

PD-ABG-598

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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

ROCAP

PROJECT PAPER

ECONOMIC POLICY RESEARCH

AMENDMENT NUMBER 2

AID/LAC/P-819
CR-467, 590

PROJECT NUMBER: 596-0147

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET			1. TRANSACTION CODE <input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete		Amendment Number <u>2</u>	DOCUMENT CODE <u>3</u>
2. COUNTRY/ENTITY Central America / ROCAP			3. PROJECT NUMBER <u>596-0147</u>			
4. BUREAU/OFFICE Latin America and the Caribbean			5. PROJECT TITLE (maximum 40 characters) <u>Economic Policy Research</u>			
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY <u>08 28 95</u>			7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY <u>88</u> B. Quarter <u>4</u> C. Final FY <u>95</u>			

8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY <u>88</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	750		750	4,380		4,380
(Grant)	(750)	()	(750)	(4,380)	()	(4,380)
(Loan)	()	()	()	()	()	()
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s)						
TOTALS	750		750	4,380		4,380

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) PSEE				3,505		480		4,380	
(2)									
(3)									
(4)									
TOTALS				3,505		480		4,380	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) N/A						11. SECONDARY PURPOSE CODE N/A			
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)									
A. Code		N/A							
B. Amount									

13. PROJECT PURPOSE (maximum 480 characters)

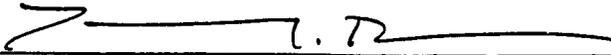
To increase the quantity and quality of economic research and analysis by economic research centers and universities in Central America on critical economic policy issues, and to raise the levels of public understanding and dialogue on those issues.

14. SCHEDULED EVALUATIONS					15. SOURCE/ORIGIN OF GOODS AND SERVICES				
Interim	MM	YY	MM	YY	Final	MM	YY		
						<u>08</u>	<u>94</u>		
					<input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify)				

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)

The objectives of this Amendment to the Economic Policy Research Project are to:

(1) authorize an additional \$480,000 under the Project; (2) extend the PACD for an additional two years; and (3) add the Federation of Private Sector Entities of Central America and Panama as an eligible recipient under the Project.

17. APPROVED BY	Signature 				18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION			
	Title Terrence Brown Acting Director		Date Signed MM DD YY <u>06 15 93</u>					

PROJECT AUTHORIZATION AMENDMENT

AMENDMENT No. 2

Names of Recipients: Institute of Economic and Social Research of the Caribbean Basin (IESCARIBE); Permanent Secretariat for Central American Economic Integration (SIECA); Central American Institute for Business Administration (INCAE); and Federation of Private Sector Entities of Central America and Panama (FEDEPRICAP).

Name of Project: Economic Policy Research

Project Number: 596-0147

1. Additional Financing

Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, the Economic Policy Research Project (EPR; 596-0147) was authorized on August 29, 1988. It was amended on July 19, 1990 to increase the life of Project funding level from \$1.7 million to \$3.9 million, and to extend the Project assistance completion date from August 18, 1991, to August 28, 1993. That authorization is hereby further amended as follows:

A. Paragraph 1 of the Authorization is deleted in its entirety and the following substituted in lieu thereof:

"Pursuant to Sections 103, 104, 105 and 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Economic Policy Research Project with the Institute of Economic and Social Research of the Caribbean Basin (IESCARIBE); the Permanent Secretariat for Central American Economic Integration (SIECA); the Central American Institute for Business Administration (INCAE); and the Federation of Private Sector Entities of Central America and Panama (FEDEPRICAP) (collectively "the Grantees"), involving planned obligations not to exceed Four Million Three Hundred and Eighty Thousand United States Dollars (US\$ 4,380,000) in grant funds ("Grant") over a seven year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange costs for the project. The planned life of the project is seven years from the date of initial obligation."

B. Increased funding will provide the financial means to recruit a Senior Economist; continue to retain the services of a Senior Policy Liaison Specialist; and conduct specific regional activities through FEDEPRICAP and SIECA in the area of trade and investment.

2. Source and Origin

The additional funds authorized by this amendment will be subject to the following source and origin regulations:

a. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the project shall have their source and origin in the United States (Country Code 000), except as A.I.D. may otherwise agree in writing or as provided in paragraph b below.

The suppliers of commodities or services shall have the United States as their place of nationality, except as A.I.D. may otherwise agree in writing or as provided in paragraph b below.

Ocean shipping financed by A.I.D. under the project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

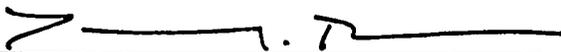
Air transportation services financed under the Project shall be on U.S. flag carriers except to the extent such carriers are not "available" as such term is defined by the U.S. Fly America Act.

b. Local Cost Financing

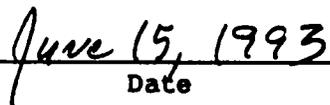
Local cost financing is authorized only to the extent permitted by the Agency's Buy America Policy as outlined in 90 State 410442 and in HB 1B, Chapter 18. If necessary, individual waivers may be processed for procurement of goods or services which are outside the exemption to the Buy America Policy but necessary to Project Implementation, under the criteria stated in HB 1B, Chapter 5.

