic activities zone (sort of a free zone *cum* enterprise zone) in the municipal district.

Although this agreement had the Mayor's support, his political party (PUM) insisted that the agreement be rescinded in early 1986. Partly as a result of this struggle, the Deputy Mayor left and joined ILD, where he serves as liaison with the various organizations of the informal sector.

The ILD is now negotiating an agreement with the Municipality of Comas, but it is not clear what it will cover or even whether any agreement will be signed. A housing-related agreement with the Municipality of Lima is also being formulated.

Ministries

Relations with the various ministries have been difficult under this administration, because of the degree of politicization of ministry staff. Nonetheless, past relationships under specialized *convenios* have been fruitful, and could possibly be so again.

In 1985, after a public relations campaign on behalf of the establishment of an office of ombudsman (as part of more democratic rule-making procedures), the incumbent *Fiscal de la Nacion* (akin to United States' Attorney General) asked ILD to design the regulations that would enable the relevant 1981 legislation to be put into effect. Under the resultant *convenio*, the ILD not only wrote the regulations and procedures, but also initiated a pilot project wherein its staff were present in the *Ministerio Publico* to handle complaints, focusing on the field of housing.

Although the project was eventually scrapped due to unrelated legal problems of the ministry, the ILD used its newly acquired empirical knowledge to back up its proposed *Ley de Titulacion.*

Since it was impossible to maintain the ombudsman function in the bureaucracy, the ILD established the *Balcon de Todos.* Under this program, the ILD has held eight *audiencias publicas* (public hearings announced in the newspapers) with members of the informal sector, to discuss problems encountered in the administration of national or municipal laws affecting economic activity.

Another major initiative was the *convenio* signed in May 1984 with the Ministries of Interior and Economics and Finance. The purpose of the *convenio* was to obtain (with AID funds) the ILD's services to develop and install the procedural infrastructure to support the new National Committee on Economic Rights (CODE), that is, procedures for regulatory review or rule making. In June, D.L. 283 was signed, incorporating cost-benefit analysis into the rule-making process. In November, D.S. 071-84-PCM incorporated ILD's whole system of *emision de normas.*

Beginning in February 1985, ILD held seminars with senior-level bureaucrats about Res. CODE 001-85, and the Ministry of Trade requested help in processing price control regulations. However, during the same period of time, the Ministry of Industry issued a set of automotive parts regulations without any consultation. CODE is now largely ignored, and it seems the ILD no longer pressures the legal departments of the ministries to adhere to this law. The ILD does have plans to demonstrate the utility of the new rule-making system in the future.

Supreme Court

In 1985 the Supreme Court contacted the ILD regarding possible participation in a $1 million AID project to analyze the costs of the administration of justice. This project was also supposed to streamline the system so that it would be more accessible and less costly. This approach did not result in a working arrangement.

Other Programs

Since the ILD is research oriented, and the credit programs are field oriented, relations between the ILD and informal enterprise lending programs are limited to the occasional exchange of ideas in meetings.

The Instituto de Desarrollo del Sector Informal (IDESI) is a private, nonprofit organization established by the government in 1986 to channel credit to informal sector entrepreneurs. IDESI negotiated a $10-million credit line with the Central Bank, and works with banks and groups of informal sector entrepreneurs (*grupos solidarios*) to borrow against this line through the commercial and development banks. IDESI also negotiated with a private insurance company a group health insurance plan for members of the *grupos solidarios*. The ILD has estimated the informal sector's demand for credit as being $100 million per year, much more than that currently available through IDESI, Fondo de Financiamiento del Sector Informal (FOFISI), or traditional private voluntary sources of credit.

The ILD has used the experience of these institutions and others and coupled it with a study of the insurance industry to develop a proposal to provide housing insurance (and thus a source of credit guarantees without legal title) to those in the informal sector. According to the ILD, the recent *Decreto Supremo* 092-87-EF that allows the Banco Industrial, specifically FOFISI, to accept insurance policies as partial collateral, resulted in part from the Institute's *Propuesta de Ley de Seguridad Legal y Acceso al Credito con Garantia Inmobiliaria.*

Formal Private Sector

The ILD maintains linkages with various organizations of the formal private sector to promote more widespread understanding of the role of law in economic development. Although this strategy is valuable, it is also vulnerable to political pressures.

Three formal organizations have had the most importance for the ILD: the Confederacion de Instituciones Empresariales Privadas (CONFIEP), the Camara de

Comercio e Industria de Arequipa (CCIA), and the Sociedad Nacional de Industria (SNI).

CONFIEP and the ILD are linked by the participation of a former ILD board member in the formation of CONFIEP. Although a *convenio* has been signed to explore the convergence of formal and informal interests with regard to the state, no work has yet begun.

SNI is a much older organization that until the early 1970s had been the traditional mutual assistance organization for larger Peruvian industries. The SNI and the ILD had a common Board member until recently. In 1973 the SNI organized a Small Industry Committee, which has since provided technical, marketing (subcontracting), and legal assistance to small manufacturing enterprises, both formal and informal. Ten associations of informal manufacturers are now members of SNI. This committee has printed articles by ILD staff in its magazine and has had little difficulty obtaining information from ILD staff; however, it has never been consulted by ILD about small industry formation or development. Committee members believe that to rebuild and enhance its credibility, the ILD will have to engage in some kind of action projects.

The SNI also has its own research institute, the Instituto de Estudios Economicos y Sociales (IEES). The IEES concurs with ILD's perception of the politicization of most research in Peru. It still would like to see the ILD participate in meetings to which it is invited. The ILD staff have contributed papers to IEES' *Proyecto Peru*, but the two organizations have not worked together on any projects.

The CCIA, like other regional chambers, is a member of SNI. In July 1985, the ILD signed a *convenio* with the CCIA to conduct studies and explore the possibilities of incorporating informal enterprise into the CCIA. The reason for getting together, as expressed in the *convenio*, was a convergence of the CCIA's concerns regarding the negative effects of centralization, and the ILD's interest in the legal antecedents of informality. Work under this particular convenio did not get far because of pressure from members of the CCIA who either did not perceive this convergence or did not view it as leading to anything desirable.

In September 1987, the CCIA called a meeting of the heads of private sector representatives, during which the *Declaracion de Arequipa* was prepared. This declaration, signed by representatives of 21 organizations, called for decentralization (*desburocratizacion*) and the development of rational policies with regard to the informal sector. The ILD has claimed that the declaration illustrates a broad range of support and acceptance of its works.

Despite these past attempts, an air of mutual distrust prevails between the ILD and the important organizations of the formal private sector. It would seem that any effort to improve relations will have to come from the ILD. The ILD has made use of its contacts in the formal sector to disseminate its ideas; if it now wishes to-use these contacts to influence future policy decisions, it will have to strengthen or rebuild these linkages as necessary.

Recommendation: The recent nationalization of the banks has increased the formal private sector's concern about defending the principle of private property rights. The ILD should attempt to build a coalition between formal and informal sector representatives based on this principle.

Informal Sector Organizations

The ILD initiated contacts with informal organizations to obtain information and facilitate research, and to assist them with specific legal problems. Contact was made through a series of seminars hosted by Hernando de Soto during 1979-1981, to which bankers, world-renown economists, and heads of informal sector organizations (*dirigentes*) were invited. In 1982 the ILD began conducting field research, using these personal contacts as entree; it did not tap other community networks in conducting its field research. The contacts went in both directions: for example, in the commercial arena (*ambulantes*), the ILD initiated contact through the municipality of Lima; also, the promulgation of Decree 002 (1985), which called for reinstitution of a substantial daily fee (or *sisa*) to be paid by *ambulantes* to municipal government, led the *ambulantes* of Federacion de Vendedores Ambulantes de Lima (FEVACEL) to contact the ILD. The Institute provided help in the form of a public relations and lobbying campaign.

The subsectors (housing, commerce, etc.) of the informal sector vary in their mode of organization. Generally speaking, the ILD deals with them at the level of cooperative manager, market director, etc. Contact at lower levels, such as a committee chairman, may occur during the course of research. According to ILD staff, participation in the public hearings (*audiencias publicas*) held as part of the *Balcon de Todos* program has gradually fallen off. A large number of informal organizations have indeed participated in the past, if the mailing list for invitation to the July 1987 hearing on access to public information is any indication (72 organizations of informals were invited, plus the press and student organizations).

The leaders of the informals' organizations appreciate what they perceive to be the improved image of informals that has been put forth by the ILD. They also would like to see the ILD provide more concrete services and support to the informals. This support could include assistance in organizing into larger groups that can put more pressure on and benefit from the political system, or technical, legal, and financial assistance in establishing their own social welfare projects (such as child and medical care) and in pressuring the municipal government to provide services (for example, water, and garbage collection).

Recommendation: ILD should find ways to refer or otherwise deal with the raised expectations of the informals.

Press

From the beginning, the ILD has relied heavily on press coverage of its work with the informal sector, as a way of soliciting information (via the *Balcon de Todos*), publishing its analyses (*Analisis del Beneficio del Interes Publico de Normas* -- ABIPs), and lobbying for change using editorial pieces. Initially ILD was covered by *Caretas*, under an understanding with that journal. Information about the ILD and its work now appear in *Si* and *Expreso*, and will be covered by *El Comercio*, as soon as the agreement is signed. In addition, the ILD does on occasion purchase advertising space. The shift from *Caretas* to *Si* and *Expreso* is toward the left, while *El Comercio* is what might be termed mainstream. The ILD and its work have received enormous amounts of coverage in Peru and elsewhere; clearly it has excellent press relations.

SUMMARY

The ILD's movement from research to publication has not been constrained by outside forces; its ability to sustain actions that stem from its research has been so constrained. This is not unexpected, and indeed ILD's original time frames for much of the change it was proposing to initiate were overly optimistic. The ILD underestimated the degree to which law and its administration are deeply embedded in a well-entrenched social and political milieu. In this respect, it is essential that the ILD strengthen its working relationships with those who will have to implement and live with the law, in addition to proposing changes in the law.

CHAPTER FOUR

IMPACT TO DATE

ON ECONOMIC THOUGHT

In Peru

As a result of the research and publications of the ILD, Peruvian economists must once again consider the effects of the market mechanism. Some ideologically inclined professionals may continue to dismiss these strains of thought, but they can no longer ignore them. The publicity generated by the ILD's work and the wide circulation of EOS has forced every intellectual to have opinions about the matter. These opinions would not have been spontaneously expressed had the ILD's work not achieved the visibility it has.

Internationally

The ILD has recently become aware that its emphasis on individuals (the informals) choosing rationally among their alternatives within a complex set of institutional constraints is also the principal focus of a growing set of economists abroad. The school is named the New Institutional Economics, and seeks to apply a modern microeconomic framework to areas such as economic development that were previously considered beyond the scope of economics.

The economists at the ILD have been introduced to this school of thought on a recent visit to the United States. Although not yet prominent in the theory or practice of conventional development economics, it has considerable promise and may even rise to the level of a new paradigm.

In international terms, therefore, the ILD's researchers have been doing research using an economic model present but not prominent elsewhere. Working in comparative isolation, they have simultaneously encountered some of the most important features of these models without having access to the increasing amount of

literature on the subject. Now sensitized to its existence, their work will undoubtedly proceed more rapidly and efficiently.

LEGAL AND POLICY FRAMEWORK

The ILD has sought to change the legal framework within which people make decisions regarding housing; transport; retail marketing; and establishment of formal commercial, service, and industrial enterprises. The ILD has had some success in changing Peruvian policy, statute, regulatory processes and regulations, and administration.

Policy

The ILD has been working since 1981 to change the policy environment so that the trend toward increasing informality (in terms of numbers of people involved and economic impact) would be reversed. This implies introducing measures to remove impediments to investment and growth, to incorporate established informal entrepreneurs, and to institute free market mechanisms. The language now being used by some politicians and other interested parties reflects an awareness that there are structural and legal reasons for informality, and the consensus is that the ILD has been responsible for this change in attitude. Although the policy shifts have not yet been made, the groundwork has been laid; the ILD should now focus on creating the superstructure.

Statute

Through its research, publicity, and lobbying efforts, the ILD has helped to promulgate new laws in the areas of acquisition of property and zoning implementation (acquisition of building permits). It has also been responsible for new rule-making laws.

In the field of land titling, the ILD is responsible for *Ley* 24513, passed in June 1986. This law recognizes the virtues of titling land in the squatter settlements (*asentamientos humanos*), simplifies the plans and paperwork needed to apply for title, and establishes a special registry in the Ministry of Housing that will make it

easier to verify title for use in credit applications. D.S. 010-86-JUS of July 1986 approved the titling law of the Municipality of Lima, which eliminated restrictions on the alienation, rental, and other uses of property. This decree also repealed an earlier national decree that had imposed similar restrictions.

In the area of property settlement (*adjudicacion de terrenos*), three executive decrees were issued in October 1985, December 1985, and February 1986, which incorporated ILD recommendations for the decentralization and simplification of required documentation. Under D.S. 033-85-VC, the Ministry of Housing was given the responsibility to carry out a cadastral survey of vacant state-owned lands, and to assign these to the municipalities. D.S. 041-85-VC removes the requirement of Presidential and Ministry of Justice reviews, and allows the Ministry of Housing to delegate to its regional directorates authority to adjudicate lands to the municipalities. D.S. 004-86-VC simplifies the adjudication process and delegates the entire process to the municipalities, eliminating completely the participation of the central government.

Regarding construction permits (*declaratoria de fabrica y licencia de construccion*), the Municipality of Lima approved, in September 1986, under Edict 040, a simplified process for issuing construction permits in the *pueblos jovenes*. This new procedure eliminates the need to present various forms of supporting documentation and to provide copies to other agencies. The provincial government of Callao approved a similar process in *Resolucion de Alcaldia* 002-86-CPC, in December 1986.

ILD has also had considerable success in the area of rule making. Its activities are summarized in four laws:

- D.L. 283. Passed in June 1984, this created the National Commission on Economic Rights (CODE), as a high-level executive body charged with incorporating the informal sector into the legal economy of the country.
- D.S. 071-84-PCM. Passed in November 1984, this approved the procedures regulating CODE operations; these procedures had been developed by ILD. This decree also ordered the pre-publication of administrative regulations and the incorporation of cost-benefit analysis and analysis of the public benefit into the process, plus a period of public comment.

- *Resolucion* CODE 001-85 established in February 1985 the criteria, processes and forms for pre-publishing of proposed regulations. The ILD was responsible for this.

The ILD has also prepared and distributed to its contacts in Congress several other statutes it would like to see approved. These are in the fields of administrative simplification, access to public information, state-owned enterprise, and credit guaranties.

Regulatory Processes and Regulations

In 1984 and 1985, the ILD, encouraged by the interest of the Belaunde government, made a valiant attempt to reform the process by which laws (that in the United States would be called regulations) are made by the various bodies of the executive branch. This attempt resulted in a rule-making system, complete with public review and cost-benefit analyses, which is now official law. Unfortunately, it seems the underlying premises -- widespread information flow, regulation for the public good, respect for process, and acceptance that regulations can have unanticipated effects -- have not generally been incorporated into the government's operations. Some pre-publication of proposed bills has occurred.

