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INSTITUTE FOR LIBERTY AND DEMOCRACY:
ASSESSMENT REPORT FOR THE FIRST YEAR OF THE COOPERATIVE AGREEMENT WITH THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

FINAL REPORT

Bureau for Private Enterprise
U.S. Agency for International Development

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ANNUAL ASSESSMENT OF THE INSTITUTE FOR LIBERTY AND DEMOCRACY (ILD)

EXECUTIVE SUMMARY

A. Background

The Institute for Liberty and Democracy in Peru (ILD) is a research and advocacy organization in Peru, founded in 1980 to study the impact of legal institutions on economic development. The ILD entered into a Cooperative Grant Agreement with USAID in February 1989. During the last ten years, the ILD has conducted extensive research on the "informal sector". This has enabled it to identify many of the legal constraints to competitive market systems. More recently, the ILD has focused on promoting institutional reforms to mitigate the impact of some legal constraints while creating new programs to facilitate greater participation in economic activity.

The ILD has many research and advocacy programs; only three of these are discussed below to provide the reader with an overview of the focus of ILD research and implementation programs.

(1) Property Registry and Popular Mortgage Programs

The ILD has developed a property registry (registro predial) system to enable the registration and titling of properties, primarily in the pueblos jóvenes, that the current legal property system has not been able to register. Holders of these titles will then be able to present collateral for loans through another ILD developed program, the popular mortgage. The impact of these programs, which the ILD is currently helping implement, will be to expand the financial resources available to the informal sector and, thereby, increase the level of economic activity.

(2) Administrative Simplification

The ILD has developed, and is currently implementing, an administrative simplification program which is being conducted with the active participation of President Alan García. Under this program, citizens submit complaints regarding inefficient, ineffective or illegal bureaucratic activities of the government. These complaints are validated and organized by representatives of the ILD, and presented to President García on a bi-weekly television program during which the President issues orders for corrective action.

(3) Democratic Rule-making

This is currently one of the major focuses of the ILD. It is a public advocacy program aimed at passing new legislation

that will open all future law- and regulation-making processes to public participation and debate. In essence, the approach would permit greater transparency and feedback in the rule-making process, and would make the government more accountable to its citizens for the laws that it produces.

B. Conclusions and Recommendations of the Assessment

This review is the first assessment of the ILD since the signing of the Cooperative Agreement. Its purposes are: (1) to assess the activities of the ILD; (2) to determine compliance with the terms of the Agreement; (3) to identify early on any potential problems in program implementation; and (4) to provide constructive recommendations to assist the ILD in more fully achieving its objectives in a cost-effective manner.

The overall conclusions of the assessment team are that the ILD has made remarkable progress in program implementation during the first year of the Agreement, and that its research and advocacy activities on institutional reform are both impressive and proper to the environment in which they are unfolding. Specifically, the ILD has taken concrete and productive steps towards improving its financial management, planning, and reporting capacities, and its research activities have been very effectively fine-tuned. In addition, the ILD has launched an international training program, signed agreements for technical cooperation with three governments, and opened an office in the United States -- all very successfully. While the ILD's financial reporting and accounting systems require some additional improvements, the Institute already has taken some significant steps in that direction through its selection of new, highly qualified financial management personnel, and through progress in the design of a new accounting system.

The major findings and recommendations of the report are presented below. These are divided into four major areas: program impact; program management; financial issues; and changes to the Cooperative Agreement.

Program Impact

1. ILD Involvement in Reform Implementation: Increasingly, the ILD's program is moving beyond research, advocacy and drafting of laws towards direct involvement in the **implementation** of proposed policy reforms. It is recommended that the Cooperative Agreement be modified to reflect this important evolution of the ILD's programs.

2. Research vs. Implementation Agenda: As the ILD gets increasingly involved in the implementation of policy reforms, resources initially allocated for research will have to be diverted

to implementation. This may have implications on its ability to undertake new research projects. It is recommended, therefore, that the ILD develop a strategy to determine an appropriate reallocation of resources between research and implementation activities.

3. Transfer of Implementation Responsibility: The institutional reform process is not complete until reforms can be sustained without direct involvement on the part of ILD. As current ILD programs such as administrative simplification and property registry evolve, the transfer of implementation responsibilities will present an important challenge. It is recommended that the ILD develop a strategy to transfer implementation to newly created or existing government or private entities.

4. Measure Ideological Impact: The very nature of the ILD requires that its programs be flexible and responsive to changing perceptions and circumstances. It is very difficult, therefore, to establish quantitative benchmarks, a priori, by which to measure performance. It is recommended, therefore, that the ILD develop qualitative measures that can be used by donor agencies as criteria for understanding and evaluating the ILD program. These should focus on measuring the degree to which the ILD has influenced changes in public opinion on institutional reform issues.

5. Technical Review Process: The ILD has instituted an internal technical review process that includes a research management, integration, and quality control process in lieu of the Technical Review Committee called for in the Cooperative Agreement. The team finds this alternative to be appropriate, but recommends two additional steps: (1) an annual, international conference to discuss ILD research activities with outside experts in institutional reform as a means of obtaining additional feedback on the research program (the ILD already has proposed such a conference in its second annual work plan); and (2) establishment of a Research Planning Advisory Committee that would meet once a year during the annual conference to review ILD research initiatives and opportunities. The ILD has indicated that it would receive sufficient feedback on its research program from the annual conference and that, therefore, the Research Planning Advisory Committee...

6. Impact of Gender Considerations: The ILD has made progress in disaggregating and analyzing data to examine the role of women in the informal sector. It is recommended that the ILD continue this analysis, and that it develop strategies for incorporating these considerations into both its advocacy program and its training programs.

C

Program Management

7. National vs. International Programs: The ILD's program now includes a number of important international activities, including training programs for international visitors, and technical assistance agreements with the governments of Sri Lanka, Bolivia, and El Salvador. This growing internationalization has resource and policy implications. It is recommended that the ILD define a clear strategy for the efficient allocation of resources between its national and international programs.

8. Organizational Restructuring: The ILD has grown substantially over the last year in terms of budget, size of staff, and complexity of its research and implementation activities. This has placed some strain on top management who is now responsible for supervising six major research circles, a national promotion and information dissemination program, a fund raising/revenue diversification program, and the general administration and financial reporting activities of the Institute. It is recommended that the organizational structure be redefined along its national and international programs, and that the corresponding activities be placed under the direction of Managers for the two programs. This would serve to streamline the channels of communication and the delegation of authority, while strengthening the research management capabilities. The proposed new structure would also include a Manager of Administration and Finance.

9. Personnel Policy: The ILD lacks a formal personnel policy that can serve as the basis for resolving issues concerning the appropriate level of remuneration for ILD professional staff, appropriate rates of salary increase, the receipt of salary funding from more than one donor agency for some officials, and the resolution of salary variances from rates negotiated under the Cooperative Agreement. It is recommended, therefore, that the ILD hire professional consultants to assist in the development of a complete, formal personnel policy, in the establishment of appropriate levels of remuneration, and in the resolution of problems associated with increases above previously established A.I.D. rates. The assessment also finds that limitations in the Cooperative Agreement regarding the receipt of salary funding from more than one donor agency are inappropriate and incompatible with requirements for revenue diversification, and should be modified.

10. Annual Assessments of ILD: It is recommended that the Cooperative Agreement be modified to allow for annual, rather than semi-annual assessments of the ILD. More frequent assessments disrupt the ILD's work without compensating benefits in terms of improved research direction and management.

11. Full-time Project Advisor/Coordinator: Due to the increasingly complex and evolving nature of the ILD program, and because of its global importance as a laboratory for the overall

A.I.D. agenda in international development, it is recommended that USAID/Peru assign a full-time project advisor/coordinator to this project.

Financial Issues

12. Revenue Diversification: The ILD has received 23% of its funding from non A.I.D. sources, 57% above the first year target established in the Cooperative Agreement. It has not, however, developed a revenue diversification strategy. It is recommended that the ILD develop such a strategy and that it consider the sale of ILD publications, and the assessment of fees for international training and technical assistance services, as a means of increasing its revenue sources.

13. Accounting and Budgeting Practices: The ILD is in the process of redesigning its financial accounting system to produce more detailed and timely information. The new system uses fund accounting concepts and will allow the ILD to obtain financial reports by donor. The assessment team concurs that this is needed and has recommended a series of modifications which are discussed in detail in the body of the report.

14. Cooperative Agreement Covenants: In general, the assessment team found that the ILD has complied with the covenants of the Cooperative Agreement. More details and minor exceptions are noted in the body of the report.

15. Flow of A.I.D. Funds to ILD: The assessment team noted some problems in the flow of A.I.D. funds to ILD and has recommended some ways of improving the flow. These are detailed in the body of the report.

Changes in the Cooperative Agreement

The Cooperative Agreement should be modified in several places to reflect the ILD's current activities and the changes recommended in the report. Details on the suggested modifications are provided in the body of the report.

INTRODUCTION

A. The Institute for Liberty and Democracy (ILD)

1. Background

The ILD is a research and advocacy institute located in Lima, Peru. It was founded in 1980 by Hernando de Soto to study the impact of legal institutions on economic development. The ILD's work was based initially on intensive research of the Peruvian informal sector, which has been forced to operate outside of these legal institutions. Major research programs have resulted in innovative institutional reform proposals, several of which have been made into law. The Institute's programs have been directed toward making government and the general public aware of the size, functioning, and consequence of the informal economy in Peru through high quality research and publicity. The ILD has attracted considerable international attention among governments, institutions, and political and social movements throughout the world, notably through the publication of the results of its initial research on the informal sector in Peru, in the best-selling El Otro Sendero (The Other Path).

In 1982, the ILD received its first grant from A.I.D. for US $35,000 to support its research. Periodic A.I.D. financial support continued, amounting to a total of $2.6 million over the period from 1982-1988. In February 1989, faced with the growing demand for the "internationalization" of the ILD's methodology and precepts, the ILD entered into a new, five year Cooperative Agreement with A.I.D. to move ahead more rapidly with its research, advocacy, and reform implementation activities, and to undertake an ambitious program of training and dissemination of its work to the international community. Depending on the availability of funds and the ILD's performance, the A.I.D. resources contemplated for the full five-year agreement are $10,000,000.

2. The Cooperative Agreement

The purpose of the five-year Agreement is to assist the ILD in the implementation of an international outreach, research dissemination, and training program; the expansion of these activities throughout Latin America and the Caribbean (LAC); and the strengthening of the ILD's policy development and implementation capacity.

Under the Cooperative Agreement A.I.D. provides funding for:

- ILD operations and institutional development in order to foster long-term self-sufficiency;

- implementation of development (legal reform) programs;

- design and implementation of training programs for the utilization of ILD's research methodology by local research or public policy organizations throughout the Latin America and Caribbean (LAC) region; and

- development of an outreach program that will assist the ILD in its international linkages to key public policy organizations and host governments in the LAC region, including a U.S. coordinator to oversee the ILD's activities in the United States.

3. Evolution of ILD's Research and Advocacy Methodology

The methodology developed by the ILD to address legal and policy constraints to pluralistic economic growth in Peru has evolved significantly since the signing of the Cooperative Agreement in March 1989. The development of the ILD program during the past year shows that the complete ILD "process", as described in Section II.A. of the Cooperative Agreement, now goes beyond the steps of research, advocacy, and drafting laws, towards a broad focus on policy reform and requires updating. In practice the ILD has become directly involved in the **implementation** of policy reform after a law has been passed. The ILD's direct involvement in implementation adds, conceptually, three additional steps to the full process of reform: final passage of the new law; passing regulations to implement the law; and putting the new law into action.

Instead of the ILD being involved in the reform process only until legislation is drafted, the Institute is actively involved in getting the bill approved into law. This includes holding public hearings; pre-publication of draft laws for public comment in El Peruano (Federal Register); and media dissemination activities to educate the public on the purpose of the law. Once the bill is law, the ILD then launches an advocacy program to get regulations passed that will put the law into action. Lastly, as shown in the cases of both the Administrative Simplification program and the Popular Mortgage program -- the two policy reform laws that the ILD has successfully carried through the implementing regulation step. The ILD is also providing technical assistance to actually carry out the reforms. (See Exhibit 1.)

In brief, the ILD process consists of the following steps:

Research/Advocacy Phase

a. Identify problem.

b. Research causes/consequences of problem, in terms of existing formal legal system, as well as extra-legal norms that have emerged outside of the formal system to deal with the problem.

c. Research successful laws and norms in other countries.

d. Conceptualize proposed legal reform, drawing on findings in steps b and c, and launch a public education campaign on the problem and the proposed reform, soliciting feedback to be put back into research findings.

e. Address political agendas to gain support for proposed reform. Utilize media to gain support from public, political parties, the government, and other key agents in the reform process.

f. Draft Legislation. Solicit feedback from public and incorporate into proposal.

Advocacy/Implementation Phase

g. Support final passage of new law. Revise proposed law as needed and/or provide additional media support to encourage additional public and political support until law is passed.

h. Advocate Reform Implementation. Draft and pass regulations. Put law into practice through providing technical assistance to implement the law.

i. Institutionalize Reform. Reform process is "passed over" to an existing or newly created entity within the system and reform is sustained without ILD's direct involvement.

The evolution of the ILD process into the advocacy/implementation phase has significant implications in terms of allocating limited resources and developing research agendas. Thus, reference is made to this new phase throughout the report. **We recommend that the Cooperative Agreement be amended to reflect this expanded, and more complete, understanding of the ILD process.**

What is yet to be realized in the ILD's activities to date is the "passing over" of the implementation of a reform to an existing or newly created body within the existing system. The ILD will be challenged with this task as current projects evolve to the stage where the ILD should be ready to disengage (such as the Administrative Simplification and the Property Registry programs). When implementation of the reform is sustained without ILD direct involvement, the institutional reform process will be complete.

4. National Versus International Programming in the ILD

Another evolutionary development in the ILD's programs, is the expanding involvement of the Institute in the international arena. This was anticipated and is a major objective in the Cooperative Agreement. However, as the ILD's international program evolves in practice, special ILD management attention will need to be given to avoid a strain on limited financial and human resources. A great deal of consideration is given in this report to the balance needed between "national" and "international" programs, and to how the ILD might organize itself to carry out these two interrelated, yet separate, agendas.

5. Revenue Diversification and Financial Reporting

These are two other key areas addressed in this report. The ILD has made considerable progress in generating non-A.I.D. revenue; in fact, it has thus far exceeded the targets defined in the Cooperative Agreement. This performance has been achieved without the benefit of a strategic plan for fund raising and diversification of revenue sources. Only with such a plan is the ILD likely to meet the goal of obtaining fifty percent financing from non-A.I.D. sources by the end of the Agreement. Another major financial issue is the need to restructure the ILD budget and accounting systems. A "fund-type" accounting system is recommended, with the capability to generate financial reports according to program units, as well as by sources of funding.

B. The Assessment

1. Purpose and Conclusions

The purpose of this assessment is to review the activities of the ILD towards furthering its purpose under the Cooperative Agreement with A.I.D. This report complies with the terms of the Agreement, which calls for semi-annual reviews of the Institute. (Note: The assessment was actually conducted at the end of the first full year of the Cooperative Agreement, and future assessments will be held on an annual vs. semi-annual basis.) The report aims to identify constraints and/or potential bottlenecks to program implementation, and provides recommendations that are designed to assist the ILD to better achieve its mission and goals.

In general, as documented in the report, the assessment team concludes that the ILD has made remarkable progress in its first year of operation under the Agreement. Specifically, there are strong visible and tangible improvements in the ILD's research activities, financial management, planning, and reporting capacities. Moreover, as is noted in the report, the ILD has

initiated its efforts in the disaggregation of gender data and is making progress in taking gender into consideration in its overall program planning. ILD has also launched an international training g program, signed agreements for technical cooperation with three governments, and opened an office in the United States. Technically, the appropriateness of the ILD's research and the role that the ILD is playing in addressing issues of policy change in Peru is impressive, especially during a period of political and economic uncertainty in Peru. While the ILD's financial reporting and accounting systems still call for improvements, the Institute has made progress with the addition of new and well qualified financial management personnel, and a new accounting system.

2. The Assessment Team

This report has been prepared by a five-person team including representatives from AID/Washington and USAID/Peru, as well as two outside consultants. The team members included:

Alexander Shapleigh - LAC/PS, USAID/Washington
Charles Smith - Ernst & Young, Washington
Elizabeth Stephens Visnic - Independent Consultant, Lima
Bruce Blackman - USAID/Peru
Rodolfo Salinas - USAID/Peru

The team worked closely with ILD senior officials and mid-level managers. Extensive interviews were held with the President of the ILD, the general manager, the manager of administration and finance, the controller, the manager of national dissemination activities, and the training specialist. In addition, the team met with each of the ILD work circle managers. The ILD prepared an extensive set of documents for the team that highlighted the Institute's activities and achievements during the first year of the Cooperative Agreement. The assessment team reviewed these documents; relevant information is incorporated into the report.

In order to gain greater understanding about perceptions of the ILD outside of the Institute, the team interviewed the General Manager of CONFIEP (Confederación Nacional de Instituciones Empresariales Privadas) and the editor of a Peruvian journal that specializes in economic issues. The team attended a televised, ILD-led "Tribunal de Simplificación Administrativa", held at the Presidential Palace and attended by President García of Peru, which demonstrated the implementation role of the ILD in the Administrative Simplification program. The team also visited the informal market in central Lima (Polvos Azules) and a pueblo jóvene on the outskirts of Lima (Villa El Salvador), to observe informal businesses and to meet with leaders of the informal sector.

CHAPTER 1: ASSESSMENT OF THE ILD'S MISSION AND OVERALL EFFECTIVENESS

This section is intended to review the progress that the ILD has made during the first year of the Cooperative Agreement, regarding issues of technical programming and implementation. The key issues that are considered in this context include:

- The ILD's progress in carrying out the activities proposed in the first year implementation plan;
- The overall effectiveness of the ILD's research and advocacy programs;
- The ILD's progress in developing training activities and the effectiveness of training efforts;
- Extent of the ILD's information and dissemination activities within Peru and abroad;
- Effectiveness of the ILD's U.S. coordinator; and
- Extent of gender considerations in the ILD's programming.

1.1. Assess the ILD's progress in carrying out the activities proposed in the first year implementation plan, including specific annual goals, objectives, outputs, and work timetables.

The ILD is a research and advocacy institute with the goal of overcoming barriers to economic development and structuring a blueprint for peacefully and deliberately introducing modern, market-oriented, democratic structures in less developed countries. The ILD addresses this through studying the impact of legal institutions on economic development. The Institute disseminates results with the purpose of influencing public opinion towards policy reform. Great strides have been achieved towards these ends in carrying out first year program activities.

First Year Activities

In the first year of the Cooperative Agreement, the ILD proposed to carry out and has successfully addressed the following activities:

- Economic and legal research to examine capital, labor, and foreign exchange markets, and the housing, manufacturing, transport, and agricultural sectors.

- Institutional research to identify reforms that encourage the expansion of private sector development and the adequate functioning of a democratic system.

- Drafting legislation that will institutionalize proposed reforms.

- Communicating the research findings and proposed reforms in order to generate feedback and public support.

- Advocating and implementing programs once legislation is passed to put laws into practice.

- Establishing international dissemination activities, including a training program for Third World participants.

- Establishing an ILD liaison office in Washington, D.C. to facilitate the strengthening of contacts with U.S. academics, development institutions, and development consultants.

Timetables and Project Outputs for Year One

Specific timetables for the completion of research and advocacy activities were not programmed in the first year's annual work plan (March 1989). Therefore, benchmarks (in terms of specific outputs and timeliness) cannot be used to measure what was planned against what was achieved during the first year of the Cooperative Agreement. The second year annual work plan reflects tremendous growth in the ILD's management and planning capacity, and outlines outputs and timeliness in terms of annual objectives for year two.

This is not to say that the ILD was short on outputs or inefficient in the time spent on researching and advocating policy change during the first year. Review of the annual report (February 1990), the semi-annual report (September 1989), and the program proposal (October 1988) show a tremendous amount of output in a relatively short period of time. For example, this year the ILD launched the Hipoteca Popular program, including implementation of the land titling program; resolved over 150 bureaucratic constraints through the Administrative Simplification program; published numerous public education and advocacy articles in both Peru and the U.S.; drafted and/or passed legislation directly affecting approximately a dozen areas of institutional reform (including a campaign that will reform the entire rule-making process in Peru); conducted well attended public hearings and press conferences; launched international training activities with the successful completion of two pilot programs and production of training modules; and signed three agreements with LDC governments

to apply the ILD approach to those countries. These are just a few of the products of year one efforts. A complete list of reports on research findings and the ILD activities are in Annex 1.

1.2. **Evaluate the overall effectiveness of the ILD's research and advocacy programs, and the extent to which these activities have contributed to policy changes and or improved legal and regulatory environment in Peru.**

"Work Circle" Organizational Structure for Carrying Out Research and Advocacy Programs

An inherent goal of program start-up has been to incorporate the ILD research/advocacy process (outlined in the background section) into an operating management structure. This has been successfully accomplished in the domestic research program through the organization of "work circles" that allow researchers to respond to development problems with both structure and flexibility.

Work circles commence with a circle manager at the research phase of the research/advocacy process and continue operating, ideally with the same person, throughout implementation. Domestic and international specialists are contracted throughout the research/ advocacy process, according to the technical needs of the circle. This structure enables the work circles to respond to research findings, to take account of the political and economic realities in Peru, and to target support from key agents in the reform process. The flexibility provided through this organizational structure offers greater assurance that resulting legislation will be passed and implemented.

The evolving and dynamic nature of circle activity makes the planning of benchmarks and definitive timetables difficult. "Where do we go from here?" in pressing forward with a reform or holding back on advocacy efforts depends on the receptivity of the target audiences and the public in general. In addition, the ILD must maintain a position that is politically adept, assuring autonomy from any political party and demonstrating to citizens that the ILD agenda is neutral of other agendas. This involves maintaining objectivity when working with both the political "left" and the "right" on issues that will advance the ILD purpose.

The "structural flexibility" approach to managing research and advocacy programs in year one has resulted in many changes in the form and content of work circles. (See Exhibit 1.1 - 1). For example, the proposed circles in the March 1989 annual work plan totaled 16. In September of 1989 the number of work circles was reduced to 10, reflecting the integration of related research activities into single circles. At present, there are 9 work circles, reflecting continued integration of research efforts, the

completion of a research study, and the formal launching of international activities in the second half of the year.

We can expect the work circles to continue to evolve and change form throughout the life of this Cooperative Agreement. Consequently, we can also expect to see benchmark activities and timetables shift, in terms of quantitative indicators provided in the annual work plans. Section 1.2 offers a qualitative assessment of the impact work circle activity has had on policy change to date.

Research in Year One

The work carried out this year on institutional reform is based on the ILD research which began or was completed before the Cooperative Agreement. Activities to advocate laws once passed, in order to put them into action, are new activities in the ILD approach.

The inventory of research conducted by the ILD or currently in progress is divided into three research sections:

- Institutional Reform for an Accountable State;
- Institutional Reform for an Emancipated State; and
- Judicial Power Reform.

The first two categories have been addressed in research and advocacy activities this year.

a. **Effectiveness of "Institutional Reform for an Accountable State" Activities**

There are two major areas of research that specifically address institutional reform towards an Accountable State. The research on **democratization of government rule-making** in Circles 2 and 3 is currently in the form of draft legislation and public feedback is being solicited before the bill is presented to be instated as law. Research activities are at a more preliminary stage in Circle 4, with the production of case studies on **contracting and financing for public investment** in Peru.

(1) Democratic Government Rule-Making: (Circles 2 and 3)

The ILD's research in the area of informal economic activity resulted, among other things, in the production of 12 case studies which outline the central characteristics and the process of producing laws in Peru. These diagnostic activities identify the need for greater transparency, feedback and accountability on the part of the state in the production of laws.

In 1989, Circle 2 analyzed the existing formal rule-making system

and the process by which informal norms have emerged outside of the formal system, thus identifying additional bottlenecks and inefficiencies in the existing system. Peruvian lawyers, specialists, and public groups affected by the current process were consulted to map out the current process. Circle 3 activities looked at existing systems in other countries in order to identify mechanisms and instruments that eventually could be incorporated into the Peruvian institutional system. A specialist from the Ralph Nader Institute was brought into the process, to work closely with the ILD staff to identify the appropriateness of the "Freedom of Information Act" to the Peruvian context. The results of the research efforts of these circles is a bill which will be proposed as law shortly.

The proposed law is designed to open up an arena for enhanced communication between those that govern and those that are governed. This will be facilitated through the introduction of the principles of transparency, retroalimentación (feedback), and accountability to the rule-making process.

The draft Law on the Democratization of Government Decisions addresses legislative reform in four areas:

- **Access to State Information:** To establish the right of the media and individuals to access State information for the purpose of informing the public.

- **Popular Initiative, Plebiscites and Referenda:** To obtain the participation of citizens and provide feedback to the law making process; to enable citizens to initiate policy.

