

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, DC 20548

PD-AA4-802
59561
JUL 31 1980
ORIGINAL

June 25, 1980

Ms. Marié Hoepfner
Contract Administrator
The Rand Corporation
1700 Main Street
Santa Monica, California 90406

BEST
AVAILABLE

Subject: Grant No. AID/OTR-G-1822

Dear Ms. Marie Hoepfner:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "AID" or "Grantor") hereby grants to The Rand Corporation (hereinafter referred to as the "Grantee") the sum of \$500,000 to provide support for a research program entitled "The Family in Economic Development: Promoting Growth Through People", as more fully described in the attachment to this Grant entitled "Program Description".

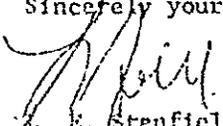
The Grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Grantee in furtherance of program objectives during the first fiscal year of the Grant as shown in the budget. The estimated completion date is June 27, 1983.

This Grant is made to The Rand Corporation on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1 entitled "Program Description" and Attachment 2 entitled "Standard Provisions" which have been agreed to by your organization.

The total estimated cost of this AID Grant is \$1,522,000 of which \$500,000 is hereby obligated by this document. AID shall not be liable for reimbursing the Grantee for any costs in excess of the \$500,000 obligated amount. The balance remaining will be obligated in the second and third year of the Grant, if funds are available and subject to agreement of the parties to proceed with the project.

Please sign the Statement of Assurance of Compliance, enclosed herein, and seven (7) copies of this letter to acknowledge your acceptance of the conditions under which these funds have been granted. Please return the Statement of Assurance of Compliance and six (6) copies of this Grant to the Office of Contract Management.

Sincerely yours,


M. E. Stenfield
Grant Officer
Chief, OTR Branch
Central Operations Division
Office of Contract Management

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Attachments:

- 1. Program Description
- 2. Standard Provisions
- 3. Statement of Assurance of Compliance

ACCEPTED:

BY:

J. S. King, Jr.

TITLE: Treasurer

DATE: 28 July 1980

FISCAL DATA

Appropriation : 72-1101021.4 \$300,000 & 72-1101021.8 \$200,000

Allotment : 044-30-099-00-20-01 & 048-30-099-00-20-01

PIO/T : 930-0088-3007100 & 930-0088-3007500

Total Grant Amount : \$1,522,000

Obligated Amount : \$500,000

Technical Office : Bureau for Program and Policy Coordination
PPC/PDER
Agency for International Development
Washington, D. C. 20523

FUNDS AVAILABLE

J. S. King, Jr.

JUN 30 1980

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Program Acctg. Division

OFFICE OF FINANCIAL MANAGEMENT

ORIGINAL

PROGRAM DESCRIPTION

A. Purpose of Grant

This research grant is aimed at closing the information and conceptual gap between macro-economic considerations of economic development and the micro-economic issues associated with AID's New Directions legislation and Basic Human Needs approach to development. Human resource considerations are central to both strategies, but to date we have had little sound research on the importance for development of investing in human capital.

A major pitfall of completed work on the subject has been the isolated nature of the research and the limited policy interpretation and policy recommendation to emerge. Most research has been conducted in the U.S. with little or no LDC involvement and with minimal dissemination of research results in LDCs, particularly in policy applicable form.

This research/technical services project will begin to ameliorate these shortcomings through close collaboration with LDC policymakers and researchers and careful dissemination and policy interpretation of research results.

The purposes of the project are the following:

- To join state-of-the-art research methods with the best available household- and community-level data to answer questions of concern to policymakers and planners in developing countries;
- To make researchers and policymakers in developing countries more aware of recent advances in methods and data for policy analysis, through extensive research collaboration and training activities; and
- To distill research findings into specific policy and program options for presentation to decisionmakers at AID and in less developed countries.

The research component of the project will clarify the role and explain the importance of human resource investments in economic development. Particular attention will be given to the inter-dependence of the components, health, population, nutrition, education (schooling) migration and labor productivity.

Four major and three minor research sub-projects will be carried out, each focussed on a particular aspect of human resource economics in LDCs. The research will be undertaken in collaboration with LDC researchers either as full participants or as student assistance to ensure: full understanding of the research by local experts; the training of LDC researchers in the advanced research methods and human resource topics; and, the application of research results to policy

development. The latter effort will be supplemented by policy workshops aimed at translating technical results into meaningful policy recommendations; this mechanism will also serve as a feedback to U.S. and LDC research and U. S. policymakers on the importance and relevance of particular topics and research approaches.

B. Specific Objectives and Project Implementation

The project is essentially two pronged as it is both a research endeavor and a major dissemination effort.

