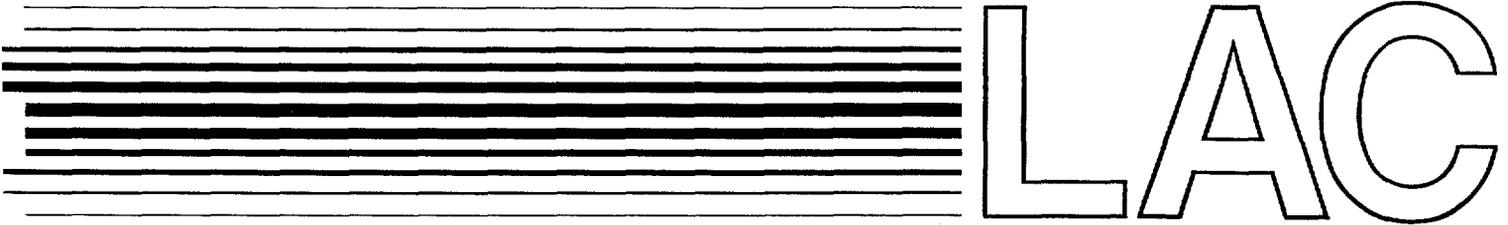


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LATIN AMERICA AND THE CARIBBEAN

EDUCATION AND HUMAN RESOURCES
TECHNICAL SERVICES PROJECT

POLICY AND TRAINING SUPPORT (PATS) PROJECT PAPER AMENDMENT

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POLICY AND TRAINING SUPPORT (PATS) PROJECT PAPER AMENDMENT

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POLICY AND TRAINING SUPPORT (PATS) PROJECT PAPER AMENDMENT

I. SUMMARY AND RECOMMENDATIONS

II. BACKGROUND DESCRIPTION OF THE ORIGINAL PATS PROJECT

A. Goal and Purpose

The goal of the original PATS Project is to support Costa Rica's program of sustained economic expansion and the spreading of the benefits of this expansion.

The Project's original purpose is to assist investment and export initiatives in support of the private sector; improve policy formulation, planning and design; and support reforms of public sector management/administrative systems in Costa Rica through the provision of technical assistance and training.

B. Outputs

While the PATS Project Paper was signed in August 1989, it was not until April 1990 that the first activity was approved for implementation under the Project. Since that time, however, 36 activities have been initiated, representing over 50% of the total Project funding. In the first category of Project illustrative elements -- Private Sector Support -- there have been eight activities, ranging from long-term technical assistance in four critical areas to one capital markets study, one market pricing seminar and a short-term training program on marketing finance. In the other category -- Economic Policy and Public Administrative/Managerial Improvement -- there have been 28 separate activities, including both long- and short-term technical assistance, local seminars in critical areas, long- and short-term participant training, and support for necessary research and studies. A total of four long- and 12 short-term participants have been funded under the Project.

C. Progress/Accomplishments to Date

While the first evaluation of the PATS Project is not scheduled until February 1993, the experience to date with Project implementation has been very positive. Diverse problems related to improving economic policy formulation and moving to sustained economic growth with a private sector orientation were responded to in a timely manner because of the flexible nature of the PATS Project. Several targets of opportunity which required relatively immediate responses were addressed under the PATS Project when no other Mission instrument was available to provide the critical

resources. For example, the Mission was able to use PATS for funding studies related to the economic and financial costs and benefits of trade liberalization. These studies, which were done in response to a methodology developed by the World Bank, are permitting Costa Rica to compare the fiscal losses and economic gains resulting from changes in commercial policy. In another case, significant technical assistance has been provided to the Costa Rican Customs Service to streamline its operations both to promote exports and reduce costs. By using personal services contracts, regional project buy-ins, invitational travel and relevant short-term training opportunities, Project implementation has been accomplished with a minimum of Mission personnel requirements.

D. Rationale for Amendment

Because of the success of the PATS Project in allowing the Mission to address the kinds of problems outlined above and the fact that over 50% of the funds have already been committed, the Mission has determined that the PATS Project should be amended to: (1) increase funds for the Policy and Training Support component, and (2) add two new components to address critical development needs related to the Project goal and purpose but not provided for in the original Project.

One outstanding accomplishment since the Project was designed has been the creation of the Directorate of the Reform of the State which is located in the Ministry of the Presidency. The Directorate is responsible for overseeing the entire program of labor mobility (the transition of government employees to the private sector) and the reform of state operations. This has been an enormous step forward for attaining the Mission goal of improving public sector operations and fiscal policies. With the Directorate in place, the Mission wishes to intensify the activities that it originally included in the PATS Project under the Policy and Training Support component in the category entitled Economic Policy and Public Administrative/Management Improvement. These added resources will enable the Mission to provide adequate and relevant technical assistance, studies, observation trips and seminars which will assist the Ministry of the Presidency in the implementation of its critical programs.

Since the original PATS design was completed, new concerns have emerged which were not initially contemplated. First, it has become apparent that the more equitable distribution of economic benefits anticipated in the Project's goal will in fact depend upon a more active, well-informed legislature which can understand, design, enact and implement the legislation necessary to promote both growth and distribution. This Project amendment therefore adds a component which provides assistance to the Costa Rican legislature to strengthen its actions in support of economic growth and the distribution of its benefits.

Finally, a second concern has emerged related to the availability of an adequate number of economists and business leaders to conceptualize and articulate the macroeconomic and related policies that will strengthen the market-oriented, self-sustaining economy which is now beginning to emerge. Costa Rica's leadership must be supported by an adequately trained group of middle-level economists and business and government leaders to successfully implement the policies that are developed. The PATS Project amendment therefore includes a highly focussed program of long- and short-term training both in Costa Rica and abroad, which will help form this critical human capital.

Movement to sustained economic expansion and the spreading of economic benefits -- the Project's goal -- is a long-term objective. While significant accomplishments are being made as a result of Project implementation, it is apparent that more time and resources than were included in the original PATS Project are required to reach this ambitious goal. This amendment, therefore, extends the original PACD to August 1999 and provides for US\$ 10.0 million in development assistance and for the local currency equivalent of US\$ 3.35 million in counterpart funds from ESF-generated local currency jointly programmed for this purpose.

III. BACKGROUND DESCRIPTION OF THE PATS PROJECT AMENDMENT

A. Goal and Purpose

The Project goal remains unchanged -- to support Costa Rica's program of sustained economic expansion and the spreading of the benefits of this expansion.

The Project purpose, too, continues to be to assist investment initiatives in support of the private sector; improve policy formulation, planning and design; and support reforms of public sector management/administrative systems in Costa Rica through the provision of technical assistance and training.

B. Description of Components

1. Policy and Training Support

This amendment will add resources to this original component of the PATS Project to further support activities under the Economic Policy and Public Administration/Management Improvement category. This will support the Mission's major policy dialogue under the Public Sector Efficiency Program which includes such topics as restructuring of the state, pension reform, budget reform, customs reform and the labor mobility program.

These additional resources will focus on technical assistance, studies and seminars to strengthen the Directorate of the Reform of the State which is under the supervision of the Ministry of the Presidency. The Ministry, supported by the major opposition party, has designed a plan of action that will be implemented by a bipartite team which, in the next four months, will establish the actions to be undertaken to achieve state reform. The plan is consistent with the conditionality of the Letter of Intentions signed recently with the IMF as a conditionality for the negotiations of a Third Structural Loan and with AID "Conditions Previous to Disbursement" under ESR IX. The GOCR plan for state reform incorporates the following components:

a. Elimination of monopolies: National Insurance Institute (INS), National Costa Rican Petroleum Refinery (RECOPE), and the National Liquor Factory (FANAL) in the short-term while the National Banking System will be a continuing subject of studies over the long-term;

b. Privatization of public institutions: i.e., FERTICA (Central-american Fertilizers), CEMPASA (Pacific Cement), RECOPE (Costa Rican Petroleum Refinery), FANAL (National Liquor Factory), and SINART (National Radio and Television System);

c. Privatization of public services: i.e., hospital laundries, security services for banks and other institutions, etc.;

d. Restructuring of the following sectors to eliminate budget duplicity, redundancy in staffing and other inefficiencies: Health, Housing, Energy and Communications, Security, Foreign Commerce, Agriculture and Transport;

e. Develop legislation to improve GOCR administrative procedures;

f. Implementation of a budget reform plan;

g. Improvement of the National Civil Service System.