To demonstrate the benefits of the new rule-making procedures, the ILD has selected five cases of new statute for which regulations must be developed. It will monitor, evaluate, and publicize rule-making as it proceeds on the following subjects: modifications in private property tax regulations, allocation of regional transportation routes, regulation of restaurants, new labor laws, and regulation of transport.

Administration

Apart from its proposed Administrative Simplification Act, and attention during the research stage, the ILD has not concerned itself with the administration of the law, perhaps in reaction to its experience with CODE. Being oriented toward the private sector, ILD staff may be somewhat daunted by the prospect of tackling public administration, and indeed express fear of being swallowed up in the process of trying to change the way things are done. Since policy is as administration does, it would seem that additional attention to problems of public administration, either on

its own or in cooperation with INAP, would be in order. Also, focusing on public administration would enable the ILD to build on its existing comparative advantage in legal matters to move from research to action programs.

Recommendation: The ILD should build on its comparative advantage in regulatory analysis to action programs in the field of public administration, particularly municipal administration.

SERVICES

The ILD has had positive impact on the provision of services provided to members of the informal economy, even though it itself does not provide direct services. Certain quasi-governmental institutions or funds were established at least in part in response to what ILD learned and publicized about the informal economy. Any changes in quality of municipal or Ministry of Housing services have yet to be examined. If, as a result of the proposed *Ley de Seguridad Legal y Acceso al Credito con Garantia Inmobiliaria*, the insurance companies begin to sell housing insurance to residents of the *pueblos jovenes*, and the banks or other credit institutions agree to accept these insurance policies as collateral, the ILD will have another set of services on its resume.

CHAPTER FIVE

FINANCIAL AND ADMINISTRATIVE PROFILE

FINANCIAL ISSUES

Funding Sources and Growth

The ILD has grown rapidly since receiving its first AID grant in 1982. The Institute received $36,000 in 1982 to fund a conference on the informal sector in Peru attended by, among others, Nobel prize winners Milton Friedman and Friedrich von Hayek. AID funding quadrupled the next year to almost $150,000 to cover all of its costs. In 1984, the ILD began to diversify its funding sources to include two U.S. and one Central American foundation. Private foundations accounted for about one-third of its $835,000 budget in 1985 and have provided one-third of total funding between 1982 and September 1987 (see Table V-1).

A $1,392,000 grant received from AID/Lima to cover expenses from April 1985 to March 31, 1988, has enabled the ILD to expand its research activities significantly. By the latter half of 1987, its expenses amounted to about $90,000 per month, over one-half of which came from AID. This multiyear grant provided a cushion that allowed Hernando de Soto and key assistants to focus their attention on completing and publicizing EOS. The book's success should help the ILD attract future funding.

According to the original AID grant agreement signed on June 20, 1985, the ILD was to diversify funding sources over the grant period. Other donors were supposed to fund 46 and 70 percent of its costs during the second and third tranches of the grant, respectively. This agreement subsequently was amended five times; the first four amendments dealt with minor administrative changes while the fifth amendment of September 30, 1987, added $191,400 to the original contract. A prior letter had accelerated disbursement of the third tranche ($250,000) of the $1.2 million grant and reduced the amount of matching funds required to disburse the third tranche (see Table V-2). The amendment also specified that the ILD needed only $363,464 rather than $584,434 from other sources to match the AID grant. The fourth tranche must

TABLE V-1
INCOME AND EXPENSES BY GRANT: 1982-87

INCOME SOURCE	1982	1983	1984	1985	1986	1987	Total	Amount Approved
AID								
PROJECT 598-0044								
- RECEIVED IN LIMA	35,772	122,607	25,055					
- RECEIVED IN USA:PAID DIRECTLY		26,566					210,000	210,000
PROJECT 527-0169								
- RECEIVED IN LIMA			308,642	187,161				
- RECEIVED IN USA:PAID DIRECTLY			17,500	15,200			528,503	530,000
PROJECT 527-0298 - 1 PERIOD								
- RECEIVED IN LIMA				336,946	150,784			
- RECEIVED IN USA				12,765			500,495	500,000
PROJECT 527-0298 - 2 PERIOD								
- TOTAL RECEIVED IN LIMA					315,844	131,323	447,167	450,000
PROJECT 527-0298 - 3 PERIOD								
- TOTAL RECEIVED IN LIMA						200,280	200,280	250,000
CIPE								
PROJECT P4-67-008			36,000	84,000			120,000	120,000
PROJECT P5-19291-003				92,789	147,211		240,000	240,000
PROJECT P6-19741-017					39,997	199,253	239,250	240,000
SMITH RICHARDSON - ATLAS								
DONATION 1			10,000	40,000			50,000	50,000
DONATION 2					84,800		84,800	84,800
FRANCISCO MARROQUIN FOUNDATION			2,000	2,000	2,000		6,000	6,000
IAF				60,000	70,000	39,600	169,600	173,600
FOR MULTINATIONAL MANAG. FMME				3,507			3,507	
CALMEDOW FOUNDATION				1,551			1,551	
TINKER						30,000	30,000	
	35,772	149,173	399,197	835,919	810,636	600,456	2,831,153	2,854,400

TABLE V-1 -- Continued

EXPENSES / SOURCE	1,982	1,983	1,984	1,985	1,986	1,987	Total	DIFER.
AID								
PROJECT 598-0044								
- COSTS IN LIMA	24,793	136,700	22,136					
- COSTS IN USA		26,566					210,195	(195)
PROJECT 527-0169								
- COSTS IN LIMA			331,371	164,431				
- COSTS IN USA			17,500	15,200			528,502	1
PROJECT 527-0298 - 1 PERIOD								
- COSTS IN LIMA				326,257	161,429			
- COSTS IN USA				12,765			500,451	44
PROJECT 527-0298 - 2 PERIOD								
- COSTS IN LIMA					287,461	161,903	449,364	(2,197)
PROJECT 527-0298 - 3 PERIOD								
- COSTS IN LIMA						155,717	155,717	44,563
CIPE								
PROJECT P4-67-008			17,780	102,422			120,202	(202)
PROJECT P5-19291-003				88,908	149,872		238,780	1,220
PROJECT P6-19741-017					64,997	152,293	217,290	21,900
SMITH RICHARDSON - ATLAS								
COSTS DONATION 1			7,939	41,055	1,007		50,001	(1)
COSTS DONATION 2					48,271	36,530	84,801	(1)
FRANCISCO MARROQUIN FOUNDATION			2,000	2,000	2,000		6,000	0
IAF				15,185	106,858	50,470	172,513	(2,913)
FOR MULTINATIONAL MANAG. FMME				3,507			3,507	0
CALMEDOW FOUNDATION				1,551			1,551	0
TINKER						27,500	27,500	2,500
	24,793	163,266	398,726	773,281	821,895	584,413	2,766,374	64,779

be matched by $403,402 received from other donors. AID, thus, will fund 52 percent of ILD's expenses during the grant period.

Although the ILD has made significant progress in diversifying funding sources, the organization's chief fund-raiser's attention has been devoted largely to promoting the book rather than to fund-raising activities. The book's success is expected to lead to increased funding in the medium term. The latest amendment's $191,000 has been absolutely critical to maintaining the ILD at current activity levels and, it is hoped, will allow it time to find funding from alternative sources.

TABLE V-2

BUDGET FOR AID GRANT 527-0298[1]

	4/1/85-6/30/85	7/1/86-4/30/86	5/1/87 10/31/87	11/1/87-3/31/87	TOTAL BUDGET	TOTAL ACTUAL (1/1/85-10/31/87)
AID	500,000	450,000	250,000	191,400	1,391,400	1,105,532
Other	143,670	375,940	363,464	403,402	1,286,650	894,425
Total	643,670	825,940	613,464	594,802	2,677,876	1,999,957
Bridge					200,000	
Grand Total					2,877,876	

Current Financial Management Systems

A comprehensive analysis of the ILD's financial management practices was not within the scope of this assignment. Its financial statements, budgets, and planning systems were reviewed, however, to determine the its prospective financial viability.

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[1] An amendment signed in December 1985 changed the dates of this illustrative budget so that the first period was extended until March 31, 1985 (4/1/85-3/31/86), the second was 4/1/86-3/31/87 and the third was 4/1/87-12/31/87. A second amendment extended the first period from 4/1/85-6/30/86 with a corresponding three-month extension during the second disbursement period. The end of project remained the same until the fourth amendment (June 16, 1987) extended the funding period until January 31, 1988. The fifth amendment, as noted in the text, accelerated disbursement of the third tranche, lowered the amount of required matching funds and added $191,000 in additional funds.

In April 1987 an AID/Lima financial analyst examined ILD's financial records, internal financial controls, bank account statements, and financial statements. The purpose of the review was to verify that the ILD had indeed complied with the grant requirement that it raise non-AID sources of funding and revise certain practices. Its conclusion was that the "ILD financial system does not include the financial management information, records, and controls that could make the system reliable." Specifically, the analyst found that the ILD:

- Failed to maintain separate accounts for AID funds;
- Commingled funds from all donors in a single bank account despite the explicit grant agreement requirement that AID funds be deposited in a separate bank account from which all expenses paid with AID funds should be drawn;
- Did not track the interest earned on ILD deposit accounts even though all AID grant agreements specify that any interest earned on U.S. government funds must be returned to the U.S. Treasury;
- Did not prepare financial statements on a regular basis since nonprofit Peruvian institutions are obliged to submit financial statements only every two years. (The ILD's former accountant told the AID financial analyst that nonprofit organizations do not have to submit any financial statements.) Thus, the most recent balance sheet shown to the financial analyst was from December 1985 and was considered to be pro-forma;
- Lacked adequate internal controls of fixed assets; it did not code and conduct periodic inventories of fixed assets, and no register of fixed assets was kept by the accounting department; and
- Did not have a purchasing system.

It is surprising that these fundamental deficiencies had not been detected earlier. AID began funding the ILD in 1982; this review occurred five years later. It revealed that the ILD had not been using the financial tools needed for sound management and to provide accurate, trustworthy information to donors. The ILD has adopted all of the recommendations included in the report and returned the interest earned on AID funds to the U.S. Treasury in late October 1987. The total amount of interest earned was I/146,076, most of which was generated by AID funds.

Recommendation: In accordance with AID's standard operating procedures, AID/Lima should conduct an audit before the end of the grant period.

A detailed financial management system may not have been necessary during the early ILD years when the Director ran a shoestring operation. The ILD now has an annual budget of over $1 million and almost 50 staff members. Its financial management systems have failed to keep pace with its growth. Inadequate financial planning, particularly for an institution so dependent upon unpredictable donor funding sources, leads to crisis management. Lack of sufficient income to cover expenses is not detected early enough to take corrective actions that minimize shock to the institution.

Since the ILD does not conduct cash flow and sensitivity analyses, management makes important decisions (increasing salaries, hiring new staff, and using consultants instead of staff) without being fully aware of their financial implications. For example, the ILD plans to hire two new part-time staff members in December 1987 because all existing staff members are fully occupied in other research projects. However, if income projections are not met (that is, if other substantial funds are not received), the evaluation team's cash flow projections show that the ILD will not be able to meet its current expenses by mid-1988.

Recommendations:

1) The ILD should adopt a variety of financial planning tools to help manage the institution. Management should be involved in preparing pro-forma income statements, and cash flow and sensitivity analyses that cover the subsequent one-year period. Senior management, project managers, and the Peruvian staff member responsible for fund raising should also compare projections with achievements and make the corresponding adjustments each quarter.

2) Until additional funding is ensured, management should reconsider actions that cause a net increase in the number of ILD staff. More prudent options are to replace current "unfunded" staff with those needed for the capital markets study or, if ILD staff skills are appropriate, transfer them to this funded activity.

Presidents of small, private organizations often are entrepreneurs with the dynamism and drive needed for the organization's growth. The stability and long-term survival of these organizations depend upon employing a strong manager -- often the second in command or a controller -- who is concerned with the feasibility, funding sources, and management implications of new and existing activities. This individual serves as a countervailing force to the innovative but sometimes financially imprudent tendencies of the entrepreneur/president. To be effective, these managers must have the personality and skills needed to persuade others of their arguments, as well as know when to concede.

Recommendations:

1) The ILD needs to strengthen its financial management and planning systems. Until future funding is ensured, the ILD should send the head of its Administration and Finance Division and its chief accountant to courses at a local business school. These intensive courses should teach financial management and planning techniques, including the use of computer spreadsheet programs. This training will be effective only if senior management demonstrates a commitment to using these techniques.

2) Once funding is secured, the ILD should hire a senior-level financial manager/controller.

Fund Raising

Hernando de Soto is the institution's chief fund raiser, assisted by a part-time staff member in the United States. The ILD's general manager/head of Administration and Finance supervises the research circles that prepare updates of their activities. Donors appear to be pleased with the quality of these reports.

Currently untapped donors include:

- Private foundations in Latin America;
- Peruvian businesses;
- Peruvian trade federations;

- U.S. corporations (particularly those with Peruvian subsidiaries);
- Multilateral donor agencies (United Nations, Inter-American Development Bank, the World Bank, Organization of American States, etc.); and
- Canadian and European government and private sources.

Except for a few small grants from a Guatemalan foundation, the ILD receives all of its funds from the U.S. government or U.S. private foundations. It expects to receive support from a Canadian organization within the next few months. In the past, the ILD raised relatively small amounts from a few U.S. private foundations; its future strategy is to attempt to obtain substantial funds from bilateral and multilateral agencies. In addition to the $10 million five-year proposal to AID, the ILD has submitted a request of $500,000 to one multilateral funding agency and plans to ask another for about $2 million. The ILD hopes to raise funds from corporate foundations, but these are not expected to be the most lucrative targets of opportunity. Those involved in ILD fund raising are not optimistic about European private and government sources. However, a concerted effort to raise these funds has not yet been made.

The ILD's President is pessimistic about the possibility of gaining donations from Peruvian sources. He argues that the current Government of Peru regards the ILD as its opponent, formal businesses view the ILD as acting against the formal sector, and that the ILD's Peruvian constituents -- the informal sector -- cannot afford to donate funds. However, this outlook appears to be based upon unsuccessful efforts to woo Peruvian businesses made soon after the ILD was founded. Given its prominent role in defending the principle of private property during the recent bank nationalization debate, the evaluation team believes that funds may be raised from Peruvian companies and individuals for activities that are seen to be in their best interests. One method of raising funds from local and regional sources, for example, would be to charge fees for seminars held by ILD staff. Such information and advice are currently offered to regional groups free of charge. These funds, even if minimal, would also help to stem local criticism that the ILD receives all of its money from North American sources and would help to legitimate the ILD as a Peruvian institution.

Recommendation: The ILD should attempt to raise a greater proportion of funds from regional, especially Peruvian sources. Its fund-raising strategy should include seeking funds from Peruvian companies, interest groups, and individuals; foreign corporations with Peruvian subsidiaries; and European government organizations and private foundations.