- **Rule-Making/ Participation of the Civil Society in the Design of Policies and Rules of the Central, Regional and Local Governments:** To regulate the operation of institutions, mechanisms, systems and procedures which guarantee the effective exercise of constitutional rights, thus providing for direct participation of citizens in public affairs. Specifically, the law targets public sector procurement practices, price-fixing, and tariff legislation.

  The process for reform provided in the proposed law includes: pre-publication of draft laws to allow for public feedback; notice and comment; public hearings; advisory committees to provide expert opinion and assess the impact of proposed legislation; and enforcement of the law.

- **Enforcement Mechanism:** To regulate the executive administrative procedures and provide mechanisms for contesting decisions. This will afford individuals the opportunity to question and obtain revisions on the decisions of State entities relating to the rights set forth in this law.

At present, press conferences and media campaigns are being held to inform the public of the proposed legislation and to generate support and feedback. The first public hearing was held on March 1 and the second on March 7, 1990, providing the arena to present and discuss the bill among legislators, the general public, and special interest groups. The draft law was published in El Peruano (Federal Register) on February 28, 1990, an un customary practice for proposed legislation in Peru.

The mechanisms to support the passing of this law (i.e. pre-publication, press conferences, and public hearings) are upheld within the proposed law, which will obligate the State to adhere to the same practices when making changes in the system. Thus, the ILD is not only proposing reform, it is showing the press and the public "how" this legislation will work and "what" it will actually mean in terms of providing greater transparency, feedback and accountability in the rule-making process. At minimum, these activities will help to raise the level of awareness concerning Peruvian rights and the institutional reforms needed to protect those rights. At best, these activities will harness enough public and political support to pass the legislation into law.

Once the final version of the Law on the Democratization of government Decisions is passed, the ILD will begin to work on drafting regulations to put the law into practice. This law will open the door for introducing and implementing other reforms that the ILD is currently researching and advocating, including the addressing of major constraints to a modern, market-oriented State through deregulation, privatization, and decentralization. The ILD plans to pursue major reforms in these areas through continued research, proposed legislation and advocacy programming.

(2) Contracting and Financing Public Investment: (Circle 4)

This research emerges out of the need for the Peruvian government to have the institutional capability to properly and efficiently conduct public investment procurement activities from both within Peru and abroad. The goal of this activity will be a law, or body of laws, that will ensure government accountability and appropriate public investment programs. This goal will be achieved through greater transparency of procurement activities, institutionalizing accountable procurement procedures, and providing mechanisms for public feedback on the services/materials procured. In terms of impact, definitive procurement practices will deter corruption, encourage an open bidding process, ensure that the most appropriate resources are procured for public investment programs, and ensure that Peru's $17 billion foreign debt is not further inflated by flawed investment decisions.

Since February 1989, the circle has analyzed the existing structure in Peru for procuring services in the public sector, mapped out the

administrative process, defined the current legal framework for public investment, and documented cases of failed public investment activities. A diagnostic summary of the existing system of procuring services and/or materials for public investment in Peru has emerged out of year one research activities and has involved the input of lawyers, economists, and high-level officials working within the public sector procurement process. The final diagnostic study is scheduled to be completed in early April, 1990.

Research activities through February 1991 will focus on the contract and finance laws for public investment in other countries. This will be achieved through working with foreign specialists in the area of procurement and public investment. Public sector procurement systems currently being considered for Peru include those of Colombia, Brazil, the U.S. or a European country, and a NIC.

When the democratic rule-making legislation is passed, perhaps in the near future, Circle 4 research will be used to draft regulations on procurement policy and process. Once regulations are passed, this research will provide the foundation for designing and commencing with the implementation of new public sector procurement practices. The timing for public sector procurement reform is right. Political and public receptivity to institutionalizing reforms in this area should be high with the upcoming change of government (which will be particularly concerned with eliminating wasteful government spending.)

(b) Effectiveness of "Institutional Reform for an Emancipated State" Activities

Activities to promote an economically emancipated state focus on three themes: administrative simplification, property rights, and access to credit. Two of these activities have progressed through the research/advocacy process to stages of implementing the reform. The **Administrative Simplification** program provides a vehicle for Peruvian citizens to have a direct voice in the administrative processes of the state. This project has enhanced the credibility and visibility of the ILD in the eyes of Peruvians and established a model for initiating the reform process that is being requested by other third world nations. The **Property Rights** program is implementing a land titling scheme in Lima's burgeoning informal settlements (Pueblos Jóvenes). One objective of the program is to secure a source of collateral in order to access credit. The **Capital Markets** research is at initial stages of identifying constraints within the current system, researching appropriateness of systems abroad, and identifying mechanisms for more access to credit within the current economic and political realities in Peru.

(1) Administrative Simplification: (Circle 5)

The work carried out by this circle is perhaps the most well known of the ILD efforts to date, providing the ILD with credibility and visibility among Peruvians and abroad. During the first year of the Cooperative Agreement, the ILD facilitated the passing of the Administrative Simplification Law, signed an agreement with the government of Peru to implement the law, and initiated the administrative simplification "tribunal" to bring the results of the law's implementation to the attention of the public.

The Administrative Simplification Law is aimed at reducing the bureaucratic steps, cost, and corruption in the current system. In this sense it is the precursor of the much broader Law on the Democratization of Government Decisions, which as described above will hold the State accountable not only for existing laws but also for the production of new laws.

The Administrative Simplification Law invites the public to identify unnecessary, costly, and possibly corrupt procedures of government offices responsible for social security and retirement benefits, various licensing and registration procedures, passport processing, etc. The ILD has entered into an agreement with the government of Peru to provide technical assistance in the initial implementation of the Law, coordinating with the National Institute of Public Administration (INAP).

The ILD collects, verifies, and selects the most pressing and significant complaints concerning bureaucratic processes. Typical complaints address State activities (institutions and public servants) that violate an existing law or that present unreasonable bureaucratic constraints on the public. To insure that corrective actions are taken and to demonstrate the government's commitment to the Administrative Simplification Law, the ILD has also designed a nationally televised biweekly "tribunal" chaired by the President of the country. Following a presentation and review of cases presented for resolution, the President issues a letter to the appropriate ministries of government, requiring the changes to be made and/or violations to be corrected within five working days. In addition to television coverage, notices of complaints against the State and the results of previous tribunals are published in the press before each tribunal. To date, over 150 administrative processes have been simplified.

The Administrative Simplification program is only the first step in the reconstruction of the State. However, it is an important step for several reasons. First, it has received unanimous support across political persuasions and from the current government. The careful and successful implementation of the televised tribunals (nine had taken place through the end of February 1990) has provided visibility and credibility among Peruvians for the ILD's mandate and have showed Peruvians that reform is possible. Second,

the ILD has found that the open solicitation of criticisms from the public through the Administrative Simplification Law has helped to identify larger structural problems and to capture valuable information for incorporation into other major reform efforts -- specifically in the areas of deregulation, privatization, and decentralization.

When the democratic rule-making law is passed, the feedback and the public visibility generated through collecting and synthesizing complaints will not be as critical to the ILD as they are now. At that point, the ILD should be ready to pass over its direct role in the implementation of the Administrative Simplification Law to INAP or to other government entities. The ILD is already working closely with INAP to carry out the simplification activities, which should make the disengagement process easier. Also, the government is incurring the full costs of the televised tribunal as well as of INAP's functions. No costs of the ILD are being paid by the government, which in the Assessment team's opinion is the correct position, given the temporary role of the ILD in implementation.

(2) Property Rights: (Circle 6)

The registry of fixed property in metropolitan Lima covers about 40% of the formal sector and about 3.7% of the homes that originally were in the informal sector. This circle is involved in creating an efficient system for registering the remaining approximately 55% of metropolitan Lima households that currently are "informal" and not legally recognized. Most of these homes trace their origins to land invasions and squatter settlements of the past 25 years. The objective is to register these properties, opening the door to legal insurance and accessible credit through a popular mortgage program, Hipoteca Popular.

The key supporting law for this program, realized through the ILD efforts in 1988, is the Registro Predial de Pueblos Jóvenes y Urbanizaciones Populares (The Property Register for Pueblos Jóvenes and Popular Urbanization). This law permits the poor to title and register their homes quickly and efficiently. The popular mortgage program Hipoteca Popular is a proposed but as yet unimplemented extension of the anticipated success of Registro Predial, whereby those registered can use their homes as a guarantee to solicit credit from banks. The ILD is also exploring a credit insurance program (Seguro de Crédito) to introduce insurance companies into a mortgage-based lending process.

The Registro Predial eases requirements for evidence of title and property boundaries though simplifying the registry process. The project is decentralized, operating at the regional and zonal levels. The impact of this system should be substantial, considering that the nation-wide aggregate replacement value of informal housing is estimated on the order of U.S. $20 billion. Since only a small percentage of such property is now legally

registered, the new system will effectively help capitalize, legitimize, and give some liquidity to this form of wealth. It will also provide legal security to owners and should increase the market value of the property. The ILD estimates that some 96% of lands that have been "invaded" are public lands (i.e. only about 4% of such lands were privately held), which should keep possible future title challenges by former private owners to a minimum, if such claims are ever presented.

The design and passage into law of the Registro Predial, which is a parallel property register to the formal property registration system, testifies to the effective research and development efforts of the ILD, using grass roots techniques to build popular support. This activity has passed into the implementation phase with considerable skill and effect. As in the case of Administrative Simplification, the ILD has a technical cooperation agreement with the government to train newly recruited and hired government officers who will run the Registro Predial program, with the government funding all computer equipment, staff, and office costs.

The ILD also developed the property register computer software that has been used to record the 400 registries that have been completed to date. A total of 35,000 properties are targeted for registration under ILD supervision before the new government comes into office in July 1990. If the program is continued by the next Peruvian administration, it could cover all 500,000 informal households in Metropolitan Lima within another 2-3 years. It can be assumed that if the program is successful in Lima it will be extended to other urban centers in the country. The ILD is already researching the basis for various options to provide titles for rural properties in Peru.

Perhaps the main issue in the ILD's involvement in implementing the Registro Predial program is how to transfer it to an existing or newly created body, since human and financial resources within the ILD are limited. The ILD's strategy thus far has been to develop the Registro Predial as a parallel system to the formal system (Registro de la Propiedad e Inmueble, under the Ministry of Justice). The ILD is currently supervising the entire effort and participating directly on field teams engaged in the pilot registration programs. "How far can the new system be effectively extended parallel to the existing national register system?" and "Will a new system be incorporated into or replace the old system?," is one set of questions. Assuming that the new system will function for an extended period of time, the ILD needs to devise and carry through a strategy which will progressively limit its direct roles in implementation and pass these over to the leadership and staff of the new Registro Predial. The ILD may retain an advisory and training role for a longer time.

The popular mortgage program is a second area addressed through Circle 6 activities. The registration of informal property will

grant title holders the inherent rights of property ownership and make it possible to place a mortgage on the newly registered piece of real estate. To overcome the anticipated reluctance of the commercial banking system to provide credit to small informal individuals, a **Credit Insurance** program is being explored. Responsibility for evaluating loan applicants will be placed with the insurance company rather than the lender. The insurance company will assume the credit risk in exchange for the collection of premiums from a large number of policy holders.

A team of First Boston Corporation bankers invited by the ILD to Lima in 1989 to review the feasibility of the plan raised some questions. Several issues emerged including legal title disputes in cases where land has been invaded more than once, or when there is a new government, or whether banks or insurance companies will be able to repossess assets if low income borrowers default on their loans. These questions are being addressed in current research activities.

Moreover, both the popular mortgage and related credit insurance programs have yet to be tested. The ILD's staff have received commitments from several leading commercial banks (both private and state-owned) and one leading private insurance company to start pilot programs in 1990 with "informal" borrowers.

(3) Capital Markets: (Circle 7)

The broadest objective of the Circle 7 research is to identify and promote financial liberalization and the establishment of institutional and economic reforms that will allow for viable and efficient credit markets in Peru. Problems in the Peruvian credit market are stated in a preliminary diagnosis carried out by the ILD under the Cooperative Agreement:

> Interest rate ceilings allow bank owners to capture low-cost deposits. These deposits are available to those who are first in the group for credit. Those at the head of the line are the bank owners. The lack of strict interest rate guidelines means the bank can charge higher interest, and therefore raise its profits. But the bank can do this selectively, maintaining the benefits to some, while charging more to others. None of this could persist if the state did not enforce interest rate limits and restrictions on entry into the banking industry. Consequently, rather than open access to the poor, as it intended, the state has delivered substantial benefits to the wealthy.

A more narrow focus, which has occupied most of the work of this circle to date, has been to take the lead role on the popular mortgage and credit insurance programs formally assigned to Circle 6. The question of who will ultimately implement the proposed

system of credit under the popular mortgage program (i.e., the coordination of banks and insurance companies that may be involved) should be addressed in the early stages of designing the system, in order to instill a sense of responsibility and "ownership" when the ILD is no longer directly involved. Another question that emerges is, "Should Peruvians be encouraged to borrow on their homes?", given the potential of forced bankruptcy due to inexperience or continued economic problems in the country. If the government would not allow houses to be repossessed, then some entity would have to cover the losses of the Hipoteca Popular programs. (The government cannot afford to do this and the insurance companies would lack incentive to become involved, if unable to repossess the assets.) These are the kind of issues Circle 7 will need to address this year.

1.3 Assess the progress made to date in developing the ILD's training activities and their effectiveness thus far. Identify key strengths and weaknesses in the training program.

The ILD launched its international program with the hiring of a training specialist to design and manage activities; the production of four training manuals (in English and Spanish); and the successful completion of two pilot training programs. The success of these first year efforts is evident in the large number of requests for continued involvement with the ILD from developing countries around the world. In the upcoming year the number of programs will grow to six.

According to the Cooperative Agreement (II.C) the objective of training is to assist groups from other LDCs in initiating efforts similar to those of the ILD in their respective countries. Depending on who is to be trained and what the specific objective of the training is, the ILD training can take a number of forms:

- Receipt of high level delegations for orientation to the ILD approach, in order to determine its appropriateness;
- Seminars for technicians on how to measure informality, identify legal and institutional obstacles, propose reforms, and conduct public education campaigns;
- Development of training manuals and materials;
- Provision of written or oral consultations through on-site visits once programs are initiated or underway in other countries; and
- Selection of technicians from other countries to work with the ILD technicians in Peru to carry out field work.

The first three tasks have been successfully initiated this year.

Since training is new to the ILD, the program was guided by a "pilot program" agenda to develop and implement two programs, incorporate a system of evaluation, and produce four project training manuals. The last two tasks will develop at later stages, perhaps in year two, when research activities take off within participants' respective countries.

The training manuals produced by the ILD are well organized, breaking down the Institute's approach into modules that can be applied to other developing country situations. The four training modules developed this year address:

- ILD objectives, strategy, history, organization, and work methodology;
- The macro and microeconomic measurements of the informal economy which were made by the ILD and conclusions in this regard;
- The ILD's three-step analysis process for potential institutional reforms towards economic growth; and
- The use of advocacy programming to transmit reform messages and proposals and to obtain the necessary public feedback to reinforce the reform process.

These manuals were developed for a pilot program which was held November 27-December 5, 1989 in Lima, through an agreement with the A.I.D. Africa Bureau. Participants included specialists from six African nations interested in analyzing the ILD's development concepts and research techniques. Eleven researchers and planners from these countries examined each of the ILD's programs in depth in order to evaluated the appropriateness to their own countries of the ILD's reforms. Response to the program was positive and proved to be appropriate to the needs of African nations. Similarly, the ILD researchers were able to get feedback and test their action-oriented research approach.

Various participants expressed interest in developing an ILD-type institute within their home countries and in returning to Lima this coming year for additional training. (For more information on this program and the response of participants, see Annex 2.) Specific follow-on requests for training assistance to design research programs have been received from Senegal, Mali, Zaire, and Kenya. In addition, other countries who were not represented in this program, such as Zambia and Mozambique, would like to participate in training programs this year.

A second pilot program was composed of high level delegates interested in familiarizing themselves with the ILD's methodology. This seminar was held from April 5-7, 1989 in Lima, through an agreement with the International Center for Economic Growth (ICEG),

again under the auspices of A.I.D. The seminar concentrated on the ILD's proposed institutional reforms, methodology for estimating the size and economic activity of the informal sector, and the ILD's program of dissemination and promotion. Six public officials from East Asia, South Asia, and North Africa took part in the program. All noted the relevance of the ILD's approach to their countries and as a follow-on to the ILD training, the participants are writing a book. The published comparative study will look at the informal sector in each of their countries, using the ILD approach to define and measure informal sector activity. (See Annex 3.)

Strengths and Weakness in the Program

There are a number of strengths to the training program. First, the involvement of the ILD researchers in presenting the program facilitates a valuable exchange of information directly from the source. This is important to participants, since they are also researchers and policy planners. Similarly, the strategy sessions with Hernando de Soto were very positive for all involved. On the whole, the quality of the input of the ILD staff, in terms of training, has proven exceptional.

Second, the materials developed to date break a complex process down into terms that can be clearly conceptualized and applied to various situations. This is important since participants come from countries with various economic and political backgrounds. Training modules are being updated to incorporate feedback from participants in this regard, and to include new ILD research.

Third, having the training programs in Peru offers several benefits. Participants are able to observe the informal sector in operation and to discuss problems and issues with people working within the informal sector. In addition, by bringing participants to Peru, the ILD researchers are able to benefit from the professional interaction with foreign researchers. This does not overly burden the ILD's on-going activities and enables participants to experience the research and advocacy process in action.

Finally, the on-going process of evaluation is a strength of this program, especially in the pilot stage. Daily evaluations were given to participants throughout the program and a follow-up evaluation report was requested when participants returned home. The feedback from the evaluations has already been incorporated into future programs. For example, based on feedback from participants, more detailed attention will be given to incorporating practical guidelines for conducting economic research on the informal sector in the manuals and training programs.

There are no evident weaknesses in the program to date. However,

there could be a strain on national program resources as the training program develops. One way to guard against a strain on limited human resources is to increase the research circle staff from one professional staff member to two professional staff members. This would mean that there would always be enough resources for international training and technical cooperation activities, without compromising national research and implementation activities.

1.4 Evaluate the ILD's information dissemination activities in terms of the extent to which efforts have been made to disseminate the results of the ILD's research both within Peru and internationally, and the effect of these efforts.

Disseminating the information generated by research and development activities (Circles 2-7) and promotion of the ILD's methodology (Circle 1) is carried out by two work circles. The objective of these circles is to organize and disseminate information and to promote feedback which can be incorporated into the research process.

Circle 8 is responsible for dissemination at the national level. This includes promoting specific research projects; coordinating the production of publications; and managing the ILD's Center of Documentation and Information. Circle 9 is responsible for international programs, including international dissemination, technical cooperation with other countries, and training programs.

(1) Domestic Dissemination Activities During Year One: (Circle 8)

First year activities have focused on supporting the Administrative Simplification project; the Popular Mortgage project; and the Democratic Rule-Making project. These projects are targeted because they are at the stage of the research and advocacy process that calls for integrating feedback from dissemination activities into the programs. Dissemination is accomplished through media coverage, press conferences, public hearings, and publications.

Publication activities in Circle 8 include producing, editing, distributing and maintaining an inventory of research publications and proposed reforms. The Center of Documentation and Information organized general archives this year, containing all documents produced by the ILD, newspaper clippings pertaining to ILD work, and themes of special interest to the institutional reform community. In addition, an active campaign to exchange information with other institutions in Peru and abroad has been launched.

a. Projected Activities for Year Two

Circle 8 will continue providing support to the three projects supported in year one. Priority will be given to the Democratic Rule-Making Project, in order to generate enough public and political support to pass the law and later, to inform the public on how to implement the law. Publications will include a general ILD bulletin to inform Peruvians about the ILD's on-going research and advocacy activities, press releases, articles, studies, and information packets on research findings and proposed institutional reforms. The Center of Documentation and Information will continue to develop the system initiated this year.

b. Effect of Dissemination Activities at the National Level

The effect of these activities is measured in the short term by the rate of success in getting reforms implemented. In the cases of Administrative Simplification and Property Rights, the proposed reforms have become law. The constant support of television coverage, public education materials, public hearings, and resource information have had a strong effect on the ILD's success in this area. In the long run, heightened public awareness concerning citizen's rights and reforms needed to guarantee those rights, will continue to be facilitated through dissemination and promotion activities. Similarly, the feedback that is generated through Circle 8 efforts is invaluable to the progress of on-going research. Thus, the work of this circle is critical to linking the ILD's research with the citizens of Peru.

It is clear, however, that the organizational structure of the dissemination activities should be revised to allow for greater integration with research and advocacy activities. In addition, greater long term planning will be needed, to launch broad-based campaigns (especially when expanding to the national level) and to provide proper budgets to support campaigns. The proposed organizational structure and planning system for national dissemination is found in Section 3.2.

(2) International Program Activities during Year One: (Circle 9)

Expanding the ILD's scope outside of Peru is a new set of activities, introduced through the Cooperative Agreement. International program activities fall into three interrelated categories:

- International dissemination;
- Technical cooperation; and
- Training.

The objectives of these efforts are to enable other countries to learn from the ILD's experience and to provide a vehicle for the

ILD to test and strengthen an international development paradigm.

There are five mechanisms used to disseminate information outside of Peru:

- Publications sent to the international community;
- Articles and interviews about the ILD outside of Peru;
- Participation in international conferences;
- Visits by the ILD to similar institutions outside of Peru; and
- Meetings by the ILD with senior public officials from abroad.

Feedback generated from these activities is an important resource for constantly testing the ILD's policy reform methodology and research findings.

Program start-up in the area of technical cooperation includes meeting with leaders from developing countries to discuss their interest in replicating the ILD programs. In Latin America, the ILD has met with high level public officials in El Salvador and Bolivia. The results were signed agreements to jointly develop the Administrative Simplification and the Popular Mortgage projects within each country. Hernando de Soto was invited to visit Sri Lanka by the President of that country, to present the ILD methodology to high level government officials. This resulted in an agreement with the government to work together to apply ILD programs to Sri Lanka realities.

Training activities in year one included hiring an international training specialist to the ILD staff, completing two pilot training programs, and producing training materials in English and Spanish. For more information on ILD training, see Section 1.3.

a. Projected Activities for Year Two

International dissemination activities will continue to expand as the work of the ILD evolves and interest from abroad continues. Similarly, it is anticipated that technical cooperation activities will grow, launching support for research activities within cooperating countries through the development of new agreements. There is demonstrated interest for technical cooperation from the governments of Argentina, Cameroon, the Philippines, Guatemala, Honduras, Mexico, Tanzania, and the municipalities of Cali and Bogota in Colombia.

b. Effect of Dissemination Activities at the International Level

Disseminating information outside of Peru provides a process for feedback from the international academic and development community. This feedback enables the ILD to improve the quality of its

research, both in terms of domestic reforms and international development paradigms. The impact that the ILD is having in forming perceptions about the problems of underdevelopment among world leaders is clear from the reference given by policy makers around the world to the ILD's work, particularly through the translation of El Otro Sendero.

Similarly, information shared with other developing countries enables the recipients to benefit from the research and reforms that the ILD has carried out, and provides valuable input into the ILD's ongoing studies. The impact and appropriateness of the ILD's approach to institutional reform to other LDCs is evidenced by the large number of requests for assistance.

As the ILD evolves, it is clear that there needs to be a change in the organizational structure to reflect the ILD's two-fold agenda: national and international. Review of this issue and related recommendations are offered in Section 2.3. Similarly, as the international agenda develops, there will be greater options for revenue diversification through applying a "training fee" or "technical cooperation fee" to cover costs. These issues are addressed in Section 2.4.

1.5 Evaluate the ILD's information dissemination activities in terms of the effectiveness of the U.S. coordinator in: facilitating the ILD's contacts (with international donors, U.S. academics, think tanks, and other groups and individuals); maintaining a dialogue with these groups and individuals; disseminating information about the ILD's findings; and coordinating logistical arrangements for consultants.

The USA office of the ILD was established in March 1989 with the objectives to:

- Facilitate the ILD's contacts with international funding agencies;
- Maintain a dialogue with U.S. academics;
- Provide information to other groups studying the informal sector;
- Coordinate the logistics for consultants working for the ILD;
- Coordinate the activities of the Technical Review Committee; and
- Liaise with AID/Washington.

The USA office, located in Washington, has a staff consisting of one manager and two administrative assistants. For its small size, the office has accomplished much of the goals and objectives that were set for it in the Cooperative Agreement. The Washington office has addressed all of the above objectives except the coordination of the Technical Review Committee. The concept for that committee, as will be discussed in section 2.3 of this report, proved to be an ineffective approach to controlling the quality of the ILD's research activities. In practice, research "quality control" is currently being effectively handled by an overall technical review process. **The assessment team recommends that the Cooperative Agreement be modified to remove the requirement for a Technical Review Committee per se.**

During the year the Washington office coordinated over 140 invitations for the ILD to participate in meetings, seminars, programs, and conferences. The Washington office acts as a point of contact with the Inter-American Development Bank and the United Nations Development Program. Coordination of these relationships has helped obtain funding from the UNDP, and has resulted in potential funding through two projects from the IDB for Bolivia and El Salvador.