The Mission will support this entire process through the programming of local HCOLC from earlier ESR agreements for local consultants and with dollar support through this PATS amendment for international consultants and other necessary assistance.

The resources under this amendment will also be used to, among other activities, improve the administration of the pension systems, establish the technical capacity and control of the private and public pension systems, install the accounting, financial and actuarial hardware and software for the new pension systems, and to train Costa Rican technicians and union leaders who will be involved in the pension reform.

2. Legislature

3. Training For Development

This second new category to be added to the PATS Project focusses directly on providing adequate human resources to assist Costa Rica in the formulation and implementation of sound macroeconomic policies as well as other policy and regulatory adjustments as are necessary to: (1) maintain and expand Costa Rica's market share and competitiveness in areas of comparative economic advantage, and (2) improve public sector operational and fiscal policies. Costa Rica's success in designing and implementing macroeconomic policies which allocate its scarce financial resources to keep both objectives moving ahead will be the key to achieving an improved economy during the 1990s.

Studies of economic reform programs in Latin America -- especially in Chile and Mexico -- clearly demonstrate that a cadre of well trained economists is a necessary condition for formulating and implementing relevant economic policies. It is, therefore, the objective of the Training for Development component to provide for an adequate number of highly trained Costa Rican economists and business and government leaders to address the opportunities and challenges of the 1990s and the 21st century. Most important to creating this human capital will be the training of Costa Rica's most promising young economists in the very best U.S. university economics departments at the Ph.D. level. These graduates will add to the elite-class of policy makers who conceptualize and articulate the macroeconomic and related policies that orient economic programs. To enable Costa Ricans to complete rigorous U.S. Ph.D. programs, pre-Ph.D. training will be provided in four outstanding Latin American schools of economics which have demonstrated they can produce students capable of competing in the U.S.

This training of top-level policy makers will be complemented by programs for developing those in the public and private sectors capable of implementing macroeconomic, trade and investment policy objectives. These positions include middle-level economists who will be those graduates of the pre-Ph.D. programs that do not enter the U.S. Ph.D. programs. Also, there will be a number of graduates from applied U.S. MBA programs in areas of finance, trade and investment. Finally, a very few highly placed public sector leaders will be provided training at the prestigious Edward S. Mason program at Harvard University. The long-term training of the Training for Development component is designed as an integrated program for forming a team of top-level policy makers, together with the appropriate mix of economists and business and government leaders to assist in the attainment of the above described objectives.

An equally important aspect of the TFD program will be specialized training and related activities to: (1) address the training needs of those currently responsible for policy formulation and implementation in both the public and private sectors, and (2) respond to targets of opportunity arising both from new programs which support the Project purpose as well as from relevant short-term training and research options which present themselves during the life of the project. The TFD component will, therefore, purposely remain flexible, as was the case with the original PATS Project, to address these unforeseen problems and targets of opportunities.

The specific categories under the Training for Development component include:

a. Long-term Training of Economists and Business Majors

Approximately 12 Costa Ricans will receive BA/MA-level training in economics at four centers of excellence in Latin America, permitting some of them to go on to the U.S. for Ph.D.-level training while others will return to Costa Rica to work in mid-level professional areas. An estimated 14 future Costa Rican top-level policy makers will receive Ph.D.-level training in top U.S. departments of economics. Some will be the most outstanding graduates of Costa Rican universities, while others will have been "prepped" through the pre-Ph.D. training provided in the Latin American centers of excellence. In all cases, these participants will be selected on their qualifications for becoming top-level economic policy makers. Finally, approximately 12 Costa Rican university graduates will be offered training in highly specialized U.S. MBA programs in areas of direct relevance to the training provided for economists. Such specialties as finance, trade, investment and related areas will be emphasized. This category will be implemented through a buy-in to the regional Advanced Training in Economics (ATIE) Cooperative Agreement with the Fundacion Francisco Marroquin (FFM) (see Annex F).

b. Training at the Edward S. Mason Program

For a very few extremely high-level government leaders -- perhaps no more than four during the life of the project -- training opportunities will be made available at the highly prestigious Edward S. Mason Program at Harvard University. Candidates will be selected on the basis of their potential ability to introduce efficiency and change into the Costa Rican public sector. The candidates will be identified by the Mission senior staff from those they work with or others recommended to them. The Mission Training Office will be responsible for the very limited administrative tasks required by this category (see Annex G).

c. Seminars Organized in Costa Rica, Short-term Training and Research Activities

It will be important to provide in-country seminars and other short-term training to the many economists and other government and private-sector technicians who are currently making decisions on a daily basis related to economic policy formulation and implementation. In-country seminars of up to nine months' duration will be provided these individuals, allowing them to continue their work but giving them important supplementary training in such areas as: (1) project analysis and evaluation using cost-benefit techniques, (2) calculating export costs, or (3) techniques for determining comparative advantage for selected Costa Rican products. In addition, as has been demonstrated in the implementation of PATS, there are many immediate targets of opportunity where Mission resources can add significantly to the attainment of a program goal by supporting a variety of training or research-related interventions. In some cases, these relate to new policy or program initiatives, where the opportunity to visit another country or to develop and participate in a short-term seminar can have a significant impact. In other cases, international agencies or U.S. institutions offer highly relevant training programs which directly enhance the skills of Costa Rican technicians working in critical areas. Finally, the opportunity to fund local research proposals can result in important studies initiated and carried out by Costa Ricans, often with outside assistance, thus strengthening host-country capability through experience building. Because it is necessary for the Project to respond to these areas of immediate importance, the Project will remain as flexible as possible in its provisions for implementing this category. The same implementation procedures will be used as in the original PATS Project allowing the Mission economist to develop activities as opportunities and needs present themselves.

4. Evaluation and Audits

The amendment will add additional funding for auditing each of the above components as well as provide for mid-term and final evaluations.

IV. PROJECT IMPLEMENTATION

A. Project Management

This Project amendment will be implemented exactly as was the original Project. The Mission will amend the current Project Agreement with the GOCR's the Ministry of the Presidency in the amount of US\$ 10 million. The ProAg will also commit \$US 3.35 million equivalent in local currency generated from the Economic Stabilization and Recovery (ESR) program between the GOCR and A.I.D. as the host country counterpart contribution. In addition to the Ministry of the Presidency, other GOCR entities will be

encouraged, using the coordinative facility of the Ministry of the Presidency's Office of Control and Follow-up (OCS), to directly access the Project's resources.

In the Project Agreement, the GOCR will authorize USAID/Costa Rica to enter into necessary sub-agreements to make disbursements and to otherwise control and monitor the use of Project funds.

To ensure the GOCR will have full participation in determining the activities to be funded by the Project, Annex I to the Project Agreement will include an illustrative list of activities to be funded by the Project (see Table 7: Illustrative Implementation and Finance Methods).

The sub-agreements will be executed through normal A.I.D. procedures: e.g. PIO/Ts for buy-ins to regional projects or for obtaining technical assistance, PIO/Ps for funding long- and short-term training, PIO/Cs for limited equipment procurement, and Purchase Orders for studies and other activities. A copy of each executed document will be transmitted to the GOCR project counterpart.