As the ILD diversifies funding sources, a danger exists that Hernando de Soto's time will be increasingly devoted to fund raising. Demands on his time will increase as the ILD expands the number of its donors. The ILD currently employs a part-time staff member in New York who has been instrumental in attracting donations from North American foundations. However, the ILD lacks someone in Lima to manage efforts to raise local (and Latin American) funds, write monitoring reports to North American clients in English, help to prepare proposals, and work with the President on a fund-raising strategy. This individual could do all the preparatory work needed before approaching prospective donors so that the President's time could be used in a more cost-effective manner. In addition, this individual could explore the feasibility of other income-generating ideas such as charging a fee for seminars, briefings, and advice provided to visiting groups.

Recommendation: The ILD should hire a bilingual fund-raising professional in Lima to help manage fund-raising activities, write monitoring reports to donors, and organize conferences and seminars. This person should report to the President and work closely with the ILD fund-raising representative in the United States.

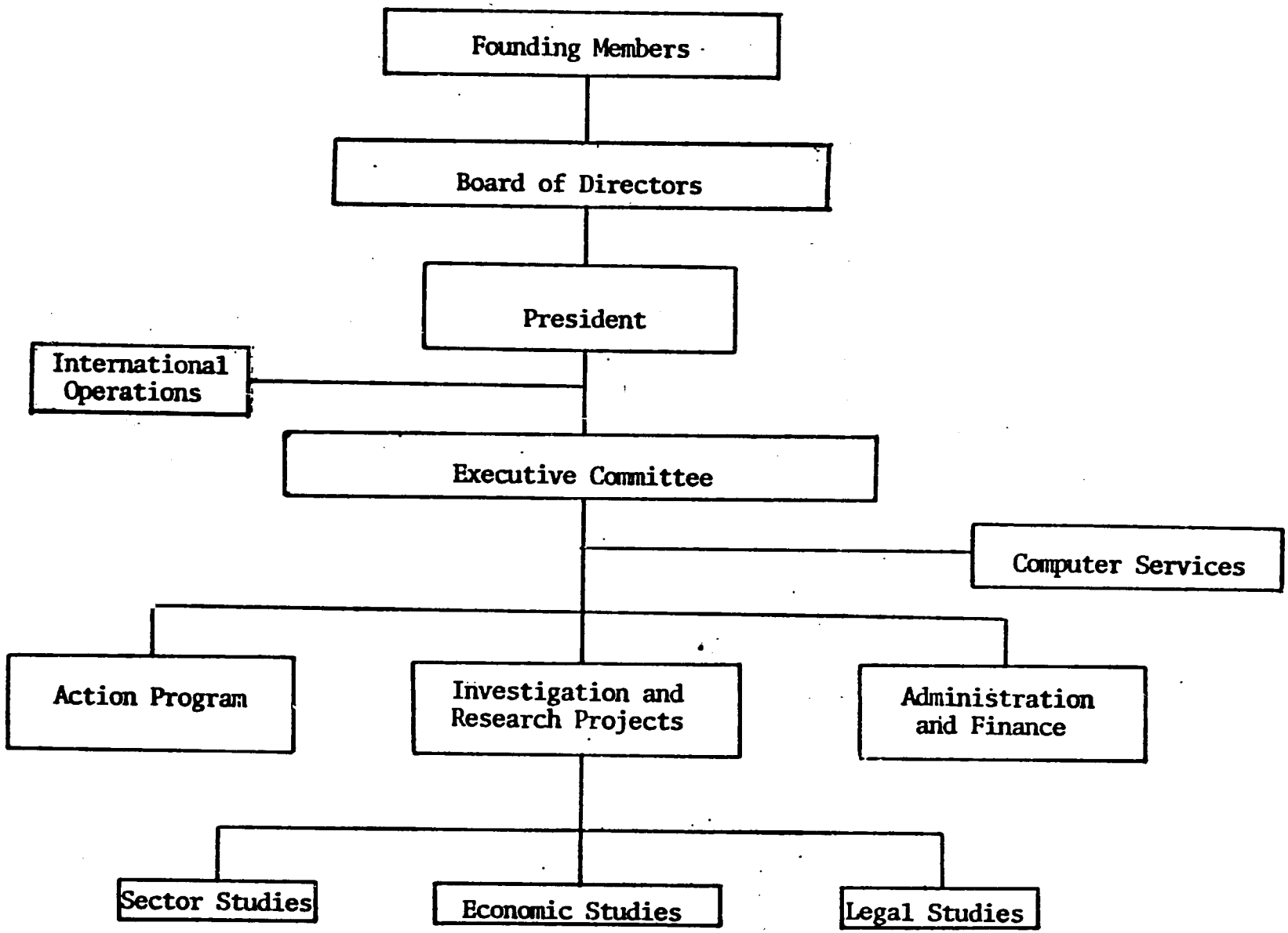
ADMINISTRATION

Organizational Structure

The ILD is a nonprofit civil association authorized to receive tax-deductible donations and is tax exempt. Its organizational structure is shown in Chart V-1. The nine founding members meet officially every two years to approve the ILD's financial statements. The four-member Board of Directors meets each year. Three out of four members work for the ILD (its President and two part-time consultants). Neither group plays an important role in overseeing ILD's activities or advising on strategy.

CHART V-1

ILD ORGANIZATIONAL CHART



The lack of an active Board of Directors or founding members' organization means that no independent check on senior management exists. Outside members on a Board of Directors can provide a useful, different perspective on future strategy options and review financial plans carefully. To accomplish this oversight function effectively, the Board should meet on a quarterly basis. U.S. nonprofit organizations also use their Boards of Directors as a fund-raising mechanism. They often invite representatives of current or potential donors to serve on the Board of Directors to develop their personal and financial commitment to the organization.

Recommendation: The ILD should consider broadening its Board of Directors to include respected individuals from a variety of backgrounds useful to overseeing the organization. It should also consider inviting representatives of current or potential funding agencies to join the Board. Meetings should be held each quarter.

Broad management responsibility is held by the ILD's Executive Committee, which is composed of its President, General Manager/Head of Administration and Finance, heads of its Investigation and Research Projects Division, Legal Studies Unit and Action Division, and a legal consultant. Daily management and administration is handled by the General Manager/Head of Administration and Finance. The ILD was reorganized recently so that its study units (now called work circles) no longer report directly to the President but to the head of the Investigations and Research Projects Division. The implications of this reorganization should be monitored carefully to ensure that the organization is served effectively by the new arrangement.

Staff Composition

The ILD's staff has been recruited primarily from the private sector, other research institutes, the Law School of the Universidad Catolica, and the Economics Department of the Universidad del Pacifico. Table V-3 shows the ILD's staff composition. Economists and lawyers are divided into four categories based on academic degrees and work experience. They are as follows:

TABLE V-3

ILD STAFF COMPOSITION

Full-Time

President		1
General Manager		1
Economists: Total		10
- Category A	1	
- Category B	4	
- Category C	4	
- Category D	1	
Lawyers: Total		9
- Category A	1	
- Category B	2	
- Category C	3	
- Category D	4	
Communications and Publicity		6
Architect		1
Research Assistants		4
Administrative Staff		17
- Accounting	3	
- Secretaries	5	
- Messenger	2	
- Maintenance	1	
- Chauffeur	1	
- Security	5	
Total Full-Time Staff		49

Part-Time

Category	Number of Persons	Percentage of Year Worked	Full-Time Job Equivalent
Lawyers	3	50	1.50
	1	25	.25
Economists	1	50	.50
	1	100	1.00
U.S. representative	1	65	.65
Total Part-Time			3.90
TOTAL STAFF			52.90

- Project Leader, Ph.D. or doctoral work completed, but without dissertation, 10-15 years of experience;
- Work Circle Leader/Researcher, Master's degree, 5-10 years of experience;
- Researcher, Bachelor's degree, 3 years of experience; and
- Research Assistant, Bachelor's degree, no experience.

Although the ILD employs a few experienced lawyers and economists who serve as project leaders, most of the staff is junior. These individuals cannot represent the ILD in public debates on ILD's economic research.

Recommendation: To influence opinion more strongly in Lima's intellectual community, the ILD should hire a senior economist. This individual should be able not only to perform solid research but also to present and defend the ILD's economic research in periodic seminars and roundtables.

Staff Salaries and Benefits

The ILD's salaries are competitive with those offered to professionals of equal calibre in the private sector (see Table V-4 for staff salaries). They are higher than salaries in the public sector. However, this is mitigated by two factors:

- ILD staff do not receive the benefits normally offered to those employed elsewhere (paid vacation and sick leave, 13th and 14th month extra salary, and private health insurance); and
- All professional staff lack job security since they have, at most, a one-year contract.

Fringe benefits offered to senior-level Peruvian economists employed by AID/Lima are equivalent to 38 percent of their basic salary. Private and public banks are known for their generous benefit packages. In addition, government staff (those that are not political appointees) have considerable job security.

For example, AID would pay a Peruvian economist with five years of experience and Master's degree from a U.S. university about $1,563 per month as an entry-level salary plus benefits. After a few years, this person's package would be worth about $2,300. According to the AID/Lima personnel director, it is normal to pay 30

percent more if the job is only for one year and offers no long-term security. This would bring the salary of a Grade B economist to about $3,000, which is within the range paid by the ILD.

TABLE V-4

ILD MONTHLY SALARY LEVELS
(in U.S. dollars)

	October 1987	Proposed Plan Integral
Director	5,000	5,000
General Manager	3,500	3,500
Economists		
A	3,300	3,500
B	1,800-2,500	2,500
C	800-1,200	1,000
D	300- 600	600
Lawyer		
A	3,000	3,500
B	-	2,500
C	1,000-1,500	1,000
D	500	600

However, ILD salaries have decreased recently due to budgetary problems. Until May 1987, the ILD used the official exchange rate (or close to it) to convert dollar-denominated salaries into intis. Lack of income sufficient to meet expenses caused ILD management to decide to use a lower exchange rate for internal purposes to stretch funds further. Thus, the ILD receives intis that have been converted from U.S. dollars at the official exchange rate (in September, I/37.5 = US$1.00) but pays staff using a lower internal rate (I/30 = US$1.00) (see Table V-5 for a comparison of the official and ILD rate). The effect of this policy, is to lower salaries to 80 percent of their contracted value. Not surprisingly, staff are unhappy with this policy, and management hopes that sufficient funding will be available by November so that the ILD once again can adopt the official rate.

TABLE V-5

DUAL EXCHANGE RATE SYSTEM

	ILD	Official
June 1986	13.98	17.40
August 1986	17.00	17.40
January 1987	20.00	20.00
May 1987	23.00	29.00
July 1987	27.00	29.00
August 1987	27.00	37.00
September 1987	30.00	37.00
October 1987	30.00	38.50

As shown in Table V-4, management hopes to raise salaries when the Plan Integral begins officially in April 1988. The evaluation team believes that, although the salaries of the ILD are competitive, its benefit package is not. The ILD has not paid benefits because it wishes to avoid placing any professional staff on a permanent basis. Peru's labor legislation makes it difficult and expensive to fire permanent employees. However, it should be possible to continue the practice of offering one-year contracts but include certain benefits such as vacation and sick leave as well as medical insurance.

Recommendation: The ILD should provide fringe benefits such as vacation time, sick leave, and medical insurance to its professional staff. This policy should be instituted instead of another salary increase in April 1988. The cost of such benefits should be calculated for all staff members and compared with staff salaries to devise a fringe rate multiplier. Proposals to donors should include this fringe amount as a separate line item.

Staff Turnover

During 1987 the size and quality of the staff of economic analysts at the ILD have been weakened by a series of resignations. The six members of the economic staff left for a variety of reasons and joined different organizations as shown below:

- Roger E. -- Left ILD for "economic reasons." Current employer: the prominent private consulting firm, Macroconsult.

- Armando M. -- Current employer: Interrnational Division of the Central Bank.

- Luis B. -- Current employer: the development bank, Banco Industrial.

- Cesar B. -- Current employer: the development bank of the Andean Group, Corporacion Andino de Fomento, in Caracas.

- Rafael C. -- Current employer: Centro de Investigacion, Univ. del Pacifico. Sr. C.'s job promises a scholarship for study abroad after a year at the Centro.

- Keta R. -- Current placement: postgraduate studies at Boston University.

The first four economists mentioned above have positions at established institutions and are working as economists there. Postgraduate foreign study led the last two to leave the ILD.

Normal turnover is to be expected in any institution. The level of turnover among the economists, however, is unfortunately high. The numbers and qualifications of the economists who have left the ILD seriously impair its capability to carry out its ambitious research plans.

Recommendations:

1) The ILD should trim its program of proposed studies in economic fields until it can bring its economic staff back to the levels it had when the projects were initially formulated.

2) Given the desirability of attracting young economists and augmenting their Peruvian training, the ILD should consider offering its best entry-level professionals contracts that combine periods of research in Peru with periods of study abroad.

CHAPTER SIX

THE FUTURE ILD PROGRAM

OVERVIEW OF ILD PLANS

In April 1988 the ILD hopes to launch a five-year program that would triple its current annual budget with corresponding increases in staff and consultants. This program includes continuing some activities in the housing, transport, and commerce subsectors as well as entering new fields. The ILD has submitted a proposal to AID/Lima for $10.8 million over a five-year period to cover the expenses associated with some of these activities. Additional funding has been requested from a variety of donors. A detailed breakdown of the level of effort and costs associated with each project is shown in Annex A.

The projects most worthy of serious consideration are summarized below.

Opening Up Economic Participation (Economic Projects)

Economic Issues Projects

1. Economic Impact of Legal Reform

Duration: Years One-Five

Level of Effort and Cost:

Year One:	97 person-months	$228,000
Year Two:	97 person-months	$224,000
Year Three:	92 person-months	$256,000

Objective: To measure the impact of institutional reforms on gross domestic product (GDP), investment, and employment.

Status: Work has already begun on this project using AID grant funds. This has been submitted to AID for consideration, but no future funding has been found to date.

2. **Policies for Utilizing Foreign Financing**

Duration: Year One

Level of Effort and Cost:

Year One: 78 person-months $195,000

Objective: To clarify the extent to which external credit meets public sector requirements and design the formula necessary so that future contracts would be based upon cost/benefit analysis, be publicly known, and be competitively bid.

Status: Waiting for funding. The project has been submitted to AID for consideration, but no future funding has been found to date.

3. **Capital Markets**

Duration: Year One

Level of Effort and Cost:

Year One: 79 person months $201,000

Objective: To design an alternative way of regulating Peruvian capital markets to attract savings and channel them to the most efficient uses. This would focus on ways to channel credit to the informal sector.

Status: A methodology has been designed and questionnaires are being field-tested. About $130,000 in funds are relatively secure; one foundation has pledged $50,000 if an equivalent amount of matching funds is found from another source.

4. **Labor Markets**

Duration: Year Two

Level of Effort and Cost:

Year Two: 68 person months $198,000

Objective: To propose new forms of regulating labor markets so that access to formal employment would cease to be limited to a minority sector of the work force.

Status: This project is currently unfunded.

5. Foreign Exchange Markets

Duration: Year Three

Level of Effort and Cost:

Year One: 70 person months $216,000

Objective: To improve foreign exchange rate management and eliminate the arbitrariness with which foreign exchange is allocated.

Status: This project is currently unfunded.