The Washington office has effectively maintained a liaison with other programs and projects that are actively researching informal sector issues. For example, the office has maintained close coordination with the A.I.D. Private Sector Bureau in the development of the new IRIS (Institutional Reform and the Informal Sector) project. In addition, the office has maintained relations with specific programs within six bureaus of AID/Washington. Liaison with USA.I.D./Peru has been handled by the headquarter office of the ILD. **The Cooperative Agreement should be modified to reflect that the ILD headquarters will be responsible for maintaining contact with USAID/Peru.**

During the year, the Washington office has maintained contact with several academic institutions that are actively involved in some aspects of the informal sector studies. In order to serve as an information resource, the Washington office has obtained bibliographical references, as well as copies of articles and books, for various work circles in Lima.

During the year the Washington office handled the logistics for thirty consultants who traveled, on behalf of the ILD, to Peru and/or to third countries. The office has established a list of potential consultants with fields of expertise relevant to the ILD's areas of research.

In order to more effectively disseminate the ILD's research efforts, the Washington office has developed and maintains a data base of human resources. This includes academics as well as officials of bi-lateral and multi-lateral agencies. With this

officials of bi-lateral and multi-lateral agencies. With this network, the office has been able to distribute widely information about the Institute's activities.

The Washington office was the liaison between the ILD and groups from seven countries interested in publishing The Other Path. It is processing requests from twenty-eight other countries for the publication of The Other Path.

The officials of the ILD in Lima appear to be quite satisfied with the functioning of the USA office and the manager of that office is satisfied with the working relationship between Washington and Lima. The quality and level of communication between the two offices is fluid and effective. The assessment team considers the arrangements to be effective and thus would not suggest changing the relationship.

1.6 Ascertain the degree of progress attained in gender disaggregation of data, as well as the extent to which gender considerations have been incorporated into the ILD's current and planned activities.

Gender disaggregation of data and other gender considerations are new activities for the ILD, introduced through the Cooperative Agreement. This is not to say that women have not directly benefited from the ILD reform efforts, but that the reform efforts were not previously broken down by gender.

In January 1990, Mari Clark from theA.I.D.Bureau for Program and Policy Coordination/Women in Development office visited Lima and met with the ILD staff to review current activities, and to develop recommendations for the integration of gender analysis and disaggregation of data in the ILD's activities. The inclusion of gender considerations within each program activity in both the 1989 annual report and the 1990 work plan indicate that the January meetings were useful. In addition, as a follow-up to the meetings, the ILD produced a diagnostic study in February 1990, "Incorporation of Gender Considerations in Evaluating the Impact of Institutional Reforms of the ILD During 1989."

In this report, the ILD addresses the following:

- **The participation of women in government production of law:** Although women make up 50% of the population, they only represent 25% of total economic activity; 5% of the senators, 6% of the representatives, 7% of the ministers; 15% of the local mayors in Lima; and 8% within the provinces throughout Peru. (The assessment team notes that the 25% participation figure for women seems to be low. It is suggested that the ILD continue to carry out research and data analysis related to gender in order to

- **The participation of women in non-government production of law.**

- **The role of women in five sectors (housing, commerce, transportation, small industry, and agriculture) is analyzed.** Constraints to economic advancement are identified, although specific data are not offered in terms of contribution to economic activity.

- **Participation of Women in Administrative Simplification:** About 24% of the complaints received personally by the ILD come from women. It is difficult to disaggregate the anonymous written complaints according to gender. Simplification activities have directly benefited women in various areas concerning social security, telephone services (for widows with existing access), and pensions.

- **Participation of Women in Informal Housing:** Baseline information from 1981 indicates that 50% of the inhabitants in the Pueblos Jóvenes are women. Concerning the percentage of "head of household women," there are 22% at the national level and 20% in Lima.

- **Percentage of women that benefit from capital markets:** Women comprise 25% of the workforce, but earn 20% of the income, thus earning less than men.

- **Women reached through dissemination:** As members of the general population, women are reached through the various media channels used to support the ILD reform activities.

Although this report is a good start, greater attention within circle activities will need to be given in the upcoming year to disaggregating data as they is collected. The ILD will need to think specifically about gender concerns in testing and proposing institutional reforms. Perhaps the best way to initiate this kind of activity is to conduct several brainstorming sessions within each circle, using the diagnostic study as the launching point for discussion. In addition, each work circle should incorporate the analysis in the field trip into their gender-related activities. It may prove helpful to receive additional assistance from PPC/WID to incorporate these kind of concerns into the basic research structure.

Specific recommendations concerning gender issues in the "Capital Markets" program emerged from Meg Berger's technical assistance visit to the ILD in early February 1990. The recommendations include:

- An analysis of gender disaggregated participation in the sector for the survey of 1,000 informal businesses:

  - use existing records to ascertain the sex of business owners in order to analyze gender differences in the response for the data collected;

  - use occupations as proxies to identify and analyze gender differences. Compare female activities (such as garment sewing, commerce in perishables) with male activities (such as metal work, carpentry);

  - select a sample that will include women in numbers proportional to their participation among self-employed business owners in the informal sector in Lima (approximately 50% according to recent city-wide statistics). Working with neighborhood women's organizations to identify business women, rather than producer's associations alone is likely to capture a greater proportion of women among those interviewed.

- The ILD library is impressive and well run. PPC/WID has provided materials useful for incorporating gender analysis into research. Exchanges with other institutions such as the International Center for Research on Women (ICRW) could also provide valuable resources on this topic. The catalogue's computerized format enables the ILD to provide on-line access to WID materials to other institutions.

- One of the greatest strengths of the ILD is its new, refreshing view of institutions, along with promising policy prescriptions. However, to date the ILD has not focused on one important institution - the household. This is an important area for understanding gender differences with implications at the policy, program, and project level. One option for exploring this area would be a seminar co-sponsored by PC/WID, ILD, and USAID/Lima on internal household dynamics.

Gender Considerations in the ILD's Training Programs

There have been 17 training participants in the ILD programs. Of these only one was female. Although the ILD is aware of gender concerns in affording women training opportunities, it does not directly select the participants for its training programs. The ILD should emphasize the importance of obtaining good gender balance to the entities that sponsor trainees. In many casesA.I.D.missions fund the involvement of training participants; the missions should be encouraged to uphold gender concerns in their in-country process for selecting trainees.

CHAPTER 2: ASSESSMENT OF THE ILD'S FINANCIAL AND MANAGEMENT PRACTICES

This set of tasks reviewed the progress that the ILD has made during the first year of the Cooperative Agreement regarding several key financial and managerial issues. The key issues considered in this context include:

- The ILD's compliance with reporting requirements, including financial reporting;
- The ILD's compliance with the covenants of the Cooperative Agreement;
- The ILD's management structure and various policies and procedures (especially personnel policies and staff remuneration);
- The ILD's progress on its revenue diversification plan;
- USAID/Peru and AID/Washington's respective roles in the implementation of the ILD Cooperative Agreement; and
- Improvement in the flow of A.I.D. funds to the ILD.

During the first year of the Cooperative Agreement the ILD has undergone a significant amount of growth in terms of both staffing and budget levels. As described in section 1.0 of this report, the ILD program has been consolidated during the last year from sixteen research and dissemination circles to nine circles. However, the depth and complexity of the programs covered by the remaining circles has grown significantly. Consequently, the staff level of the ILD has grown since the beginning of the Agreement from approximately sixty to over eighty employees and its annual funding level has grown from approximately US $1 million to over US $2 million.

These changes clearly indicate that the management and financial structure of the ILD is under significant pressure for change. Since its inception, the organization has been closely directed by a small, core group of the ILD executives, experienced in the conduct of research and led by the President of the ILD. However, as a large independent, non-profit policy research institute, the Institute will require additional depth in its management personnel, bringing enhanced capabilities to direct its diverse research and implementation activities, as well as its budding international technical assistance activities. Moreover, it will be increasingly difficult to manage this growing organization without formalized management and personnel policies and procedures, as well as more sophisticated accounting and financial systems.

During the first year of the Cooperative Agreement the ILD has made progress in many of these areas. It has named a new and more senior Manager of Administration and Finance and has employed several new, well qualified professional staff members including a Controller and a Training Specialist. It has drafted several management policies and has initiated the development of an improved, funds-oriented accounting system. The assessment team is encouraged by this progress and our comments in the following sections, as well as our recommendations in section 4.0, should be interpreted as suggestions for additional improvements or refinements of the improvements already initiated.

2.1 Determine compliance with reporting requirements including comprehensive semi-annual reports, annual audited financial statements, and quarterly unaudited financial statements.

During the first year of the Agreement, the ILD has complied with the requirement to submit semi-annual reports on the progress achieved in its overall research program. Additionally, the ILD has provided the required annual, independently audited financial statements in accordance with the timetable prescribed in the Cooperative Agreement. However, the ILD has not provided USAID/Peru with quarterly, unaudited financial statements.

Semi-annual Reports

The ILD provided USAID/Peru with a comprehensive semi-annual report of its activities for the period of March 1989 through September 1989. The report provided an overview of the ILD's programmatic objectives, its first year plan, and its progress achieved during the first six months of the year. The second six month progress report for the first year of the Cooperative Agreement was delivered to the assessment team on February 21, 1990. The report reviews the ILD program, its achievements in 1989-90 and its program plan for 1990-91 (the second year of the Cooperative Agreement). The content of these reports are discussed in the sections 1.2 and 3.1 of this report.

For its own internal program management, the ILD produces a semi-monthly progress report on the activities of each circle. These reports include information on the circle activities (objectives) and progress to date. These reports also identify the official responsible for each activity, as well as the team of ILD and consulting personnel who participate on each activity. These monthly reports provide an overview of the status of each of the ILD's circle programs. Although not required by the Cooperative Agreement, the ILD provides copies of the monthly reports to USAID/Peru.

The quality of the ILD planning and reporting documents has greatly improved over the last year. The team believes that the reports submitted during the assessment period satisfy the Cooperative Agreement's program reporting requirements.

Annual Audited Financial Statements

The Cooperative Agreement calls for the ILD to furnish the annual report of their independent, external auditors to USAID/Peru within forty-five days after the end of its fiscal year. During the first year of the Cooperative Agreement the report was to be delivered to USAID/Peru prior to September 30, 1989. The report was to include the auditor's opinion of the ILD's financial statements. The audit was to be conducted in accordance with generally accepted auditing standards (either U.S. or Peruvian) and should include a compliance review of legal provisions and contractual stipulations of the A.I.D. Cooperative Agreement, a review of internal controls and financial management capabilities, and comments on the appropriateness of the ILD's management structure and personnel policies.

For the 1988 fiscal year the ILD selected as its auditor, the accounting firm of Ramirez, Enriquez y Asociados, the representative in Peru of Moores Rowland International, a small British accounting firm. The ILD received the annual audit report for the year ending December 31, 1988 on July 7, 1989 and the auditor's management letter on July 18, 1989. The audit report was reviewed by Mr. Jim Wesberry, Senior Financial Management Advisor in the LAC Bureau Controller's Office. He found the report on the financial statements had been professionally prepared in accordance with U.S. auditing standards.

The only audit exception was that the financial statements did not reflect the impact of the Peruvian hyperinflation. That exception is consistent with U.S. accounting principles as well as with current Peruvian accounting principles. It is noted however, that for fiscal year 1989 the Peruvian principles strongly suggest that financial statements reflect the impact of hyperinflation; for fiscal year 1990 and beyond it will require such disclosures. Because of the nature of the ILD, it is not likely that inflationary adjustments will have a significant impact. The only non-monetary assets on which there could be an inflationary impact are the ILD's office furnishings and equipment. While Mr. Wesberry indicated that the presentation of financial results was substantially improved over prior years, he made no comment on the auditor's management letter, which, by mid-October, he had not received in Washington. We will present further comments on the management letter recommendations in Section 2.2 below.

We believe that some improvements can be made in the arrangements for external audits. The selection of an independent, external

auditor should be made prior to the beginning of the fiscal year. In this way, the auditor will be able to conduct tests of internal controls, systems, and procedures during the year. Moreover, having the internal control reviews completed during the year facilitates the actual financial audit which will occur after the year-end closing. We also recommend that the ILD sign a multi-year contract (two to five years) with their external auditors enabling them to develop detailed knowledge of the ILD's programs. These recommendations will improve efficiency and the effectiveness of the annual audit and lower costs by not re-bidding each year. We further recommend that the language of the Cooperative Agreement be modified to permit the completion of the independent, external audit within four months of the end of the fiscal year rather than the current forty-five days.

The ILD has only recently accepted bids for the audit of fiscal year ending December 31, 1989 and is currently negotiating the contract with the selected firm, Alonso y Asociados, the representative of Ernst & Young in Peru. It is already too late to do the internal control reviews during 1989. However, if the ILD signs a multi-year contract now, the internal control reviews for 1990 can occur during the fiscal year.

Quarterly Unaudited Financial Statements

During 1989 the ILD did not provide quarterly, unaudited financial statements to USAID/Peru, as is required by the Cooperative Agreement. One of the reasons for this is that until September 1989, the Institute did not have a full-time, qualified accountant/controller. Moreover, the accounting systems were not adequate to easily produce financial statements in the format required by USAID/Peru or other donor agencies. The new controller, supported by a new accounting systems specialist also hired in September 1989, is now defining the specifications of a new, funds-based accounting system. This will permit the timely preparation of financial reports in accordance with the requirements of USAID/Peru, as well as other donor agencies.

The ILD plans to contract a local systems programmer to develop the systems procedures, programs and documentation. Their plan is to complete the work in time to begin preparing the quarterly financial statement by April or May 1990. It is our recommendation that the system specifications be modified to enable the presentation of fund-type financial statements by donor or by circle, with a clear identification and allocation of indirect costs. These recommendations are further developed in Section 2.2 below.

2.2 Determine compliance with Cooperative Agreement covenants regarding bank accounts, accounting records, financial statements, auditor's recommendations, salaries and revenue diversification plan.

Conditions Precedent for Year Two Disbursement

In addition to the covenants referred to in the description of 2.2, it is important to review the two Conditions Precedent to the disbursement of funds for year two of the Cooperative Agreement. Although both are discussed in other sections of this assessment, a brief statement regarding compliance is useful at this point.

The first Condition Precedent is that the ILD submit a second year implementation plan and detailed budget to USAID/Peru. The assessment team has received both the implementation plan and the budget and considers them both to be acceptable in terms of compliance with the Condition Precedent. The implementation plan is the subject of Section 3.1 and Section 1.2.

The other Condition Precedent for the second year disbursement requires that the ILD form a functioning Technical Review Committee. In summary, the ILD has established a rigorous technical review process which assures that all research activities are reviewed and constructive criticism from professionals in related fields is fed back into the research process. This contributes to the overall high quality of the ILD research output. The team concurs with this approach and considers that this Condition Precedent has been met. In section 2.3 we present the rational for this, as well as recommendations for improvements to the overall technical review process.

Budget and Accounting Systems

The proposed budget for the second year (March 1990 to February 1991) of the Cooperative Agreement is estimated to be US $2,336,542, of which US $1,915,000 (82% of the budget) is expected to be funded by A.I.D.. The proposed budget is presented in Exhibit 2.2-1. The amount expected from A.I.D. is the second year funding level projected in the Cooperative Agreement augmented by the US $70,000 that remained unspent from the first year. The budget presents the breakdown of expenditures allocated to A.I.D. funding as well as for the aggregate level of funding available from other funding sources. The budget also provides a breakdown of expenditures by month, programming some cost elements according to projected expenditure patterns while simply spreading some costs evenly across the year. The second year budget is an improvement over the first year budget in that it presents the total budget (A.I.D. and non-A.I.D.). We believe that the budget is

sufficiently detailed to provide management general financial information. We therefore consider that the budgetary condition precedent for the second year disbursement has been met.

However, the budget breakdown and the supporting accounting systems should be modified to improve the presentation of financial management information. The current configuration of the budget reports includes some unnecessary line items among the cost elements and one significant cost element, indirect cost, is not reported.

As noted above, the ILD is currently designing a new funds-type accounting system which will facilitate financial reporting by circle. The design documentation of the proposed system covers modules for treasury, budget, accounting and logistics functions. However, neither the documentation nor the terms of reference contains the level of detail necessary to adequately control and guide the systems consultant. This could very well result in a completed system that fails to meet the ILD's expectations.

We concur that there is a need for a new and improved accounting and financial management system, but would propose a more sophisticated design that will enable financial reporting appropriate for internal use (i.e., budget and actual reporting by cost centers -circles) as well as for reporting to the various donor entities. The system should enable the identification and allocation of indirect costs (either by donor or by circle). Exhibit 2.2-2 presents the two financial statements that would provide the basic internal and external financial information for the ILD. Because this design is somewhat more complex than the system that the ILD is currently designing, we believe that the ILD should obtain the technical assistance of a specialist on fund accounting and donor agency financial reporting to work with the team. Since fund accounting is not commonly used in Peru, it is likely that such a specialist would have to come from the U.S.

First, we recommend the elimination of the specific cost elements for "National Promotion" and "International Promotion" because, as they are now used, these cost elements identify only a small fraction of the actual costs for those two activities. Promotion costs such as personnel remuneration, travel, communications, etc. are reported on other cost lines. However, since circles eight and nine are the national and international promotion activities, the total costs for each of those circles are the complete promotion costs. We have recommended a set of financial statements that present a breakdown of costs by circle, with circle zero being the indirect and administrative cost center. For a complete picture of the costs of each activity (circle), the indirect costs can be allocated across the circles in accordance with each circle's proportion of total costs. Each year, the managers of each circle should be required to prepare the budget for their respective circles. Managers should receive copies of their circle's

financial performance, comparing budget to actual costs. Management will be able to use this as one indicator of circle performance.

The other format that we recommend in the fund-type accounting statements is a budget and cost statement breakdown by donor agency. In this format, we recommend the same breakdown of cost elements as we have recommended for the circle-oriented financial statements. The new system should be able to output specific financial statements for each donor agency that identifies actual expenditures during a reporting period (cash basis), commitment during the period (accrual basis) and summaries of the donor agency status in terms of receipts, expenditure commitments, and uncommitted balances.

Increasingly, the professional staff at the ILD are working on more than one circle at a time and sometimes more than one donor program at a time. Consequently, an important feature of the new accounting system should be a time allocation system enabling each professional employee to allocate his or her time to the circles on which he or she has participated. During the last year the ILD designed and implemented a staff time reporting system that should provide the data necessary to allocate staff time between circles. In this manner, the staff remuneration costs for each circle will be more accurately reported. This information can be used to determine the breakdown of staff remuneration costs for each donor agency.

Once indirect costs become measurable (as a result of the circle oriented financial statements) the ILD should establish a policy that indirect costs will be allocated to all donor agencies. This allocation may be based upon the total direct costs attributable to each donor agency. The allocation process should be similar to that used to allocate the indirect costs among circles. As a result of this more complete and accurate reporting of both direct and indirect costs, donor agencies should be able to accept carrying their share of the indirect costs.

An added sophistication to the system that is worth considering is the option to combine the donor and the circle financial statements. In this way, as part of the budget process, the ILD management would be able to compare circle budgets with the donations committed to each circle's activities. This would identify any shortfalls in funding for the circle and would enable the ILD to focus their fund raising efforts first on critical shortfalls and later on general support and/or new programs.

One additional recommendation that should be considered is to move the annual budget cycle for theA.I.D.Cooperative Agreement to coincide with the ILD fiscal year (calendar year). While this change would not significantly affect the management of the ILD program from the perspective of USAID, it would facilitate and

improve the ILD's overall budgetary and financial management process. IfA.I.D.accepts and implements this recommendation, the ILD should encourage other donor agencies to move to an annual, calendar year based budgetary cycle. The possible difficulty for other donors is that each has its own budget and program approval cycles that may or may not coincide with a calendar year cycle.

Bank Account Covenant

The covenants to the Cooperative Agreement require that funds received under the Agreement be maintained in bank accounts and records separate from the funds received from other sources. The ILD maintains eight bank accounts, two of which are exclusively for funds received from USAID. The following are the eight ILD bank accounts:

Bank	Currency	Donor Agency
Bco. del Sur	Inti	ILD - Unrestricted Funds
Bco. Continental	Inti	A.I.D.
Bco. de Credito	Inti	CIPE
Bco. Continental	Inti	Smith-Richardson
Bco. Continental	Inti	UNDP
Bco. de Credito	US$	CIPE
Bco. Continental	US$	Smith-Richardson
Bco. Continental	US$	A.I.D.

In the management letter portion of the 1988 audit report, the external auditors noted that there are not separate bank accounts for each donor agency. In response to that observation, the ILD has indicated that there are one or more separate bank accounts for every donor agency that requires them.

Due to occasional shortages in some accounts, it has been necessary for the ILD to use the funds of one donor agency to make payments that should have been paid by another. Generally, this involves using funds from a non-USAID donor to pay invoices that would normally be paid withA.I.D.funds. This is usually caused by the late receipt of the A.I.D. monthly payments. When such payments are made there is a significant bookkeeping problem in keeping track of what was paid with which funds. The assessment team believes that if the payment process for the monthly ILD advance can be moved forward, the ILD would not receive late advances and, therefore, would not have to borrow from the other funds. Issues associated with theA.I.D.payment system will be considered in the Section 2.6.

Accounting Records Covenant

This covenant requires that the ILD maintain, classify, and summarize appropriate accounting records and documentation, particularly as they relate to the expenditure of funds received under the Cooperative Agreement. The records need to be sufficiently well organized to permit an audit of the transactions. The ILD maintains a chronological file of expenditure transactions that includes for each a summary sheet used for computer data entry, backup documentation (invoices, receipts, payroll calculations, memos, etc.), and a copy of the check (if payment was made by check). The transactions are classified by donor agency, type of transaction, and payment bank. Computer listings are available that summarize the monthly transactions assigned to each donor agency. The above accounting records and documentation system is not sophisticated, but it does satisfy the need for thorough records and a complete audit trail.

Auditors generally have to audit original documents (copies are too easily altered). When we reviewed the ILD accounting records and documentation, the files from June 1989 through January 1990 contained only copies. We were informed that all original documents are sent to USAID/Peru as backup for the monthly expense liquidation report. USAID/Peru reviews the original documents and returns them to the ILD for proper filing. These documents have not been returned to the ILD since May 1989 and consequently there are no original documents for the external auditors to review. In the future, the USAID/Peru Controller's Office prefers to perform that function in the ILD offices on a periodic basis, perhaps quarterly.

The assessment team considers that the accounting records and supporting documentation satisfy the terms of the Cooperative Agreement. However, it should be noted that original documentation is not available at the ILD because it has been retained at USAID/Peru.

Financial Statements and Auditors Recommendations Covenant

The covenants of the Cooperative Agreement require that the ILD's financial statements be prepared in accordance with U.S. or Peruvian generally accepted accounting principles (GAAP). In addition, the ILD must receive an independent, external auditor's opinion of its financial statements based on an audit conducted in accordance with generally accepted auditing standards (GAAS).
For the fiscal year ending on December 31, 1988, the ILD has received the opinion of Ramirez, Enriquez y Asociados; a Peruvian independent auditing firm affiliated with Moores Rowland International, a British accounting firm. The quality of this audit as well as the contracting of Alonso y Asociados for the conduct of the 1989 audit is thoroughly discussed in Section 2.1.

To summarize briefly, the 1988 financial audit complies with both GAAP and GAAS and was completed within the schedule required by the covenants and reporting requirements. Due to late contracting of the auditors for the 1989 audit, the ILD will not be able to comply with the schedule prescribed in the covenants and reporting requirements. The assessment team, in Section 2.1, has suggested that the forty-five day completion requirement for the audit be extended to four months.

However, the covenants require the independent auditors to conduct additional tests of the ILD's compliance with the covenants of this Agreement; the adequacy of internal controls, financial management personnel and systems; and the appropriateness of management structure, procurement procedures, personnel policies and remuneration of officers and employees. Since the 1988 fiscal year under review preceded the effective date of the Cooperative Agreement, the independent auditor was not required to review compliance with the provisions and covenants of the Agreement. However, the auditor's management letter did touch upon seventeen points covering the issues of management structure, personnel practices, remuneration and financial management personnel and systems. It did not address procurement policies as required in the covenants of the Agreement.

Relating to the management structure of the ILD, the auditors noted that the organization manual is incomplete in that it lacks a clear definition of the mid-levels of the structure; fails to clearly distinguish whether the research circles are staff or line positions; and does not detail the lines of authority and delegation of function. It notes that there is no clear policy on remuneration, because it is governed by agreements with donor agencies. The management letter made several suggestions regarding financial and accounting systems improvements, noting that some of the problems related to the fact that the ILD did not have adequate financial management and accounting staff. In September 1989 the ILD hired a strong Peruvian MBA/CPA as the Controller and also hired an accounting systems specialist to work with the Controller. Recommendations for improvements in the accounting systems and the computer facilities are related to a major renovation in those systems, which is currently being addressed. These changes were previously discussed in this section.