The Grantee will establish close communications between Rand researchers and scholars and policymakers from LDCs. This will be done through physically bringing together members of the Rand research team with scholars and students from third-world countries by means of two-way tours of duty at Rand and in the LDCs. Additionally, as a result of the interaction between Rand researchers and LDC scholars and students Rand will conduct a series of formal policy briefings for decisionmakers in AID/Washington and in developing countries. These briefings will present and compare policy options, based on its underlying technical research.

The research staff will be cross-disciplinary; experts in the fields of economics, demography, sociology, nutritional epidemiology, agriculture, geography and other skills will work jointly on the same problems.

The Grantee will also conduct research on a broad spectrum of policy concerns using a unified conceptual framework. This framework links together most aspects of family life and provides a basis for studying both intended and unintended consequences of policy options. The application of this framework to policy analysis requires specialized and detailed data on individuals and families; the data sources for this project were designed specifically to meet these requirements. The five country settings will allow considerable cross-country comparative analysis at the family level.

Third, the analytic approach will provide a bridge between macro-economic growth considerations that have dominated development policy and research in past decades, and the equity and distributional concerns that lie at the basis of current development policy. The emphasis of the project is on the development of people, of human resources.

1. Collaborative and Training Activities

1. This project will provide financial and intellectual support for graduate students from developing countries who are studying

at U.S. institutions. This support would be geared toward the research and dissertation phases of their degree work. Graduate students whose interests lie in family and individual-level policy research will receive financial support to spend from a summer to an entire dissertation year at Rand. Rand's data and support resources would be at their disposal, and senior members of Rand's research staff will act as research advisors.

2. A visiting scholars program will provide support to both established and promising young researchers from developing countries to work in residence at The Rand Corporation for periods of three to six months or, in exceptional circumstances, longer. One visiting scholar will reside at Rand at all times during the course of this project, although some overlap and gaps will naturally occur. Rand will supply all necessary professional support for the researchers including office space, support services, computer funds, research assistance, and so forth. The scholars will receive travel and per diem allowances for the duration of their stay.
3. A short-term visitors program will complement in-country work with local collaborators, allowing them to travel to the U.S. at critical stages in their research. In some cases, local (LDC) facilities (libraries, computers, etc.) may not be adequate for the demands placed on them by a particular project, and Rand's computational and library facilities will be used for periods generally lasting less than a month.
4. A monthly seminar series, with an invited outside speaker from developing and developed countries, will be invited to speak to keep our permanent staff, resident collaborators, and students abreast of parallel research efforts, new theories and techniques.

Collaborative and training activities will extend beyond the confines of Rand through:

- 1) Two annual workshops to be held during the second and third year, each related to one of the principal areas of active research. These workshops will bring together scholars from both the developed and the developing worlds, 15 to 20 for each workshop, to present, comment on, and discuss papers describing research in progress at Rand and elsewhere. The focus of each workshop will be on one of the principal substantive areas that serve as the basis for research in this project.

- 2) Rand staff members will undertake active consulting roles to backstop research efforts in developing countries. These consultations will take place through the major policy research organizations within each of our countries of focus.

II. Dissemination of Policy Implications

Policy and program implications of the research will be disseminated through:

1. research-in-progress seminars and policy briefings at AID. The seminar series will be aimed at technical audiences, designed to acquaint economists and others at AID with the methods and techniques that underlie our analyses. The policy briefings will be designed to inform a broader spectrum of USAID staff concerning the program and policy implications of our research and of related work taking place elsewhere.
2. research seminars and policy briefings before audiences in developing countries similar to the USAID briefings, that is technical seminars complemented by nontechnical briefings targeted at policymakers and bureaucrats in decisionmaking positions.
3. papers providing relevant and thorough descriptions of projects and research output. For each project the following will be produced:
 - .. A technical report documenting theoretical and methodological approaches used in the research;
 - .. A shorter, nontechnical report emphasizing the policy significance of the research findings;
 - .. A formal policy briefing.

III. Research Program

The research program builds on work already conducted in the area of human resource economics, but will bring it together more effectively and more completely. The general framework emerges from observation of individual and family behavior patterns stressing the intertwined and complex character of individual and family decisionmaking, the importance of nonmarket and household activities as a component of a nation's overall production, the importance of all family members as

a source of production and the geographic and social context of family decisionmaking. The key projects are:

- 1) The Impact of Nutrition, Health and Family Planning Interventions on Contraceptive Use, Breastfeeding and Fertility, which will evaluate the effects on fertility and infant mortality of a nutrition and medical care intervention in Guatemala;
- 2) Cross-Cultural Differences in the Effects of Weaning Patterns on Infant and Child Mortality, Morbidity and Growth Using quality data from Guatemala, Malaysia and the Philippines; the research will examine the intermediate dependent and independent variables which effect child illness and growth;
- 3) Time Allocation Among Rural and Agricultural Households. The work will attempt to shed light on the poverty consequences of time distribution, with particular attention devoted to analyzing the gains that may be available to the poor with more efficient management of time;
- 4) The Role of Informal and Institutional Credit in Smallholder Agriculture. The analysis examines the role of both types of credit and their relative joint and sole availability;
- 5) Schooling Policies, Income Growth, and Income Distribution. The contribution of schooling generally and secondary and higher education in particular on economic development and income equality;
- 6) The Determinants and Consequences of Internal Migration in Developing Countries. The Project will examine the prevalence, determinants and consequences of internal migration in three or four LDCs; and
- 7) The Effects of Economic Growth on Male Earnings. The projects will analyze the consequences of economic development on life-cycle wage histories of different cohorts of Malaysian and Guatemalan male workers.