These procedures, which have been successfully utilized in implementing the PATS Project to date, will enhance the bilateral character of the Agreement, while providing flexibility and avoiding delays that could hinder the timely execution and attainment of the Project objectives.

B. Financial Plan and Analysis

1. General Description

Table 2 shows the total Project costs by component and source of financing. The GOCR counterpart contribution will be derived entirely from ESF local currency generations. Beyond that shown, the GOCR will be contributing salaries of the GOCR employees who will participate in Project implementation/coordination.

a. A.I.D. Funds

The Project amendment will require a total of US\$ 10 million in Development Assistance funds; US\$ 5 Million from the EHR account and US\$ 5 Million from the PSEE account. Plans for obligation in fiscal years 1992 through 2001 are shown in Table 2; expenditures over the seven-year life of Project are projected in Table 4; and an illustrative budget of Project activities is found in Table 5.

b. GOCR Counterpart Contributions

Counterpart contributions will be approximately 25% of total Project costs. These contributions will be made from Economic Stabilization and Recovery IX and future ESF-generated local currency programs. These contributed funds will be used for local costs of services financed with dollar resources. In certain cases where no dollar costs are required, these funds will be used without complementing dollar funds, but will still be charged as counterpart to the DA Project. Counterpart expenditures over the seven-year life of project are projected in Table 6.

2. Methods of Implementation and Financing

Table 7 presents a chart with the illustrative implementation and financing methods to be used in the Project. All proposed financing methods for the dollar assistance to be used in the Project refer to preferred methods. The counterpart contribution, provided in cash, comes entirely from the Economic Stabilization and Recovery Program IX local currency generations.

The activities under the Project amendment -- e.g. contracting, purchase orders, commodity procurement, training, etc. -- will predominately be USAID/Costa Rica-managed through direct payment, but will also include such arrangements as host country contracting, cooperative agreements and buy-ins to regional programs. Since Project amendment activities are illustrative, it is not possible to determine definitively the specific implementation and financing method for each a priori.

Table 2: Project Amendment Costs by Component

Project Amendment Components	A.I.D.	GOCR	TOTAL
	===== (\$000) =====		
1. Policy and Training Support	1,930	670	2,600
2. Legislature	2,930	950	3,880
3. Training for Development	4,880	1,580	6,460
4. Evaluation and Audits	<u>260</u>	<u>150</u>	<u>410</u>
TOTAL	10,000	3,350	13,350

Table 3: Obligation Schedule

=====(\$000)=====

	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>
EHR	650	790	910	1,020	870	290
PSEE	<u>910</u>	<u>950</u>	<u>1,010</u>	<u>1,030</u>	<u>1,100</u>	<u>-</u>
TOTAL	1,560	1,740	1,920	2,050	1,970	290

	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>TOTAL</u>
EHR	210	120	80	60	5,000
PSEE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
TOTAL	210	120	80	60	10,000

Table 4: Projected Dollar Expenditures

=====(\$000)=====

<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>
2,000	2,000	2,000	1,000	1,000	1,000	1,000

Table 5: Illustrative Budget

=====(\$000)=====			
Project Amendment Components	<u>A.I.D.</u>	<u>GOCR</u>	<u>Total</u>
1. Policy and Training Support			
- Economic Policy and Administrative/Managerial Improvement	1,930	670	2,600
2. Legislature	2,930	950	3,880
3. Training for Development			
- Long-term Training of Economists and Business Majors	2,800	100	2,900
- Edward S. Mason Program	210	--	210
- Seminars in Costa Rica, Short-term Training and Research	1,870	1,480	3,350
Sub-total	4,880	1,580	6,460
4. Evaluation and Audits			
- Policy and Training Support	70	50	120
-Legislature	70	50	120
- Training for Development	<u>120</u>	<u>50</u>	<u>170</u>
Sub-total	<u>260</u>	<u>150</u>	<u>410</u>
TOTAL	10,000	3,350	13,350

Table 6: Projected Counterpart Expenditures

===== (US\$000 Equivalent) =====						
<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>Total</u>
610	650	680	700	710	-	3,350

Table 7: Illustrative Implementation and Finance Methods

Item Description	Implementation Method	Financing Method	Amount (\$000)
Policy and Training Support	AID Direct Contract	Direct Payment	1,930
Legislature	AID Direct Contract	Direct Payment	2,930
Training for Development			
- Long-term Training	Regional Project Buy-in	Direct Payment	2,800
- Mason Program	PIO/Ps	Direct Payment	210
- Seminars/Research	AID Direct Contract	Direct Payment	1,870
Evaluation and Audits	AID Direct Contract	Direct Payment	<u>260</u>
TOTAL			10,000

C. Monitoring, Evaluation and Audit Plan

Project implementation monitoring will be conducted by USAID/Costa Rica and the GOCR as has been the case for those activities in the original PATS Project Paper. The USAID/Costa Rica Project Manager will continue to be responsible for coordinating the proposed activities with the relevant Mission technical project managers. They will be responsible for overseeing the implementation of the activity together with the relevant host country counterpart as designated by the GOCR.

Funds have been set aside in the Project amendment for annual audits for each Project component. In addition, resources are provided for a mid-project and a final-project evaluation of each of the components. Audits and evaluations will be contracted by the Mission through Indefinite Quantity Contractors (IQCs) or other appropriate contracting mechanisms.

D. Responsibilities of USAID/Costa Rica in Project Implementation

The activities included in this Amendment will continue to be coordinated by the Mission Program Office. The PATS Project touches all divisions within the Mission, providing them with flexible technical assistance and training and other support to meet diverse requirements. It is the Program Office that has the best overall vision and understanding of the interrelated roles of the separate Mission Office programs for reaching the broadly defined Project purpose. In addition, the Program Office has successfully managed the Project to date as well as its predecessor, the Policy, Planning and Administrative Improvement (PPAI) Project. It has, therefore, the demonstrated capability and the available staff to continue this responsibility. Finally, PATS resources will be most effectively utilized when they complement project design activities funded with Project Development and Support (PD&S) funds, also managed by the Program Office.

While the Program Office is the coordinating mechanism, other Mission offices with direct interests in more specific aspects of the PATS activities will also contribute to program implementation. The long-term training portion of the Training for Development component, for example, will be contracted through a regional project and monitored by the Mission economist. The Legislature component will receive the direct attention of the Mission's staff working on democratic initiatives.

V. PROJECT ANALYSES

A. Technical Analysis

The need for and the character of the assistance provided in this amendment was discussed in the original PATS Project Paper.

Successful implementation of the Project to date has only confirmed the information that was presented at this time. The most important factor to add to the initial technical analysis has been the importance of having the flexibility to address changing problems and to take advantage of targets of opportunity. Other Mission programs are steadily improving the basic economic and institutional structure to bring about the Project's broadly defined purpose. It is PATS, however, which has been the key factor for solving unforeseen problems requiring relatively immediate solutions. An analysis of the 36 PATS-funded activities clearly demonstrates the importance of this flexible approach. In four cases, critical long-term technical assistance has been provided to respond to areas of significant importance to meeting the Project purpose. Four long-term trainees are studying economics and development policy in U.S. universities, while twelve short-term participants have received training important to their specific needs. Finally, a number of strategic research activities were completed with PATS resources.

B. Economic and Financial Analysis

The information relevant to the economic and financial analysis of this amendment is identical to that provided in the original Project Paper.

C. Social Soundness Analysis

As indicated in the original Project Paper, the activities in the PATS Project, as well as in this amendment, are directed to improving the self-sustaining economic development of Costa Rica and especially to spreading these benefits among the largest part of its population. It is in this latter area where the amendment will have its greatest impact. Provisions for strengthening the legislature as well as for training local economists and business leaders are designed to enable Costa Ricans to better direct their own economic efforts as they prepare for the future.