The covenants require that the ILD, within thirty days, either implement the recommendations, plan their implementation, or justify their disagreement with the auditor's recommendations. The ILD's response to the auditor's management letter recommendations was issued on September 8, 1989. The assessment team does not consider that delay unreasonable, considering the lack of senior accounting personnel at the ILD during that period. The new Controller and accounting systems specialist were hired in September 1989. For the coming year we believe that the ILD should be able to meet the thirty day implementation/response schedule.

Salary and Remuneration Covenants

The covenants of the Cooperative Agreement discuss salary and remuneration of the ILD officials in two places. First, it is required that the independent, external auditors comment on the appropriateness of the remuneration levels of the ILD officers and employees. Second, full-time employees covered under the Agreement may not receive salaries from any other sources. The independent audit for the 1988 fiscal year did not address the issue of personnel remuneration. However, the audit for fiscal year 1989 is about to be initiated and the appropriateness of remuneration levels has been added to the issues to be considered by the independent auditors.

Salary issues are the most pressing items warranting attention and resolution. One of the key issues is that because the ILD had no formal personnel policy, remuneration levels are not substantiated by formalized policy. At the inception of the USAID/ILD Cooperative Agreement it was necessary to negotiate A.I.D.-approved salary levels. Since that time new staff has been added to the ILD and some of the original staff have received salary increases. These increases must be individually justified to USAID/Peru because there is no established personnel policy. For this reason USAID/Peru has had to deduct an estimated US $4,000 each month from the ILD advance request. Through September 1989, the total deducted amounted to approximately US$19,200. Since then, the total amount deducted for this purpose has increased by an estimated US$20,000 bringing the total to approximately US$40,000. This represents 3% of the total ILD remunerations for the first year of the Cooperative Agreement.

At this point it is imperative that the ILD establish a personnel policy defining, among other things, the key issues related to personnel management, compensation policies and benefits. Additionally, USAID/Peru and the ILD will have to come to an agreement regarding prior salary adjustments and current salary levels. These issues are discussed in more detail in Section 2.3 of this report.

The other restriction is that the ILD personnel assigned full-time to the Cooperative Agreement can only receive salaries from A.I.D. It is clear that the salaries of some ILD officials are being financed from more than one donor agency. USAID/Peru, in monitoring salary levels approved during grant negotiations, is deducting from the ILD advance a portion of the salary for each of nine ILD officials. Salaries above the figure reimbursed by USAID/Peru are financed by more than one funding source. Excluding those with disputed salary levels, in 1989 there were four officials who received a portion of their salaries from more than one funding source.

For 1990, it is expected that only two will receive salaries financed by more than one source. As an example of these, approximately 86% of the President's salary is charged to the Cooperative Agreement, the balance being covered by other sources (CIPE). Because of the nature of the President's activities dealing with every aspect of the ILD and with all donor financed programs, the assessment team considers it normal and appropriate that a portion of his salary is financed through other sources. The other three cases include the Manager of Administration and Finance and two researchers. It is logical that the Manager of Administration and Finance receive some funding through other sources because his activities, like those of the President, cover all areas of the ILD. The two researchers, from Circles Four and Five, received temporary funding from FUNDES at the end of 1989 and will be funded 100% by A.I.D. after February 1990. It is noted that, as the ILD achieves greater success in the diversification of funding, there will be an increasing tendency for key ILD personnel to be splitting their time among the programs of several donor agencies. It is entirely appropriate that the financing of their salaries be appropriately split between these other agencies in proportion to the level of effort devoted to the programs of each. Thus, the assessment team considers the covenant restricting the funding of salaries to one source overly limiting. In fact, it could become a constraint in the ILD's overall revenue diversification process. The team recommends that the Cooperative Agreement assign ILD personnel to activities according to the needs of the various programs, and that donor agencies determine ILD salaries based on the level of work performed. This implies that the ILD will have to use a time reporting system for all professional personnel.

Currently, two ILD officials, the President and the Training Specialist, have salaries in excess of the current A.I.D. FS-1 salary level. The current A.I.D. FS-1 salary level is approximately US$74,100. The ILD will have to obtain approval waivers from A.I.D. for their salary levels, even though the portion of salary charged to the Cooperative Agreement may be below the FS-1 approved level (the case of the President). In the future, if the salaries of key ILD officials rise above the FS-1 salary level, approval waivers will have to be obtained, even though their salaries are to be jointly funded by various donor agencies. It should be noted that the FS-1 salary level changes each year and thus, as part of the annual A.I.D. budget process, the ILD should review the status of waivers that it has already obtained as well as the salaries of official that are nearing the FS-1 level to determine whether new waivers are required.

Revenue Diversification Covenants

The revenue diversification covenant of the Cooperative Agreement requires that any fund-raising activities undertaken by the ILD and financed by the Agreement must be in compliance with U.S. law and A.I.D. regulations. The basic restriction is that an A.I.D. funded not-for-profit must "obtain, expend and distribute its funds and resources in conformity with acceptable ethical standards, without unreasonable cost for promotion, publicity, fund raising and administration." A.I.D. generally considers such costs in excess of 25% of the overall program costs to be unreasonable.

Although it is difficult to measure because the ILD financial system does not identify indirect costs, the assessment team considers that the ILD is well within this 25% limitation. Under the new financial accounting system previously discussed, indirect cost information will be more readily available. In any case, even if the ILD were close to the 25% limit we would not consider it a problem because the Cooperative Agreement has set a significant goal that requires the ILD to diversify its funding sources, obtaining by the fifth year of the Agreement 50% of its funding from non-A.I.D. sources.

We further note that the ILD is making significant progress in accomplishing its revenue diversification goals as defined in the Cooperation Agreement. This will be further discussed in Section 2.4 of this report.

2.3 Review the appropriateness of the ILD's management structure, procurement procedures, and personnel policies and practices, including remuneration of officers and employees. Clarify the workings of the Technical Review Committee.

The ILD's Management Structure

The ILD has grown significantly over the last year. Its budget has more than doubled, its staffing level has increased approximately twenty-five percent (in terms of program personnel), and its research activities have increased in complexity with the addition of implementation assistance. This places a strain on the top level management in the organization. Moreover, an additional strain is added by the ILD's growing international activities, which also require top management attention. Because the top management ranks are thin, the President has become increasingly involved in the research circles (he is the chief of Circle one; in the national diffusion program; the international program development; and the fund raising activities. In essence, the need for the President to be in charge of all ILD endeavors has become a bottleneck through which practically all ILD activities must flow.

To improve this situation it is necessary to consider some modification to the current management structure, as well as the employment of additional senior management personnel who have the full confidence of the President. It is noted that some key personnel have recently left the ILD and others will be leaving in the near future. It is further expected that in the change of government, the new government may seek to recruit staff from the ILD.

The current organization structure is shown in Exhibit 2.3-1 and a proposed new structure is presented in Exhibit 2.3-2. The current structure of the ILD was originally presented in their October 1988 proposal to USAID. It featured a single General Manager and four major departments: Research, Implementation & Promotion (basically national and international diffusion), Controller and Administration. As the organization has evolved, its needs have changed and its structure should be modified to reflect those needs.

One of the key concepts of the proposed structure is the recognition that the ILD has two overall programs: national and international. The national program includes the research and national diffusion activities which make up the bulk of the ILD's activities. It provides the research laboratory in which the ILD's methodologies and technologies are developed and tested. The international program, just getting started, adapts methodologies and technologies developed in Peru for use in other developing country environments. Consequently, the international program includes training, technical assistance, and international diffusion. A third component of the ILD structure is administration and finance.

The research program is essentially the national program and is now more focused (addressing fewer issues). However, it is also broader in scope, because the ILD has learned that programs must undertake a series of implementation activities in order to achieve objectives. Consequently, the research program needs to be directly linked to the national diffusion process and the overall research and diffusion program requires increased management attention. We suggest that the General Manager, who is already assigned a supervisory role in the research process, be assigned a role that is limited to the management of the National Programs (basically research and diffusion). Research management would be further strengthened by the suggested use of Circle 1 as the research management unit. Circle 1 would review the work output of all circles and would provide integration for the projects that encompass the outputs of multiple circles. The national diffusion group would be principally responsible for media relations and the preparation of the technical content of promotion campaigns. It would develop the ILD publications and training activities supporting the implementation of the ILD projects.

The international program is just developing and probably does not yet warrant a general manager level director. The international program, as currently envisioned, will manage the "franchising" of the ILD methodologies and technologies in other countries. The approach would be to provide training in Peru to third country nationals who would return to their countries to collect the data needed to establish an ILD-type program. Once the data are collected, they may be analyzed in Peru or the home country. The international program would supervise the process and may, as required, send ILD representatives to the countries on short- or long-term assistance activities. Consequently, the proposed structure contains an international training and assistance unit.

As the program grows it may be necessary to establish a separate technical assistance unit that would provide project management for each country program. The country programs would operate in a fashion similar to circles. The international program would be responsible for international promotion and information dissemination activities. Probably it would coordinate with the National Diffusion Unit to prepare the materials to be distributed through the USA office. Although it is located overseas (i.e., in an international location), the USA office reports to the President because its activities support all areas of the Institute.

We have suggested that the Administration and Finance group be directed by a general manager level official. The basic change in this unit from the current structure is to limit the role of the Controller to the finance, budget and accounting area (which still requires substantial improvements). A junior level manager should be given responsibility for the administrative activities, which do not currently require major modifications.

A further modification to the structure is the creation of a Coordinator of Donor Relations reporting directly to the President. This individual must be fully knowledgeable of the ILD's objectives and programs and be able to express this knowledge in a dynamic fashion, both orally and through written funding proposals. He would work jointly with the President and the General Manager of Administration and Finance to implement the revenue diversification program. He would also be responsible for obtaining technical and financial data from the national, international, and financial areas of the ILD in order to prepare the appropriate progress reports for each donor agency. An interim approach to this recommendation may be to assign these functions to the Manager of International programs. However, as the ILD grows, especially in the area of international programs, the need for a separate Donor Relations Coordinator will become greater.

We have suggested creating a Research Planning Advisory Committee reporting to the President. This committee is further described in the report section covering the technical review process

committee. This planning committee, consisting of international experts, would meet at least once a year and would provide input to the ILD on future research plans and opportunities.

We believe that this proposed new structure, if well staffed, would more accurately reflect the current needs of the ILD and would enable a better delegation of authority and responsibility from the President to senior management. This should result in increased operational efficiencies for the ILD.

ILD's Procurement Procedures

In recent months the ILD has developed an excellent control and procedures manual for purchasing. The manual defines the procedures and authorization responsibilities for the acquisition of fixed assets and services as well as for inventoried materials and supplies. All purchases over the value of US $150 (or an equivalent amount of local currency) must be acquired through the purchase order process. Authority levels for the approval of acquisitions are defined and are the following:

US$ Level	Authorized By
over US$10,000	President
over US$ 5,000	General Manager
under US$ 5,000	Manager of Administration and Finance
materials & supplies	Controller

There are separate procedures for fixed asset/service procurement and for inventoried material and supply purchases. In general, the procedures define the responsibilities of each official involved in the procurement process and provide sample copies of the forms that are used. All fixed asset procurement requires a minimum of three written bids and must be approved by the appropriate authority, taking into consideration the approved budget for the program requisitioning the item or service. The actual purchase is processed by the Administration Unit which forwards the invoice to accounting for payment after the items have been received.

For materials and supplies, the Administration Unit is responsible for maintaining supply inventory records and for requisitioning replacement orders when necessary. Bids are received either by telephone or in writing, approved by the Controller, and purchased. The Administration Unit receives the items, confirms their quantity and quality, and forwards the invoice to accounting for payment.

The assessment team believes that the ILD procurement procedures are well managed. There are only a few minor improvements that could be implemented. First, the procedures document briefly mentions the petty cash fund (caja chica), but does not define the

procedures and approval levels associated with its use. Presumably, the petty cash fund is used only for purchases valued below US$150, since above that amount purchase orders are required. However, the petty cash fund is an important part of the overall procurement policy; its procedures should be defined in the procurement procedures document. Second, it is implied, but not clearly stated, that services will be procured by the same procedures as fixed assets. This should be clarified. Third, in the case of fixed asset procurement, it is not stated that an official of the ILD should confirm the suppliers conformity to the required quantity and quality of items or services acquired prior to payment. Fourth, the procedures for material and supply purchases indicate that bids are received either by telephone or in writing, but does not define the value levels that would indicate which form of bid is required. Lastly, for the procurement of frequently ordered materials and supplies, the ILD may wish to consider the use of annual purchase contracts that would permit multiple deliveries on the basis of an annual contract. This would reduce the need to obtain new bids for each order of frequently purchased items.

In summary, the assessment team considers that the current procurement procedures are good.

Personnel Policies, Practices and Remunerations

As was indicated in Section 2.2, the issue of personnel policies and staff remuneration is sensitive and urgently requires resolution. Briefly, the issue is that the ILD has no established policy for personnel management, the determination of salaries, salary increases and staff benefits. Lacking such policies, at the inception of the Cooperative Agreement, USAID/Peru negotiated certain salary levels with the ILD, some of which have been since increased. Since the ILD has no policy on which to base the increases, USAID/Peru has deducted the increases from the ILD's monthly advances. Consequently, the following three key issues must be resolved:

- A formal personnel policy must be established;
- Agreement must be reached on the appropriate levels of remuneration; and
- The withheld salary increases must be disposed.

To develop an effective personnel policy that will support, while not constrain, the programs of the ILD is not an easy task. At the present time Peru is in a situation of political change and hyperinflation. In 1989, prices increased by an estimated 3000 percent. The Peruvian labor force faces shortages of skilled, experienced professionals and employers are able to bid such professionals away from each other for marginal increases in salary and benefits. To further complicate the issue, the ILD is a unique

entity, performing policy research and assisting in the implementation of policy reforms to improve the efficiency of public administration and to open the economic sector to more competitive, free markets. Qualified professionals who can perform these types of research and implementation activities are rare. As a result, these persons are highly recruited, both in Peru and from abroad.

Both performance and progress are key considerations that, in conjunction with basic labor market data, are used to determine appropriate salary adjustments. The measurement of performance for research activities is difficult. Research activities are often unpredictable and the measures of success may not be easily identified until the program is completed. Consequently, research managers may find it difficult to evaluate the performance and interim progress of a research team.

According to the President of the ILD, an appropriate personnel policy is one that is based on competitive, market rate remuneration. It is important to base such a policy on objective market indicators. First, the ILD may wish to consider several alternatives. For several years, the local affiliate of Price Waterhouse has published a periodic survey of private sector salaries and benefits in Peru. This survey is based on a data base of compensation information collected from participating companies. The ILD may wish to consider participating in this survey, if relevant to the ILD structure. A second alternative is to conduct a survey of compensation programs of international non-profit organizations operating in Peru. Probably the most comparable non-profit entity is the International Potato Center, located in La Molina. Under the auspices of USAID/Peru a survey of compensation programs of Peruvian based non-profits could be conducted. The information obtained through these two sources would provide the ILD with a frame of reference regarding the labor market. This would have to be adopted to the specific needs of the ILD.

Since the start of the project the ILD has been encouraged to establish a complete personnel policy. USAID/Peru suggests that this policy will provide a means to resolve salary issues. To that end, the ILD has prepared a draft policy, which was delivered to the assessment team.

The draft policy provides an overview of the type of activities and working environment that an employee will find at the ILD. However, it fails to mention specifics related to salaries, benefits, and personnel management. The assessment team considers that this document contains the information necessary for an introduction to a personnel policy. The team recommends that the ILD contract a specialist who is knowledgeable about personnel management in research organizations to develop a complete personnel policy statement. The specialist should ensure that Peruvian labor legislation is taken into consideration.

We believe that the policy must define adequate frameworks while still permitting sufficient flexibility to enable the ILD management to be responsive to the constantly changing labor environment. To this end, the team considers that the policy should contain the following elements:

- Overall statement of the type of work activities and working environment, i.e. the concept of the ILD being a policy research and reform implementation entity;

- Definition of personnel categories, i.e. professional vs. administrative; expatriate vs. local; contract vs. full-time; etc;

- Salary policy, including definitions of:

  - The factors that determine the currency of payment.

  - The determination of the initial salary. This may relate to the new employee's previous salary history, as well as the level of responsibility that s/he will hold at the ILD, and the benchmark data on the competitive level of salaries elsewhere in Peru.

  - The factors, conditions, and frequencies of salary increases. Three types of increases should be defined:

    1 - Cost of Living This policy may vary depending upon whether the employee is paid in Intis or US Dollars. This must take into account that the dollar devaluation has not kept up with inflation. As a suggestion, a temporary inflation adjustment of dollar based salaries should be paid in Intis, leaving the dollar salary stable. Once the dollar devaluation-inflation rates reach a balance such adjustments should no longer be necessary. The frequency and the method of determining the increase should be defined.

    2 - Promotion An employee's level of responsibility is increased.

    3 - Merit The management of the ILD should have the flexibility to increase an individual's salary in recognition of accomplishments. This policy should be related to an annual performance evaluation process and should have some global guidelines on timing and amounts.

  - Overtime compensation. Who should receive overtime, is it paid in monetary remuneration or compensatory time off, etc.

- Benefits packages should be defined in terms of who qualifies for what types of benefits. The benefits that should be addressed in the policy may include, among others, vacation policy, holiday policy, insurance (life and medical), housing or vehicle allowances, social security, retirement, etc.

- Tax issues should be discussed: Peruvian taxes and withholdings, Peruvian severance pay issues for permanent and contract employees, U.S. taxes where applicable, etc.

- Benefits or obligations for the ILD staff working permanently or temporarily overseas (i.e. outside of Peru). This should define overseas travel regulations, the determination of travel expenses (per diem vs. actual), danger pay etc.

- Employee performance measurement system should be defined. The policy should define general parameters for assessing the employee's performance.

- Employee discharge process should be defined.

Questions have been raised about the salary levels at the ILD. For example, it is said that the Universidad del Pacifico cannot retain its best economists because the ILD bids them away for substantial salary increases. This may be true, but most universities have difficulty matching the salaries of private research foundations where researchers are paid for full-time, high visibility, high impact activities. Additionally, most universities set low salaries for faculty because the faculty is expected to supplement salaries with consulting fees and publishing royalties. These salary supplements are not available to the ILD professional staff, who are required to dedicate full-time to the Institute's activities.

It has been said that the President's salary is high, even by U.S. standards. This statement was based on a survey of salaries of the CEOs of U.S. non-profits that had been published in the October 1988 issue of the Non Profit Times. It is clear that with a budget approaching US$3.0 million, the ILD is a major non-profit organization with high level international visibility. Given this status, the President's current 1990 salary is about on a par with the equivalent salaries reported in the 1988 Non Profit Times. Moreover, other salary levels at the ILD do not appear to be extraordinary. In discussing the ILD's salary levels with representatives of Peruvian private sector, it appears that the salary levels are not currently out of line with the market. To make a valid comparison one must take into consideration that in the ILD professional staff generally must have skills not normally required in other private sector positions (i.e. bilingual, field research skills, etc.) Moreover, they may receive fewer benefits, have less job security and have a less certain career path.

Technical Review Committee

The Cooperative Agreement refers to a Technical Review Committee that would be established "to review the research activities and outputs of the ILD." The Agreement implied that the Committee would be made up of international experts, knowledgeable in the issues that the ILD is researching. One of the roles of the U.S. Office is to coordinate the activities and flow of information to and from the Committee, implying that the Committee may be based in the United States. The Cooperative Agreement also sets as a Condition Precedent for the second year disbursement that the ILD demonstrate the establishment of the Committee and verify that it is reviewing research activities and outputs.

The ILD has established a technical review process that accomplishes the objectives envisioned for the Technical Review Committee. Through the experience of conducting research activities across a broad base of public policy issues, the ILD has learned that no single committee would be able to effectively review all of the ILD's diverse research activities. As a result, they have established a sound technical review process. The process is continuous and its effectiveness can best be measured by the high quality of the ILD's research outputs. In its 1990 plan the ILD has proposed an international conference in which the ILD researchers could report on their activities, and receive feedback from recognized international experts, while also receiving information regarding similar research in other countries. The assessment team considers that the technical review process meets the objectives of the Condition Precedent.

As part of the ILD's internal operations, there are two principal technical review activities. The first is the role that Circle 1 plays in the overall process. Circle 1 is directed by the President of the ILD and is staffed by a senior investigator from the U.S. The circle performs three major functions associated with the overall technical review process. The circle reviews and prioritizes the opportunities and need for new research activities, ultimately recommending the establishment of new circles to perform new activities. It also continuously reviews the research and implementation activities of all circles and performs a quality control function on these activities. In some cases where the research activities of a particular program (for example, democratic rule making) are performed in more than one circle, the Circle 1 researchers provide the integration of circle outputs to accomplish the overall program objectives.

The second major technical review activity is to rigorously review the research output (reports and documents) of each circle. The research output is shared among all circles resulting in peer feedback as well as a cross-fertilization that improves the skills

and capabilities of all researchers. Putting the research outputs of each circle under the scrutiny and constructive criticism of the ILD senior management, as well as research colleagues, has worked well for the ILD over the last year. The high quality of its research output reflects this.

A further input to the technical review process is the receipt of critical input and feedback from sources external to the ILD. This has been accomplished through the use of local and international consultants, as well as the review of concepts, ideas and draft legislation with the individuals and groups in the informal sector, government, and private sector that will benefit from the output of the ILD's research programs or that will be key participants in the implementation process. As a result of the contacts that the ILD has established through its international consultants, it has developed an international network of experts on its specific research fields. This network of experts can be brought further into the technical review process through the international conference that the ILD has proposed in its 1990 plan. The benefit that the ILD will obtain through this type of conference, as opposed to those that the ILD now attends, is that the ILD will be able to focus the agenda on its research activities and thus benefit from the technical review feedback. This is not to say that the ILD should stop attending other international conferences which also support the ILD.

The assessment team suggests that the ILD's conference be held annually perhaps in Lima or in Washington or in both on alternating years. In terms of format, the conference could have workshops for each circle topic, in which the circle leaders would present their activities and findings. In order to provide discussion, feedback, and cross-fertilization, the workshops could also have papers by non-ILD researchers on similar topics.

The ILD should consider the establishment of a Research Planning Advisory Committee that would be made up of international experts in fields directly related to the ILD's overall program. The committee could meet once a year, perhaps during the annual conference, to review research opportunities and needs, and to set the research agenda for the coming year. It would be important to formally establish the committee so that the same international experts participate for several years. In this way, the benefits to ILD's planning process will increase as the committee increases its familiarity with the ILD agenda.

In terms of the technical review of the research activities and output of each circle, the assessment team believes that the current process, as described above, is working well and should be continued.

2.4 **Determine extent of progress made toward revenue diversification. The ILD is to reduce its dependence on A.I.D. funding to less than 50% of its annual budget by the fifth year of the project.**

The Cooperative Agreement states that the ILD receive 50% of its funding from non-A.I.D. sources by the fifth year of the agreement. In order to assure that the ILD will be progressing towards the achievement of that goal, the Agreement requires that, within the first year, the ILD develop a comprehensive revenue diversification plan that enumerates goals, implementation plans, financial targets, and likely sources of funds. Once the plan is developed, the Cooperative Agreement calls for the ILD to report its progress toward revenue diversification in each annual implementation plan. With regard to the revenue diversification progress, the Agreement defined the following annual targets for non-A.I.D. funding levels (figures presented in thousands of US Dollars):

	Year 1	Year 2	Year 3	Year 4	Year 5
A.I.D.	1,800	1,845	1,930	2,100	2,210
Non-A.I.D.	325	795	1,265	1,735	2,210
Non-A.I.D. as % of Total	15%	30%	40%	45%	50%

From discussions ILD officials, it was determined that the ILD has made great progress in raising funds from non-A.I.D. sources. As can be seen from Exhibit 2.4-1, in the first year, the funds received from non-A.I.D. sources came to US $510,000, 157% of the target set in the Cooperative Agreement and almost 23% of the total funds received. The ILD already has commitments for the second year from non-A.I.D. funding sources totalling US $922,000. This is equivalent to approximately 116% of the target set in the Agreement.

The diversification of funding sources is demonstrated in Exhibit 2.4-2. Over recent years, the ILD has been consistently supported by A.I.D., CIPE (the Center for International Private Enterprise/National Endowment for Democracy) and the Smith Richardson Foundation. More recently, the ILD has received some support from the ICEG (International Center for Economic Growth/CINDE), the UNDP (the United Nations Development Program) and FUNDES (a Swiss foundation). There have been other minor donors who have funded short-term activities. While the exhibit appears to indicate that many donors only occasionally support the ILD, this may not actually be the case. Many of the donor funded programs may take place over periods greater than one year. Consequently, funds received in one year may actually support programs for two or more years.