3. Other Terms and Conditions

The authorization cited above, as amended, remains in force except as hereby amended.

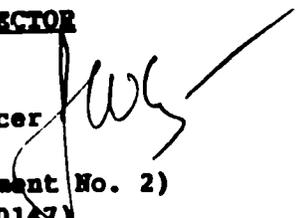


Terrence Brown
Regional Director



Date

ACTION MEMORANDUM FOR THE DIRECTOR

FROM: Jeff Goodson, Project Development Officer 
SUBJECT: Project Authorization Amendment (Amendment No. 2)
Economic Policy Research Project (596-0147)
DATE: 11 June 1993

I. ACTION REQUIRED

Your approval is required to authorize an amendment to the Economic Policy Research Project (EPR: 596-0147) that will: (1) extend the Project Assistance Completion Date (PACD) by two years; (2) increase the life of Project (LOP) funding level by \$480,000; and (3) include the Federation of Private Sector Entities of Central America and Panama (FEDEPRICAP) as an eligible grant recipient.

II. AUTHORITY

Pursuant to LAC Bureau Delegation of Authority 752 Section II.B, revised 14 September 1992, as Acting Principal Officer of ROCAP you have the authority to amend project authorizations if the amendment does not: (1) result in a total LOP funding of more than \$100 million; (2) present significant policy issues; or (3) require issuance of waivers that may only be approved by the Administrator or an Assistant Administrator (or if such waivers are required they are obtained prior to such authorizations). None of these restrictions apply to this Amendment.

III. DISCUSSION

III.A. Amendment Description

The Economic Policy Research Project (EPR) was authorized on 29 August 1988, for a three year implementation period at an LOP funding level of \$1.7 million. Authorized recipients included the Institute of Economic and Social Research of the Caribbean Basin (IESCARIBE); the Permanent Secretariat for Central American Economic Integration (SIECA); and the Central American Institute for Business Administration (INCAE). Amendment No. 1 to EPR, authorized on 18 July 1990, increased the LOP funding level to \$3.9 million and extended the PACD by two years to August 1993. This proposed Project Amendment--Amendment No. 2--would: (1) authorize an additional \$480,000 under the Project, for a new total LOP funding level of \$4.38 million; (2) extend the PACD for an additional two years to 28 August 1995; and (3) add the Federation of Private Sector Entities of Central America and Panama (FEDEPRICAP) as an eligible recipient under the Project.

The additional funding authorized under Amendment No. 2 would be used to pay, in whole or in part, for: (1) the long-term services of a Senior Economist; (2) the continued services of the existing Senior Policy Liaison Specialist; and (3) specific regional activities to be carried out by FEDEPRICAP and SIECA related to regional trade and investment issues. These actions, which are necessary for the continued successful pursuit of A.I.D.'s regional trade and investment agenda in Central America, are fully consistent with the Project purpose as originally articulated, i.e., "to increase the quantity and quality of economic research and analysis by economic research centers and universities in Central America on critical economic policy issues, and to raise the level of public understanding and dialogue on these issues."

The objective of retaining the long-term (18 months) personal services of a Senior Economist is to make available to the Mission a senior expert capable of preparing and disseminating analyses and position papers on critical issues related to regional development policy. The Senior Economist will: (1) work directly with regional development policy-making bodies such as the Economic Cabinets; (2) work directly with key technical support organizations such as SIECA and INCAE; (3) provide advice on policy options; and (4) offer guidance on needed policy analysis. The funding required to retain these services will initially be obligated through a grant agreement amendment with SIECA.

The objective of continuing the services of the incumbent Senior Policy Liaison Specialist is to continue making available to the Mission a senior expert capable of monitoring and interacting with broader policy and political developments in the region that affect economic development policies, especially vis-a-vis the regional trade and investment regime. One specific area of responsibility will be to continue and expand Mission involvement with the Partnership for Development and Democracy (PDD) process, and in particular the development of trade and investment information services in the region. Because of this involvement, the contract extension for the incumbent specialist will be jointly funded by the PDD project (596-0177).

The Cooperative Agreement (CA) with FEDEPRICAP to be funded under this Amendment will support that organization's efforts to develop and promote policies designed to strengthen the competitiveness of the region's economy. This effort will build on FEDEPRICAP's path-breaking work in this area, which to date has been jointly funded by ROCAP and the Inter-American Development Bank (IDB) under the IDB's PRADIC grant. A second part of the CA will focus on assisting FEDEPRICAP's efforts to promote an expanded role for private enterprise in key development sectors, most notably in the area of transport, telecommunications and energy infrastructure. FEDEPRICAP has taken the lead in pressing for regional action to improve the legal and regulatory framework for an increased investment of the private sector in infrastructure.