D. Administrative Analysis

This amendment continues the same implementation practices which have been fully tested and found successful during the implementation of the Project to date. The Ministry of the Presidency has adequately and efficiently insured the participation of the GOCR in carrying out Project activities. Within the Mission, the Program Office also has proven to have been the best site for efficient Project management. It has allowed the different Mission offices to participate in Project implementation, while assuring that other sources of resources are used when they exist and that all activities are directly related to meeting the Project's purpose.

Two categories within the Training for Development component will be managed separately from the procedures that were developed for implementation of the original Project. In the case of the long-term training under TFD, a Mission buy-in will be contracted under the regional Advanced Training in Economics (ATIE) Cooperative Agreement (see Annex F). The purpose of the regional program is identical to that of the TFD component, and the administrative mechanism is in place to implement these activities with only minimal staff requirements placed on the Mission.

The Edward S. Mason program at Harvard University will be the coordinated by the Mission senior staff (see Annex G). Since the number of scholarships is very small and because the orientation of the program is directed to only the most outstanding and influential future government leaders, it is appropriate that the Mission senior staff utilize its connections throughout the Costa Rican public and private sectors to identify appropriate candidates. Candidates will be processed by the Mission Training Office. Since it is anticipated that there will be no more than four Mason scholars during the life of the Project, this should not place a great burden on the Training Office.

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SCOPE OF WORK

Training for Development Program
Policy and Training Support ProjectI. INTRODUCTION

This Scope of Work relates to the Training for Development (TFD) component of the Mission's Policy and Training Support (PATS) Project (515-0241). The Mission wishes to initiate this highly focused, economic policy-related training activity in FY 1991. The TFD Program is intended to expand and deepen Costa Rica's cadre of economic and business thinkers enabling them to lead the country into an economy for the 1990s and the 21st century which is characterized by a private sector-led, market-oriented pattern of growth. The AID/W-funded Advanced Training in Economics (ATIE) Project, implemented by the Fundacion Francisco Marroquin (a U.S.-based foundation), was designed to address these very issues throughout Latin America. The objective of this Scope of Work is to provide for a ten-year, \$2.8 million USAID/Costa Rica buy-in to the ATIE Project. This will allow approximately 12 Costa Rican economists to receive BA/MA training in four centers of excellence in Latin America, while some 14 economists will receive Ph.D.-level training in top departments of economics in the U.S. having professors interested in economic policy formulation in developing countries. In addition, approximately 12 Costa Ricans will receive U.S. training in applied MBA programs which have an economics component.

II. BACKGROUND

The Mission's country strategy for the 1990s is to assist Costa Rica to deepen and expand its base of market-oriented macroeconomic, trade and investment policies. This strategy seeks to complete the transition from high levels of concessional assistance to sustainable and self-reliant international trade and investment relationships. Mission policy dialogue with the GOCR will be directed to the maintenance of sound macroeconomic policies as well as other policy and regulatory adjustments necessary to: (1) maintain and expand Costa Rica's market share and competitiveness in areas of comparative economic advantage, and (2) improve public sector operational and fiscal policies. These two objectives -- increased trade and investment and more efficient and fiscally responsible government -- are closely interdependent, the more so in the strained foreign exchange and domestic financing situation in which Costa Rica will continue to find itself in the early years of the 1990s. Costa Rica's success in designing the

macroeconomic policies for allocating its scarce financial resources to keep moving both objectives ahead is the key to achieving an improved economy during the 1990s.

Studies of economic reform programs in Latin America clearly demonstrate that a cadre of well trained economists is a necessary condition for success. The reform effort in Chile, for example, was spearheaded by a large number of graduates of U.S. universities, mostly from the University of Chicago. The reformers in Mexico have also been mostly U.S.-trained. The Mission's program strategy for Costa Rica will therefore require significant levels of technical assistance, particularly in the training area, that range well beyond the programs provided by other Mission training instruments. Current Mission plans aim at providing an adequate number of highly skilled economists and business leaders to address the opportunities and challenges of the 1990s and the 21st century. Additionally, while the top policy makers in Costa Rica are extremely competent, there is an apparent lack of middle-level professionals capable of contributing to longer-term policy design and implementation. With a focused training effort, it will be easier for Costa Rica to deepen and build on its economic reform program over the longer term.

The Training for Development Program therefore has as its objective to add to the human capital talent base to support policy-based reforms and growth-oriented policies over the 1990s and beyond. As a result of the Program, Costa Rican leaders will be better prepared to make substantial improvements in trade and investment policies and practices, thus enabling Costa Rica to remain competitive in world markets and to encourage investment. Also, they will have improved skills and capabilities to help further shift government operations from Costa Rica's traditional emphasis on big government and state intervention to a leaner and more responsive public sector with greater reliance on private sector provision of goods and services. The training opportunities to be made available under this Program will focus on these and other national policy-based objectives. In effect, the Program will help train the generation of leaders and policy makers who will guide the country into the next century. The Fundacion Francisco Marroquin (FFM), under the guidance of its Academic Director -- Dr. Arnold C. Harberger, is capable of facilitating the attainment of this objective.

III. PROJECT DESCRIPTION

A. Objectives

1. Program Goal: To improve the quality of economic policy analysis and implementation skills in Costa Rica.

2. Program Purpose: To provide for a longer-term participant training program in the Region and in the U.S. for the purpose of producing an appropriate number of professionally-trained economists and business majors who can have a substantial impact on the quality of economic analysis and policy implementation in Costa Rica.

3. Program Outputs: Twelve (12) individuals will receive training at the pre-Ph.D level at four Latin American Participating Institutions (LAPIs) -- all of them centers of excellence in the field of economics. In addition, fourteen (14) economists will receive training for their Ph.D. degrees at up to ten selected U.S. universities. It is anticipated that four of the fourteen Ph.D. trainees may be graduates of the four LAPIs. Finally, twelve (12) participants will receive training in U.S. MBA programs with strong economics components. The availability of qualified candidates and changing program requirements may necessitate some movement of resources between the three programs and therefore some modifications in these estimates of outputs over the life of the project. Based on statistical information from the University of Chicago, it is envisioned that approximately half of the long-term participant trainees receiving degrees under the program will serve in a high-level policy-making capacity within their national governments. Past performance shows that economists with this type of training rank in the top 2-3% of all economists within their respective countries in terms of their mastery of modern economics. These economists and business majors are expected to be in great demand by economic ministries, other government agencies and private sector institutions in Costa Rica.

B. Program Components

The Program has three components. The first is the training of Costa Rican students at the BA/MA-level in economics at four centers of excellence in Latin America. The second is the training of Costa Rican economists at the Ph.D.-level in a small number of U.S. universities that have high-quality programs and that give special emphasis to the training of policy-makers. The final component is the training of Costa Ricans at a highly selective group of U.S. business schools which reflect the same orientation as the Ph.D. programs.

1. Training in Latin America

During the 1960s and 1970s, a number of faculties of economics in Latin America received support from A.I.D., from the Ford Foundation and from other U.S. institutions, enabling them to strengthen their academic programs substantially. These institutions have produced graduates who have excelled in the most rigorous academic programs in the U.S., and are now often known internationally for their work in academia as well as for the key role that they have played in the design and implementation of

coherent economic policies in a few countries in the Region. Among the best institutions in Latin America, four were chosen on the basis of the quality of their faculties, the quality of their programs in economics, and their success in placing graduates in the best Ph.D. programs in the U.S.