The assessment team considers that the ILD has clearly met its targets regarding the receipt of funds from non-A.I.D. sources. Given the success that ILD has achieved to date, it is likely that they will have no difficulty in achieving the goal of fifty percent non-A.I.D. funding by year five. Due to the current strains on the overall A.I.D. budget, it may be prudent for the ILD to consider obtaining a higher than fifty percent non-A.I.D. funding level.

The Cooperative Agreement calls for the development of a revenue diversification plan during the first year. This plan has not been developed. In essence, the ILD plan is to maintain and increase the participation of current donors and to submit new requests to those donors that have not participated during recent years.

The ILD should move to formalize a plan for revenue diversification and fund raising. The plan should develop a strategic approach to fund raising that defines targets to be raised each year, the types of organizations to be approached, and the strategy for actually approaching each type of organization. Among the types of organizations to be considered are bi-lateral and multi-lateral agencies as well as private foundations. The ILD should seek to obtain a balance between types of donor agencies and should develop a separate strategic approach for each type of donor.

As much as possible, the ILD should seek to encourage new donors to provide annual, unrestricted support, rather than to support specific activities. Technical assistance support agreements for international projects such as those being discussed with the Inter-American Development Bank will provide additional restricted funding opportunities. It should be clarified that any international technical assistance projects undertaken by the ILD and funded by A.I.D. outside of the Cooperative Agreement should be treated as if they were non-A.I.D. sources of funding when determining the revenue diversification ratios. Importantly, all funding for specific activities should provide some contribution to the general overhead costs of the ILD.

An additional part of the revenue diversification plan should be the public sale of the Institute's publications and the newsletters and/or journals that are being planned. Revenues from such sales would provide the ILD a source of unrestricted funds. In addition, training fees or technical cooperation fees should also be explored, for services rendered.

The plan should assign fund raising responsibility to a senior official of the ILD and should define the coordination and support that he/she will require from within the ILD. The activities should be coordinated with the President, who currently is the principal fund raiser, and with the Washington Office, which should serve as a point of contact with potential donor agencies. The plan should include the development of promotional materials that can be used to present key points of interest to donor agencies.

The assessment team proposes that the ILD contract a financial promotion advisor to develop the fund raising program. The advisor would work directly with the President and the Manager of Administration and Finance to develop the complete program plan, targets, and strategies. They would also develop the internal structure in ILD for overall donor coordination. The ILD should not consider contracting an outside fund raiser to actually raise funds. Such activities should be undertaken by senior officials within the ILD. Because the revenue diversification plan was to be completed during the first year of the Cooperative Agreement, we recommend that the ILD place high priority on its completion.

2.5 Evaluate USAID/Peru and AID/Washington's participation in project implementation with regard to the coordination, monitoring, and approval functions established in the cooperative agreement.

The division of labor, as set out in the Cooperative Agreement, provides USAID/Peru with the responsibility of overall management of day-to-day operations and of the implementation of defined program objectives. This includes management of payment documents (which are processed through Mexico); and review of the program budgets, plans, and financial reports. In addition, the Peru Mission is responsible for decisions regarding Conditions Precedent, as well as the upholding of the covenants of the Cooperative Agreement.

The counterpart A.I.D. office in Washington responsible for the meeting of the objectives of the Cooperative Agreement is the Private Sector Office of the Bureau for Latin America and the Caribbean (LAC/PS). Its primary responsibility is to maintain relations with other U.S. government agencies, international donors, private foundations and other agencies interested in the regional aspects of the ILD program. LAC/PS also participates in the semi-annual assessments and will be involved in the threshold evaluation.

The division of labor between the two A.I.D. offices is working well, in terms of upholding the Cooperative Agreement objectives, providing the ILD with the management support needed in Lima, as well as access to resources to address more global agendas through LAC/PS. Specifically, USAID/Peru has taken a project team approach to managing the ILD program. The team is headed by the Chief of the Development Resources (DR) Office and includes two members of the Private Sector and Housing Division and one representative of the Controller's Office. This team is responsible for project back-stopping and monitoring, and management of program activities financed by the Agreement. The team has initiated a series of periodic program coordination sessions with the ILD management personnel. The contribution of this approach is clear, in the

tremendous improvement in the project planning and reporting within the ILD. In addition to this technical assistance, the Controller's Office representative supports the financial aspects of managing the ILD program. This has worked well as evidenced by the draw down of grant resources in accordance with the agreed program plan. In summary, USAID/Peru has supported the ILD program through the critical start-up year of the Cooperative Agreement, a period of significant growth in both the financial and technical aspects of the program.

However, it is the opinion of the assessment team that USAID/Peru would benefit if it were to provide a project advisor/coordinator dedicated full-time to the ILD activities. This is true for several reasons. First, the dynamic nature of the ILD's technical activities (as outlined in Section 1.1 and 1.2) requires constant monitoring and feedback. This kind of program monitoring is not available through reports, or formal meetings, but rather through on-going contact with researchers and the ILD management. There are few qualified individuals within Lima with whom the ILD can discuss its programs and new initiatives, and receive objective feedback concerning the development of the Institute.

For example, the question of how much of the ILD's national program agenda should be devoted to research and what amount of resources should go to implementing reforms is an issue that has evolved out of first year activities. The assessment team can make recommendations, but what is needed is an individual to work out a strategy with the ILD and to monitor the status of development. Similarly, as the international program grows, questions concerning allocation of resources will again emerge. These are new issues for the ILD that do not have a quick answer. These kinds of institutional development challenges will require on-going involvement with the ILD in thinking through the best alternatives. Thus, greater communication between the ILD andA.I.D.will be fostered, concerning the technical nature of the constantly evolving ILD program.

Second, one of the ILD's mandates is to "internationalize" its agenda through sharing the ILD approach with other countries and to incorporate feedback towards developing a policy reform paradigm that is applicable to other LDCs. The ILD has made strides in this new area of program development and LAC/PS has assisted with developing appropriate contacts. However, if USAID/Peru were to have someone constantly on-top of the evolving ILD program, worldwide networks within A.I.D. could be better accessed. In addition, technical assistance fromA.I.D.in this area would be beneficial, since this is a new endeavor for the ILD.

Finally, having one specific ILD project advisor/coordinator in the Mission will provide an "institutional memory" withinA.I.D.of the ILD process. As the program develops further, this will be critical. The ILD process is unique and ifA.I.D.hopes to "blue

print" this type of process for application to developing institutions within the third world, there should be someone withinA.I.D.directly involved in the technical aspects of the program's development. The project advisor/coordinator should serve as a bridge to AID/LAC/PS to ensure that an institutional memory is also developed in Washington. In addition, given objectives of diversifying the ILD's funding sources, a full-time project advisor/coordinator will be able to provide on-going input to the implementation of the revenue diversification strategy.

Options for funding this new and important position need to be explored and agreed upon with the ILD prior to the final negotiation of the second year budget. It is unlikely, given the severe budget constraints on A.I.D., that this position can be financed through the USAID/Peru operating budget. Project funds should be strongly considered, given that this position will benefit the overall ILD program. If the position is project-funded from the Cooperative Agreement, the individual should be physically located at the ILD.

2.6 **Explore the possibility of moving to a reimbursement system of financing in which the ILD establishes a rotating fund and obtains periodic A.I.D. reimbursement to it for agreed upon eligible costs.**

The flow of funds from A.I.D. to the ILD has been a problem over the last year. Typically the advance payment for any particular month may not be received by the ILD until the end of the month and sometimes not until the beginning of the following month. For example, for the month of February 1990, the ILD requested its US dollar and Inti advances on February 2, 1990 and received the US dollar payment on February 27, 1990. The Inti payment was not received until March 6, 1990. This has not been an isolated occurrence. For example, the May 1989 payment was received on June 13 while the June payments were received on July 7th and 18th. The October and November payments were received in the following months. The one case where the advance payments seemed to flow smoothly was the July 1989 payment. In that case the ILD submitted its request on June 15th and received payment by July 25, 1989.

These delays have effects on both the ILD and USAID/Peru. The late receipt of funds generally causes the ILD to have to delay its payroll payments, often causing personal hardship for its staff. This of course has an impact on the general morale. Because of hyperinflation, the ILD's suppliers demand payment when services or goods are rendered. If payments are not forthcoming they often require a modification of the invoice amount to cover the inflationary impact. Often the ILD is forced to use funds from other donor agencies to cover payments that would normally be made with A.I.D. funds. Keeping track of the amounts that the different donor accounts owe each other generates a bookkeeping problem.

Generally the system used to review, approve, and issue advance payments takes approximately four weeks to process within A.I.D.. The process includes a two day review by the Project Office, payment processing by the Controller's Office, transmittal of the documentation to the A.I.D. Regional Disbursement Center in Mexico, processing by that office and transmittal of the check back to USAID/Peru. This process may take up to two weeks longer if the payments require the issuance of a PIL to modify the budget or to increase the amount of funds committed, either in US dollars or in Intis. The issuance of a new PIL is often necessitated by the impact that hyper-inflation has on the overall Inti portion of the project budget. Due to the hyper-inflation, the actual Inti requirements grow, even though the US dollar amount committed to the project remains constant. Thus, a PIL is required to increase the Inti budget, while holding the US dollar amount constant.

The statement of work for this assessment asks for an evaluation of the revolving funds/reimbursement approach to resolving this situation. The concept would work well and has worked well on other projects and at other missions. Generally, the system involves a quarterly or semi-annual advance payment from A.I.D. to the recipient entity. The recipient entity maintains these funds in a separate bank account, making payments in accordance with the A.I.D. project plans. At the end of each cycle the recipient entity prepares a liquidation statement accounting for the use of funds which, upon A.I.D. approval, are replenished to the advance account.

This system operates very much like a petty cash fund and essentially permits the recipient entity to manage the funds. In a hyper-inflationary economy such as Peru, the entity may have to make short-term investments with those local funds that are not to be used immediately. This short-term investment is not intended to earn speculative income but rather to protect the value of the currency on hand. Nevertheless, such investments could raise some legal issues with regard to the A.I.D. regulations restricting the use of A.I.D. donated funds for interest earning investments.

We believe that the more prudent approach to the funds flow problem is to set up a schedule of advance request submittal that will permit the proper A.I.D. processing with sufficient time to assure that the ILD receives advance payments by the first of each month. Given that the processing of the advance payment requests is consistently taking approximately four to five weeks, we recommend that the ILD adjust its advance request process, to enable the submittal of each request by the end of the month, essentially one full month before the first of the month for which the funds are requested. For example, for the March advance payment the ILD would submit the advance request to USAID/Peru by January 31st, etc. The ILD has said that they are unable to do this because they must submit the liquidation of the previous month's expenditures

with the advance request. This is so that the advance request can be adjusted for any carry over funds from the previous month. We recommend that these two transactions can be handled jointly with liquidations for the month just completed being submitted with the advance request. In order for this to work, the ILD would have to prepare the monthly A.I.D. liquidations for periods ending on the 20th of each month. As an example, for the March advance request ILD would prepare a liquidation for the period of December 21st through January 20th. This liquidation, together with the advance request for March, would be submitted to USAID/Peru no later than January 31st, allowing a full four weeks of processing time. The checks would then be available to the ILD by the beginning of March.

USAID/Peru may wish to consider a different payment cycle for Inti advances in which payments can be authorized and made in Lima without the intervention of Mexico. By doing this, the process may be expedited sufficiently to reduce the need for monthly PILs to commit additional Intis. If the process is sufficiently streamlined, then the ILD advance request for Inti payments would be adjusted to a submittal date closer to the first of the month for which the funds are requested. This would also enable the ILD to better forecast the amount of Intis required (a difficult task due to the hyper-inflation).

We believe that this process will smooth out the flow of funds to the ILD and permit it to properly manage its funds. As a result, the ILD should be able to establish and meet standard payroll dates as well as standard dates for paying suppliers. If this shift in the submittal dates for the advance requests does not result in an improved funds flow, then USAID/Peru should seriously consider the revolving funds approach.

CHAPTER 3: REVIEW OF THE ILD'S FUTURE PLANS AND ACTIVITIES

3.1 Review the implementation plan submitted by the ILD for the project's second year and determine consistency with the project's overall goals and objectives. Recommend changes to the plan, if necessary.

The annual work plan submitted to A.I.D.for the period of March 1, 1990 through February 28, 1991, is exceptionally well presented and marks a considerable improvement over the first year annual work plan. ILD and USAID/Peru cooperation in the past year has facilitated this improvement. This document will serve as a useful tool for baseline planning and management activities in the upcoming year for both ILD and USAID. The contents of the annual work plan are discussed in Section 1.2.

Specifically, the plan offers substantive review of activities carried out to date and proposed activities for the upcoming year. Section one provides a narrative description of the nine ILD work circles. Section two contains spreadsheet information on activities completed by each work circle in year one. Section three provides planned activities in spreadsheet format for year two. Section four provides a breakdown of staff time according to circle activity. Section five lists the principal documents published by ILD in year one according to work circle. These reference documents are provided in the report's supporting annexes.

There are two improvements that should be considered in future annual work plans. First, circle activities are currently defined in terms of tasks to be completed and products to be produced within the year. An estimated budget should accompany this breakdown. This will allow circle managers to plan for the next year and will provide senior management the opportunity to look at the "big picture" in terms of the opportunity cost of one circle activity in relation to another. This will facilitate setting priorities among circle activities and within circles. Annual circle budgets will also assist with the on-going monitoring of research/ implementation expenditures throughout the year.

Second, future annual work plans should break down activities and costs according to national and international programs. Presenting the report in the format of work circles does not present the full situation, since research tasks and organizational functions tend to become mixed together. It would be clearer to persons outside of the ILD, and to planners within the ILD, if the annual report was presented in terms of the management structure outlined in Section 2.3.

3.2 **Develop a framework for assessing the ILD's progress toward achieving the project's purpose, goals, and objectives. The framework should take the form of a list of specific outputs, targets and indicators that can be used as benchmarks at the time of the threshold evaluation at the end of the second year.**

The evolving and dynamic nature of the ILD's research and advocacy activities makes defining outputs and definitive timetables for the future difficult. "Where will the ILD go from here?" in pressing forward with a reform or holding back on advocacy efforts depends on the receptivity of target audience and public in general. The ILD must maintain a position that is politically adept, assuring autonomy from any political party and demonstrating to citizens that the ILD agenda is neutral. This involves maintaining objectivity when working with both the political "left" and the "right", on issues that will advance the ILD purpose. (For more detail on the flexibility needed in ILD programming, see Section 1.1.)

The flexibility needed by the ILD to organize and manage research and advocacy activities has strong implications for evaluators, since activities (and outputs) will most likely change during the course of the year. Similarly, A.I.D. and the ILD's senior managers must maintain close contact with the progress of research activities in order to monitor, and understand, the evolutionary process. While measurable indicators are identifiable after an activity has been completed, it is very difficult to predict in advance what indicators will occur. Thus, after programs are in place, it will be easier to look back and assess impact in terms of outputs. For example, we can quantify the impact of Administrative Simplification in terms of over 150 reforms in the local government. However, last year we could not have projected these indicators. We could have, however, assessed the degree to which public opinion was influenced towards institutionalizing the Administrative Simplification program.

The degree to which there is change in public opinion towards policy reform, in terms of qualitative measurements, is more viable than projecting quantitative outputs from this program. For example, the extent to which public awareness is heightened concerning instituting a policy change will tell us more about the effectiveness of ILD activities than the number of research articles published out of a given research activity or the number of houses registered under the property registry program. Articles can be written, but never read. Houses can be registered, but no credit accessed.

In addition, the new government may not decide to continue programs such as the Administrative Simplification Tribunals or the property registry program. In this case, the ILD will refocus the

objectives of these efforts into other activities. Similar questions emerge in respect to the democratic rule-making legislation. If the law is passed, effort will focus on passing regulations and implementing programs. This would produce one set of indicators for planners. If the law is not passed, the program will take another form, which will imply a different set of indicators. Quantified measures are not identifiable in advance, but this is generally the case with research-oriented activities, especially in the area of socio-economic action-based studies.

This is not to say that other measures do not exist. The ILD's impact on attitudes can be seen in the public's response to the ILD's reforms and in requests from the government for the ILD's assistance. The impact that the ILD has within Peru is evident in the rhetoric used in political platforms for the national elections; the adoption of the Administrative Simplification Tribunal by the current government; and the implementation of the property registry program. Similarly, the overwhelming turnout to and responsive questions at public hearings are indicators of the ILD's progress towards achieving its goals.

Heightened awareness concerning needed reforms can be assessed through reviewing press coverage concerning a proposed policy change or tracking public opinion in response to proposed reforms. In the international arena, progress can be measured through noting the ILD rhetoric used by heads of states or the positive direct reference to the ILD's approach in almost every major development economics publication. The impact that the ILD has on attitudes is evident by the number of requests from other governments for ILD technical assistance and participation in ILD training programs. One can assess the ILD's progress towards institutional reforms with these kinds of qualitative indicators.

Therefore, the team proposes the following framework for assessing the ILD's progress towards achieving the project's purpose, goal, and objectives. This framework can be applied annually, or for the threshold evaluation.

- <u>Assess the progress of ILD's national programs</u> in qualitative terms (as defined abcve), utilizing press coverage, interviews with persons affected by ILD's proposed reforms or on-going programs, public opinion feedback, the turnout for dissemination activities, the level and kind of requests for assistance.

- <u>Assess research, advocacy, and implementation activities</u> in terms of progress along the "The ILD research/advocacy/Implementation Process" spectrum, outlined in the background section.

- Assess the progress towards institutionalizing reforms in terms of "passing over" the reform implementation process to a new or existing entity within the system.

- Assess the effectiveness of the implementation entity in sustaining the reform after the ILD is not directly involved. (Section 1.2 can be used for baseline reference.)

- Assess the progress of ILD's international programs in terms of the responsiveness of other developing countries to the ILD paradigm, including: the number of international visitors trained; progress of other countries in adopting the ILD methodology; degree to which other country experience is tested against the ILD approach; and the development of an international network of like-minded individuals and institutes.

- Assess the degree of progress of the ILD's gender disaggregation of data, including analysis of the participation of women in its program areas and progress in incorporating gender-based data into the Institute's annual work program.

- Assess the degree of progress made towards diversifying the sources of funding for ILD activities, as an indication of other institution's acceptance of ILD's approach and success.

- Assess the degree of progress made towards implementing the recommendations approved in this report.

CHAPTER 4: RECOMMENDATIONS

The assessment team proposes the following recommendations with the purpose of strengthening the management and implementation of the Cooperative Agreement. The recommendations are divided into four major areas: program impact; program management; financial management; and changes to the Cooperative Agreement.

Program Impact

1. **ILD Involvement in Reform Implementation:** The original Cooperative Agreement recognized that the ILD methodology would include a research and advocacy agenda, concluding with a proposed legislative reform. The ILD has found that, to be effective, it must facilitate the passage of proposed legislation and provide assistance to achieve the implementation of particular reforms. We concur with this expansion of the ILD methodology and recommend that the Cooperative Agreement be modified to reflect the evolution of the ILD research/ advocacy process to include advocacy/implementation assistance to get the laws into practice. This process is more fully detailed in the Background Section of this report.

2. **Research vs. Implementation Agenda:** To the extent that the ILD resources are being used to implement reforms, the ILD will be constrained in initiating new research projects. Consequently, the ILD should develop a strategy for the allocation of resources between research and implementation. How much implementation can the ILD do at any one time before there is a deterioration of research activity? This issue is discussed in the Background Section of this report.

3. **Transfer of Implementation Responsibility:** In essence, when a policy reform can be sustained without ILD direct assistance, we can say that the reform has been institutionalized. Thus, the ILD should develop a strategy to transfer or "pass over" the implementation of reforms to newly created or existing government or private entities. This issue is discussed in the Background Section of this report.

4. **Measure Ideological Impact:** There are some quantitative measures of the ILD impact (i.e. the number of properties registered in the Registro Predial, etc.), but these measures cannot be known a priori. This is because of the constantly evolving, innovative nature of the ILD program. Basically, the overall goal of the ILD is to influence public opinion and to achieve policy reforms regarding competitive, free market principles. The ILD should move to define a strategy to measure its public influence and the success of its policy

reform agenda. Such measures will support its fund-raising activities and will provide donor agencies criteria for understanding and assessing the ILD program. A more detailed discussion of these issues is located in Section 3.2 of this report.

5. **Technical Review Process:** The Cooperative Agreement calls for a Technical Review Committee, made up of international experts, that would meet periodically to review the research outputs of the ILD research circles. It is difficult to identify one group of individuals capable of assessing the diverse research agenda of the ILD. Consequently, the ILD has instituted an internal technical review process that includes a research management, integration and quality control process within Circle 1, and a peer review process among the circles. This process assures that all researchers benefit from effective feedback and cross-fertilization of ideas. The assessment team concurs with this process approach. Moreover, we recommend two additional steps to the process. First, the ILD should conduct an annual, international conference to present its research activities to non-ILD experts in policy reform. This has been proposed in the ILD second year plan and we concur with this as an opportunity for additional feedback and cross-fertilization of ideas. Second, we believe that the ILD should establish a Research Planning Advisory Committee that would meet once a year during the annual conference to review opportunities and needs for new ILD research initiatives. The technical review process is discussed more fully in Section 2.3 of this report. Although the ILD believes that the international conference will provide sufficient feedback on its research program, the assessment team believes that it would benefit from a more formal Research planning Advisory Committee. The committee will provide a more structured and consistent review of the ILD research programs than would be possible from an annual conference which, from one year to the next, may not be attended by the same experts. The conference will not establish a consistent group of experts who are knowledgeable of both the ILD and its programs as well as the research needs of the institutional reform field.

6. **Impact of Gender Considerations:** The Cooperative Agreement calls for the ILD to disaggregate and analyze data examining the role of women in the informal sector as well as in the Institute's institutional reform activities. The ILD has made progress in this area. The assessment team's recommendation is that the ILD should continue this type of analysis and should develop strategies for incorporating these considerations into both its advocacy programs and its overall training programs.

Program Management

7. **National vs International Agendas:** The ILD's program has evolved over the last year to include more international activities. This includes training programs in Peru for international visitors and technical assistance agreements with the governments of Sri Lanka, Bolivia and El Salvador. The ILD should address the "internationalization" issue and its approach to the "franchising" of the ILD concept and methodology through defining a strategy for the efficient allocation of resources between international and national programs. This topic is discussed in the Background Section as well as in Section 2.3 of this report.

8. **Organizational Restructuring:** The ILD has grown substantially during the last year, in terms of budget, size of staff and complexity of its research and implementation activities. This growth places a strain on the ILD's top management, who now find they are having to concurrently supervise six major research circles, a national promotion and information dissemination program, a growing international program, a fund raising/revenue diversification program, and the general administration and financial reporting activities of the Institute. We recommend that the organizational structure of the ILD be streamlined to recognize its two major areas of focus: national and international programs. This restructuring would place the national and international diffusion activities under the responsibility of Managers for the National and International Programs. This would also serve to streamline the channels of communication and the delegation of authority. It would also permit the strengthening of research management capabilities by institutionalizing the research management role of Circle 1. The proposed new structure would also include a Manager of Administration and Finance. See Section 2.3 for a more detailed description of the proposed structure.

9. **Personnel Policy:** There are several major issues to be addressed, concerning the ILD's personnel policies. Issues relate to the appropriate level of remuneration for ILD professional staff, appropriate rates of salary increase, the receipt of salary funding from more than one donor agency for some officials, and the resolution of salary variations from rates negotiated under the Cooperative Agreement. Overriding these issues is the fact that the ILD has no personnel policy that can serve as a basis for resolving these issues or to define staff benefits. It should be noted that USAID/Peru has requested that ILD develop such a policy statement since the beginning of the Cooperative Agreement. Recently the ILD drafted a policy which is a good first effort, but which is lacking much of the required specifics. The assessment team recommends several actions that will serve to resolve these

issues. First, the ILD should contract a team of personnel policy consultants to develop a complete personnel policy and to develop an analysis of the Peruvian labor market which can be used to determine the appropriate level of remuneration for the ILD's unique personnel requirements. This team would assist the ILD in obtaining USAID/Peru's approval of the personnel policy, the baseline level of salaries for ILD employees, and the resolution of past salary disputes associated with increases above the previously negotiated rates. A detailed discussion of these issues is presented in Section 2.3. With regard to the receipt of salary funding from more than one donor agency, the assessment team finds that this limitation in the Cooperative Agreement is incompatible with the requirement for revenue diversification. We recommend that the Cooperative Agreement be modified to permit employees to split their time between donor agency projects. Such allocations must be based on an approved salary level that is allocated between projects and not an approved salary level upon which other funding sources add additional funding. This will require that ILD make use of an accurate time reporting system for all employees.