Finally, the Amendment will finance a focussed activity undertaken by SIECA to promote fiscal policy harmonization in the region designed to buttress cooperation and joint initiatives in trade liberalization, and improve the investment climate in the Central American countries. This activity will build on work carried out by SIECA to date (with ROCAP support), and will take advantage of SIECA's mandate as the Secretariat to the Regional Technical Support Group (GRAT) of the Directors General of Internal Revenue in the Central American countries.

III.B. Financial Summary

The estimated cost of these four activities is \$569,000, all of which would be obligated in FY'93:

Input Source	First Year Obligation	LOP Amendment
<u>AID-financed Inputs</u>		
a) Senior Long-Term Economist	\$ 259,000	\$ 259,000
b) Senior Policy Liaison Specialist	60,000	60,000
c) FEDEPRICAP Activities	190,000	190,000
d) SIECA Activities	<u>60,000</u>	<u>60,000</u>
TOTAL	\$ 569,000	\$ 569,000

EPR currently has a mortgage of approximately \$395,000. Of this mortgage, approximately \$65,000 is expected to be obligated in FY'93 through an IQC work order with Nathan Associates to conduct activities with the Central American Monetary Council. The remaining existing mortgage of \$330,000 (i.e., \$395,000 - \$65,000) under existing authority would be fully liquidated in partially funding the four new activities covered under this Authorization Amendment. The balance of the \$569,000 required to fund these four new activities is \$239,000 (i.e., \$569,000 total activities cost - \$330,000 of existing mortgage = \$239,000); this would be financed out of the \$480,000 increase in EPR authorized funding under this Amendment No. 2. After fully funding these four activities at a level of \$569,000, there would therefore be a new mortgage under EPR of approximately \$241,000 (i.e., \$480,000 - \$239,000 = \$241,000); this new mortgage would be obligated for additional activities consistent with the Project purpose, the scopes of work of which will be finalized in FY'94.

III.C. Social, Economic, Technical and Environmental Feasibility

There are no social, economic, technical or environmental issues associated with this Amendment to EPR.

III.D. Conditions Precedent, Covenants, Waivers and Implementing Agents

III.D.1 Conditions Precedent and Covenants. All conditions precedent to first and subsequent disbursements under the original Project Authorization relate to SIECA, and all of these have been met. Covenants under the original authorization pertain to all Grantees, and require that Grantees shall: (1) "provide adequate support and information to evaluation teams conducting evaluations of the project during the life of the project and at the end of the project;" (2) "maintain communication and provide progress reports to the A.I.D. Mission for the Central America Region with regard to the activities of the Grant-financed activities in each country;" and (3) "ensure that technical assistance provided under the Economic Policy Research project is distributed among participant countries with respect to relative

need and present capability." To ensure that FEDEPRICAP, as a new Grantee under the Project, shall be subject to the provisions of each of these same covenants, these covenants shall be articulated in the Cooperative Agreement between the Mission and FEDEPRICAP which establishes the activities which shall be funded by the Project and carried out by FEDEPRICAP.

III.D.2 Waivers. No waivers are contemplated under this Amendment. All procurement will follow Buy America Guidelines.

III.E. Mission Recommendation and Congressional Appraisalment

III.E.1. Mission Recommendation. Pursuant to the results of a meeting held on 21 May 1993 to discuss these modifications, and as confirmed by the clearances shown below, senior Mission management and technical officers recommend that this Amendment be approved and that you authorize it.

III.E.2. Congressional Notification. Neither a Congressional Notification nor a Technical Notification is required prior to your authorization of this Amendment since: (1) the Amendment is less than \$5.0 million; (2) it does not represent a substantive change in the scope of the Project or the Project purpose; (3) it is neither a cash transfer nor a non-project assistance activity; and (4) it will not increase total proposed obligations for FY'93 as stated in the FY'93 Congressional Presentation.

III.F. Project Officer Responsible

The Project Officer responsible for implementation of the activities to be funded under this Amendment to the Economic Policy Research Project is the U.S. Direct Hire Foreign Service Officer holding or acting in the position of the Mission's Senior Program Economist.

IV. RECOMMENDATION

That you sign the attached Project Authorization Amendment No. 2, and thereby authorize this Amendment to the Economic Policy Research Project.

Attachments

Delegation of Authority 752
Project Authorization
Project Authorization Amendment No. 1
Project Authorization Amendment No. 2

Clearances

PDSO:AVollbrecht	<u>(D)</u>
PDSO:NHooff	<u>(D)</u>
OREAT:RErnst	<u>(D)</u>
OREAT:AZucca	<u>(D)</u>
PDSO:LWarfield	<u>in HRC</u>
RCO:JMcAvoy	<u>(D)</u>
RCMO:JLewis	<u>(D)</u>
CONT:GByllesby	<u>(F)</u>
RLA:CBrown	<u>(D)</u>
TIO:TTroung	<u>(D)</u>
DD:LKlassen	<u>(D)</u>