These Latin American Participating Institutions are:

- Autonomous Technological Institute of Mexico (ITAM); Mexico City, Mexico
- Argentine Center for Macroeconomic Studies (CEMA); Buenos Aires, Argentina
- Pontifical Catholic University of Chile (Faculty of Economics and Administrative Sciences); Santiago, Chile
- University of Tucuman; Tucuman, Argentina

These institutions will play a dual role. First, the academic programs in economics in the Costa Rican universities are such that only their most exceptional graduates are able to succeed in the highly competitive Ph.D. programs of U.S. universities. The centers of excellence will therefore "prep" Costa Rican students to meet the challenges of difficult, first-rate U.S. economics programs. The centers of excellence will also provide a screening device for selecting students who have the perseverance for completing U.S. Ph.D. programs and who demonstrate characteristics for becoming future top-level policy makers.

Second, the students who do not obtain scholarships for Ph.D.-level training and who return to work in Costa Rica will have been better prepared to perform fully as professional economists by studying in these Latin American universities than by pursuing undergraduate programs in the U.S. The LAPI programs are significantly more oriented to addressing current economic policy questions, especially in Latin America context. U.S. undergraduate programs, on the other hand, tend to be more theoretical and, when they do address practical problems, reflect situations common to the U.S. In all cases, the training provided in the LAPIs will be approximately one-third less costly than U.S. academic programs.

2. Ph. D. Training in the U.S.

For participants who demonstrate the potential for becoming policy makers at the highest level, there is no substitute for training at the Ph.D.-level at a top university in the U.S. Some candidates for training at the Ph.D.-level will be selected from the students who complete their programs at the four centers of excellence. Other candidates (approximately two or three per year) will enter the Ph.D. programs in the U.S. without first

receiving training at the centers of excellence. The selection of the universities where the Ph.D. training will take place will be the responsibility of a committee composed of Professors Anne Krueger, Ronald McKinnon and Arnold Harberger, three of the most eminent development economists in the U.S. Specific U.S. universities will be selected for each Ph.D. candidate on the basis of the following criteria: (1) the academic level of the student; (2) field of interest of the student; (3) preference of the student; (4) consultation between FFM and the students' professors during the pre-Ph.D. phase, and (5) the relative cost of the program compared to others of similar quality (as mandated by A.I.D. Handbook 10). It should be noted that the cost of this program may exceed other A.I.D.-sponsored graduate scholarship programs given the need for superior graduate schools of economics which offer applied programs related to third world macroeconomic policy formulation and analysis. However, the additional benefits resulting from this superior training should significantly exceed the extra costs.

3. MBA Programs in the U.S.

Shaping and orienting macroeconomic policy and developing the programs to implement trade, investment and public sector policy reforms will require skilled individuals who are graduates from some highly focused MBA programs. These programs will be in the area of trade (with an export orientation), investment, finance and related fields. An emphasis will be placed on business schools with strong economics and finance programs (UCLA and Stanford for example). These MBAs will be the equivalent of MAs in applied economics.

It is important that the recruitment and placement of the MBA candidates be closely integrated into the other two components, since these graduates of the MBA programs must complement the skills and policy orientation of those from the economics programs. To help assure that the Mission succeeds in its efforts to encourage and support the economic reforms and policy reorientation outlined above, it is essential that the human capital resulting from the TFD Program work as a team to accomplish the above goals. The selection of the U.S. MBA program for each student will be made by the same committee of U.S. professors that is used for the Ph.D. candidates. The committee will apply the same criteria as outlined above for making this selection.

4. The Recruitment Process

a. Pre-Ph.D. Program

Recruitment for the pre-Ph.D. programs will be the joint responsibility of the four participating Latin American faculties of economics, Costa Rican economists and the Mission economist. The importance of the recruiting function cannot be

overstated. In a sense, the need for this specific recruitment process arises from the difficulty of analyzing and predicting the performance of Costa Rican participants when they enter rigorous Ph.D. economics programs in the United States. Pre-training in the four Latin American institutions is aimed at surmounting this problem. The better the raw material selected to enter the pre-Ph.D. programs, the better their performance will be when they finally enter U.S. Ph.D. programs.

Specifically, each participating institution will send recruiting teams to Costa Rica. As an economy measure, however, it will not be necessary for all four institutions to visit Costa Rica every year nor will it be necessary to send participants to all of the LAPIs. Normally, each team will consist of one or two professors from any given center of excellence. During their trips to Costa Rica, the team will visit local universities, schools and other institutions that are the most likely sources of candidates. They will also contact USAID/Costa Rica, which will be given the opportunity to propose candidates. Once candidates are identified, the recruiting team will arrange for interviews and in some cases for written examinations. The Mission economist may propose some highly placed local economists or business leaders who may recommend candidates or otherwise assist the recruitment teams.

Budgets for these recruiting trips will be managed by FFM. The itineraries will be approved in advance by USAID/Costa Rica and FFM, and the individual professors making the trips will receive travel reimbursements directly from FFM.

b. U.S. Ph.D. and MBA Programs

The identification and selection of candidates for the U.S. Ph.D. program will take two forms. Some of those selected for Ph.D.-level training will be graduates of the centers of excellence. Their performance will have been closely monitored by the faculty of these programs and by the FFM Academic Director, Dr. Harberger. With this extensive information, it will be relatively easy to identify those students who have the ability and the perseverance to successfully complete doctoral programs in the best U.S. graduate schools of economics.

Some Ph.D.-level candidates (approximately two or three per year) will be selected from outstanding Costa Rican economists who have the ability to successfully complete U.S. programs without the need of attending a center of excellence. The same will be true of the approximately three candidates per year selected for MBA programs. In these case, the candidates will be initially identified through an in-country network of U.S.-trained economists, the Mission economist, and outstanding local economists and business leaders identified by USAID/Costa Rica.

The FFM will be responsible not only for selecting the candidates as described above but for assisting them in completing the administrative process for entering U.S. universities. This includes the "topping-off" of English- language skills, reviewing the GMAT, GRE and TOEFL scores and assisting the selected candidates in preparing their application forms for entry into U.S. programs. It will be important, therefore, for FFM to visit Costa Rica annually at an appropriate time to evaluate the candidates, their test scores and make preparations for their acceptance in the selected U.S. Ph.D. and MBA programs. It is anticipated that December visits should allow the selection process to be made for entry into U.S. universities in the following September.

5. Implementation

The Fundacion Francisco Marroquin (FFM) has developed the capacity, under the regional Advanced Training in Economics (ATIE) Cooperative Agreement, to efficiently and appropriately implement all of the above activities. A recent mid-project evaluation of the program completed in November 1990 indicated that the Cooperative Agreement was appropriately designed to attain its purpose and objectives. Furthermore, it indicated that FFM was doing an outstanding job of implementing the activity. It is with certainty, therefore, that the implementation activities will be carried out efficiently and in agreement with Agency guidance (as outlined in A.I.D. Handbook 10). (See the "Advanced Training in Economics [ATIE] Project Evaluation" prepared for LAC/DR/EHR.)

6. Coordination of Program Activities with USAID/Costa Rica

USAID/Costa Rica will participate in the recruitment process for all three components of the program. The Mission may recommend likely candidates to be considered. It may also suggest outstanding Costa Rican economists and business leaders who are in a position to identify likely candidates and otherwise assist FFM if necessary. The Mission economist will monitor the selection process to assure that it is being adequately carried out. The Mission will also help FFM by informing potential candidates of the time and place for GMAT, GRE and TOEFL testing when appropriate.

Once candidates are identified, USAID/Costa Rica will be provided with information on the progress of the candidates during training, on any trips they plan away from training sites and on their completion date or withdrawal from the program. Finally, the Mission, with the assistance of FFM, will have an important role in tracking and monitoring the careers of graduates upon their return to Costa Rica.