Other planned economic sector projects that are of lower priority or are scheduled for later years are:

- Institutional transformation in Southeast Asia;
- Privatization alternatives;
- Foreign trade policies;
- Policies for financing the public sector;
- Enterprise zones;
- Antimonopoly instruments;
- Insurance instead of regulation; and
- Implications of ILD research.

Total Economic Issues Projects

Year One:	254 person months	$624,000
Year Two:	234 person months	$619,000
Year Three:	304 person months	$898,000

Sectoral Projects

1. **Urban Transport**

Duration: Year One-Three

Cost:

Year One: $276,000 (rest not itemized)

Objective: To eliminate the deficiencies of the informal urban transport system particularly with reference to the quality and safety of service. To design a program of reforms based upon the informals' own extra-legal norms and foreign experience.

Status: This project is a continuation of the ILD's work in the urban transport sector. Work is proceeding under the AID grant, but no future funding has been found to date.

2. **Housing**

Duration: Year One-Five

Cost:

Year One: $469,000 (rest not itemized)

Objective: To analyze how state intervention has segmented the market for rental housing in favor of minority groups and design an alternative system (Rent Control and Tenancy subproject), to assist settlers who did not receive title under the titling law passed in June 1986 (Follow-Up on Land Titling subproject), to simplify the procedure for adjudication of uncultivated state-owned land to facilitate access to property, and to create a Land Bank (Adjudication of State Land subproject)

3. **Agriculture**

Duration: Year One

Level of Effort and Cost:

Year One: $81,300 (rest not itemized)

Objective: To determine the regulatory constraints to the development of Peruvian agriculture.

Status: unfunded

Projects to Facilitate Non-monopolistic Decision Making and Institutions to Control Monopolistic Decision Making (Legal Projects)

Democratic Production of Law

Duration: Year One-Two

Level of Effort and Cost:

Year One:	42 person months	$94,000
Year Two:	44 person months	$76,000

Objective: To establish democratic participatory mechanisms for the production of rules and regulations.

Access to Public Information

Duration: Year One

Level of Effort and Cost:

Year One:	56 person months	$130,000

Objective: To provide citizens and members of Congress with access to public information, similar to the U.S. Freedom of Information Act.

Oversight and Review

Duration: Year One

Level of Effort and Cost:

Year One:	55 person months	$123,000

Objective: To establish mechanisms so that Congress, the Controller General, and the courts review and oversee administrative decision making by the state.

Administrative Simplification

Duration: Year One-Two

Level of Effort and Cost:

Year One:	50 person months	$93,000
Year Two:	40 person months	$68,000

Objective: To reduce or eliminate the bureaucratic steps that impose unnecessary costs on business activities.

Other proposed legal projects are:

- Public bidding;
- Alternative systems for the administration of justice;
- Free and competitive press;
- Decentralization; and
- Political competition.

Total Legal Projects

Year 1:	243 person months	$545,000
Year 2:	253 person months	$456,000
Year 3:	275 person months	$533,000

Action Projects

The cost of undertaking the entire action program is $327,000 for the first year. The ILD has received $120,000 from a foundation to cover six months of expenses associated with the action program. This foundation is expected to continue to provide about $240,000 per year for this activity. Another foundation is expected to provide an additional $102,000 to cover the action program and some international expenses during November 1987-July 1988. Thus, the action program seems well funded.

The action program includes:

- Dissemination of EOS;
- Publication in the main communications media;
- Communication with the citizens of the informal sector; and
- Communication with decision-making groups.

Other projects are:

- The informal sector and liberation theology; and
- Parallel Studies.

The International Program

The international program has three basic components: further research on the informal sector in other Latin American countries, dissemination of ILD writings, and establishment of a U.S. office to help in program development and fund raising. The ILD has requested funding from USAID/Lima for funding the U.S. office at the level of $187,000 per year, or $937,000 for the five-year grant period. Specific projects are:

- Research: informality in Latin America;
- Field work and joint projects;
- Implications of the ILD thesis for developed countries and international institutions;
- International coordination;
- International dissemination of EOS; and
- Program administration.

Suggested Approach for the ILD

Undertaking all these projects would strain the management and research capacity of the ILD beyond reasonable limits. Accordingly, it must come to grips with its most serious challenge to date. It cannot continue in its current posture of crisis management. Month-to-month potential shortfalls in income distract staff from more productive activities.

Meeting this challenge requires the ILD to engage in an unprecedented exercise: setting priorities within its list of future projects. It seems unlikely that all will be funded. It is equally unlikely, even if funded, that all could be performed. Therefore, designating a core of group of personnel and a set of priority projects now becomes an inescapable requirement.

The priorities should follow the ILD's demonstrated comparative advantages. The evaluation team believes these to be the following:

- Carrying out policy-oriented survey research on problems affecting the urban informal sector;
- Formulating legislation related to property rights;
- Attracting domestic public attention to socioeconomic development through institutional change; and
- Generating debate throughout Latin America on the influence of the state on informal sector growth.

This list of comparative advantages implies that the ILD should focus its activities on:

- Consolidating past work done on the urban informals. Specifically the ILD should publish a series of research monographs on housing, transport, commerce and industry to complement EOS and its appendices;
- Conducting research on the economic effects of legal institutions and procedures;

- Continuing action programs (lobbying efforts, publicity campaigns, and group action) based on solid research; and
- Conducting seminars on informality and institutional change directed toward Peruvian social scientists and professionals from other Latin American countries.

The evaluation team is reluctant to choose which particular projects should be pursued. It would prefer that the ILD conduct the valuable exercise of setting its own priorities. Nevertheless, within the limits of its understanding of the ILD's current situation, the following projects appear to match the comparative advantages noted above. Although some of these titles appear to describe macroeconomic policy issues, they actually refer to microeconomic studies that focus on particular informal sector phenomena.

Economic Issue Projects

- Capital markets (financial services for informals); and
- Labor markets.

Sectoral Projects

- Housing; and
- Urban transport.

Legal Projects

- Democratic production of law;
- Access to public information;
- Oversight and review; and
- (Administrative simplification is currently in Parliament).

Action Projects

- **In Peru:**

  -- Publication in the main communications media;

  -- Communication with the citizens of the informal sector; and

  -- Communication with decision-making groups.

- **International Projects:**

  -- International dissemination of EOS.

In addition, the team believes that the following general activities also have high priority:

- Giving publicity to methods and results of research already performed; and
- Maintaining inter-institutional relationships with the ILD's wide variety of constituencies.

The cost associated with undertaking the preceding list of recommended activities was not calculated, given the evaluation team's time constraints.

FINANCIAL PROJECTIONS

The results of the evaluation team's financial projections indicate that the ILD urgently needs to set its priorities. Only a small portion of the ILD's future activities have been funded.

The team conducted several cash-flow analyses based on varying income and expense assumptions (see cash-flow tables). Three income and three expense cases were constructed. Since one objective of this exercise was to determine whether the ILD required further AID funding, none of the income cases included AID as a donor source. The income cases were as follows:

- The most conservative case assumes that income would be received only from donors that have already agreed to provide future funding;
- A more optimistic case includes income from donors that are currently considering ILD proposals. ILD fund raisers believe that there is a 70 percent probability that ILD will receive this income; and
- The most optimistic case assumes that all proposals being prepared will be approved.

Three different expense models were also developed:

- The skeleton, core expense model assumes that only ILD's core staff will be retained after April 1988 and administrative costs will be one-third of current levels. Core staff is defined as the ILD President, general manager, division heads, a few project leaders, one accountant, security forces, and two secretaries. Salary expenses are cut in half using this model. The use of foreign staff and consultants has also been cut;
- The current level of operations model assumes that expenses will remain at current levels (a 10-percent annual inflation factor is included); and
- The Plan Integral model assumes that the ILD will carry out the future program described earlier in this chapter.

Five cash-flow models were developed:

Case One: Most conservative income projections and core staff expenses (1, 4);

Case Two: More optimistic income projections and core staff expenses (2, 4);

Case Three: More optimistic income projections and expense projections at current levels of operations (2, 5);

Case Four: Most optimistic income projections and plan integral expenses (3, 6); and

Case Five: Most optimistic income projections and expense projections at current level of operations (3, 5).

Case One is the most stringent model (see Table VI-1). It shows that even, if the ILD fires all but its core staff and reduces its administrative costs by two-thirds, it still will not be able to cover these expenses by April 1988 if conservative

TABLE VI-1
CASE ONE CASH FLOW: MOST CONSERVATIVE INCOME PROJECTIONS
CORE STAFF EXPENSES

INCOME	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	YEAR 1	YEAR 2	YEAR 3
A. GUARANTEED															
CIPE	40,000	0	40,000	0	40,000	0	0	0	0	0	0	0	120,000	0	0
AID 1	49,500	0	0	0	0	0	0	0	0	0	0	0	49,500	0	0
AID 2	0	114,600	0	0	76,400	0	0	0	0	0	0	0	191,000	0	0
IAF	70,000	0	0	0	0	0	0	0	0	0	0	0	70,000	0	0
CINDE	0	36,000	0	0	36,000	0	0	30,000	0	0	0	0	102,000	0	0
IDRC	0	0	0	52,350	0	0	0	0	0	52,350	0	0	104,700	0	0
SMITH RICHARDSON	0	60,000	0	0	40,000	0	0	0	0	0	0	0	100,000	0	0
TOTAL A	159,500	210,600	40,000	52,350	192,400	0	0	30,000	0	52,350	0	0	737,200	0	0
NET INCOME FROM PRIOR PERIOD	0	55,520	139,444	72,715	21,366	105,067	10,918	(41,236)	(63,390)	(115,544)	(115,348)	(167,502)			
TOTAL INCOME	159,500	266,120	179,444	125,065	213,766	105,067	10,918	(11,236)	(63,390)	(63,194)	(115,348)	(167,502)			
EXPENSES															
I. SALARIES	66,721	58,596	63,529	68,029	64,429	62,629	29,560	29,560	29,560	29,560	29,560	29,560	561,293	390,192	429,211
PERUVIAN STAFF AND CONSULTANTS	51,721	58,596	58,129	62,629	62,629	62,629	25,560	25,560	25,560	25,560	25,560	25,560	509,693	337,392	371,131
FOREIGN STAFF AND CONSULTANTS	15,000	0	5,400	5,400	1,800	0	4,000	4,000	4,000	4,000	4,000	4,000	51,600	52,800	58,080
II. TRAVEL	9,000	3,000	8,280	8,250	6,850	5,100	4,500	4,500	4,500	4,500	4,500	4,500	67,480	59,400	65,340
PERUVIAN STAFF	4,100	3,000	3,000	3,000	5,100	5,100	3,000								
FOREIGN STAFF AND CONSULTANTS	4,900	0	5,280	5,250	1,750	0	1,500								
III. OPERATING COSTS	8,390	8,390	9,390	11,890	11,890	10,890	3,394	3,594	3,594	3,594	3,594	3,594	82,404	47,441	52,185
DIRECT COSTS	2,940	2,940	3,940	5,140	5,140	4,140									
INDIRECT COSTS	5,450	5,450	5,450	6,750	6,750	6,750									
IV. ADMINISTRATIVE COSTS	6,969	8,030	8,030	8,030	8,030	8,030	7,000	7,000	7,000	7,000	7,000	7,000	89,119	92,400	101,640
V. OFFICE EQUIPMENT	4,400	4,000	0	0	0	0	0	0	0	0	0	0	8,400	0	4,000
VI. PUBLICITY	8,500	2,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	56,000	59,400	65,340
VII. SECURITY	0	42,160	13,000	3,000	13,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	92,160	39,600	43,560
TOTAL EXPENSES	103,980	126,676	106,729	103,699	108,699	94,149	52,154	52,154	52,154	52,154	52,154	52,154	956,856	688,433	761,276
DIFFERENCE															
TOTAL INCOME-COSTS	55,520	139,444	72,715	21,366	105,067	10,918	(41,236)	(63,390)	(115,544)	(115,348)	(167,502)	(219,656)	(219,656)	(688,433)	(761,276)

income projections are used. This indicates that the ILD is in an extremely vulnerable position. Even if other donors agree to provide funding (those in the more optimistic income case), the timing of these funds is critical.

Case Two presents the scenario that ILD receives funding from additional donors and cuts expenses to the core level (see Table VI-2). In this case, the ILD can survive during the first year. Since most second year funding is less secure, expenses outstrip costs during the second and third years. The implications of this model are clear: If the ILD does not receive positive indications that additional funds are available by early 1988 at the latest, it must cut costs to slightly above a core level. The earlier this decision is taken, the more flexibility ILD management will have in deciding how to allocate expenses in the near future.

Given the ILD's reluctance to cut staff and the high probability of achieving the more optimistic income case, Case Three, at this moment might be considered the conservative pessimist's most likely case (see Table VI-3). By June 1988, income is no longer sufficient to meet expenses. At the end of this fiscal period (October 1987-September 1988), the ILD will find itself $133,000 in the red.

Case Four presents the optimistic income scenario that funds will be received from all donors (except AID) and expenses associated with the plan described in the first section are incurred (see Table VI-4). Since new donors are not expected to begin their heavy contributions until the second year, it is not surprising that ILD would not be able to meet this year's expenses. However, Case Four shows that a serious shortfall would continue during the second and third years of the plan. These income assumptions mean that the ILD would have to maintain its current expense levels throughout Year One and but that it could double expenses during Year Two.

Case Five shows that, if the ILD maintains its current operating expenses and enjoys its most optimistic income scenario, it can easily meet expenses (see Table VI-5). This is a misleading case since fulfilling the tasks for which income was received will cause the ILD to incur some additional expenses. However, it indicates that, should the most optimistic income case occur, the most prudent course of action would be to restrain costs as much as possible.