C. Output

The output of the project will consist of the following:

- 1) training (fellowships) for LDC students in the U.S.;
- 2) collaborative research with LDC scholars; and
- 3) technical briefings to AID and in LDCs; and policy-oriented seminars to AID and LDC decisionmakers.

The briefings will vary with the perceived needs but a presentation to AID will occur after the close of the first year and every six months thereafter until the end of the project. At least one set of seminars will be held in an LDC each year. A roundtable/workshop will be held after both the second and third year, with LDC scholars and students and AID personnel participating.

During the three years of the project a full time LDC dissertation fellow will be in residence. Summer interns will also be hired, the numbers determined by the amount of funding and travel funds available that year. AID will be required to approve all individuals who will participate in the training/research program(s).

D. Reports

The Grantee will submit to the Bureau for Programs and Policy Coordination, PPC/PDPR, Agency for International Development, Washington, D. C., 20523, the following:

1. Upon completion of each research project the Grantee will produce a technical and non-technical paper; 100 copies of the technical report and 250 copies of the nontechnical report.
2. The Grantee will keep AID Project Office informed of the progress of the training and research and provide periodic updates on an informal basis.
3. The Grantee will submit to the Grant Officer, AID/W, one copy of a final fiscal report indicating all expenses incurred under this Grant.

E. Key Personnel

The principal investigators are Dennis DeTray, William Butz and Julie DaVarzo, all of the Rand Corporation. Other major participants in the project include Lee Lillard, Peter Morrison and James Smith also of The Rand Corporation. Dennis DeTray is AID's major contact for the project.

F. Consultants

Consultants services and salaries must have the advance written approval of the Grant Officer and Project Manager prior to their hiring by the Grantee.

F. BUDGET

The total estimated costs of this Grant is as follows, of which \$500,000 is hereby obligated. The Grantee shall follow procedures and be guided by Standard Provision (Attachment 2) entitled "Limitations of Fund".

<u>LINE ITEM</u>	<u>1ST YEAR</u> 6/25/80 6/25/81	<u>2ND YEAR</u> 6/26/81 6/26/82	<u>3RD YEAR</u> 6/27/82 6/27/83	<u>TOTAL</u>
Salaries & Fringe Benefits	\$ 168,979	\$ 249,823	\$ 121,566	540,268
Consultants	26,199	28,021	20,047	74,177
Travel Expenses	18,679	66,306	65,457	150,442
Other Direct Costs	21,500	58,550	43,350	123,400
Computing Services	50,000	70,000	50,000	170,000
Subcontractors	31,227	33,042	11,625	75,894
Oversight	<u>123,259</u>	<u>173,431</u>	<u>89,189</u>	<u>385,879</u>
TOTAL ESTIMATED COSTS	\$439,653*	\$601,173	\$601,174	\$1,522,000

*Ceiling expense for the first year is allocated in the amount of \$439,653.

The Grantee shall not exceed the total amount of funds obligated against the Budget. Adjustments among the line items are unrestricted.

G. Special Provisions

1. The following Standard Provisions (Attachment 2) are deleted in their entirety: 7b, 7C, 9, 11, 12A, 12B, 12C, 15, 16, and 17.

2. Standard Provision 10 "Procurement of Goods and Services Under \$250,000 (Attachment 2) is deleted in its entirety and Standard Provision 10 (Appendix A to Attachment 2 is substituted in lieu thereof.)

3. Payment under this Grant will be in accordance with 7A -- Payment Federal Reserve Letter of Credit (FRLC) Advance.

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H Establishment of Overhead Rates

Pursuant to the provisions of the Clause of the General Provisions of this grant entitled "Negotiated Overhead Rates" a rate or rates shall be established for each of the Grantee's fiscal periods which include the term of this Grant.

Pending establishment of final overhead rates for the initial period, provisional payments on account of allowable indirect costs shall be made on the basis of the following negotiated provisional rates applied to the base(s) which are set forth below:

On Site (Home Office)	<u>85.5</u> Rate	Salary & Wages & Consultant fees Excluding Fringe <u>Benefits</u> Base	From <u>6/25/80</u> Until Amended (Period)
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