The Mission will review the financial and political situations of the candidates selected by FFM to assure, to the extent possible, that those from privileged circumstances are not provided scholarships. The financially privileged are those individuals who could reasonably be expected to finance a U.S. college education using personal or family resources. The politically privileged include the immediate families of all high-level elected or appointed government officials with whom the U.S. government has such mutual interests that the appearance of conflict of interest would be likely. In those cases where candidates do not come from privileged financial circumstances but where they appear to be able to contribute something to their training, the Mission will suggest that FFM require them to at least provide for their international travel, as mandated in A.I.D. Handbook 10. Given the difficulty in obtaining accurate information on the financial status of individuals in Costa Rica, the review process will consist of circulating information about the candidates to Mission offices for their scrutiny.

The Program, however, will require only minimal administrative involvement on the part of USAID/Costa Rica. The Mission will retain a veto power on all candidates with respect to security risks or other concerns of close interest to the Mission or the U.S. Embassy.

7. English as a Second Language (ESL) Requirement

Budget estimates provide for ESL training on a selective basis. In the case of those students studying at the four Latin American Participating Institutions (LAPIs), complementary English-language training will be provided at the training site in institutions identified by FFM. This training will be provided, for the most part, to those students who have demonstrated in their first year that they are the most likely to be the ones selected for the U.S. Ph.D. programs. For the Costa Ricans selected locally for U.S. Ph.D. or MBA programs, they will be expected to pay for their initial in-country English-language training. The magnitude of the scholarship should provide adequate incentive for them to invest (even if they require borrowed funds) in their English-language training. The program will, as provided by Handbook 10, offer U.S. "topping-off" language training of up to three months' duration. In this case, students must meet the TOEFL requirement for their respective institution prior to leaving for the U.S. The U.S. language training allows the student to become comfortable with English before entering academic training.

8. Reports and Deliverables

FFM will supply the Mission Project Manager with the following documentation:

a. A draft Training Plan for the Life-of-Project will be submitted to the Mission and to LAC/DR/EHR within 30 days of signing this amendment. The Mission will review the draft Training Plan, suggesting such changes as are identified by it and the LAC Bureau, and return the modified draft to the FFM within ten working days. Fifteen working days after receipt of the corrected draft, FFM shall provide the Mission with six copies of the final product in English.

b. A brochure in Spanish describing the long-term training portion of the TFD Component, suitable for use by the Mission to inform people about the program and how they may apply.

c. Quarterly Progress Reports based on the format used by A.I.D. for its Semi-annual Reports (SARs), together with information on accrued financial expenditures during the quarter and projected expenditures for the following quarter by the fifteenth day following the end of each FY quarter.

d. Immediate reports of any problem areas in Project implementation requiring Mission attention.

e. Annual LAPI Site Visit Reports.

f. Copies of Academic Enrollment and Term Reports (AETRs) on each participant, with comments on the participant's progress by FFM.

g. Copies of the memos or letters which officially place participants in the program or which remove them from the program.

h. Reports of recruitment trips by LAPI or FFM representatives to Costa Rica within one month after completing the trip.

i. Annual reports on student progress from each LAPI and each U.S. university.

9. Evaluation/Audits

A mid-program evaluation will be conducted by an independent evaluator in the fourth quarter of FY 1994. The evaluation will be funded from this amendment and it will be

supervised by the Mission. A final evaluation will also be undertaken using funds contained herein. The regional ATIE program is currently audited on a regular basis. The Mission could therefore request that the amendment be audited at the same time, with supplemental funds provided by USAID/Costa Rica.

Attachment: Project Amendment Budget

Prepared: 4/24/91: MJA/AEB:SCOPE

TRAINING FOR DEVELOPMENT COMPONENT OF PATS PROJECT:*
 ATIE/FFM BUY-IN (598-0774)

ILLUSTRATIVE BUDGET

	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	TOTAL
LATIN AMERICAN TRAINING											
Education Training	14,793	31,039	48,927	51,381	35,970	18,893					200,803
Allowances	22,457	47,117	74,271	77,998	54,603	28,375					304,818
Travel	2,213	4,843	7,319	7,888	5,381	2,798					30,038
Supplemental Activities	1,518	3,181	5,014	5,288	3,887	1,918					20,580
Sub-total:	40,979	85,980	135,531	142,329	99,841	51,780					558,240
U.S. TRAINING											
Education Training	27,771	58,309	81,839	117,888	101,270	82,303	74,372	39,049	27,342	14,274	624,215
Allowances	33,348	70,025	98,043	141,573	121,619	98,840	89,318	48,895	32,836	17,142	749,835
Travel	1,039	2,180	2,318	3,408	3,788	3,077	2,781	1,480	1,022	536	21,803
Insurance	1,104	2,318	3,243	4,882	4,022	3,289	2,955	1,551	1,088	567	24,795
Supplemental Activities	1,823	3,408	4,769	8,888	5,915	4,807	4,342	2,281	1,587	834	38,480
Sub-total:	64,883	138,238	190,010	274,433	238,612	192,298	173,788	91,238	63,883	33,353	1,458,708
U.S. MBA PROGRAMS											
Education Training	29,232	30,890	32,228	33,843	35,539						181,530
Allowances	35,105	36,856	38,701	40,843	42,680						193,985
Travel	997	1,147	1,208	1,265	1,328						5,943
Insurance	1,181	1,218	1,280	1,344	1,412						8,415
Supplemental Activities	1,707	1,793	1,882	1,977	2,076						9,435
Sub-total:	68,202	71,704	75,295	79,072	83,035						377,308
ADMINISTRATION COSTS											
Salaries	17,901	30,150	41,184	50,954	43,025	25,080	17,821	9,357	6,551	3,439	245,442
Travel	15,000	15,000	7,269	4,044	3,415	1,989	1,414	742	520	273	49,668
Consultant Fees	284	479	654	809	683	398	284	149	104	55	3,899
Indirect Costs**	8,809	14,836	20,265	25,073	21,171	12,330	8,769	4,604	3,224	1,691	120,772
Sub-total:	41,994	60,465	69,372	80,880	68,294	39,777	28,288	14,852	10,399	5,458	419,779
TOTAL PROJECT COSTS	216,058	354,385	470,208	576,714	487,582	283,853	202,054	106,088	74,282	38,811	2,810,035
EVALUATIONS/AUDIT	10,000	10,000	20,000	10,000	10,000	10,000	10,000	10,000	10,000	20,000	120,000
GRAND TOTAL:	226,058	364,385	490,208	586,714	497,582	293,853	212,054	116,088	84,282	58,811	2,930,035

*A 5% annual inflation rate has been incorporated into all cost estimates.

**Indirect costs rate 50% salaries plus fringe 1/1/90 until amended.

Prepared: 4/24/91: MJA/AEB

MISSION IMPLEMENTATION OF THE MASON PROGRAM

A. BACKGROUND

The Mission's country strategy has two interdependent components for its overall goal. The first is to assist Costa Rica to deepen and expand its base of free market-oriented macroeconomic, trade and investment policies thereby allowing it to maintain and increase its market share and competitiveness in areas of comparative economic advantage. The Training for Development component addresses this objective through long-term training outside of the country (the ATIE buy-in described in Annex F) and short-term training, seminars and research. The second objective is to improve public sector operational and fiscal policies. One of the important activities to assist Costa Rica in attaining this will be the training of highest level government leaders in how to conceptualize and implement programs for introducing efficiencies and eliminating waste in the public sector. The generally recognized premier academic program in this area is the Edward S. Mason Program at Harvard University. The TFD component will, therefore, provide a very limited number of training opportunities to Costa Ricans who have attained high level government responsibilities or who have the potential for attaining such levels.