TABLE VI-2
CASE TWO CASH FLOW: MORE OPTIMISTIC INCOME PROJECTIONS
CORE STAFF EXPENSES

	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	YEAR 1	YEAR 2	YEAR 3
INCOME															
A. GUARANTEED															
CIPE	40,000	0	40,000	0	40,000	0	0	0	0	0	0	0	120,000	0	0
AID 1	49,500	0	0	0	0	0	0	0	0	0	0	0	49,500	0	0
AID 2	0	114,600	0	0	76,400	0	0	0	0	0	0	0	191,000	0	0
IAF	70,000	0	0	0	0	0	0	0	0	0	0	0	70,000	0	0
CINDE	0	36,000	0	0	36,000	0	0	30,000	0	0	0	0	102,000	0	0
IDRC	0	0	0	52,350	0	0	0	0	0	52,350	0	0	104,700	0	0
SMITH RICHARDSON	0	60,000	0	0	40,000	0	0	0	0	0	0	0	100,000	0	0
SUBTOTAL A	159,500	210,600	40,000	52,350	192,400	0	0	30,000	0	52,350	0	0	737,200	0	0
B. UNDER CONSIDERATION															
CIPE 2	0	0	0	0	0	0	40,000	0	0	40,000	0	40,000	120,000	120,000	0
IDRC/COLOMBIA	0	0	0	0	0	0	40,000	0	0	10,000	0	0	50,000	0	0
JOHN OLIN	0	0	0	0	0	0	34,500	0	34,500	0	34,500	0	103,500	103,500	0
FORD	0	0	0	49,320	0	0	0	0	0	0	0	0	49,320	0	0
ARGIDUIS	0	0	0	0	0	0	0	0	0	25,000	0	0	25,000	25,000	0
MATCH TO ARGIDUIS	0	0	0	0	0	0	0	0	0	25,000	0	0	25,000	25,000	0
SUBTOTAL B	0	0	0	49,320	20,000	34,500	60,000	0	34,500	100,000	34,500	40,000	372,820	273,500	0
TOTAL NEW CASH INFLOW (A+B)	159,500	210,600	40,000	101,670	212,400	34,500	60,000	30,000	34,500	152,350	34,500	40,000	1,110,020	273,500	0
NET INCOME FROM PRIOR PERIOD	0	55,520	139,444	72,715	70,686	174,387	114,738	122,584	100,430	82,776	182,972	165,318			
TOTAL INCOME	159,500	266,120	179,444	174,385	283,086	208,887	174,738	152,584	134,930	235,126	217,472	205,318			
EXPENSES															
I. SALARIES	66,721	58,596	63,529	68,029	64,429	62,629	29,560	29,560	29,560	29,560	29,560	29,560	561,293	390,192	429,211
PERUVIAN STAFF AND CONSULTANTS	51,721	58,596	58,129	62,629	62,629	62,629	25,560	25,560	25,560	25,560	25,560	25,560	509,693	337,392	371,131
FOREIGN STAFF AND CONSULTANTS	15,000	0	5,400	5,400	1,800	0	4,000	4,000	4,000	4,000	4,000	4,000	51,600	52,800	58,080
II. TRAVEL	9,000	3,000	8,280	8,250	6,850	5,100	4,500	4,500	4,500	4,500	4,500	4,500	67,480	59,400	65,340
PERUVIAN STAFF	4,100	3,000	3,000	3,000	5,100	5,100	3,000								
FOREIGN STAFF AND CONSULTANTS	4,900	0	5,280	5,250	1,750	0	1,500								
III. OPERATING COSTS	8,390	8,390	9,390	11,890	11,890	10,890	3,594	3,594	3,594	3,594	3,594	3,594	82,406	47,441	52,185
DIRECT COSTS	2,940	2,940	3,940	5,140	5,140	4,140									
INDIRECT COSTS	5,450	5,450	5,450	6,750	6,750	6,750									
IV. ADMINISTRATIVE COSTS	6,969	8,030	8,030	8,030	8,030	8,030	7,000	7,000	7,000	7,000	7,000	7,000	89,119	92,400	101,640
V. OFFICE EQUIPMENT	4,400	4,000	0	0	0	0	0	0	0	0	0	0	8,400	0	4,000
VI. PUBLICITY	8,500	2,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	56,000	59,400	65,340
VII. SECURITY	0	42,160	13,000	3,000	13,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	92,160	39,600	43,560
TOTAL EXPENSES	103,980	126,676	106,729	103,699	108,699	94,149	52,154	52,154	52,154	52,154	52,154	52,154	956,856	688,433	761,276
DIFFERENCE															
TOTAL INCOME-COSTS	55,520	139,444	72,715	70,686	174,387	114,738	122,584	100,430	82,776	182,972	165,318	153,164	153,164	(414,933)	(761,276)

TABLE VI-3
CASE THREE CASH FLOW: MORE OPTIMISTIC INCOME PROJECTIONS
EXPENSE PROJECTIONS AT CURRENT LEVEL OF OPERATIONS

	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	YEAR 1	YEAR 2	YEAR 3
INCOME															
A. GUARANTEED															
CIPE	40,000	0	40,000	0	40,000	0	0	0	0	0	0	0	120,000	0	0
AID 1	49,500	0	0	0	0	0	0	0	0	0	0	0	49,500	0	0
AID 2	0	114,600	0	0	76,400	0	0	0	0	0	0	0	191,000	0	0
IAF	70,000	0	0	0	0	0	0	0	0	0	0	0	70,000	0	0
CINDE	0	36,000	0	0	36,000	0	0	30,000	0	0	0	0	102,000	0	0
IDRC	0	0	0	52,350	0	0	0	0	0	52,350	0	0	104,700	0	0
SMITH RICHARDSON	0	40,000	0	0	40,000	0	0	0	0	0	0	0	100,000	0	0
SUBTOTAL A	159,500	210,600	40,000	52,350	192,400	0	0	30,000	0	52,350	0	0	737,200	0	0
B. UNDER CONSIDERATION															
CIPE 2	0	0	0	0	0	0	40,000	0	0	40,000	0	40,000	120,000	120,000	0
IDRC/COLOMBIA	0	0	0	0	0	0	40,000	0	0	10,000	0	0	50,000	0	0
JOHN OLIN	0	0	0	0	0	0	34,500	0	34,500	0	34,500	0	103,500	103,500	0
FORD	0	0	0	49,320	0	0	0	0	0	0	0	0	49,320	0	0
ARGIDUIS	0	0	0	0	0	0	0	0	0	25,000	0	0	25,000	25,000	0
MATCH TO ARGIDUIS	0	0	0	0	0	0	0	0	0	25,000	0	0	25,000	25,000	0
SUBTOTAL B	0	0	0	49,320	20,000	34,500	60,000	0	34,500	100,000	34,500	40,000	372,820	273,500	0
TOTAL NEW CASH INFLOW (A+B)	159,500	210,600	40,000	101,670	212,400	34,500	60,000	30,000	34,500	152,350	34,500	40,000	1,110,020	273,500	0
NET INCOME FROM PRIOR PERIOD	0	55,520	139,444	72,715	70,686	174,387	114,738	75,269	3,176	(61,979)	(9,059)	(73,733)			
TOTAL INCOME	159,500	266,120	179,444	174,385	283,086	208,887	174,738	105,269	37,676	90,371	25,441	(33,733)			
EXPENSES															
I. SALARIES	66,721	58,596	63,529	68,029	64,429	62,629	67,229	67,229	67,229	67,229	67,229	67,229	797,307	866,038	952,641
PERUVIAN STAFF AND CONSULTANTS	51,721	58,596	58,129	62,629	62,629	62,629	62,629	62,629	62,629	62,629	62,629	62,629			
FOREIGN STAFF AND CONSULTANTS	15,000	0	5,400	5,400	1,800	0	4,600	4,600	4,600	4,600	4,600	4,600			
II. TRAVEL	9,000	3,000	8,280	8,250	6,850	5,100	6,747	6,371	6,933	6,708	6,452	6,385	80,076	88,083	96,892
PERUVIAN STAFF	4,100	3,000	3,000	3,000	5,100	5,100									
FOREIGN STAFF AND CONSULTANTS	4,900	0	5,280	5,250	1,750	0									
III. OPERATING COSTS	8,390	8,390	9,390	11,890	11,890	10,890	10,140	10,140	10,140	10,140	10,140	10,140	121,680	133,848	147,233
DIRECT COSTS	2,940	2,940	3,940	5,140	5,140	4,140									
INDIRECT COSTS	5,450	5,450	5,450	6,750	6,750	6,750									
IV. ADMINISTRATIVE COSTS	6,969	8,030	8,030	8,030	8,030	8,030	7,853	7,853	7,853	7,853	7,853	7,853	94,237	103,661	114,027
V. OFFICE EQUIPMENT	4,400	4,000	0	0	0	0	0	3,000	0	0	0	0	11,400	12,540	13,794
VI. PUBLICITY	8,500	2,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	56,000	61,600	67,760
VII. SECURITY	0	42,160	13,000	3,000	13,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	92,160	101,376	111,514
TOTAL EXPENSES	103,980	126,676	106,729	103,699	108,699	94,149	99,469	102,093	99,655	99,430	99,174	99,107	1,242,860	1,367,146	1,503,861
DIFFERENCE															
TOTAL INCOME-COSTS	55,520	139,444	72,715	70,686	174,387	114,738	75,269	3,176	(61,979)	(9,059)	(73,733)	(132,840)	(132,840)	(1,093,646)	(1,503,861)

TABLE VI-4
CASE FOUR CASH FLOW: MOST OPTIMISTIC INCOME PROJECTIONS
PLAN INTEGRAL EXPENSES

INCOME	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	YEAR 1	YEAR 2	YEAR 3
A. GUARANTEED															
CIPE	40,000	0	40,000	0	40,000	0	0	0	0	0	0	0	120,000	0	0
AID 1	49,500	0	0	0	0	0	0	0	0	0	0	0	49,500	0	0
AID 2	0	114,600	0	0	76,400	0	0	0	0	0	0	0	191,000	0	0
IAF	70,000	0	0	0	0	0	0	0	0	0	0	0	70,000	0	0
CINDE	0	36,000	0	0	36,000	0	0	30,000	0	0	0	0	102,000	0	0
IDRC	0	0	0	52,350	0	0	0	0	0	52,350	0	0	104,700	0	0
SMITH RICHARDSON	0	60,000	0	0	40,000	0	0	0	0	0	0	0	100,000	0	0
SUBTOTAL A	159,500	210,600	40,000	52,350	192,400	0	0	30,000	0	52,350	0	0	737,200	0	0
B. UNDER CONSIDERATION															
CIPE 2	0	0	0	0	0	0	40,000	0	0	40,000	0	40,000	120,000	120,000	0
IDRC/COLOMBIA	0	0	0	0	0	0	40,000	0	0	10,000	0	0	50,000	0	0
JOHN OLIN	0	0	0	0	0	0	34,500	0	34,500	0	34,500	0	103,500	103,500	0
FORD	0	0	0	49,320	0	0	0	0	0	0	0	0	49,320	0	0
ARGIDUIS	0	0	0	0	0	0	0	0	0	25,000	0	0	25,000	25,000	0
MATCH TO ARGIDUIS	0	0	0	0	0	0	0	0	0	25,000	0	0	25,000	25,000	0
SUBTOTAL B	0	0	0	49,320	20,000	34,500	60,000	0	34,500	100,000	34,500	40,000	372,820	273,500	0
C. OTHER POSSIBILITIES															
DONOR 1	0	0	0	0	0	0	0	0	0	0	30,600	30,600	61,200	367,200	123,600
DONOR 2	0	0	0	0	0	0	0	0	0	0	0	0	0	916,667	1,000,000
DONOR 3	0	0	0	0	0	0	0	0	0	50,000	0	0	50,000	50,000	0
CORPORATE FOUNDATIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	50,000	70,000
OTHER FOUNDATIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	150,000	175,000
CIPE 3	0	0	0	0	0	0	0	0	0	0	0	0	0	120,000	120,000
JOHN OLIN 2	0	0	0	0	0	0	0	0	0	0	0	0	0	103,500	103,500
FORD 2	0	0	0	0	0	0	0	0	0	0	0	0	0	50,000	0
SMITH RICHARDSON 2	0	0	0	0	0	0	0	0	0	0	0	0	0	50,000	0
SUBTOTAL C	0	0	0	0	0	0	0	0	0	50,000	30,600	30,600	111,200	1,857,367	1,592,100
TOTAL NEW CASH INFLOW (A+B+C)	159,500	210,600	40,000	101,670	212,400	34,500	60,000	30,000	34,500	202,350	65,100	70,600	1,221,220	2,130,867	1,592,100
NET INCOME FROM PRIOR PERIOD	0	55,520	139,444	72,715	70,686	174,387	114,738	(77,280)	(299,298)	(516,816)	(566,484)	(753,402)			
TOTAL INCOME	159,500	266,120	179,444	174,385	283,086	208,887	174,738	(47,280)	(264,798)	(314,466)	(501,384)	(682,802)			

TABLE VI-4 (Continued)

	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	YEAR 1	YEAR 2	YEAR 3
EXPENSES															
I. SALARIES	66,721	58,596	63,529	68,029	64,429	62,629	153,560	153,560	153,560	153,560	153,560	153,560	1,305,293	2,026,995	2,432,396
PERUVIAN STAFF AND CONSULTANTS	51,721	58,596	58,129	62,629	62,629	62,629									
FOREIGN STAFF AND CONSULTANTS	15,000	0	5,400	5,400	1,800	0									
II. TRAVEL	9,000	3,000	8,280	8,250	6,850	5,100	18,696	18,696	18,696	18,696	18,696	18,696	152,656	224,350	224,350
PERUVIAN STAFF	4,100	3,000	3,000	3,000	5,100	5,100									
FOREIGN STAFF AND CONSULTANTS	4,900	0	5,280	5,250	1,750	0									
III. OPERATING COSTS	8,390	8,390	9,390	11,890	11,890	10,890	15,069	15,069	15,069	15,069	15,069	15,069	151,254	198,913	238,696
DIRECT COSTS	2,940	2,940	3,940	5,140	5,140	4,140									
INDIRECT COSTS	5,450	5,450	5,450	6,750	6,750	6,750									
IV. ADMINISTRATIVE COSTS	6,969	8,030	8,030	8,030	8,030	8,030	26,819	26,819	26,819	26,819	26,819	26,819	208,833	354,013	424,816
V. OFFICE EQUIPMENT	4,400	4,000	0	0	0	0	8,116	8,116	8,116	8,116	8,116	8,116	57,096	97,400	97,400
VI. PUBLICITY	8,500	2,500	4,500	4,500	4,500	4,500	26,758	26,758	26,758	26,758	26,758	26,758	189,548	321,100	321,100
VII. SECURITY	0	42,160	13,000	3,000	13,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	92,160	39,600	43,560
TOTAL EXPENSES	103,980	126,676	106,729	103,699	108,699	94,149	252,018	252,018	252,018	252,018	252,018	252,018	2,156,040	3,262,372	3,782,318
DIFFERENCE															
TOTAL INCOME-COSTS	55,520	139,444	72,715	70,686	174,387	114,738	(77,280)	(299,298)	(516,816)	(566,484)	(753,402)	(934,820)	(934,820)	(1,131,505)	(2,190,218)