10. **Annual Assessments of ILD:** The Cooperative Agreement requires semi-annual assessments of the ILD's progress toward the achievement of the overall objectives of the Agreement. The assessment team believes that semi-annual assessments would introduce a overly disruptive influence on the ILD's annual research activities without a significant compensating benefit in terms of improved research direction and management. We, therefore, believe that the frequency of A.I.D.-sponsored assessment reviews should be limited to once each year. The Cooperative Agreement should be modified accordingly. The team would not, however, reduce the importance or the rigor of the second year threshold evaluation, which should be scheduled to occur during the December 1990 to January 1991 time period.

11. **Full-time Project Advisor/Coordinator:** During the first year of the Cooperative Agreement USAID/Peru has adopted a team approach to managing the ILD program. This approach has worked well, as evidenced by the draw down of project resources in accordance with planned activities and improved planning and reporting practices. However, due to the increasingly complex and evolving nature of the ILD program, and because of its global importance as a laboratory for the overall A.I.D. agenda in international development, the assessment team recommends that USAID/Peru assign a full-time project advisor/coordinator to the ILD program. Due to limited budgetary resources in A.I.D., it is recommended that USAID/Peru explore with ILD the option of using project funds for this position. If agreement is reached, ILD should participate in the selection of the project

advisor/coordinator. This issue is discussed in Section 2.5 of this report. It is noted that ILD funding of the position would reduce the amount of funds available for its essential program activities. Recognizing the funding constraints, the ILD and USAID/Peru should jointly consider the costs and benefits associated with the establishment of this position.

Financial Issues

12. **Revenue Diversification:** The Cooperative Agreement requires that the ILD develop a revenue diversification plan that will permit it to generate at least 50% of its funds from non-A.I.D. sources by the fifth year of the Agreement. During the first year of the Agreement the ILD has received 23% of its funding from non-A.I.D. sources. This is 57% above its first year target. However, it has not developed a revenue diversification plan or strategy, and has not created a specific position responsible for implementing the plan. The assessment team recommends that the ILD develop an institutional fund raising strategy, including the definition of income-generating activities and the delegation of responsibility for implementation. The plan should identify potential donors and define the appropriate strategy for soliciting and sustaining funding support from each. The plan should seek to expand the level of unrestricted funding support and should develop a strategy for the sale of ILD publications, the receipt of fees for the provision of international training and technical assistance. The assessment team recommends that the ILD contract a fund raising specialist to assist in developing the plan. However, implementation of the plan should be performed by ILD officials, not by contracted fund raisers. The revenue diversification plan is discussed in Section 2.4 of this report.

13. **Accounting and Budgeting Practices:** During the first year of the Cooperative Agreement, the ILD was not able to produce quarterly, unaudited financial reports for USAID/Peru or other donors. To rectify the situation, the ILD has employed a well qualified Controller and is now in the process of redesigning its financial accounting system. The new system uses fund accounting concepts and will permit the ILD to obtain financial reports by donor. The assessment team agrees with the need for the new system, but suggests some modifications to the design. First, we recommend that a system be designed that uses fund accounting concepts to break down ILD's costs by both circle or by donor agency. The system should eliminate the line items for national and international diffusion since the true cost of these activities can only be obtained by reviewing the cost of the two diffusion circles. The accounting system should include a Circle Zero which would be used to report indirect costs, which ultimately should be

allocated to the direct cost centers (circles) and to all donor agencies. We believe that donor agencies will not resist paying their share of indirect costs if the ILD can demonstrate that its accounting system properly accounts for such costs. The system should provide for the allocation of labor costs between circles. The systems should be used for budgeting by circles and should provide variance reporting by circles. The assessment team recommends that the ILD contract, as needed, an expert on fund accounting to assist the Controller and ILD's systems team in developing the detailed specifications of the new fund-oriented accounting, budgeting and financial reporting system. The recommended systems are more fully described in Section 2.2 of this report. The assessment team notes that it will be more costly to bring in outside expertise to correct an inadequate system, than to bring in outside expertise to assure that the new system is properly designed prior to its implementation.

The assessment team recommends that the ILD contract its external auditors for a period of three to five years. This will enable the auditors to perform internal control reviews during the fiscal year being audited. It will also permit the auditors to become more familiar with ILD, and thus permit them to provide more effective financial advice. This should also reduce, over the long run, the cost of the external audit.

14. **Cooperative Agreement Covenants:** The following six covenants specified in the Cooperative Agreement are discussed in Section 2.2 of this report:

- Bank accounts - The covenant requires that the ILD maintain funds received under the Cooperative Agreement in bank accounts separate from the funds received from other donors. The ILD does maintain separate accounts and funds from other donor agencies are not co-mingled except to the extent that, due to the late receipt of the A.I.D. monthly advance, funds from other donor agencies must be used to pay invoices or salaries that would normally be paid from A.I.D. funds. Recommendations regarding improvements in the flow of A.I.D. funds should resolve this problem. The assessment team considers that the ILD has complied with the bank account covenant.

- Accounting records - The covenant requires that ILD maintain accounting records that classify and summarize accounting transactions related to expenditures made under the Cooperative Agreement. The assessment team considers that the ILD accounting records and supporting documentation is sufficient to satisfy the terms of the covenant.

- Financial statements and auditors recommendations - The covenant requires that the ILD financial statements be prepared in accordance with generally accepted accounting principles (GAAP) and that its independent external audit be conducted in accordance with generally accepted auditing standards (GAAS). The covenants require that the external audit report be issued within forty-five days after the end of the fiscal year and that ILD respond to the auditors comments within thirty days. The covenants also require that the external auditors review the adequacy of internal controls and financial management personnel, the appropriateness of the management structure, procurement procedures, personnel policies and staff remuneration levels. The ILD has selected, by competitive bid, its external auditors for fiscal year 1989, and it is currently negotiating the contract and fees for the completion of the financial audit as well as the additional tests required by the covenants. The assessment team considers that the ILD has basically been in compliance with these covenants except that their response to the comments of the 1988 external audit management letter were delayed beyond the thirty day response period, and the 1989 external audit cannot be completed by forty-five days after the December 31, 1989 fiscal year end. The team recommends that the Cooperative Agreement be modified to permit the external audit report to be completed within four months after the year end. The team also believes that in the future the ILD should be able to respond to the external auditor's management letter within thirty days.

- Salary and remuneration - The covenants require that the full-time employees covered by the Cooperative Agreement not receive salary funding from other funding agencies. Some exceptions to this covenant have been noted. First, in monitoring salary levels approved during grant negotiations, USAID/Peru has had to deduct from the ILD the monthly advance portion of the salaries of nine staff members. Over the first year the amount of deductions amounts to approximately US$40,000. To the extent that this salary deficit has been made up by other funding agencies, the ILD is not complying with the covenant. We have previously recommended that a personnel policy team be contracted to resolve these and other personnel issues. During the first year of the Cooperative Agreement, four other professional staff members have received salary funding from more than one donor. Two of these, the President and the Manager of Administration and Finance, are justified because their responsibilities cover all donor projects. Two researchers in Circles 4 and 5 received temporary funding from another funding

agency last year. The ILD has assured the assessment team that beginning March 1, 1990 these researchers are again 100% charged to the A.I.D. project. As stated previously, the assessment team considers that this covenant is incompatible with the revenue diversification covenants. If ILD is expected to obtain funding from other donors, it must be permitted to allocate salaries between donor projects. We recommend that the Cocperative Agreement be modified accordingly.

Revenue diversification - The covenants require that any ILD revenues diversification activities be performed in compliance with US law and A.I.D. regulations. The regulations basically require that fund raising and promotion costs not exceed 25% of the overall program costs. The assessment team considers that ILD is in compliance with this limitation.

15. **Flow of A.I.D. funds to ILD:** During the first year of the Cooperative Agreement, the flow of funds from A.I.D. to ILD has presented some problems. The monthly advances typically arrive at ILD during the last days of the month covered by the advance or even during the first week of the following month. Generally, the ILD requests for monthly advances are submitted during the first week of the month for which the advance is intended. A.I.D. processing in Lima and at the A.I.D. Regional Disbursement Center in Mexico takes approximately four weeks. The assessment team considered a form of revolving fund as an option for improving the funds flow and suggests that it may not be appropriate in a hyper-inflationary economy. The team recommends that ILD adjust its advance request submittal cycle in order to receive the monthly advances by the beginning of the month for which the advance is intended. The new cycle would require that ILD prepare monthly liquidations on a 21st to 20th cycle. The liquidation would then be incorporated into a funds advance request which would be submitted to USAID/Peru by the 31st of the month (one full month prior to the beginning of the month for which the advance is intended). For example, ILD would close its A.I.D. accounts on December 20th, prepare the December liquidation and February advance request and submit both by December 31st. In this way, the advance should be received by the beginning of February. This improved flow of funds should reduce or eliminate the need to use funds from other donors to make payments that should be paid with A.I.D. funds. This recommendation is discussed in more detail in Section 2.6 of this report.

Changes in the Cooperative Agreement

The Cooperative Agreement should be modified in several places to reflect ILD's current activities as well as to reflect the changes that have been recommended in this report. The following are the suggested modifications. In each case we have endeavored to provide the wording for the modification (both the from and to wording):

Proposed Changes to ILD Cooperative Agreement Concerning Attachments 1 and 2

I. Attachment I: Schedule

1. **Purpose of Agreement Section A:** Replace all references to "Latin America and the Caribbean," to say:

   ..."throughout latin America and the Caribbean; and worldwide as interest is demonstrated and resources permit."

2. **D. Financial Plan:** Substitute "Agreement Budget B. Estimated Budget, Year 1 (March 1, 1989 - February 28, 1990)" with "Agreement Budget B. Estimated Budget, Year 2 (March 1, 1990 - February 28, 1991)" (Note: Substitute actual budgets also.)

II. Attachment II: Program Description

1. **Section I, Introduction:** Replace "Peru and the LAC region" to say:

   ..."Peru; throughout latin America and the Caribbean; worldwide as interest is demonstrated and resources permit;" and to further...

2. **Section I, Introduction:** Replace "implementation and dissemination of a major research program on the informal sector," to say:

   "Implementation and dissemination of a major research program on public policy and institutional reform for increased economic competition and the promotion of free markets, including the study of the informal sector,"

3. **Section I, Introduction:** Replace "Participants will be selected only from countries eligible to receive direct A.I.D. assistance" to say:

   "In selecting training program participants, priority will be given to representatives from countries eligible to receive direct A.I.D. assistance."

4. **Section II, A. Program:** Replace title "A. Research and Dissemination Program." to say:

   "A. National Program."

5. **Section II, A. National Program:** At the beginning of the first paragraph in Section A. insert the following paragraph:

   "The national program makes up the bulk of the ILD program and includes two components: the research program and the dissemination program. The research program applies the ILD process towards institutionalizing reforms that promote competitive, free markets. The national dissemination program supports the research activities, including support to the implementation phase of the reform process."

6. **Section II, A. National Program:** Replace at end of introduction paragraph ...."is monitored by the research committee which is comprised of the President, the General Manager, and the economic and institutional research directors." to say:

   ..."is monitored by the Executive Committee which is comprised of the President, General Manager of National Programs, and the economic and institutional research directors as well as by Circle One: Research and Management Circle."

7. **Section II, A. National Program:** Replace "The process employed by the ILD is as follows:" to say:

   "The research process employed by the ILD is as follows:"

8. **Section II, A. National Program:** Replace Steps 1-6 of the research process to say:

   <u>Research/Advocacy Phase</u>

   a. Identify problem.

   b. Research causes/consequences of problem, in terms of existing formal legal system as well as extra-legal norms that have emerged outside the formal system to deal with the problem.

c. Research successful laws and norms in other countries.

d. Conceptualize proposed legal reform drawing on in steps b and c and launch a public education campaign on the problem and the proposed reform, soliciting feedback to be put back into research findings.

e. Address political agendas to gain support for proposed reform. Utilize media to gain support from public, political parties, the government, and other key agents in the reform process.

f. Draft Legislation. Solicit feedback from public and incorporate into proposal.

Advocacy/Implementation Phase

g. Support final passage of new law. Revise proposed law as needed and/or provide additional media support to encourage additional public and political support until law is passed.

h. Advocate Reform Implementation. Draft and pass regulations. Put law into practice through providing technical assistance to implement the law.

i. Institutionalize Reform. Reform process is "passed over" to an existing or newly created entity within the system and reform is sustained without ILD's direct involvement.

9. **Section II. B. Outreach Program:** Change heading "B. Outreach Program" to say:

"National Dissemination Program"

10. **Section II. National Dissemination Program:** Replace "Outreach and dissemination activities will include promotion of the thesis and methodology of ILD, dissemination of legislative proposals proceeding from the basic research, making available information on the informal sector outside of Peru, etc." to say:

"National outreach and dissemination activities will include promotion of the thesis and methodology of the ILD, dissemination of legislative proposals proceeding

from the basic research, media and publicity support to policy implementation activities, making available research findings within Peru, etc."

11. **Section II. National Dissemination Program:** Replace "During Phase I, the ILD program will focus on research analysis, and policy formulation in the following areas..." to say:

"During Phase I, the ILD program will focus on research analysis, policy formulation, and assistance to implement policy reforms, in the following ..."

12. **Section II. C. Regional Training Programs":** Change "C. Regional Training Programs" heading, to say:

"B. International Program"

13. **Section II. B. International Program":** Insert after "...is optimized in all its training activities." the following:

"The international program will be responsible for developing and coordinating information on the ILD program and to direct the international dissemination efforts, often using the facilities of the U.S. coordinators' office."

14. **Section II. B. International Program":** Change "Depending on who.....number of forms" to say:

"The international programs may take a number of forms, depending upon the needs and objectives of the participating countries. The overall approach would lead to the "franchising" of the ILD approach through training and technical assistance activities. The following is a summary of international program activities:"

15. **Section II, D. U.S. Coordinator:** Change heading "D. U.S. Coordinator" to say:

"C. U.S. Coordinator."

16. **Section II, C. U.S. Coordinator:** Replace "ILD will select a person...its international activities in Washington, D.C...."

"ILD will maintain an office in Washington, D.C."

17. **Section II, C. U.S. Coordinator:** Replace "coordinate the activities and flow of information to and from the Technical Review Committee, a panel of experts that will be established to review the research activities and outputs of the ILD, and" to say:

"coordinate the activities and flow of information to and from the International Conference (when held in D.C.) and Research Planning Advisory Committee, a panel of experts that will be established to review the research activities and outputs of the ILD, and"

18. **Section II, C. U.S. Coordinator:** Replace "liaise with USAID/Lima and AID/Washington on financial, informational and logistical matters." to say:

"liaise with AID/Washington on programmatic matters."

19. **Section II, E. Implementation Responsibilities:** Change heading "E. Implementation Responsibilities" to say:

"D. Implementation Responsibilities."

20. **Section II, D. Implementation Responsibilities 1.a.:** Replace "The annual implementation Plan will be a detailed description of .....objectives, outputs, planning timetables,..." to say:

"The annual implementation Plan will be a detailed description of .....objectives, planning timetables,..."

21. **Section II, D. Implementation Responsibilities 1.d.:** Change .."semi-Annual reviews".. to say .."annual reviews"...

22. **Section II, D. Implementation Responsibilities 2.:** Add to end of first paragraph in this section the following:

"In order to facilitate the project management function, USAID/Peru will provide a full-time Project Advisor/ Coordinator to be financed by project funds. The ILD shall participate in selecting the Project Advisor/Coordinator."
[Note: the ILD does not concur with this recommendation]

23. **Section II, D. Implementation Responsibilities 3.:** Replace "Semi-annual project reviews" with "annual project reviews."

24. **Section II, D. Implementation Responsibilities 3.:** Add to the end of paragraph the following:

"AID/W shall receive and review all semi-annual project progress reports and shall keep other AID/W offices with policy reform agendas appraised of the ILD's progress in the area of policy reform."

25. **Section III, B. Conditions and Covenants. 4. e.:** Change "that full-time employees covered under the Cooperative Agreement do not receive salaries from any other financial source, and" to say:

"to the extent that full-time employees covered under the Cooperative Agreement work on programs funded by more than one donor agency, the funding of those salaries should be divided according to the level of effort devoted to each, and"...

26. **Section III, C. Reports.:** Replace ..."to be furnished within forty-five (45) days after the end of ILD's fiscal year," to say:

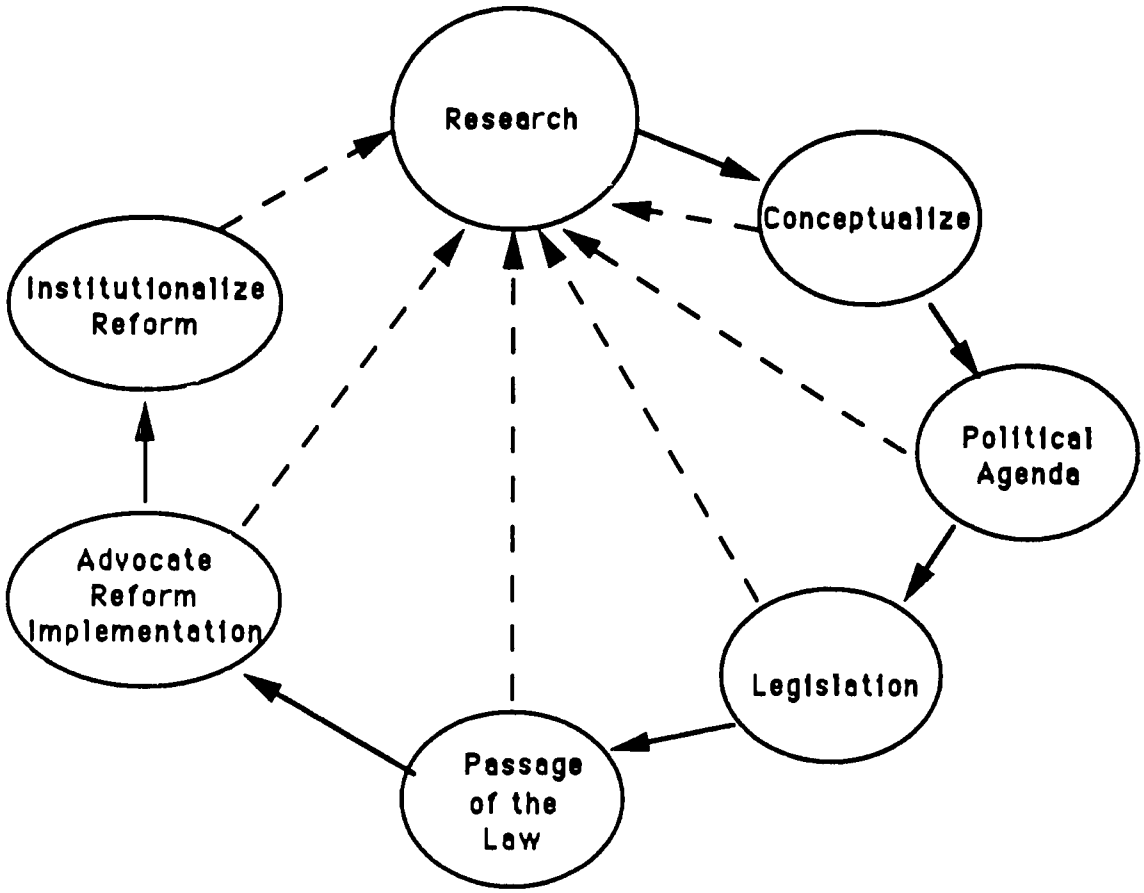
..."to be furnished within four (4) months after the end of ILD's fiscal year,"

27. **Section IV., Substantial Involvement Understandings:** Change "Semi-annual activity reviews" to say "annual activity reviews."

EXHIBITS

Exhibit 1

ILD Research/Advocacy Process



Research: ILD specialists investigate problem that has emerged through other research and/or advocacy activities. Process includes researching (1) formal law and/or existing policy procedures; (2) norms that have emerged outside of the formal system; and (3) comparative law and procedures within other countries.

Conceptualize: ILD researchers map out existing process and ideal process; conduct public education campaigns to inform public; and solicit feedback to be put back into research findings.

Political Agenda: Utilizing publicity, gain support from political parties, the government, and other key agents in change process.

Legislation: Draft law and confirm validity and support through media dissemination, publication in El Peruano (Federal Register), and public hearings.

Passage of the Law

Advocate Reform Implementation: Draft and get regulations passed, facilitate process of operationalizing law into practice, and provide technical assistance for implemention process.

Institutionalize Reform: Implementation is sustained without the ILD's direct involvement.

Exhibit 1.1-1

EVOLUTION OF WORK CIRCLES IN FIRST YEAR

Start of Year 1:
Annual Implementation Plan
(3/89-2/90)

10 Research Circles:
1. Rule-Making in Selected Countries
2. Government rule-making in Peru: Case Studies
3. Non-Government rule-making in Peru
4. Access to International Financing and Technology
5. Administrative Simplification
6. Popular (Accessable) Mortgage
7. Structural Adjustment
8. Institutional Reform
9. Informal Sector
10. Economic Impact of ILD's Institutional Reforms

6 Dissemination Circles:
1. Popular Support Network
2. National Dissemination and Institutional Relations
3. Editing and Publishing
4. Training Program
5. Information Center
6. U.S. Liaison Office

→

Mid-Year 1:
Semi-Annual Report
(9/89)

10 Circles:
1. (PGRI) Global Institutional Reform Program (Block A)
2. (PEDP) Government Rule-making in Peru (Block B)
3. (PNEDP) Non-Government Rule-making in Peru (Block B)
4. (PDOP) Production of Laws in other Countries
5. (CDFIP) Contracting and Financing Public Investment Projects (Block B)
6. (SA) Administrative Simplification (Block C)
7. (DP) Property Rights (Block C)
8. (MC) Capital Markets (Block C)
9. (DyP) Diffusion and Promotion (Block D)
10. Methodology Studies (Block E)

→

End of Year 1:
Annual Implementation Plan
(3/90-2/91)

9 Circles:
1. (PGRI) Global Institutional Reform Program (Block 1)
2. (PEDP) Government and Non-Government Rule-making in Peru (Block 2)
3. (PDOP) Production of Laws in other Countries (Block 2)
4. (CDFIP) Contracting and Financing Public Investment Projects (Block 2)
5. (SA) Administrative Simplification (Block 3)
6. (DP) Property Rights (Block 3)
7. (MC) Capital Markets (Block 3)
8. (DN) National Diffusion (Block 4)
9. (PI) International Programs (Block 4)

EXHIBIT 2.2-1

Presupuesto Estimado de Gastos del ILD - Año 2
Período: Marzo 1990 - Febrero 1991
(Expresado en US Dólares)

RUBRO	Participación AID		AID Total	Otras Donaciones	Presupuesto Total
	En Dólares	En Intis eq. US$			
Remuneraciones	1,184,679	55,141	1,239,820	415,900	1,655,720
-Personal ILD	1,011,579	48,241	1,059,820	332,900	1,392,720
-Consultores					
-Nacionales	131,100	6,900	138,000	41,000	179,000
-Extranieros	42,000	0	42,000	42,000	84,000
Beneficios Adicionales	64,025	40,578	104,603	11,366	115,969
Pasajes y Viáticos	90,000	0	90,000	41,300	131,300
-Personal ILD	60,000	0	60,000	32,300	92,300
-Consultores	30,000	0	30,000	9,000	39,000
Promoción Nacional	0	50,000	50,000	321,000	371,000
Promoción Internacional	18,000	0	18,000	0	18,000
Otros Costos Directos	208,420	180,157	388,577	131,976	520,553
Revisiones Técnicas/ Financieras	24,000	0	24,000	0	24,000
TOTALES	1,589,124	325,876	1,915,000	921,542	2,836,542

EXHIBIT 2.2-2

PROPOSED FORMATS FOR MODIFIED FUND ACCOUNTING REPORTS

Cost Elements	ILD Total	Circle 0 Admin 1	Circles 2...n	ILD Total
Remuneration:				
ILD Personnel				
Consultants:				
Foreign				
Local				
Fringe Benefits				
Travel Expenses:				
ILD Personnel				
Consultants				
Local Transport				
Other Direct Costs:				
Promotion Matls.				
Media Costs				
Training Matls.				
Communications				
Equipment				
Others				
Indirect Costs:				
Communications				
Rent - Lima				
Rent - Washington				
Supplies				
Insurance				
Legal and Acct. Serv.				
Technical Asst.				
Others				
Indirect Cost Allocation				
Totals				