B. PROGRAM IMPLEMENTATION

Given the very few candidates to be selected for this program -- perhaps no more than four during the life of the project -- its implementation will not require a great deal of Mission time or effort. It will, however, require a great deal of careful consideration for identifying those few candidates who enter the program. This will be the responsibility of the Mission senior staff who, in the normal exercise of its activities, will always be watchful for outstanding Costa Ricans who have the potential to make a significant impact upon the overall performance of the Costa Rican public sector. Candidates will be discussed by the entire senior staff and final selection will be achieved through an Action Memorandum to the Mission Director with the clearance of the senior staff.

While it is the policy of the Mission not to select candidates for participant training who come from privileged economic or political circumstances, it will be particularly hard to find candidates for the Mason program among the so called disadvantaged. The Mission must recognize that training in the Mason program may

persuade outstanding Costa Ricans who would never consider entering the public sector to in fact dedicate their talents to bringing about the significant changes required in this area. Therefore, it may be necessary to consider candidates from these better conditions rather forsake the opportunity to influence their career decisions. The Mission will therefore consider the possibility of co-financing the training of these better-off candidates. Mission payments for maintenance costs and other program expenses might be matched by the candidate's payment for international transportation and tuition. In this manner, the participants will be encouraged to take advantage of this important training while the Mission will not be criticized for "giving away" training funds to the privileged.

It must be recognized that the Mason program is a very expensive training option. It provides, however, an opportunity not duplicated elsewhere. Participants are allowed to meet with government leaders at the highest level. They review programs world wide and discuss how relevant policies are developed and what the most effective implementation techniques may be. Finally, they make lasting contacts with world leaders who will be of extreme importance to them in their future work. The benefits of the program, therefore, certainly more than compensate for the costs.

The program can be easily implemented through established contracts with the Office of International Training (OIT) in AID/W. The only documentation required by the Mission will be the PIO/P and the related travel documents. Representatives of the Mason program will visit Costa Rica to personally interview candidates. Entry into the program is, of course, subject to approval by these recruiters.

Prepared:AEB:5/2/91:Mason

EDWARD S. MASON PROGRAM (4 Participants)
Component of the PATS Project

MASON PROGRAM, BUDGET

U.S. TRAINING	FY 1992	FY 1993	FY 1994	FY 1995	TOTAL:
Education Training	25,000	26,250	27,600	28,400	107,250
Allowances	15,000	15,750	16,500	17,300	64,550
Travel	1,200	1,260	1,320	1,390	5,170
Supplemental Activities	3,600	3,780	3,970	4,170	15,520
Sub-total:	44,800	47,040	49,390	51,260	192,490
ADMINISTRATION COSTS					
Salaries	2,042	2,144	2,251	2,364	8,801
Travel	162	170	179	188	699
Consultant Fees	32	34	36	38	140
Indirect Costs	1,004	1,054	1,107	1,162	4,327
Sub-total:	3,240	3,402	3,573	3,752	13,967
TOTAL PROJECT COSTS:	48,040	50,442	52,963	55,012	206,457
(saved under MASON)					

Justification:

The regionally funded ATIE Cooperative Agreement, implemented by the Foundation Francisco Marroquin (FFM), is designed to address these issues throughout Latin America. LAC/DR/EHR and the Office of International Training (OIT) recommend that the Project Authorization and Cooperative Agreement with FFM be amended to implement the Training in Development component of the Costa Rica PATS project. Funding for this training activity will be part of an FY 1991 \$10.0 million amendment to the Mission's PATS project (515-0241). This arrangement was approved by the LAC Bureau during the FY 1992-93 Action Plan Review in January 1991.

Authority: Pursuant to Delegation of Authority No. _____ you have the authority to approve USAID/Costa Rica's buy-in to the ATIE Cooperative Agreement.

Recommendation: That you sign the attached Authorization Amendment to the ATIE Cooperative Agreement for the Training for Development buy-in component of the Policy and Training Support (PATS) project.

Attachments: A: Authorization Amendment
B: ATIE Cooperative Agreement

Clearances:

LAC/DR/EHR: LGarza _____
LAC/DR/EHR: JPCarney _____
LAC/DR/EHR: AVollbrecht _____
LAC/DR: SBUGG _____
LAC/GC: TGeiger _____
LAC/DPP: BSchouten _____
LAC/DR: EBrineman _____
SA/AA/LAC: KHarbert _____
A/DAA/LAC: PBloom _____

Drafted: LAC/DR/EHR: MJArnold: 4/24/91
AEBroehl

Saved under AUTH.

PROJECT AUTHORIZATION AMENDMENT

Name of Country : LAC Regional

Name of Project : Advanced Training in Economics (ATIE)

Number of Project: 598-0774

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the amendment of the Advanced Training in Economics Cooperative Agreement (LAC-0042-A-00-9003-00) to include a buy-in component by USAID/Costa Rica for the Training for Development Component of the Policy and Training Support project (515-0241). Planned obligations of this amendment are not to exceed Two Million Eight Hundred Thousand (\$2.8 million) and brings the ATIE Cooperative Agreement up to a total of \$9.8 million.

2. The amendment will provide for a long-term training program for USAID/Costa Rica's Training for Development component of the PATS project for the purpose of producing an appropriate number of professionally trained economists who can have a substantial impact on the quality of economic analysis and policy implementation in that country.

3. The Cooperative Agreement amendment may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

**Assistant Administrator
Bureau for Latin America and
the Caribbean**

Date

Clearances:

LAC/DR/EHR:LGarza_____	Date:_____
LAC/DR/EHR:JPCarney_____	Date:_____
LAC/DR/EHR:AVollbrecht_____	Date:_____
LAC/GC:TGeiger_____	Date:_____
LAC/DR:JHdrasky_____	Date:_____
LAC/DPP:BSchouten_____	Date:_____
LAC/CONTLCAdams_____	Date:_____
SA/AA/LAC:KHarbert_____	Date:_____
A/DAA/LAC:PBloom_____	Date:_____

LAC/DR/EHR:MJArnold:4/24/91 (saved under AMEND)

MEMORANDUM

April 24, 1991

TO : Policy and Training Support Project Committee
FROM : Marilyn Arnold, Allan Broehl -- Consultants
SUBJECT: Options for Implementing the Training for Development Segment of the Policy and Training Support Project

A. Background

The Training for Development (TFD) segment of the Policy and Training Support Project has six components which may be considered as one program or may be divided into two programs. These components are:

1. U.S. Ph.D programs in economics
2. MA programs in economics in prominent Latin American universities
3. U.S. MBA programs in finance
4. Programs at Harvard's Edward S. Mason Program
5. In-country programs in cost-benefit analysis
6. Research and seminars in Costa Rican universities

In order to implement the above components, the Mission will need to obligate Project funds by amending existing projects since no new projects can be developed. The purpose of this Memorandum is to explore the most expedient way to implement the TFD through project amendments. The following options may be considered:

B. U.S. Ph.Ds in Economics; MA Programs in Latin American Universities

Unquestionably, the first two components may be implemented under the regional Advanced Training in Economics (ATIE) Project which is administered by the Fundacion Francisco Marroquin (FFM), a U.S. based foundation. The regional Project, which has a funding level of \$7 million and is managed by the Education/Human Resources Office of the LAC Bureau (LAC/DR/EHR), includes identical activities to those in the first two components. Dr. Arnold Harberger of UCLA works with the FFM to guide the

selection of students, to monitor the quality of the programs both in the U.S. and in Latin America, and to assist the graduates of the Project upon their return to their countries. The two components represent a funding level of approximately \$2.4 million of Mission funds.

C. Mason Program, In-country Cost-benefit Training, and Research and Seminars

These activities -- with the exception of the Mason Program -- are local in character and will require on-site management. Due to personnel constraints within the Mission, a contract mechanism must be found to provide funding for a local contractor. The Mission has a number of projects which could be amended as well as regional projects within Central America or in AID/W. These include:

1. CINDE - amendment for contracting local personnel and to provide funding for international scholarships, local seminars on cost-benefit analysis, and research and other seminars.