TABLE VI-5
CASE FIVE CASH FLOW: MOST OPTIMISTIC INCOME PROJECTIONS
EXPENSE PROJECTIONS AT CURRENT LEVEL OF OPERATIONS

	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	YEAR 1	YEAR 2	YEAR 3
INCOME															
A. GUARANTEED															
CIPE	40,000	0	40,000	0	40,000	0	0	0	0	0	0	0	120,000	0	0
AID 1	49,500	0	0	0	0	0	0	0	0	0	0	0	49,500	0	0
AID 2	0	114,600	0	0	76,400	0	0	0	0	0	0	0	191,000	0	0
IAF	70,000	0	0	0	0	0	0	0	0	0	0	0	70,000	0	0
CINDE	0	36,000	0	0	36,000	0	0	30,000	0	0	0	0	102,000	0	0
IDRC	0	0	0	52,350	0	0	0	0	0	52,350	0	0	104,700	0	0
SMITH RICHARDSON	0	60,000	0	0	40,000	0	0	0	0	0	0	0	100,000	0	0
SUBTOTAL A	159,500	210,600	40,000	52,350	192,400	0	0	30,000	0	52,350	0	0	737,200	0	0
B. UNDER CONSIDERATION															
CIPE 2	0	0	0	0	0	0	40,000	0	0	40,000	0	40,000	120,000	120,000	0
IDRC/COLOMBIA	0	0	0	0	0	0	40,000	0	0	10,000	0	0	50,000	0	0
JOHN OLIN	0	0	0	0	0	0	34,500	0	34,500	0	34,500	0	103,500	103,500	0
FORD	0	0	0	49,320	0	0	0	0	0	0	0	0	49,320	0	0
ARGIDUIS	0	0	0	0	0	0	0	0	0	25,000	0	0	25,000	25,000	0
MATCH TO ARGIDUIS	0	0	0	0	0	0	0	0	0	25,000	0	0	25,000	25,000	0
SUBTOTAL B	0	0	0	49,320	20,000	34,500	60,000	0	34,500	100,000	34,500	40,000	372,820	273,500	0
C. OTHER POSSIBILITIES															
DONOR 1	0	0	0	0	0	0	0	0	0	0	30,600	30,600	61,200	367,200	123,600
DONOR 2	0	0	0	0	0	0	0	0	0	0	0	0	0	916,667	1,000,000
DONOR 3	0	0	0	0	0	0	0	0	0	50,000	0	0	50,000	50,000	0
CORPORATE FOUNDATIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	50,000	70,000
OTHER FOUNDATIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	150,000	175,000
CIPE 3	0	0	0	0	0	0	0	0	0	0	0	0	0	120,000	120,000
JOHN OLIN 2	0	0	0	0	0	0	0	0	0	0	0	0	0	103,500	103,500
FORD 2	0	0	0	0	0	0	0	0	0	0	0	0	0	50,000	0
SMITH RICHARDSON 2	0	0	0	0	0	0	0	0	0	0	0	0	0	50,000	0
SUBTOTAL C	0	0	0	0	0	0	0	0	0	50,000	30,600	30,600	111,200	1,857,367	1,592,100
TOTAL NEW CASH INFLOW (A+B+C)	159,500	210,600	40,000	101,670	212,400	34,500	60,000	30,000	34,500	202,350	65,100	70,600	1,221,220	2,130,867	1,592,100
NET INCOME FROM PRIOR PERIOD	0	55,520	139,444	72,715	70,686	174,387	114,738	75,269	3,176	(61,979)	40,941	6,867			
TOTAL INCOME	159,500	266,120	179,444	174,385	283,086	208,887	174,738	105,269	37,676	140,371	106,041	77,467			

TABLE VI-5 (Continued)

EXPENSES	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	YEAR 1	YEAR 2	YEAR 3
I. SALARIES	66,721	58,596	63,529	68,029	64,429	62,629	67,229	67,229	67,229	67,229	67,229	67,229	787,367	866,038	952,641
PERUVIAN STAFF AND CONSULTANTS	51,721	58,596	58,129	62,629	62,629	62,629	62,629	62,629	62,629	62,629	62,629	62,629			
FOREIGN STAFF AND CONSULTANTS	15,000	0	5,400	5,400	1,800	0	4,600	4,600	4,600	4,600	4,600	4,600			
II. TRAVEL	9,000	3,000	8,280	8,250	6,850	5,100	6,747	6,371	6,933	6,708	6,452	6,385	80,076	88,083	96,892
PERUVIAN STAFF	4,100	3,000	3,000	3,000	5,100	5,100									
FOREIGN STAFF AND CONSULTANTS	4,900	0	5,280	5,250	1,750	0									
III. OPERATING COSTS	8,390	8,390	9,390	11,890	11,890	10,890	10,140	10,140	10,140	10,140	10,140	10,140	121,680	133,848	147,233
DIRECT COSTS	2,940	2,940	3,940	5,140	5,140	4,140									
INDIRECT COSTS	5,450	5,450	5,450	6,750	6,750	6,750									
IV. ADMINISTRATIVE COSTS	6,969	8,030	8,030	8,030	8,030	8,030	7,853	7,853	7,853	7,853	7,853	7,853	94,237	103,661	114,027
V. OFFICE EQUIPMENT	4,400	4,000	0	0	0	0	0	3,000	0	0	0	0	11,400	12,540	13,794
VI. PUBLICITY	8,500	2,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	56,000	61,600	67,760
VII. SECURITY	0	42,160	13,000	3,000	13,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	92,160	101,376	111,514
TOTAL EXPENSES	103,980	126,676	106,729	103,699	108,699	94,149	99,469	102,093	99,655	99,430	99,174	99,107	1,242,860	1,367,146	1,503,861
DIFFERENCE															
TOTAL INCOME-COSTS	55,520	139,444	72,715	70,686	174,387	114,738	75,269	3,176	(61,979)	40,941	6,867	(21,648)			

RECOMMENDATIONS FOR POTENTIAL DONORS

Given the complexity of the ILD's potential future projects and the multiplicity of funding sources, donors should seek to understand the ILD's entire program before funding a discrete component.

At present, virtually all of the ILD's income stems from North American sources. This dependence on North American funding sources should be lessened. Accordingly, future donors may wish to write into their contracts a requirement that their funds be matched by regional, preferably Peruvian, sources. All potential donors would be well advised to consider the options discussed below:

Minimum Case

At a minimum, donors could provide sufficient funding so that ILD can continue at current levels through September 1988. The funding level would range between $135,000 and $250,000, depending upon the results of other fund-raising efforts. According to Case Five projections (most optimistic income projections, expense projections at current level of operations), the ILD will be able to expand slightly, even without AID funding during October 1989-September 1990. However, given the interests of these donors, ILD would have to devote greater resources to the Latin Americanization of its methodology rather than to research and action on problems of the Peruvian informal sector.

Medium Case

The ILD has demonstrated that it has had significant impact in Peru and that its influence is spreading throughout Latin America. If donors wish to ensure that this trend continues and allow the ILD President to concentrate his energies on substantive activities rather than fund raising, they should provide multiyear funding that would cover a portion of ILD's current staff and overhead expenses. According to Case Three cash-flow estimates (more optimistic income projections, expense projections at current level of operations), the ILD will need an additional $1.2 million to cover expenses until September 1989 ($133,000 through September 1988;

$1.1 million from October 1988 to September 1989). Or donors may wish to fund specific items such as a portion of the salaries of new positions that have been suggested by the evaluation team. These are a financial analyst/controller, a senior economist, and a local fund raiser.

Magnanimous Case

If donors wish to participate in the expansion of the ILD's activities and to gain credit for specific activities, they should fund not only a portion of the overhead expenses but also cover the costs of the projects that appear most attractive. To determine an amount, the ILD would have to set a list of priorities, carefully enumerate expenses associated with each project, and then fill funding gaps.

CHAPTER SEVEN

A SEQUENCE FOR RECOMMENDATIONS

The most important recommendation is that the ILD engage immediately in an in-house participatory exercise to define a limited set of objectives and priorities for the next year. Naturally, these are subject to quarterly reviews, but it is crucial that the ILD replace its diffuse activities with a focused plan. The next step is to articulate an internal strategy to achieve this plan. These two actions will help the ILD schedule its research activities in a more realistic manner, improve its external relations, engage in financial and personnel planning, and conduct more effective fund-raising efforts.

ECONOMIC RESEARCH

Four sequenced recommendations cover the field of economic research. First, the ILD should assemble its copious unpublished notes and publish research monographs on methodology and on detailed examinations of sectoral results. Second, the published monographs will give staff members greater opportunity to exchange opinions with their Lima colleagues. Third, higher visibility in the intellectual community will permit the research staff to convene a monthly research seminar in the Institute, with attendant publicity and formal invitations. At the beginning, these seminars should be presented by ILD staff. Fourth, if funds permit, prospective employees (including another senior economist) could be invited to present research results before they are hired.

INSTITUTIONAL RELATIONS

Since it has a reasonable base of institutional relations from which to start, the ILD should first initiate a system for monitoring and responding to contacts, invitations, and agreements. This system would ensure the maintenance of contacts even when the most involved person at ILD is not available. Thus, arrangements will be less likely to wither due to lack of attention, and the ILD will develop a more corporate, rather than individual, image.

Once the ILD's priorities and objectives are clear, it can concentrate on strengthening and rebuilding its relations with the formal private sector and the municipalities. Work with the ministries and Congress could proceed as usual.

FINANCIAL MANAGEMENT AND PLANNING

In the area of financial management and planning, the ILD should upgrade the financial management skills of existing staff. It should then establish an auditable fringe-benefit rate, and hire a controller as soon as the funds are available.

FUND RAISING

The ILD should hire a consultant to develop a fund-raising strategy aimed first at Peruvian sources, followed by other Latin American regional sources, and then European. If the strategy seems viable, the consultant or another person should be hired to manage fund-raising activities, write proposals and reports to donors, and organize conferences and seminars. This person -- who must be bilingual -- should report to the President of ILD, and should work closely with its staff member in the United States.

ANNEX A

STATISTICS ON ILD'S FUTURE PROGRAMS: LEVELS OF EFFORT AND ASSOCIATED COSTS

TABLE A-1

ECONOMICS
YEAR 1
(in person-months)

PERSONNEL	PROJECTS: ECONOMIC IMPACT OF LEGAL REFORMS			CAPITAL MARKETS			POLICIES FOR UTILIZING FOREIGN FINANCING			TOTAL PM		
	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL
PRESIDENT	1.00		1.00	1.00		1.00	1.00		1.00	3.00	0.00	3.00
G.MANAGER	0.80		0.80	0.80		0.80	0.80		0.80	2.40	0.00	2.40
US OFF.DIRECTOR,	0.50		0.50	0.50		0.50	0.50		0.50	1.50	0.00	1.50
PROJ. LEADER	4.00		4.00	4.00		4.00	4.00		4.00	12.00	0.00	12.00
ECONOMIST A	8.00	0.00	8.00		8.00	8.00		8.00	8.00	8.00	16.00	24.00
ECONOMIST B	12.00	0.00	12.00	0.00	12.00	12.00	0.00	12.00	12.00	12.00	24.00	36.00
ECONOMIST C	0.00	24.00	24.00	12.00		12.00	0.00	12.00	12.00	12.00	36.00	48.00
ECONOMIST D	0.00	4.00	4.00	4.00		4.00	0.00	4.00	4.00	4.00	8.00	12.00
LAWYER A		2.00	2.00		2.00	2.00		2.00	2.00	0.00	6.00	6.00
LAWYER B		8.00	8.00		2.00	2.00		2.00	2.00	0.00	12.00	12.00
RESIDENT CONSULTANTS		8.00	8.00		8.00	8.00		8.00	8.00	0.00	24.00	24.00
SURVEYERS		2.00	2.00		2.00	2.00		2.00	2.00	0.00	6.00	6.00
ASSISTANT		4.00	4.00		4.00	4.00		4.00	4.00	0.00	12.00	12.00
LOCAL CONSULTANTS	0.27	0.92	1.18	0.27	0.92	1.18	0.27	0.00	0.27	0.80	1.83	2.63
FOREIGN CONSULTANT	0.75	0.91	1.66	0.75	0.91	1.66	0.75	0.91	1.66	2.25	2.73	4.98
SECRETARIES	6.00		6.00	6.00		6.00	6.00		6.00	18.00	0.00	18.00
TRANSLATORS			0.00			0.00			0.00	0.00	0.00	0.00
SYSTEM ENGINEER	2.00		2.00	2.00		2.00	2.00		2.00	6.00	0.00	6.00
SYSTEM ANALYST	2.00		2.00	2.00		2.00	2.00		2.00	6.00	0.00	6.00
ASSISTANT A	2.00		2.00	2.00		2.00	2.00		2.00	6.00	0.00	6.00
ASSISTANT B	4.00		4.00	4.00		4.00	4.00		4.00	12.00	0.00	12.00
TOTAL PM	43.32	53.82	97.14	39.32	39.82	79.14	23.32	54.91	78.23	105.95	148.56	254.51

TABLE A-2
ECONOMICS
YEAR 2
(in person-months)

PERSONNEL	PROJECTS									TOTAL PM		
	ECONOMIC IMPACT OF LEGAL REFORMS			INSTITUTIONAL TRANSMATION IN SOUTH-EAST ASIAN COUNTRIES			LABOR MARKET					
	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL
PRESIDENT	1.00		1.00	1.00		1.00	1.00		1.00	3.00		3.00
G.MANAGER	0.80		0.80	0.80		0.80	0.80		0.80	2.40		2.40
US OFF DIRECTOR	0.50		0.50	0.50		0.50	0.50		0.50	1.50		1.50
PROJ. LEADER	4.00		4.00	4.00		4.00	4.00		4.00	12.00		12.00
ECONOMIST A	8.00	0.00	8.00		8.00	8.00		8.00	8.00	8.00	16.00	24.00
ECONOMIST B	12.00	0.00	12.00	0.00	12.00	12.00	0.00	12.00	12.00	12.00	24.00	36.00
ECONOMIST C		24.00	24.00		6.00	6.00		6.00	6.00	0.00	36.00	36.00
ECONOMIST D		4.00	4.00		0.00	0.00		0.00	0.00	0.00	4.00	4.00
LAWYER A		2.00	2.00		0.00	0.00		0.00	0.00	0.00	2.00	2.00
LAWYER B		8.00	8.00		9.00	9.00		9.00	9.00	0.00	26.00	26.00
RESIDENT CONSULTANTS		8.00	8.00		8.00	8.00		8.00	8.00	0.00	24.00	24.00
SURVEYERS		2.00	2.00		0.00	0.00		0.00	0.00	0.00	2.00	2.00
ASSISTANT		4.00	4.00		0.00	0.00		0.00	0.00	0.00	4.00	4.00
LOCAL CONSULTANTS	0.27	1.00	1.27	0.27	1.00	1.27	0.27	1.00	1.27	0.80	3.00	3.80
FOREIGN CONSULTANT	0.75	1.00	1.75	0.75	1.00	1.75	0.75	1.00	1.75	2.25	3.00	5.25
SECRETARIES	6.00		6.00	6.00		6.00	6.00		6.00	18.00	0.00	18.00
TRANSLATORS			0.00			0.00			0.00	0.00	0.00	0.00
SYSTEM ENGINEER	2.00		2.00	2.00		2.00	2.00		2.00	6.00	0.00	6.00
SYSTEM ANALYST	2.00		2.00	2.00		2.00	2.00		2.00	6.00	0.00	6.00
ASSISTANT A	2.00		2.00	2.00		2.00	2.00		2.00	6.00	0.00	6.00
ASSISTANT B	4.00		4.00	4.00		4.00	4.00		4.00	12.00	0.00	12.00
TOTAL PM	43.32	54.00	97.32	23.32	45.00	68.32	23.32	45.00	68.32	89.95	144.00	233.95

TABLE A-3
ECONOMICS
YEAR 3
(in person-months)