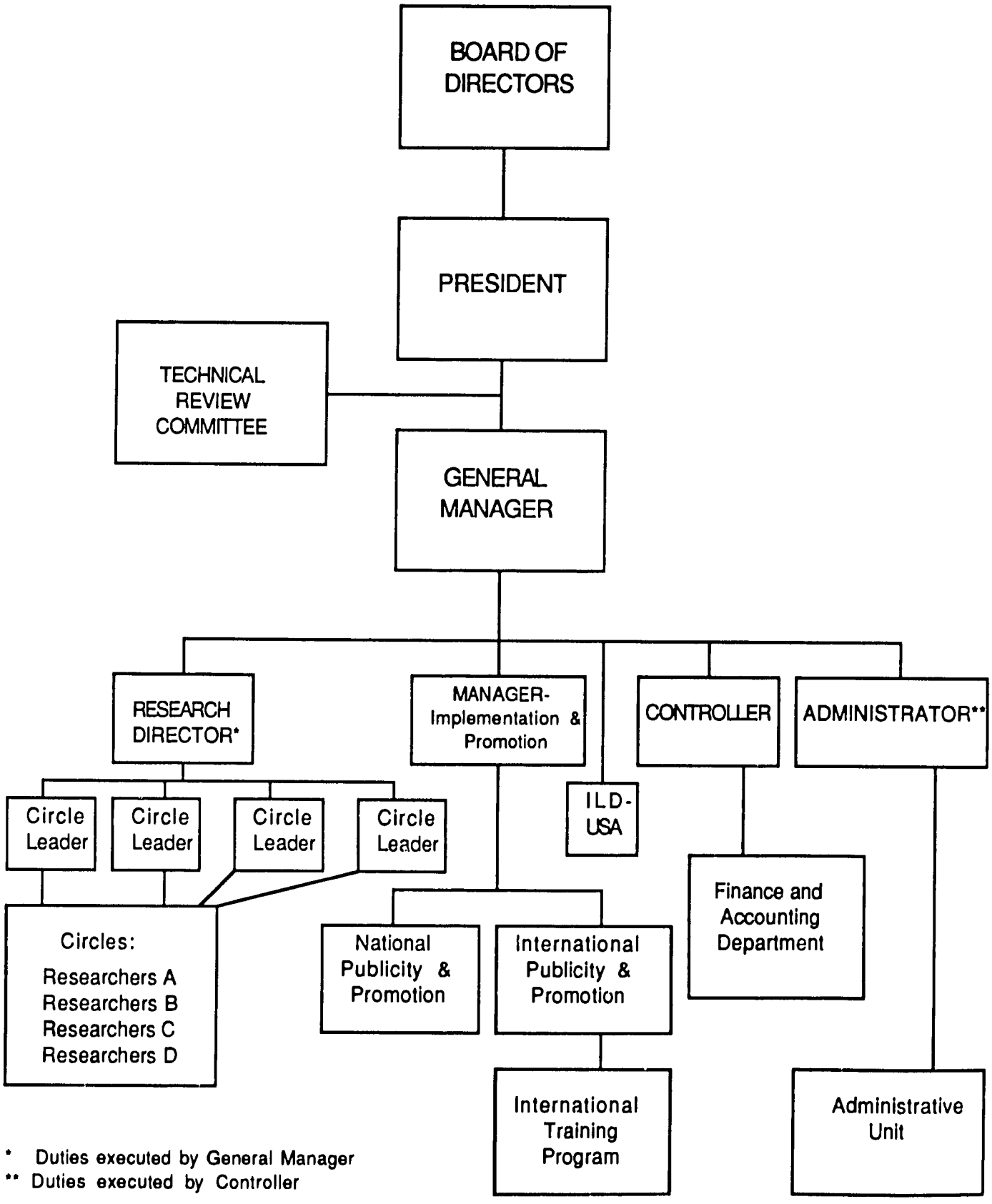
EXHIBIT 2.2-2

PROPOSED FORMATS FOR MODIFIED FUND ACCOUNTING REPORTS

Cost Elements	ILD Total	Funding Agency A	B	C	ILD Total
Remuneration:					
ILD Personnel					
Consultants:					
Foreign					
Local					
Fringe Benefits					
Travel Expenses:					
ILD Personnel					
Consultants					
Local Transport					
Other Direct Costs:					
Promotion Matls.					
Media Costs					
Training Matls.					
Communications					
Equipment					
Others					
Indirect Costs:					
Communications					
Rent - Lima					
Rent - Washington					
Supplies					
Insurance					
Legal and Acct. Serv.					
Technical Asst.					
Others					
Indirect Cost Allocation					
Totals					

EXHIBIT 2.3-1

ILD ORGANIZATIONAL CHART



* Duties executed by General Manager
** Duties executed by Controller

Exhibit 2.3-2
Proposed ILD Organizational Chart

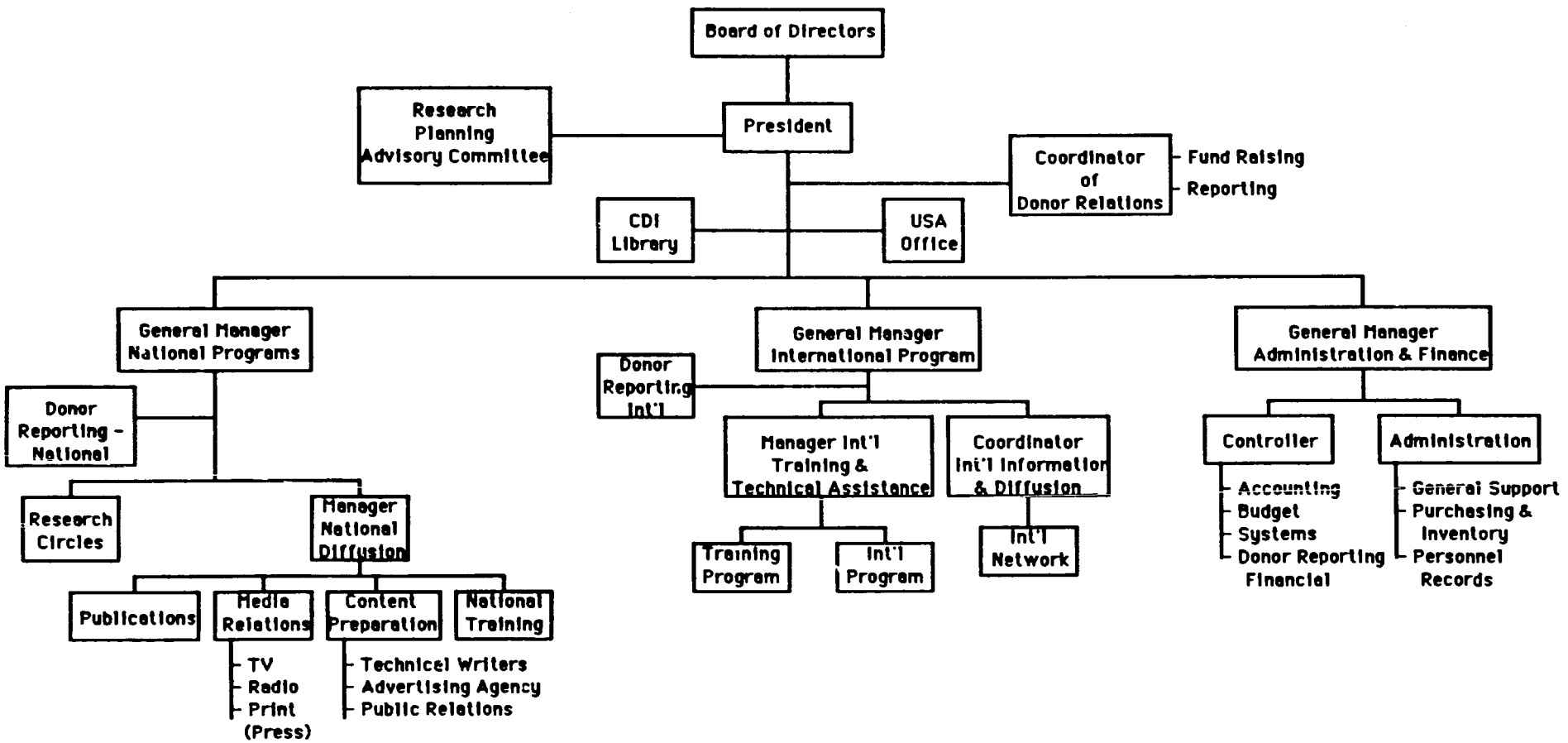


EXHIBIT 2.4-1

REVENUE DIVERSIFICATION

DONORS	YEAR 1		YEAR 2		YEAR 3		YEAR 4	YEAR 5	TOTALS	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Plan	Plan	Actual
A.I.D.	1,800	1,730	1,845	1,915	1,930	1,930	2,100	2,210	9,885	9,885
Others	325	510	795	922	1,265	1,428	1,735	2,210	6,330	6,805
		*157% of plan		**116% of plan		***114% of plan				
TOTALS	2,125	2,240	2,640	2,837	3,195	3,358	3,835	4,420	16,215	16,690

* Major donors include CIPE, Smith Richardson, Argidius, Olin, Fundes.

** Major donors include CIPE, Smith Richardson, Fundes, UNDP.

***ILD plan assumes that, provided funding is available from all current donors revenue diversification amounts in A.I.D. grant will be met.

EXHIBIT 2.4-2

Historia de las Donaciones Recibidas por el ILD
(Miles de US Dólares)

Fundación/Año:	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
A.I.D.	150.0	60.0	530.0	500.0	450.0	441.0	550.0	1,800.0	1,845.0	1,930.0
Otras Donaciones										
CIPE	0.0	0.0	120.0	240.0	240.0	120.0	240.0	240.0	240.0	240.0
Smith Richardson	0.0	0.0	10.0	40.0	84.8	0.0	100.0	176.5	0.0	150.0
Francisco Marroquín	0.0	0.0	2.0	2.0	2.0	0.0	0.0	0.0	0.0	0.0
Inter American Foundation	0.0	0.0	0.0	173.6	0.0	70.0	0.0	0.0	0.0	200.0
Tinker Foundation	0.0	0.0	0.0	0.0	0.0	30.0	0.0	0.0	0.0	0.0
CINDE	0.0	0.0	0.0	0.0	0.0	0.0	95.0	0.0	150.0	0.0
Ford	0.0	0.0	0.0	0.0	0.0	0.0	49.8	0.0	0.0	100.0
Earhart Foundation	0.0	0.0	0.0	0.0	0.0	0.0	10.0	0.0	10.0	0.0
Argidius	0.0	0.0	0.0	0.0	0.0	0.0	50.0	90.0	0.0	0.0
UNDP	0.0	0.0	0.0	0.0	0.0	0.0	3.5	0.0	861.5	900.0
Olin Foundation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0	25.0	0.0
Fundes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	400.0	400.0	400.0
TOTALES	150.0	60.0	662.0	955.6	776.8	661.0	1,098.3	2,731.5	3,531.5	3,920.0

GLOSSARY

GLOSSARY

Accountability Those who make decisions are held responsible for those decisions and the emerging consequences. in terms of legislation, this means the individuals involved in the decision making process are identified and criteria for formulating a given decision is documented. This will provide access to the appeal process by members of society who consider a decision unjust.

Accountable State A state in which rulemaking takes into account the opinion of experts and those persons affected by proposed rules.

Advocacy The act of speaking, writing or acting in support of a cause. In the case of the ILD, advocacy includes public education on institutional reform issues, measures to obtain feedback from the public on those issues, and initiatives to disseminate the ILD's thesis to national and international audiences.

Bad Law In ILD terms, a law which impedes or disrupts economic efficiency, e.g. excessive bureaucratic procedures for registering a business, gaining title to land, etc. The opposite of "Good Law."

Checks and Balances A system of institutional controls which ensures an adequate balance of power among the Executive, Legislative and Judiciary branches of government, designed to guarantee effective and independent oversight of each branch over the others and the protection of citizens' rights.

Citizens' Councils A series of special councils created under the ILD's Simplification Administrative program, which are designed to receive public feedback on proposed reforms to administrative regulations and to incorporate valid suggestions into the final regulations submitted to Congress or the President for approval. Members of these councils include representatives from formal and informal businesses, labor unions, the media and government officials. Two types of councils exist: sectoral and special, the latter dealing with issues that affect more than one sector.

Cost-Benefit Analysis A detailed analysis of the cost of a proposed regulation as compared to its presumed benefit. This type of analysis must demonstrate to the public that some public good will be achieved by a proposed regulation at a cost that is reasonable for benefit derived.

Cost of Access The cost in money and time for a citizen to meet all requirements necessary to obtain the right to legally engage in an economic activity, including the preparation of documents, payment of fees, acquisition permits, etc.

Cost of Remaining Formal The cost in money and time for a citizen legally engaged in an economic activity to meet all requirements necessary to remain legal, including observance of regulations, payment of taxes or fees, etc.

Cost of Formality The cost in time and money for a citizen to meet all requirements to legally enter and remain engaged in an economic activity.

Cost of Informality The cost in time and money for a citizen to illegally enter and remain engaged in an economic activity in the informal sector.

Decentralization To transfer authority from central government to local governments, which brings decision making closer to the people and provides opportunities for better feedback.

Delphi Method Survey method which uses a panel of experts to interview and evaluate information given by key informants. These informants usually have special access to information sought, although they may not be experts on the subject.

Democratic Rulemaking A program to make lawmaking more open to input and feedback from those concerned.

Deregulation The shifting of responsibility for economic decisions from government to citizens and the private sector, in areas where this shift is deemed advisable. Deregulation can involve either elimination of barriers to exchange which restrict access to markets or distort contractual relationships; or privatization of the production of goods and services which was formerly accomplished by state enterprises.

Empirical Method	Research method that relies solely on experimentation, observation and experience, rather than on theory.
Enfranchising State	A state in which access to economic activity is open to all rather than restricted to few.
Excessive Cost	The difference between the actual cost and the minimum cost required to reach a given objective.
Extralegal Norms	A spontaneously generated body of rule commonly understood and accepted by those affected, which normally has no standing in official legal circumstances.
Feedback	The government listens to ideas and suggestion from society in order to make decisions in the best interest of society. In addition, expert opinion is solicited to determine feasibility of actions pursued.
Free Market State	A government system that encourages economic activity instead of blocking access.
Global Institutional Reform Program	A plan to peacefully and deliberately replace the mercantile systems in developing countries with modern, democratic, and market-oriented structures.
Mercantilism	The economic doctrine prevailing in Europe with the decline of feudalism and through the eighteenth century that protected selected local industries through tariffs on imports and the creation of monopolies; those parties with access to power obtained important privileges.
Networking	The process of developing a group of contacts among interconnected or cooperating individuals.
Popular Mortgage	A current three-part ILD program to provide informal settlers with a registry of possession of their land, a system to obtain mortgage credit based on their legal title and a scheme for credit insurance which makes insurance companies responsible for evaluating credit applications and for providing guarantee of repayment to formal financial institutions. This program will open the door to formal credit for informal settlers for the first time.

Property Rights	The degree to which owners of any asset, including contracts that promise the delivery of assets, goods or services, can use these resources, buy, sell or otherwise dispose of them; i.e., can exclude others from their use.
Public Comment	The process of allowing public participation in the review of proposed regulations prior to their finalization and enactment; public comment may be obtained through special public hearings or through written communications from citizens.
Pueblos Jóvenes	Shantytowns built on the outskirts of Lima (Literally, "young towns").
Responsible State	A government system that cannot make decisions without soliciting the opinions of experts and those affected by the outcome.
Rulemaking	The process by which laws and regulations are made in a given country.
Special Right of Ownership	An extralegal norm developed by informal street vendors to establish claim to their fixed locations, defend their space against incursion by others and sell the rights to the space when they no longer need it.
Tied Credit	Credit is supplied, usually by or through foreign donors, whose use is contingent upon contracting with firms from that donor's country for construction or supply of goods and materials.
Transparency	Citizens are informed about every step that their government takes in official actions, and thus has the right to be informed through public meetings and publications (media), and to request information.

ANNEXES

(1)

FEB 07 '90 08:51PM ILD

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OUTGOING TELEGRAM

Department of State

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ORIGIN AID-00

ORIGIN OFFICE ANPO-05
INFO ANEA-02 ANDP-03 ANSA-03 PPDC-01 AFPE-07 ANAA-01 LADR-03
LASA-02 SAST-01 PPCE-01 PPPB-02 ANME-03 ANEG-02 ANTR-06
PPM-04 EVAD-01 PELO-01 AAMO-01 /061 A6 PPSP

INFO LOG-00 NEA-04 ARA-00 EAP-00 /001 R

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APPROVED BY: AID/DAA/ANE:WFULLER
ANE/DP:PBENEDICT (INFO) ANE/TR:BTURNER (INFO)
ANE/SA:JPIELEMEIER (INFO) ANE/EE:RBROWN (INFO)
ANE/RGOMEZ (INFO) ANE/MENA:PGARY/MSTERNE (INFO)
S&T/RD/ESE:MFARBMAN/YOUNG (INFO) DAA/PPC:CLEWIS (INFO
PPC/PB:TO'REEFE (INFO)
LAC/PSA:AWILLIAMS (INFO)
AFR/RDI:WWEINSTEIN (INFO)
PRE/PD:TNICASTRO (INFO)
ANE/PD/SA:WJEFFERS (INFO)
ANE/PD/MNE:GVAUGHAN (INFO)
ANE/PD/EA:JMEEKAN (INFO)
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FM SECSTATE WASHDC
TO USAID MISSIONS IN ASIA AND THE NEAR EAST
INFO AMEMBASSY LIMA
XMT AMEMBASSY BEIRUT

UNCLAS STATE 122300

AIDAC LIMA FOR R. SPERAS

E.O. 12356: N/A
TAGS:
SUBJECT: INFORMAL SECTOR: SUMMARY OF PERU VISITATIONS JUDGING APPLICABILITY OF DESOTO APPROACHES ON INFORMAL SECTOR IN ANE COUNTRY SETTINGS.

1. SIX PARTICIPANTS, REPRESENTING NEAR EAST (MOROCCO, EGYPT), SOUTH ASIA (BANGLADESH, SRI LANKA), AND EAST ASIA (PHILIPPINES, THAILAND), SPENT THE WEEK OF APRIL 4 IN LIMA, PERU, REVIEWING WORK OF HERNANDO DESOTO'S INSTITUTE OF LIBERTY AND DEMOCRACY (ILD) WITH PERU'S INFORMAL SECTOR, A SECTOR WHICH IS ESTIMATED BY DESOTO TO REPRESENT 68 PERCENT OF ALL HOURS WORKED IN PERUVIAN ECONOMY. PARTICIPANTS, WHO ARE ACADEMICS, PRACTITIONERS OR RESEARCHERS, THEN TRAVELLED TO WASHINGTON TO DEBRIEF ON APRIL 10-11 AND TO DEFINE POSSIBLE NEXT STEPS IN THEIR RESPECTIVE COUNTRY SETTINGS.

2. THE PURPOSE OF THE VISITATIONS, ARRANGED THROUGH AN ANE/PSD GRANT TO THE INTERNATIONAL CENTER FOR ECONOMIC GROWTH (ICEG), WAS TO DETERMINE IF THE PERUVIAN WORK WITH THE INFORMAL SECTOR WAS RELEVANCE IN THE SIX COUNTRIES WHICH ENJOY QUITE DIFFERENT CULTURAL AND SOCIAL SETTINGS THAN CAN BE FOUND IN PERU, AND IF THE ILD METHODOLOGY FOR MEASURING AND DEFINING THE INFORMAL SECTOR WITH EMPIRICAL EVIDENCE AND CASE STUDY EXAMPLES COULD BE APPLIED IN THE SIX COUNTRIES, THEREBY FORMING A BASIS FOR THE DEVELOPMENT OF MORE INFORMATION AND DEBATE ON THIS SUBJECT.

3. THE RESULTS OF THE PERU VISIT ARE ENCOURAGING. ALL THE PARTICIPANTS AGREE THAT THE ILD HAS CONTRIBUTED INSIGHTFUL INFORMATION ON THE INFORMAL SECTOR AND THAT MUCH, IF NOT MOST, OF THE ILD WORK HAS RELEVANCE TO THEIR COUNTRIES. PARTICIPANTS NOTED THAT DESOTO'S DEFINITION OF THE INFORMAL SECTOR (SUMMARIZED AS THOSE

Relevant to NEA

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PERFORMING ACTIVITIES OUTSIDE THE LAW) WOULD REQUIRE FURTHER SUBCLASSIFICATION AND PRECISION, E.G., SIZE, PARTICIPANTS. IT WAS ALSO NOTED THAT DESOTO'S WORK WITH PROPERTY RIGHTS, ESPECIALLY HOUSING, WOULD REQUIRE CONSIDERABLE ADAPTION DUE TO DIFFERENT COUNTRY SETTINGS AND CAPITAL ECONOMICS/POLICIES ATTAINED BY COUNTRY GOVERNMENTS.

4. MOST ENCOURAGING APPEARS TO BE THE DESIRE OF THE GRAMEEN BANK (BANGLADESH) AND THE ILD TO WORK TOGETHER ON THE PROBLEMS OF THE INFORMAL SECTOR WITH GRAMEEN CONTRIBUTING ITS WORLD-RENOWN FINANCIAL EXPERIENCE AND THE ILD ITS POLICY REFORM AND MEASUREMENT EXPERTISE.

Grameen Coop

5. THE MOROCCO REPRESENTATIVE PROPOSED A FRAMEWORK FOR A CROSS-COUNTRY COMPARISON OF INFORMAL SECTORS. THIS ACTIVITY WAS DEBATED, WITH THE CONCLUSION THAT A WORTHWHILE FOLLOW-ON EFFORT TO BUILD UPON THE ILD LESSONS WOULD GREATLY CONTRIBUTE TO DOMESTIC AND INTERNATIONAL UNDERSTANDING OF THE SIGNIFICANCE OF THE INFORMAL SECTOR. IT WAS AGREED THAT DR. MOHAMMED SALLADINE FROM MOROCCO AND DR. LAWRENCE CHICKERING OF THE ICEG WOULD PREPARE THE SCOPE OF THIS FOLLOW-ON EFFORT, REVIEW IT WITH THE REMAINING FIVE PARTICIPANTS AND SUBMIT THE FINAL PROPOSAL TO ANE/PSC FOR POSSIBLE GRANT FUNDING.

6. THE ANTICIPATED FOLLOW-ON ACTIVITY IS (A) LITERATURE SEARCH OF INFORMAL SECTOR INFORMATION IN EACH OF THE SIX COUNTRIES TO BUILD AN INFORMATION BASE, (B) A PAPER FROM EACH COUNTRY WHICH DEFINES THE INFORMAL SECTOR AND WHICH ESTIMATES ITS SIZE AND IMPORTANCE IN THE COUNTRY'S ECONOMIC ACTIVITY, (C) A SPECIFIC EXAMPLE OR EXAMPLES OF POLICIES, LAWS, OR REGULATIONS WHICH KEEP INFORMALS OUT OF THE FORMAL ECONOMY, AND A TEST OF THE ILD METHODOLOGY WHICH ESTABLISHES THE COST TO THE ECONOMY OF SUCH BARRIERS, (D) PUBLICATION AND DISSEMINATION OF PAPERS FOR COUNTRY DEBATE/DISCUSSION AND (E) SEQUOIA INSTITUTE/ICEG BOOK PUBLICATION OF THE RESULTS AND CONCLUSIONS FOR INTERNATIONAL AGENCIES WORKING WITH THE DEVELOPING WORLD. BAKER

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ANNEX 1

→ C.R. → HDS

UNCLASSIFIED

OUTGOING TELEGRAM

Department of State

ORIGIN OFFICE AFR-00
INFO AFEA-03 AFSA-03 AFDW-04 AFCW-03 AAAF-03 AFPE-07 ES-01
PRE-06 AAID-01 RELO-01 PREB-01 /038 A6 1826

INFO LOG-00 /000 R

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AID/AFR/SVA:DFISCHER (DRAFT) AID/AFR/CCMA:MGOLDEN (DRAFT)
AID/AFR/EA:MJOHNSON (DRAFT) AID/PRE:CGORDON (INFO)
AID/AFR/SA:KBROWN (DRAFT) AID/A:PSCHAEFER (INFO)
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FM SECSTATE WASHDC
TO USAID MISSIONS IN AFRICA
AMEMBASSY LIMA
AMEMBASSY PARIS

UNCLAS STATE 406896

AIDAC LIMA FOR S. BLACKMAN, PARIS FOR AID/OECD T. LAMBACHER

E.O. 12356: N/A
TAGS:
SUBJECT: REPORTING CABLE ON WORKSHOP AT THE INSTITUTE FOR LIBERTY AND DEMOCRACY (ILD) IN LIMA, PERU FOR AFRICAN INFORMAL SECTOR RESEARCHERS AND POLICY PLANNERS

REF: STATE 287842

1. SUMMARY: SUBJECT WORKSHOP WAS ORGANIZED IN NOV. 1989 BY AFR/TR IN COOPERATION WITH AFR/MDI FOR A GROUP OF 11 AFRICAN RESEARCHERS AND POLICY PLANNERS FROM 6 COUNTRIES.
THE SIX-DAY WORKSHOP IN PERU CONCENTRATED ON FOUR TOPICS: THE MISSION AND STRATEGY OF THE ILD ILD'S ECONOMIC ANALYSIS OF THE INFORMAL SECTOR ILD'S INSTITUTIONAL REFORM PROGRAMS AND ILD'S ADVOCACY PROGRAMS.