2. CSLA - the CAPS contractor for long-term participants in the U.S. to carry out above activities.

3. INCAE - regionally funded through ROCAP which may permit carrying out above activities.

4. OIT/PIET contract - a regional program under AID/W's Office of International Training which provides for mission buy-in's to carry out above activities.

The Mission could utilize any one of the above options to implement the above described activities. The simplest options are a buy-in to the OIT/PIET contract or an amendment to the CINDE cooperative agreement. In the case of the OIT/PIET buy-in, the Mission would design the local services to be implemented by PIET. The Mission can provide the guidelines on exactly how the activities are to be carried out and can serve on the selection panel of the local Project Manager, of the participants and of the grants and seminars considered for project funding. The PIET contract runs through FY 1997, thereby providing sufficient time to implement the above activities. The one limitation is the relatively few participants that would be programmed for training in the U.S. In the case of CINDE, a similar scope of work can be designed with direct Mission supervision and participation in the selection process.

D. MBA Programs in the U.S

This activity could logically be included with either of the two component packages described above. The advantage of including it in this FFM amendment is to relate it closely to training in

economics. It must be remembered that the applied economics character of the TFD program relates as closely to graduate training in business administration as it does to Ph.D programs in economics. Also, the graduates from the MA programs in Latin America would have the option of entering MBA programs (or doctorate programs in business fields) as well as U.S. Ph.D. programs in economics. The difficulties of including the U.S. MBA programs in the FFM amendment are:

1. The existing program does not include this activity at the present time. Furthermore, FFM selection procedures do not address the candidates most appropriate for the MBA program. Contract Officers reviewing the amendment will be wary of adding an activity not explicitly included in the original Cooperative Agreement.

2. The additional funding required for the MBA program will result in an amendment of \$3.1 million which is large in comparison to the original \$7.0 million of the FFM project. Again, Contract Officers reviewing the amendment may see this as the "tail that wags the dog".

The advantage of placing the MBA program into an OIT/PIET buy-in or an amendment to the CINDE cooperative agreement is that it will add considerably to the number of participants to be placed in U.S. institutions thereby giving the activity a greater emphasis on participant training. Also, it will permit a resident contractor to recruit and evaluate training candidates that may have different characteristics from those considered relevant for the ATIE/FFM program. The disadvantage is that graduates of the MA programs in Latin America may not be so easily considered as candidates for MBA training.

E. Options to Consider

1. ATIE/FFM buy-in for two components - \$2.4 million
2. ATIE/FFM buy-in for three components - \$3.1 million
3. OIT/PIET buy-in for three components - \$2.9 million
4. OIT/PIET buy-in for four components - \$3.6 million
5. CINDE amendment for three components - \$2.9 million
6. CINDE amendment for four components - \$3.6 million

Prepared: 4/23/91: AEB/MJA:TFD

POLICY AND TRAINING SUPPORT PROJECT AMENDMENT BUDGET BY YEAR AND CATEGORY

Project Category	FY 92		FY 93		FY 94		FY 95		FY 96		FY 97		FY 98		FY 99		FY 00		FY 01		TOTAL	
	US\$	CR\$	US\$	CR\$	US\$	CR\$	US\$	CR\$	US\$	CR\$	US\$	CR\$	\$US	CR\$								
Policy and Training Support	350	120	370	130	390	130	400	140	420	150											1,930	670
Legislature	540	170	580	180	580	190	610	200	640	210											2,930	950
Training for Development																						
- Long-term Training	210	20	350	20	470	30	580	20	490	10	280		200		110		70		40		2,800	100
- Mason Program	50		50		50		80														210	
- Seminars, Short-term Training, Research	380	270	380	290	370	300	370	310	370	310											1,870	1,480
Evaluations and Audits																						
- Policy/Training Support	10	10	10	10	20	10	10	10	20	10											70	50
- Legislature	10	10	10	10	20	10	10	10	20	10											70	50
- Training for Development	10	10	10	10	20	10	10	10	10	10	10		10		10		10		20		120	50
TOTAL	1,580	610	1,740	650	1,920	680	2,050	700	1,970	710	290		210		120		80		80		10,000	3,350

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(saved under budget)

ESTIMATED TRAINING COSTS

A. MA Training in Latin American Universities – Economists (12 Participants)

Year	No. of Part.	No. Months	Costs	Inflation	TOTAL
1992	3	12	1,200	1.103	47,650
1993	6	12	1,200	1.158	100,051
1994	9	12	1,200	1.216	157,594
1995	9	12	1,200	1.277	165,499
1996	6	12	1,200	1.341	115,862
1997	3	12	1,200	1.401	60,523

TOTAL: 647,179

B. U.S. Ph.D. Training – Economics (12 participants)

Year	No. of Part.	No. Months	Costs	Inflation	TOTAL
1992	3	12	1,900	1.103	75,445
1993	6	12	1,900	1.158	158,414
1994	8	12	1,900	1.216	221,798
1995	11	12	1,900	1.277	320,272
1996	9	12	1,900	1.341	275,173
1997	7	12	1,900	1.401	223,600
1998	6	12	1,900	1.477	202,054
1999	3	12	1,900	1.551	106,088
2000	2	12	1,900	1.629	74,282
2001	1	12	1,900	1.710	38,988

TOTAL: 1,696,115

C. U.S. MBA PROGRAMS (12 Participants)

Year	No. of Part.	No. Months	Costs	Inflation	TOTAL
1992	3	12	2,000	1.103	79,416
1993	3	12	2,000	1.158	83,376
1994	3	12	2,000	1.216	87,552
1995	3	12	2,000	1.277	91,944
1996	3	12	2,000	1.341	96,552

TOTAL: 438,840

D. EDWARD S. MASON PROGRAM (4 Participants)

Year	No. of Part.	No. Months	Costs	Inflation	TOTAL
1992	1	12	3,600	1.103	47,650
1993	1	12	3,600	1.158	50,026
1994	1	12	3,600	1.216	52,531
1995	1	12	3,600	1.277	55,166

TOTAL: 205,373

E. COST BENEFIT ANALYSIS IN-COUNTRY (84 Participants)

Year	No. of Part.	No. Months	Costs	Inflation	TOTAL
1992	28	9	700	1.103	194,569
1993	28	9	600	1.158	175,090
1994	28	9	500	1.216	153,216
1995	28	9	480	1.277	154,466
1996	28	9	400	1.341	135,173

TOTAL: 812,514

F. RESEARCH & SEMINARS

Year	No. of Part.	No. Months	Costs	Inflation	TOTAL
1992			160,000	1.103	176,480
1993			160,000	1.158	185,280
1994			160,000	1.216	194,560
1995			160,000	1.277	204,320
1996			160,000	1.341	214,560

TOTAL: 975,200

G. EVALUATIONS, AUDITS AND OTHER COSTS 200,000

GRAND TOTAL: 4,975,220

ASSUMPTIONS:

(1) LAPI (Latin American Participating Institutions) Programs

- a. are 36 months in duration
- b. cost \$1,200/month in 1990
- c. 4 students enter program for 3 years

(2) U.S. Ph.D. Programs:

- a. are 48 months in duration
- b. cost \$1,800/month in 1990
- c. 2 participants enter program/year for 4 years
- d. 33% of LAPI graduates enter U.S. Ph.D. program

(3) MBA Programs:

- a. are 24 months in duration
- b. cost \$2,000/ month in 1990
- c. 3 participants enter program/year for 4 year

(4) Edward Mason Program:

- a. is 12 months in duration
- b. costs \$4,000/month in 1990
- c. 1 participant per year for 4 years

(5) Seminar unit costs lessen over time due to increased experience

(6) An inflation rate of 5%/year is used

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