PERSONNEL	PROJECTS: ECONOMIC IMPACT OF LEGAL REFORMS			PRIVATIZATION ALTERNATIVES			FOREIGN EXCHANGE MARKET			FOREIGN TRADE POLICIES			TOTAL PM		
	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL
PRESIDENT	0.75		0.75	0.75		0.75	0.75		0.75	0.75		0.75	3.00		3.00
G.MANAGER	0.60		0.60	0.60		0.60	0.60		0.60	0.60		0.60	2.40		2.40
US OFF DIRECTOR	0.38		0.38	0.38		0.38	0.38		0.38	0.38		0.38	1.50		1.50
PROJ. LEADER	4.00		4.00	3.00		3.00	3.00		3.00	2.00		2.00	12.00		12.00
ECONOMIST A	8.00	0.00	8.00	0.00	10.00	10.00		9.00	9.00		9.00	9.00	8.00	28.00	36.00
ECONOMIST B	12.00	0.00	12.00	0.00	12.00	12.00	0.00	12.00	12.00	0.00	12.00	12.00	12.00	36.00	48.00
ECONOMIST C		24.00	24.00		8.00	8.00		8.00	8.00		8.00	8.00	0.00	48.00	48.00
ECONOMIST D		4.00	4.00		0.00	0.00		0.00	0.00		0.00	0.00	0.00	4.00	4.00
LAWYER A		2.00	2.00		0.00	0.00		0.00	0.00		0.00	0.00	0.00	2.00	2.00
LAWYER B		8.00	8.00		13.00	13.00		13.00	13.00		14.00	14.00	0.00	48.00	48.00
RESIDENT CONSULTANTS		8.00	8.00		5.00	5.00		6.00	6.00		5.00	5.00	0.00	24.00	24.00
SURVEYERS		2.00	2.00		2.00	2.00		1.00	1.00		1.00	1.00	0.00	6.00	6.00
ASSISTANT		4.00	4.00		3.00	3.00		3.00	3.00		2.00	2.00	0.00	12.00	12.00
LOCAL CONSULTANTS	0.20	1.00	1.20	0.20	1.00	1.20	0.20	0.50	0.70	0.20	0.50	0.70	0.80	3.00	3.80
FOREIGN CONSULTANT	0.56	1.00	1.56	0.56	1.00	1.56	0.56	0.50	1.06	0.56	0.50	1.06	2.25	3.00	5.25
SECRETARIES	4.50		4.50	4.50		4.50	4.50		4.50	4.50		4.50	18.00	0.00	18.00
TRANSLATORS			0.00			0.00			0.00			0.00	0.00	0.00	0.00
SYSTEM ENGINEER	1.50		1.50	1.50		1.50	1.50		1.50	1.50		1.50	6.00	0.00	6.00
SYSTEM ANALYST	1.50		1.50	1.50		1.50	1.50		1.50	1.50		1.50	6.00	0.00	6.00
ASSISTANT A	1.50		1.50	1.50		1.50	1.50		1.50	1.50		1.50	6.00	0.00	6.00
ASSISTANT B	3.00		3.00	3.00		3.00	3.00		3.00	3.00		3.00	12.00	0.00	12.00
TOTAL PM	38.49	54.00	92.49	17.49	55.00	72.49	17.49	53.00	70.49	16.49	52.00	68.49	89.95	214.00	303.95

TABLE A-4

BUDGET
RATES US $

PRESIDENT	5,000		
G.MANAGER	3,500		
US OFF.DIREC	6,000		
PROJ. LEADER	3,500		
ECONOMIST A	3,500	LAWYER A	3,500
ECONOMIST B	2,500	LAWYER B	2,500
ECONOMIST C	1,000	LAWYER C	1,000
ECONOMIST D	600	LAWYER D	600
RESIDENT CONSULTANTS			7,083
SURVEYERS			250
ASSISTANT			250
LOCAL CONSULTANTS			6,000
FOREIGN CONSULTANT			6,600
SECRETARIES			300
TRANSLATORS			500
SYSTEM ENGINEER			2,500
SYSTEM ANALYST			600
ASSISTANT A			400
ASSISTANT B			300

ECONOMICS
YEAR 1

PERSONNEL	PROJECTS: ECONOMIC IMPACT OF LEGAL REFORMS			CAPITAL MARKETS			POLICIES FOR UTILIZING FOREIGN FINANCING			TOTAL US $		
	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL
PROJ.SUPERVISION	10,800		10,800	10,800		10,800	10,800		10,800	32,400	0	32,400
PROJ. LEADER	14,000		14,000	14,000		14,000	14,000		14,000	42,000	0	42,000
ECONOMISTS	58,000	26,400	84,400	14,400	58,000	72,400	0	72,400	72,400	72,400	156,800	229,200
LAWYERS	0	27,000	27,000	0	12,000	12,000	0	12,000	12,000	0	51,000	51,000
RESIDENT CONSULTANTS	0	56,667	56,667	0	56,667	56,667	0	56,667	56,667	0	170,000	170,000
PROJ.ASSISTANTS	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500	0	4,500	4,500
LOCAL CONSULTANTS	1,600	5,490	7,090	1,600	5,490	7,090	1,600	0	1,600	4,800	10,980	15,780
FOREIGN CONSULTANTS	4,950	10,949	15,899	4,950	10,949	15,899	4,950	10,949	15,899	14,850	32,848	47,698
SECRETARIAL SUPPORT	2,300		2,300	2,300		2,300	2,300		2,300	6,900	0	6,900
SYSTEMS ENGINEERS	8,200		8,200	8,200		8,200	8,200		8,200	24,600	0	24,600
TOTAL US $	99,850	128,006	227,856	56,250	144,606	200,856	41,850	153,516	195,366	197,950	426,128	624,078

TABLE A-5
ECONOMICS
YEAR 2

PERSONNEL	PROJECTS									TOTAL US $		
	ECONOMIC IMPACT OF LEGAL REFORMS			INSTITUTIONAL TRANS-MATION IN SOUTHEAST ASIAN COUNTRIES			LABOR MARKET					
	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL
PROJ.SUPERVISION	10,800		10,800	10,800		10,800	10,800		10,800	32,400	0	32,400
PROJ. LEADER	14,000	0	14,000	14,000	0	14,000	14,000	0	14,000	42,000	0	42,000
ECONOMISTS	58,000	26,400	84,400	0	64,000	64,000	0	64,000	64,000	58,000	154,400	212,400
LAWYERS	0	27,000	27,000	0	22,500	22,500	0	22,500	22,500	0	72,000	72,000
RESIDENT CONSULTANTS	0	56,667	56,667	0	56,667	56,667	0	56,667	56,667	0	170,000	170,000
PROJ.ASSISTANTS	0	1,500	1,500	0	0	0	0	0	0	0	1,500	1,500
LOCAL CONSULTANTS	1,600	6,000	7,600	1,600	6,000	7,600	1,600	6,000	7,600	4,800	18,000	22,800
FOREIGN CONSULTANTS	4,950	6,600	11,550	4,950	6,600	11,550	4,950	6,600	11,550	14,850	19,800	34,650
SECRETARIAL SUPPORT	2,300		2,300	2,300		2,300	2,300		2,300	6,900	0	6,900
SYSTEMS ENGINEERS	8,200		8,200	8,200		8,200	8,200		8,200	24,600	0	24,600
TOTAL US $	99,850	124,167	224,017	41,850	155,767	197,617	41,850	155,767	197,617	183,550	435,700	619,250

BUDGET RATES US $

TABLE A-6

PRESIDENT	6,000		
G.MANAGER	4,200		
CONSULTANTS	4,200		
PROJ. LEADER	4,200		
ECONOMIST A	4,200	LAWYER A	4,200
ECONOMIST B	3,000	LAWYER B	3,000
ECONOMIST C	1,200	LAWYER C	1,200
ECONOMIST D	720	LAWYER D	720
RESIDENT CONSULTANTS			8,500
SURVEYERS			300
ASSISTANT			300
LOCAL CONSULTANTS			6,000
FOREIGN CONSULTANT			6,600
SECRETARIES			360
TRANSLATORS			450
SYSTEM ENGINEER			3,000
SYSTEM ANALIST			720
ASSISTANT A			480
ASSISTANT B			360

ECONOMICS
YEAR 3

PERSONNEL	PROJECTS												TOTAL US $		
	ECONOMIC IMPACT OF LEGAL REFORMS			PRIVATIZATION ALTERNATIVES			FOREIGN EXCHANGE MARKET			FOREIGN TRADE POLICIES					
	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL
PROJ.SUPERVISION	8,595		8,595	8,595		8,595	8,595		8,595	8,595		8,595	34,380	0	34,380
PROJ. LEADER	16,800	0	16,800	12,600	0	12,600	12,600	0	12,600	8,400	0	8,400	50,400	0	50,400
ECONOMISTS	69,600	31,680	101,280	0	87,600	87,600	0	83,400	83,400	0	83,400	83,400	69,600	286,080	355,680
LAWYERS	0	32,400	32,400	0	39,000	39,000	0	39,000	39,000	0	42,000	42,000	0	152,400	152,400
RESIDENT CONSULTANTS	0	68,000	68,000	0	42,500	42,500	0	51,000	51,000	0	42,500	42,500	0	204,000	204,000
PROJ.ASSISTANTS	0	1,800	1,800	0	1,500	1,500	0	1,200	1,200	0	900	900	0	5,400	5,400
LOCAL CONSULTANTS	1,200	6,000	7,200	1,200	6,000	7,200	1,200	3,000	4,200	1,200	3,000	4,200	4,800	18,000	22,800
FOREIGN CONSULTANTS	3,713	6,600	10,313	3,713	6,600	10,313	3,713	3,300	7,013	3,713	3,300	7,013	14,850	19,800	34,650
SECRETARIAL SUPPORT	2,070		2,070	2,070		2,070	2,070		2,070	2,070		2,070	8,280	0	8,280
SYSTEMS ENGINEERS	7,380		7,380	7,380		7,380	7,380		7,380	7,380		7,380	29,520	0	29,520
TOTAL US $	109,358	146,480	255,838	35,558	183,200	218,758	35,558	180,900	216,458	31,358	175,100	206,458	211,830	685,680	897,510

TABLE A-7
LEGAL
YEAR 1
(in person-months)

PERSONNEL	PROJECTS															TOTAL PM		
	DEMOCRATIC PRODUCTION OF LAW			ACCESS TO PUBLIC INFORMATION			OVERSIGHT AND REVIEW			ADMINISTRATIVE SIMPLIFICATION			PUBLIC BIDDING					
	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL
PRESIDENT	0.60		0.60	0.60		0.60	0.60		0.60	0.60		0.60	0.60		0.60	3.00	0.00	3.00
SR. MANAGER	0.48		0.48	0.48		0.48	0.48		0.48	0.48		0.48	0.48		0.48	2.40	0.00	2.40
SUB OFFICE DIRECTOR	0.30		0.30	0.30		0.30	0.30		0.30	0.30		0.30	0.30		0.30	1.50	0.00	1.50
PROJ. LEADER	2.00		2.00	3.00		3.00	3.00		3.00	2.00		2.00	2.00		2.00	12.00	0.00	12.00
LAWYER A		6.00	6.00		6.00	6.00		6.00	6.00		6.00	6.00		6.00	6.00	0.00	30.00	30.00
LAWYER B			0.00	9.00		9.00	3.00	6.00	9.00			0.00			0.00	12.00	6.00	18.00
LAWYER C	7.00		7.00	1.50		1.50	1.50		1.50	7.00		7.00	7.00		7.00	24.00	0.00	24.00
LAWYER D			0.00	6.00		6.00	6.00		6.00			0.00			0.00	12.00	0.00	12.00
ECONOMIST A		2.00	2.00		3.00	3.00		3.00	3.00		3.00	10.00		7.00	7.00	0.00	18.00	18.00
ECONOMIST C			0.00			0.00			0.00			0.00			0.00	0.00	0.00	0.00
PRESIDENT CONSULTANTS		3.00	3.00		3.00	3.00		2.00	2.00		2.00	2.00		2.00	2.00	0.00	12.00	12.00
SURVEYORS			0.00			0.00			0.00			0.00			0.00	0.00	0.00	0.00
ASSISTANT		9.00	9.00		10.00	10.00		10.00	10.00		10.00	10.00		9.00	9.00	0.00	48.00	48.00
LEGAL CONSULTANTS	0.16	0.94	1.10	0.16	1.40	1.56	0.16	1.40	1.56	0.16	0.93	1.09	0.16	0.93	1.09	0.80	5.61	6.41
FOREIGN CONSULTANT	0.45	0.92	1.37	0.45	1.36	1.81	0.45	1.36	1.81	0.45	0.91	1.36	0.45	0.91	1.36	2.25	5.47	7.72
SECRETARIES	3.60		3.60	3.60		3.60	3.60		3.60	3.60		3.60	3.60		3.60	18.00	0.00	18.00
TRANSLATORS			0.00			0.00			0.00			0.00			0.00	0.00	0.00	0.00
SYSTEM ENGINEER	1.20		1.20	1.20		1.20	1.20		1.20	1.20		1.20	1.20		1.20	6.00	0.00	6.00
SYSTEM ANALYST	1.20		1.20	1.20		1.20	1.20		1.20	1.20		1.20	1.20		1.20	6.00	0.00	6.00
ASSISTANT A	1.20		1.20	1.20		1.20	1.20		1.20	1.20		1.20	1.20		1.20	6.00	0.00	6.00
ASSISTANT B	2.40		2.40	2.40		2.40	2.40		2.40	2.40		2.40	2.40		2.40	12.00	0.00	12.00
TOTAL PM	20.59	21.86	42.45	31.09	24.76	55.85	25.09	29.76	54.85	20.59	22.84	50.43	20.59	25.84	46.43	117.95	125.07	243.02

TABLE A-8
LEGAL
YEAR 2
(in person-months)