THE AFRICAN PARTICIPANTS ALL AGREED THAT THE PROGRAM WAS EXTREMELY INTERESTING AND USEFUL TO THEM PROFESSIONALLY. THEY WERE PARTICULARLY IMPRESSED WITH THE ILD'S ACTION-ORIENTED RESEARCH AGENDA, ITS METHODOLOGY FOR MEASURING THE SCOPE OF INFORMAL SECTOR ACTIVITY ITS EFFECTIVE ADVOCACY PROGRAM AND THE RESPECT

THE INSTITUTE COMMANDS FROM ALL QUARTERS, INCLUDING INFORMAL SECTOR ASSOCIATIONS INTELLECTUALS, POLITICIANS, THE PRESS AND THE PRESIDENT OF PERU HIMSELF.

REGARDING FOLLOW-ON, PARTICIPANTS INDICATED THAT THEY WOULD ACT TO INTEGRATE ILD'S METHODOLOGY FOR EXAMINING THE INFORMAL SECTOR AND INSTITUTIONAL DYSFUNCTIONS INTO THEIR RESEARCH ACTIVITIES. SEVERAL PARTICIPANTS INDICATED THEIR INTENTION TO DEVELOP AN ILD-TYPE INSTITUTE, ADAPTED TO THE CONDITIONS OF THEIR HOME COUNTRIES. PARTICIPANTS STRONGLY RECOMMENDED THAT THE ILD AUGMENT ITS EFFORTS TO DEVELOP AND INFORM AN INTERNATIONAL NETWORK OF LIKEMINDED INDIVIDUALS AND INSTITUTES. END SUMMARY.

2. AFR/TR, IN COORDINATION WITH AFR/MDI, ORGANIZED A SIX-DAY TRAINING WORKSHOP IN LIMA, PERU FROM NOV. 27 TO DEC. 5, 1989, INVOLVING 11 PARTICIPANTS FROM SIX COUNTRIES: BOTSWANA, CAMEROON, KENYA, MALI, SENEGAL AND ZIMBABWE.

3. THE OBJECTIVES OF THE TRAINING PROGRAM WERE TO PROVIDE THE PARTICIPANTS WITH A COMPLETE UNDERSTANDING OF (1) ILD'S ORGANIZATION AND WORK METHODOLOGY AS AN INDEPENDENT INSTITUTE FOR RESEARCH AND ADVOCACY; (2) THE PROCEDURE FOR AND RESULTS OF ILD'S ECONOMIC RESEARCH ON THE PERUVIAN INFORMAL SECTOR; (3) THE PROCESS EMPLOYED BY THE ILD FOR DESIGNING, PROPOSING AND IMPLEMENTING INSTITUTIONAL REFORM PROGRAMS; AND (4) THE NATURE OF ILD'S ADVOCACY PROGRAMS TO EDUCATE THE PUBLIC, OBTAIN FEEDBACK ON ITS INITIATIVES AND DISSEMINATE ITS THESIS.

4. ABOUT A THIRD OF THE TRAINING PROGRAM WAS DEVOTED TO DIRECT OBSERVATION OF INFORMAL SECTOR OPERATIONS AND ASSOCIATIONS IN PERU. PARTICIPANTS WERE PARTICULARLY IMPRESSED WITH THE DEGREE OF ORGANIZATION OF THESE ASSOCIATIONS, THEIR DEMOCRATIC DECISION-MAKING PROCESS AND THEIR STRONG ENDORSEMENT OF ILD'S PROGRAMS.

5. PARTICIPANTS DISCUSSED THREE CURRENT ILD PROGRAMS WITH THE PROGRAM MANAGERS. THE DEMOCRATIC RULEMAKING PROGRAM AIMS AT ENSURING TRANSPARENCY AND ACCOUNTABILITY OF GOVERNMENT THROUGH REFORMS INVOLVING ACCESS TO PUBLIC INFORMATION, CITIZENS' CONSULTATIVE GROUPS, COMMENT AND REVIEW OF PROPOSED LAWS AND REFERENDA ON PUBLIC POLICY. THE ADMINISTRATIVE SIMPLIFICATION PROGRAM PROMOTES

SIMPLIFICATION, DECENTRALIZATION AND DEREGULATION TO ELIMINATE EXCESSIVE RED TAPE IN PERUVIAN BUREAUCRACY. THE POPULAR MORTGAGE PROGRAM PROVIDES TITLES OF POSSESSION TO INFORMAL PROPERTY HOLDERS WHICH MAY BE USED TO GAIN ACCESS TO BANK-FINANCED MORTGAGE CREDIT GUARANTEED BY LOCAL CREDIT INSURANCE COMPANIES.

6. IN THEIR FINAL EVALUATION, PARTICIPANTS RATED THE TRAINING EXPERIENCE AS EXTREMELY INTERESTING AND VERY VALUABLE TO THEM PROFESSIONALLY. THE THREE MOST IMPORTANT ELEMENTS OF THE TRAINING EXPERIENCE WERE THE INCREASED KNOWLEDGE OF (1) ILD'S METHODOLOGY FOR MEASURING THE ECONOMIC ACTIVITY OF THE INFORMAL SECTOR, (2) ILD'S ADVOCACY PROGRAMS, AND (3) ILD'S ADMINISTRATIVE SIMPLIFICATION PROGRAM.

7. PARTICIPANTS WERE ASKED TO EVALUATE THE APPLICABILITY OF THE ILD MODEL TO THE NEEDS AND CONDITIONS OF THEIR HOME COUNTRIES. THEY GENERALLY AGREED THAT THE ILD'S THESIS OF INSTITUTIONAL REFORM AS A ROOT CAUSE OF UNDERDEVELOPMENT IS APPLICABLE TO AFRICA AND THAT CAUSES OF THE PROBLEM INCLUDE LACK OF PARTICIPATORY GOVERNMENT AND ACCOUNTABILITY. THEY FELT THAT EMPIRICAL DATA SUCH AS THAT GATHERED BY THE ILD IS NEEDED TO MAKE THE CASE FOR REFORM IN AFRICA, BUT INDICATED THAT AN ILD-TYPE ACTION PROGRAM WOULD REQUIRE ADAPTATION TO THE CONDITIONS OF AFRICA. SUPPORT FROM THE OUTSET OF KEY NATIONAL LEADERS WAS FELT TO BE CRITICAL TO THE SUCCESS OF REFORM INITIATIVES IN A REGION WHERE ONE-PARTY STATES ARE PREDOMINANT.

8. PARTICIPANTS STRESSED THAT GRASSROOTS ASSOCIATIONS OF INFORMAL SECTOR OPERATORS MUST BE STRENGTHENED IN AFRICA.
9. PARTICIPANTS SUGGESTED THAT AFRICAN NATIONS FIRST UNDERTAKE FACT-FINDING ON THE INFORMAL SECTOR AND THEN ORGANIZE HIGH-LEVEL SYMPOSIA OR ROUNDTABLES TO DISCUSS ACTION PLANS. DETERMINATION OF ANY STRATEGY SHOULD DIRECTLY INVOLVE INFORMAL SECTOR ASSOCIATIONS.

10. PARTICIPANTS CALLED FOR THE ILD TO PROVIDE LEADERSHIP AND GUIDANCE TO LIKEMINDED INDIVIDUALS AND RESEARCH INSTITUTES INVOLVED IN INSTITUTIONAL REFORM,

DO/LI
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OUTGOING
TELEGRAM

Department of State

THROUGH THE ORGANIZATION OF ADDITIONAL TRAINING PROGRAMS IN PERU, ILO PARTICIPATION AT SYMPOSIA AND ROUNDTABLES WITH LEADERS IN THE DEVELOPING WORLD, THE EXCHANGE OF

EXPERTS AMONG INSTITUTES AND AN INCREASED FLOW OF INFORMATION ON ILO'S PROGRAMS AND PROPOSALS.

11. ILO STAFF MEMBERS WERE CHALLENGED BY THE AFRICAN PARTICIPANTS AND EXPRESSED THEIR APPRECIATION FOR THE OPPORTUNITY TO EVALUATE THEIR EXPERIENCE AS IT MIGHT APPLY ELSEWHERE IN THE DEVELOPING WORLD.

12. EACH COUNTRY DELEGATION WAS ASKED TO PREPARE A SHORT WRITTEN REPORT ON THE TRAINING PROGRAM, INCLUDING A STATEMENT ON RECOMMENDED FOLLOW-ON ACTIVITIES, TO BE SUBMITTED TO THE LOCAL USAID MISSION AND TO AFR/TR, ATTENTION DEBORAH ORSINI.

13. AFR/TR AND AFR/MDI WELCOME PARTICIPATING MISSION FEEDBACK ON THE WORKSHOP AND RECOMMENDATIONS FOR FOLLOW-ON ACTIVITIES ON EITHER THE REGIONAL OR NATIONAL LEVEL.

14. AFR/TR WOULD WELCOME INDICATIONS OF INTEREST FROM PARTICIPATING AND NON-PARTICIPATING MISSIONS IN ADDITIONAL TRAINING OF THIS TYPE IN PERU. NOTE THAT IT MAY BE POSSIBLE TO ORGANIZE THE TRAINING IN PERU IN FRENCH.

15. AFR/TR WISHES TO EXPRESS ITS APPRECIATION TO PARTICIPATING MISSIONS FOR THEIR COOPERATION, WITH SPECIAL THANKS TO USAID/LIMA FOR THEIR SUPPORT DURING THE DESIGN OF THE TRAINING PROGRAM. EAGLEBURGER

ANNEX 1

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INSTITUTO LIBERTAD Y DEMOCRACIA

LISTA DE DOCUMENTOS DE INVESTIGACION ELABORADOS
EN EL PERIODO 1 DE MARZO DE 1989 - 28 DE FEBRERO DE 1990

CIRCULO 1 - PGRI - PROGRAMA GLOBAL DE REFORMAS INSTITUCIONALES

CODIGO	NOMBRE DEL DOCUMENTO
PGRI01.ILD *	INVENTARIO DE MEDIDAS QUE CONSTITUYEN EL AJUSTE INSTITUCIONAL
PGRI02.ILD	BRADY DOCUMENT
PGRI03.ILD	PREFACE TO "THE OTHER PATH"
PGRI04.ILD	INVENTORY OF INSTITUTIONAL REFORMS
PGRI05.ILD	STRUCTURAL ADJUSTMENT - TWO PARTS
PGRI06.ILD	RULEMAKING INSTITUTIONS AND ECONOMIC DEVELOPMENT
PGRI07.ILD	RULEMAKING INSTITUTIONS AND STRUCTURAL ADJUSTMENT

CIRCULO 2 - PDP - PRODUCCION ESTATAL Y NO ESTATAL DEL DERECHO EN EL PERU

A) PRODUCCION ESTATAL DEL DERECHO EN EL PERU - PEDP

CODIGO	NOMBRE DEL DOCUMENTO
PEDP01.ILD *	PRODUCCION DEL DERECHO EN EL PERU, ESTUDIO DE CASOS.
PEDP02.ILD *	ESTUDIO DE CASOS
PEDP03.ILD *	CASOS:
	- ESTABILIDAD LABORAL
	- MODIFICACION DEL IMPUESTO A LA PROPIEDAD PREDIAL
	- TRANSPORTE INTERPROVINCIAL
	- PEQUEÑA EMPRESA
	- ADJUDICACION DE TERRENOS ERIAZOS DEL ESTADO
	- DERECHO DE SUSTITUCION DE MINPECO
	- ACTIVIDAD EMPRESARIAL DEL ESTADO
	- COMERCIALIZACION DEL ALGODON
	- REGLAMENTO DE TRANSPORTE URBANO
	- TREN ELECTRICO
	- CONCERTACION CON LA INDUSTRIA FARMACEUTICA
	- LA ESTATIZACION DEL SISTEMA FINANCIERO
	- REGLAMENTO DE RESTAURANTES
	- CREACION DE CERTIFICADOS Y TASAS POLICIALES

(CONTINUA)

* DOCUMENTO ENTREGADO A USAID EL 15.09.89

ANNEX 2

CIRCULO 2 - PNEDP (CONTINUACION)

CODIGO	NOMBRE DEL DOCUMENTO
PNEDP07.ILD	ASENTAMIENTOS HUMANOS
PNEDP08.ILD	PRODUCCION NO ESTATAL DEL DERECHO - COMERCIO INFORMAL
PNEDP09.ILD	PRODUCCION NO ESTATAL DEL DERECHO - MICRO Y PEQUEÑA INDUSTRIA INFORMAL
PNEDP10.ILD	PRODUCCION NO ESTATAL DEL DERECHO - TRANSPORTE INFORMAL
PNEDP11.ILD	COMENTARIOS AL INFORME DE PRODUCCION NO ESTATAL DEL DERECHO EN ASENTAMIENTOS HUMANOS

CIRCULO 3 - PDOP - PRODUCCION DEL DERECHO EN OTROS PAISES

CODIGO	NOMBRE DEL DOCUMENTO
PDOP01.ILD *	CUESTIONARIO BASICO
PDOP02.ILD	RESUMEN DE ENTREVISTA CON STEPHEN TANG, HONK KONG
PDOP03.ILD	DEMOCRATIC RULEMAKING - BASIC QUESTIONNAIRE FOR FOREIGN CONSULTANTS
PDOP04.ILD	HAYASHI REPORT
PDOP05.ILD	BERGAN REPORT
PDOP06.ILD	VLADECK REPORT

CIRCULO 4 - COFIP - CONTRATACION Y FINANCIAMIENTO DE PROYECTOS DE INVERSION

CODIGO	NOMBRE DEL DOCUMENTO
COFIP01.ILD *	DOCUMENTO IFDI
COFIP02.ILD *	ANALISIS ECONOMICO-LEGAL: EL MERCADO DE RECURSOS FINANCIEROS EXTERNOS
COFIP03.ILD	FLUJOGRAMA DEL PROCESO ADMINISTRATIVO QUE SE APLICA EN LA ETAPA DE PREINVERSION DE LOS PROYECTOS DE INVERSION DEL SECTOR PUBLICO/ INFORME DE EVALUACION
COFIP04.ILD	RECONSTRUCCION PRELIMINAR DE CUATRO PROYECTOS DE INVERSION PUBLICA/ INFORME DE EVALUACION
COFIP05.ILD	BASE ESTADISTICA SOBRE CONCERTACION DE CREDITOS EXTERNOS PARA INVERSION PUBLICA/INFORME DE EVALUACION
COFIP06.ILD	CALCULO DEL COEFICIENTE DE MOROSIDAD EN LOS CREDITOS EXTERNOS PARA INVERSION PUBLICA/INFORME DE EVALUACION

* DOCUMENTO ENTREGADO A USAID EL 15.09.89

CIRCULO 5 - SA - SIMPLIFICACION ADMINISTRATIVA

CODIGO	NOMBRE DEL DOCUMENTO
SA01.ILD *	NORMAS LEGALES CONTENIENDO LEY DE SIMPLIFICACION ADMINISTRATIVA
SA02.ILD *	SEPARATA ESPECIAL DE EL PERUANO, CONTENIENDO ANTEPROYECTO DE REGLAMENTO DE LEY DE SIMPLIFICACION ADMINISTRATIVA NO. 25035
SA03.ILD *	SEPARATA DE EL PERUANO, CONTENIENDO EL REGLAMENTO DE LEY DE SIMPLIFICACION ADMINISTRATIVA
SA04.ILD *	MIEMBROS DEL CONSEJO CIUDADANO DEL REGLAMENTO DE LEY DE SIMPLIFICACION ADMINISTRATIVA
SA05.ILD *	SIMPLIFICACION ADMINISTRATIVA: LOS PRIMEROS 35 BENEFICIOS PARA LOS CIUDADANOS
SA06.ILD *	SIMPLIFICACION ADMINISTRATIVA: LOS PRIMEROS 35 BENEFICIOS PARA LOS CIUDADANOS. GUIA PARA PUBLICIDAD
SA07.ILD *	BENEFICIOS DEL REGLAMENTO QUE EL PRESIDENTE PUEDE HACER EFECTIVOS ANTES DE NAVIDAD DE 1989
SA08.ILD *	ACTA DE LA I SESION DEL COMITE ESPECIAL DEL REGLAMENTO DE LEY DE SIMPLIFICACION ADMINISTRATIVA
SA09.ILD *	CONVENIO DE COOPERACION TECNICA CON EL SUPREMO GOBIERNO
SA10.ILD	PROYECTO DE DIRECTIVA DEL INAP SOBRE LINEAMIENTOS GENERALES PARA LA ELABORACION DEL ANALISIS COSTO-BENEFICIO DE LAS NORMAS DE SIMPLIFICACION ADMINISTRATIVA Y OTRAS RELACIONADAS
SA11.ILD	DECRETO SUPREMO 225-89-EF. DEROGAN OBLIGACION DE PAGO POR INSCRIPCION O REINSCRIPCION EN REGISTRO NACIONAL DE EMPRESAS IMPORTADORAS.
SA12.ILD	DECRETO SUPREMO 254-89-EF. LICENCIA PREVIA DE IMPORTACION SOLO SERA EXIGIDA EN IMPORTACIONES DE BIENES CON DIVISAS AL T.C. VIGENTE A LA FECHA.
SA13.ILD	DECRETO SUPREMO 250-89-EF. AUTORIZAN ADUANAS PARA PERMITIR LEVANTE DE MERCANCIAS EXIGIENDO UNICAMENTE DETERMINADOS DOCUMENTOS.
SA14.ILD	FLUJO DE TRAMITES PARA EXPORTACIONES
SA15.ILD	PROPUESTA DE REGISTRO UNIFICADO DE EMPRESAS POR ACTIVIDADES ECONOMICAS
SA16.ILD	PROYECTO DE LEY DE REFORMAS DE URGENCIA A LA LEGISLACION PENAL
SA17.ILD	ESTUDIO SOBRE LOS SISTEMAS NOTARIAL Y REGISTRAL
SA18.ILD	REGLAMENTO DEL TRIBUNAL DE HONOR DEL TRANPORTE
SA19.ILD	150 LOGROS DE SIMPLIFICACION ADMINISTRATIVA EN SUS CINCO PRIMEROS MESES DE APLICACION

CIRCULO 6 - DP - DERECHOS PATRIMONIALES

CODIGO	NOMBRE DEL DOCUMENTO
DP01.ILD *	DECRETO LEGISLATIVO SOBRE REGISTRO PREDIAL DE PUEBLOS JOVENES Y URBANIZACIONES POPULARES, HIPOTECA POPULAR Y SEGURO DE CREDITO

(CONTINUA)

* DOCUMENTO ENTREGADO A USAID EL 15.09.89

CIRCULO 6 - DP (CONTINUACION)

CODIGO	NOMBRE DEL DOCUMENTO
DP02.ILD :	SEPARATA ESPECIAL DE EL PERUANO, CONTENIENDO EL PROYECTO DE REGLAMENTO DEL REGISTRO PREDIAL DE PUEBLOS JOVENES Y URBANIZACIONES POPULARES Y EL REGLAMENTO DE LA TRAMITACION ADMINISTRATIVA DE LOS PROCEDIMIENTOS DE HABILITACION URBANA DE TIERRAS DE URBANIZACIONES POPULARES
DP03.ILD :	CONVENIO DE ASESORIA Y COOPERACION TECNICA
DP04.ILD :	SISTEMA DE DEMOCRATIZACION DEL CREDITO VIA HIPOTECA POPULAR
DP05.ILD :	DERECHOS PATRIMONIALES EN EL AGRO PERUANO: COMUNIDADES CAMPESINAS Y PARCELEROS
DP06.ILD :	SISTEMA DE DEMOCRATIZACION DEL CREDITO VIA HIPOTECA POPULAR
DP07.ILD :	COMPARACION DEL REGISTRO DE LA PROPIEDAD INMUEBLE CON EL REGISTRO PREDIAL DE PUEBLOS JOVENES Y URBANIZACIONES POPULARES
DP08.ILD	CUESTIONARIOS DE INVESTIGACION DE CAMPO EN COOPERATIVAS AGRARIAS Y COMUNIDADES CAMPESINAS
DP09.ILD	REGLAMENTO DE ORGANIZACION Y FUNCIONES DEL REGISTRO PREDIAL
DP10.ILD	CONCEPCION Y ESQUEMA ORGANIZATIVO Y OPERATIVO INICIAL DEL REGISTRO PREDIAL DE PUEBLOS JOVENES Y URBANIZACIONES POPULARES
DP11.ILD	FORMULARIOS PARA INGRESAR INFORMACION AL REGISTRO
DP12.ILD	DISEÑO DEL SOFTWARE: ARQUITECTURA DEL SISTEMA, DISENO DEL PROGRAMA, CONFIGURACION DE LOS EQUIPOS
DP13.ILD	BASES DE LA LICITACION Y CONFIGURACION DEL EQUIPO
DP14.ILD	CURSO PARA LOS REGISTRADORES DEL REGISTRO PREDIAL DE PUEBLOS JOVENES Y URBANIZACIONES POPULARES (30 HORAS)
DP15.ILD	ACTAS DE LA COMISION ESPECIAL DE PUESTA EN MARCHA DEL REGISTRO PREDIAL DE PUEBLOS JOVENES Y URBANIZACIONES POPULARES PARA ENTREGAR AL DIRECTORIO
DP16.ILD	NORMAS DE: CREACION DEL REGISTRO PREDIAL DE PUEBLOS JOVENES Y URBANIZACIONES POPULARES DE LIMA; NOMBRAMIENTO DEL DIRECTORIO DE ESTE REGISTRO
DP17.ILD	DOCUMENTOS OPERATIVOS PARA LA PUESTA EN MARCHA DEL REGISTRO
DP18.ILD	FONDO ESPECIAL REGISTRO PREDIAL DE LIMA
DP19.ILD	LICENCIA DE CONSTRUCCION Y DECLARACION DE FABRICA
DP20.ILD	PROCESO DE INSCRIPCION DE LOS TITULOS DE PROPIEDAD DE LA COMUNIDAD CAMPESINA "ALLOCA"
DP21.ILD	SISTEMA DE HIPOTECA POPULAR - ANALISIS ECONOMICO
DP22.ILD	REGLAMENTO DE CONSTRUCCION, DECLARACION Y REGISTRO DE EDIFICACIONES
DP23.ILD	ANALISIS LEGAL DE LAS NORMAS QUE HAN REGULADO EL FENOMENO DE LA PARCELACION DE PREDIOS RUSTICOS DE COOPERATIVAS AGRARIAS
DP24.ILD	LA PRENDA DE FONDOS DE COMERCIO O DE LA HACIENDA COMERCIAL EN DOCTRINA Y LEGISLACION COMPARADA

CIRCULO 7 - MC - MERCADO DE CAPITALES

CODIGO	NOMBRE DEL DOCUMENTO
MC01.ILD *	DEMANDA DE CREDITO EN EL PRIMER ANO DE FUNCIONAMIENTO DEL REGISTRO PREDIAL
MC02.ILD *	EFECTOS ECONOMICOS DEL REGISTRO PREDIAL DE PUEBLOS JOVENES Y ASENTAMIENTOS HUMANOS
MC03.ILD *	EL SISTEMA DE LA HIPOTECA POPULAR Y EL MERCADO DE CREDITO EN EL PERU
MC04.ILD *	EL SISTEMA DE LA HIPOTECA POPULAR Y EL MERCADO DE CREDITO EN EL PERU
MC05.ILD	FUNDAMENTOS PARA REORIENTAR LA AYUDA DE LAS AGENCIAS INTERNACIONALES DE DESARROLLO HACIA PROGRAMAS DE REFORMA INSTITUCIONAL
MC06.ILD	SISTEMA AUTOMATICO DE PAGO DE PENSIONES
MC07.ILD	LA DEMANDA POR CREDITO, LA OFERTA DE CREDITO Y EL SISTEMA DE LA HIPOTECA POPULAR
MC08.ILD	THE PROBLEMS OF THE PERUVIAN CREDIT MARKET: A PRELIMINARY DIAGNOSIS
MC09.ILD	COMPARACION DEL REGISTRO DE LA PROPIEDAD INMUEBLE CON EL REGISTRO PREDIAL DE PUEBLOS JOVENES Y URBANIZACIONES POPULARES
MC10.ILD	LISTADO DE DOCUMENTOS Y CUADROS DE TRANSPORTE
MC11.ILD	REPORT ON THE INTEGRATION OF GENDER ANALYSIS INTO ILD ACTIVITIES
MC12.ILD	DIAGNOSTICO ECONOMICO-FINANCIERO DEL SECTOR INFORMAL
MC13.ILD	INCORPORACION DE LAS CONSIDERACIONES DE GENERO EN LA EVALUACION DEL IMPACTO DE LAS REFORMAS INSTITUCIONALES DEL ILD PARA LAS ACTIVIDADES DE 1989

* DOCUMENTO ENTREGADO A USAID EL 15.09.89