PERSONNEL	PROJECTS: DEMOCRATIC PRODUCTION OF LAW			ADMINISTRATIVE SIMPLIFICATION			PUBLIC BIDDING			ALTERNATIVE SYSTEMS FOR ADM. OF JUSTICE			ADMINISTRATION OF FORMAL JUSTICE			FREE AND COMPETITIVE PRESS			TOTAL PM		
	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL
PRESIDENT	0.50		0.50	0.50		0:50	0.50		0.50	0.50		0.50	0.50		0.50	0.50		0.50	3.00	0.00	3.00
[illegible] MANAGER	0.40		0.40	0.40		0.40	0.40		0.40	0.40		0.40	0.40		0.40	0.40		0.40	2.40	0.00	2.40
[illegible] OFFICE DIRECTOR	0.25		0.25	0.25		0.25	0.25		0.25	0.25		0.25	0.25		0.25	0.25		0.25	1.50	0.00	1.50
PROJ. LEADER	2.00		2.00	2.00		2.00	2.00		2.00	2.00		2.00	2.00		2.00	2.00		2.00	12.00	0.00	12.00
LAWYER A		4.00	4.00		4.00	4.00		4.00	4.00		4.00	4.00		4.00	4.00		4.00	4.00	0.00	24.00	24.00
LAWYER B			0.00			0.00			0.00	3.00		3.00	3.00		3.00			0.00	6.00	0.00	6.00
LAWYER C	4.00		4.00	4.00		4.00	4.00		4.00	4.00		4.00	4.00		4.00	4.00		4.00	24.00	0.00	24.00
LAWYER D	3.00		3.00	3.00		3.00	3.00		3.00			0.00	0.00		0.00	3.00		3.00	12.00	0.00	12.00
ECONOMIST A		2.00	2.00		2.00	2.00		2.00	2.00		2.00	2.00		2.00	2.00		2.00	2.00	0.00	12.00	12.00
ECONOMIST C		6.00	6.00			0.00		6.00	6.00		3.00	3.00		3.00	3.00			0.00	0.00	18.00	18.00
[illegible] CONSULTANTS		2.00	2.00		2.00	2.00		2.00	2.00		2.00	2.00		2.00	2.00		2.00	2.00	0.00	12.00	12.00
[illegible]			0.00			0.00			0.00			0.00			0.00			0.00	0.00	0.00	0.00
[illegible]		10.00	10.00		13.00	13.00		10.00	10.00		16.00	16.00		10.00	10.00	0.00	10.00	10.00	0.00	69.00	69.00
[illegible] CONSULTANTS	0.13	0.50	0.63	0.13	0.50	0.63	0.13	0.50	0.63	0.13	0.50	0.63	0.13	0.50	0.63	0.63		0.63	1.30	2.50	3.80
[illegible] CONSULTANT	0.38	0.42	0.80	0.38		0.38	0.38		0.38	0.38	0.84	1.22	0.38	0.84	1.22	0.38	0.84	1.22	2.25	2.95	5.20
[illegible]	3.00		3.00	3.00		3.00	3.00		3.00	3.00		3.00	3.00		3.00	3.00		3.00	18.00	0.00	18.00
[illegible]			0.00			0.00			0.00			0.00			0.00			0.00	0.00	0.00	0.00
[illegible] ENGINEER	1.00		1.00	1.00		1.00	1.00		1.00	1.00		1.00	1.00		1.00	1.00		1.00	6.00	0.00	6.00
[illegible] ANALYST	1.00		1.00	1.00		1.00	1.00		1.00	1.00		1.00	1.00		1.00	1.00		1.00	6.00	0.00	6.00
[illegible] A	1.00		1.00	1.00		1.00	1.00		1.00	1.00		1.00	1.00		1.00	1.00		1.00	6.00	0.00	6.00
[illegible] B	2.00		2.00	2.00		2.00	2.00		2.00	2.00		2.00	2.00		2.00	2.00		2.00	12.00	0.00	12.00
TOTAL PM	18.66	24.92	43.58	18.66	21.50	40.16	18.66	24.50	43.16	18.66	28.34	47.00	18.66	22.34	41.00	19.16	18.84	38.00	112.45	140.45	252.90

TABLE A-9
LEGAL
YEAR 3
(in person-months)

PERSONNEL	PROJECTS: ALTERNATIVE SYSTEMS FOR ADM. OF JUSTICE			ADMINISTRATION OF FORMAL JUSTICE			FREE AND COMPETITIVE PRESS			TOTAL PM		
	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL
PRESIDENT	1.00		1.00	1.00		1.00	1.00		1.00	3.00	0.00	3.00
G.MANAGER	0.80		0.80	0.80		0.80	0.80		0.80	2.40	0.00	2.40
US OFFICE DIRECTOR	0.13		0.13	0.13		0.13	0.13		0.13	0.38	0.00	0.38
PROJ. LEADER	5.00		5.00	5.00		5.00	2.00		2.00	12.00	0.00	12.00
LAWYER A		10.00	10.00		10.00	10.00		4.00	4.00	0.00	24.00	24.00
LAWYER B	6.00		6.00	6.00		6.00			0.00	12.00	0.00	12.00
LAWYER C	6.00		6.00	6.00		6.00	6.00		6.00	18.00	0.00	18.00
LAWYER D	5.00	4.00	9.00	5.00	4.00	9.00	6.00		6.00	16.00	8.00	24.00
ECONOMIST A		4.00	4.00		5.00	5.00		3.00	3.00	0.00	12.00	12.00
ECONOMIST C		4.00	4.00		12.00	12.00		8.00	8.00	0.00	24.00	24.00
RESIDENT CONSULTANTS		5.00	5.00		5.00	5.00		2.00	2.00	0.00	12.00	12.00
SURVEYERS			0.00			0.00			0.00	0.00	0.00	0.00
ASSISTANT		24.00	24.00		34.00	34.00		20.00	20.00	0.00	78.00	78.00
LOCAL CONSULTANTS		0.58	0.58		1.16	1.16		0.58	0.58	0.00	2.32	2.32
FOREIGN CONSULTANT		1.20	1.20		1.20	1.20		0.60	0.60	0.00	3.00	3.00
SECRETARIES	6.00		6.00	6.00		6.00	6.00		6.00	18.00	0.00	18.00
TRANSLATORS			0.00			0.00			0.00	0.00	0.00	0.00
SYSTEM ENGINEER	2.00		2.00	2.00		2.00	2.00		2.00	6.00	0.00	6.00
SYSTEM ANALYST	2.00		2.00	2.00		2.00	2.00		2.00	6.00	0.00	6.00
ASSISTANT A	2.00		2.00	2.00		2.00	2.00		2.00	6.00	0.00	6.00
ASSISTANT B	4.00		4.00	4.00		4.00	4.00		4.00	12.00	0.00	12.00
TOTAL PM	39.93	52.78	92.71	39.93	72.36	112.29	31.93	38.18	70.11	111.78	163.32	275.10

TABLE A-10

BUDGET RATES US $

PRESIDENT	3,000			
G.MANAGER	3,500			
US OFF.DIREC	6,000			
PROJ. LEADER	3,500			
LAWYER A	3,500	ECONOMIST A	3,500	
LAWYER B	2,500	ECONOMIST B	2,500	
LAWYER C	1,000	ECONOMIST C	1,000	
LAWYER D	600	ECONOMIST D	600	
RESIDENT CONSULTANTS			7,083	
SURVEYERS			250	
ASSISTANT			250	
LOCAL CONSULTANTS			6,000	
FOREIGN CONSULTANT			6,600	
SECRETARIES			300	
TRANSLATORS			300	250
SYSTEM ENGINEER			2,500	
SYSTEM ANALYST			600	
ASSISTANT A			400	
ASSISTANT B			300	

LEGAL YEAR 1

PERSONNEL	PROJECTS: DEMOCRATIC PRODUCTION OF LAW			ACCESS TO PUBLIC INFORMATION			OVERSIGHT AND REVIEW			ADMINISTRATIVE SIMPLIFICATION			PUBLIC BIDDING			TOTAL US $		
	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL
PROJ. SUPERVISION	6,480		6,480	6,480		6,480	6,480		6,480	6,480		6,480	6,480		6,480	32,400	0	32,400
PROJ. LEADER	7,000		7,000	10,500		10,500	10,500		10,500	7,000		7,000	7,000		7,000	42,000	0	42,000
LAWYERS	7,000	21,000	28,000	27,600	21,000	48,600	12,600	36,000	48,600	7,000	21,000	28,000	7,000	21,000	28,000	61,200	120,000	181,200
ECONOMIST	0	7,000	7,000	0	10,500	10,500	0	10,500	10,500	0	10,500	10,500	0	24,500	24,500	0	63,000	63,000
RESIDENT CONSULTANTS	0	21,250	21,250	0	21,250	21,250	0	14,167	14,167	0	14,167	14,167	0	14,167	14,167	0	85,000	85,000
PROJ. ASSISTANTS	0	2,250	2,250	0	2,500	2,500	0	2,500	2,500	0	2,500	2,500	0	2,250	2,250	0	12,000	12,000
LOCAL CONSULTANTS	960	5,640	6,600	960	8,397	9,357	960	8,397	9,357	960	5,598	6,558	960	5,598	6,558	4,800	33,630	38,430
FOREIGN CONSULTANTS	2,970	6,072	9,042	2,970	11,969	14,939	2,970	11,969	14,939	2,970	8,969	11,939	2,970	8,969	11,939	14,850	47,949	62,799
SECRETARIAL SUPPORT	1,380		1,380	1,380		1,380	1,380		1,380	1,380		1,380	1,380		1,380	6,900	0	6,900
SYSTEMS ENGINEERS	4,920		4,920	4,920		4,920	4,920		4,920	4,920		4,920	4,920		4,920	24,600	0	24,600
TOTAL US $	30,710	63,212	93,922	54,810	75,616	130,426	39,810	83,533	123,343	30,710	62,734	93,444	30,710	76,484	107,194	186,750	361,579	548,329

TABLE A-11
LEGAL
YEAR 2

PERSONNEL	PROJECTS: DEMOCRATIC PRODUCTION OF LAW			ADMINISTRATIVE SIMPLIFICATION			PUBLIC BIDDING			ALTERNATIVE SYSTEMS FOR ADM. OF JUSTICE			ADMINISTRATION OF FORMAL JUSTICE			FREE AND COMPETITIVE PRESS			TOTAL US		
	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL
PROJ. SUPERVISION	5,400		5,400	5,400		5,400	5,400		5,400	5,400		5,400	5,400		5,400	5,400		5,400	32,400	0	32,400
PROJ. LEADER	7,000	0	7,000	7,000	0	7,000	7,000	0	7,000	7,000	0	7,000	7,000	0	7,000	7,000	0	7,000	42,000	0	42,000
LAWYERS	5,800	14,000	19,800	5,800	14,000	19,800	5,800	14,000	19,800	11,500	14,000	25,500	11,500	14,000	25,500	5,800	14,000	19,800	46,200	84,000	130,200
ECONOMIST	0	13,000	13,000	0	7,000	7,000	0	13,000	13,000	0	10,000	10,000	0	10,000	10,000	0	7,000	7,000	0	60,000	60,000
PROJECT CONSULTANTS	0	14,167	14,167	0	14,167	14,167	0	14,167	14,167	0	14,167	14,167	0	14,167	14,167	0	14,167	14,167	0	85,000	85,000
PROJ. ASSISTANTS	0	2,500	2,500	0	3,250	3,250	0	2,500	2,500	0	4,000	4,000	0	2,500	2,500	0	2,500	2,500	0	17,250	17,250
LEGAL CONSULTANTS	800	3,000	3,800	800	3,000	3,800	800	3,000	3,800	800	3,000	3,800	800	3,000	3,800	3,800	0	3,800	7,800	15,000	22,800
PROCUREMENT CONSULTANTS	2,475	2,786	5,261	2,475	0	2,475	2,475	0	2,475	2,475	5,571	8,046	2,475	5,571	8,046	2,475	5,571	8,046	14,850	19,500	34,350
SECRETARIAL SUPPORT	1,150		1,150	1,150		1,150	1,150		1,150	1,150		1,150	1,150		1,150	1,150		1,150	6,900	0	6,900
DIVISION ENGINEERS	4,100		4,100	4,100		4,100	4,100		4,100	4,100		4,100	4,100		4,100	4,100		4,100	24,600	0	24,600
TOTAL US $	26,725	49,452	76,177	26,725	41,417	68,142	26,725	46,667	73,392	32,425	50,738	83,163	32,425	49,238	81,663	29,725	43,238	72,963	174,750	280,750	455,500

TABLE A-12

BUDGET RATES US $

PRESIDENT	6,000		
G.MANAGER	4,200		
US OFF.DIREC	7,200		
PROJ. LEADER	4,200		
LAWYER A	4,200	ECONOMIST A	4,200
LAWYER B	3,000	ECONOMIST B	3,000
LAWYER C	1,200	ECONOMIST C	1,200
LAWYER D	720	ECONOMIST D	720
RESIDENT CONSULTANTS			8,500
SURVEYERS			300
ASSISTANT			300
LOCAL CONSULTANTS			6,000
FOREIGN CONSULTANT			6,600
SECRETARIES			360
TRANSLATORS			600
SYSTEM ENGINEER			3,000
SYSTEM ANALYST			720
ASSISTANT A			480
ASSISTANT B			360

LEGAL YEAR 3

PERSONNEL	PROJECTS: ALTERNATIVE SYSTEMS FOR ADM. OF JUSTICE			ADMINISTRATION OF FORMAL JUSTICE			FREE AND COMPETITIVE PRESS			TOTAL US $		
	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL	EXISTING	NEW	TOTAL
PROJ.SUPERVISION	10,260		10,260	10,260		10,260	10,260		10,260	30,780	0	30,780
PROJ. LEADER	21,000	0	21,000	21,000	0	21,000	8,400	0	8,400	50,400	0	50,400
LAWYERS	28,800	44,880	73,680	28,800	44,880	73,680	11,520	16,800	28,320	69,120	106,560	175,680
ECONOMISTS	0	21,600	21,600	0	35,400	35,400	0	22,200	22,200	0	79,200	79,200
RESIDENT CONSULTANTS	0	42,500	42,500	0	42,500	42,500	0	17,000	17,000	0	102,000	102,000
PROJ.ASSISTANTS	0	7,200	7,200	0	10,200	10,200	0	6,000	6,000	0	23,400	23,400
LOCAL CONSULTANTS	0	3,486	3,486	0	6,972	6,972	0	3,486	3,486	0	13,944	13,944
FOREIGN CONSULTANTS	0	7,920	7,920	0	7,920	7,920	0	3,960	3,960	0	19,800	19,800
SECRETARIAL SUPPORT	2,760		2,760	2,760		2,760	2,760		2,760	8,280	0	8,280
SYSTEMS ENGINEERS	9,840		9,840	9,840		9,840	9,840		9,840	29,520	0	29,520
TOTAL US $	72,660	127,586	200,246	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TABLE A-13
TOTAL ILD EXPENSES
YEARS 1-3

SUMINT

YEAR 1

	PLAN INTEGRAL	TRANSPORT	HOUSING	AGRICULT	ACTION	TOTAL	AV. COST/ MONTH
I.- REMUNERATIONS	1,172,407	179,950	302,967	65,000	122,400	1,842,724	153,560
II.- TRAVEL AND PER DIEM	104,380	39,050	24,920	8,000	48,000	224,350	18,696
III.- OPERATING COST	123,160	19,400	24,170	4,500	9,600	180,830	15,069
IV.- ADMINISTRATIVE COST	268,480	19,600	29,950	3,800		321,830	26,819
V.- OFFICE EQUIPMENT	76,400	3,000	8,000			87,400	7,283
VI.- PUBLICATIONS	80,000	15,000	79,100		132,000	306,100	25,508
VII.- OFF. EXT. WORKS AND FURNISHING	10,000					10,000	833
VIII.- EVENTS					15,000	15,000	1,250
IX. - SECURITY						36,000	3,000
	1,834,827	276,000	469,107	81,300	327,000	3,024,234	252,020

	YEAR 1	YEAR 2	YEAR 3
I.- REMUNERATIONS	1,842,724	2,026,996	2,432,396
II.- TRAVEL AND PER DIEM	224,350	224,350	224,350
III.- OPERATING COST	180,830	198,913	238,696
IV.- ADMINISTRATIVE COST	321,830	354,013	424,816
V.- OFFICE EQUIPMENT	87,400	87,400	87,400
VI.- PUBLICATIONS	306,100	306,100	306,100
VII.- OFF.EXT. WORKS AND FURNITURE	10,000	10,000	10,000
VIII.-EVENTS	15,000	15,000	15,000
IX.- SECURITY	36,000	39,600	43,560
	3,024,234	3,262,372	3,782,317