

AGENCY FOR INTERNATIONAL DEVELOPMENT <b>PROJECT IDENTIFICATION DOCUMENT</b> FACESHEET (PID)				1. TRANSACTION CODE <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input checked="" type="checkbox"/> D = Delete		Revision No. _____ DOCUMENT CODE 1																												
2. COUNTRY/ENTITY Central America Regional				3. PROJECT NUMBER 597-0020																														
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PROJECT IDENTIFICATION DOCUMENT  
ECONOMIC POLICY RESEARCH PROJECT

Bureau for Latin America  
and the Caribbean  
Office of Development Programs

July 1987

## I SUMMARY AND CONCLUSIONS

Although exogenous factors have affected Central American economics negatively, erroneous economic policies also have contributed to economic stagnation and/or decline. The IMF, the World Bank and A.I.D. have supported policy reforms, and significant progress has been achieved in some countries. Two aspects of the policy reform effort are relevant to the rationale of this project. First, much of the analysis of policy options has been carried out by the donor institutions. Second, in the one country where some independent research is being carried out, and where the economic policy issues are discussed openly (i.e., Costa Rica), the economic reform effort proceeded more smoothly than in the other countries. In fact, a recent review by the World Bank of Structural Adjustment Loans identifies the lack of in-country economic policy analysis as a key constraint to economic reform programs.

I ESCARIBE, the proposed implementing institution for this project, was established in 1981 with the purpose of improving economic and social research in the Caribbean Basin. It is composed of about 30 research institutes and faculties of economics in the region.

The project proposes to finance the incremental costs of a project management unit within I ESCARIBE, and the costs of a proposal review committee. The member institutes will submit research and institution-building proposals to an independent proposal review committee composed of eminent U.S. academicians. The following types of activities by the member institutes will be financed: a) research projects in the areas of short-run economic stabilization, trade regimes, including exchange rate policy, price policies, and labor markets in the formal and in the underground economy; b) seminars and publications to divulge the results of the research projects; c) training; and d) commodities, principally personal computers. Technical assistance from U.S. research and academic institutions will be provided to assist in the individual research efforts. A possible highly cost-effective training activity would be the continuation of the Spanish-language masters program in economics being offered by Florida International University (FIU) staff at the National University of Honduras.

Total costs for the proposed eighteen month pilot project in Central America would be \$1,350,000, of which A.I.D. would provide \$1.0 million, and the participating IESCARIBE institutes would provide \$350,000.

During the pilot phase of the project (FY 1987 and FY 1988), it is expected that about 15 research projects and a similar number of seminars and publications will be funded. If the Masters program is financed, at least 15 faculty members will receive MA degrees in economics.

This project would enhance the policy dialogue and would strengthen key economic development institutions. It responds directly to the NBCCA recommendation that closer linkages be established between academic institutions in Central America and institutions in the United States.

There will be two evaluations, one six months after project authorization, which will evaluate IESCARIBE's management capability, and one 12 months after project implementation, which will concentrate on the impact of the research on the policy environment. The evaluations will provide the necessary information to determine the merits of funding a longer term project.

## II BACKGROUND

### A. Economic Background

Central America underwent a severe economic contraction during the early 1980s. Total production declined yearly between 1980 and 1983, causing per capita incomes to fall by 12% over the period. The decline in production was reflected in a sharp fall in private investment, massive capital flight, and a general deterioration of the economic climate.

Sharply increased economic assistance resulting from implementation of the NBCCA's recommendations facilitated a turnaround in the region's economic situation. Table 1 summarizes the main macroeconomic conditions in 1983 and 1986 and presents several key indicators of progress to date in stabilizing the region's economies. The reversal of the downward spiral in overall production is the broadest indicator of this turnaround. After declines of -2.6% in 1982 and -0.8% in 1983, regional gross domestic product rose in 1984 by 1.7%, in 1985 by 0.9%, and by an estimated 1.4% in 1986.

TABLE 1

Macroeconomic Indicators for  
Central America, 1983 and 1986<sup>1</sup>

<u>Indicator</u>	<u>1983</u>	<u>1986 (est.)</u>
GDP Growth Rate	-0.8%	+1.4%
Private Invest- ment (% of GDP)	8.9%	11.4%
Private Capital Flows	-\$101 million	+\$215 million
Government Fiscal Deficits (% of GDP)	5.1%	2.8%
Total Non- traditional Exports	\$808 million	\$1,221 million
Nontraditonal Exports to U.S.		
Fruits and Vegetables	\$33 million	\$66 million
Manufactures	\$290 million	\$440 million

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<sup>1</sup>Excludes Nicaragua

Overall economic conditions have substantially improved. Nevertheless, the recovery is still precarious. The economic growth rate of 1.4% in 1986 falls short of the 2.5%-3.0% hoped for 2 years ago. The two most significant shortfalls have been in Guatemala, where major U.S. funding did not begin until an economic stabilization program was implemented in 1986 after the transition to an elected government, and in EL Salvador, where continued guerrilla attacks and destruction make economic stabilization recovery more difficult. In addition, El Salvador suffered a major earthquake in October 1986, causing a conservatively estimated \$822 million in damage to infrastructure alone.

The slowness of the recovery appears to be the result of both external and internal factors. The major external factors are:

1. External economic trends have been worse than anticipated, and have been characterized by sluggish world economic growth and unfavorable commodity prices;
2. Anticipated capital inflows have not materialized; and
3. An adverse political/military climate still exists, particularly the destabilizing political conflict between Nicaragua and its neighbors.

The major internal factors are related to inadequate economic policies, and lack of sufficient fiscal discipline. The most important internal factors are:

1. Governments have been slow to make economic policy changes. To varying degrees, governments have been reluctant to take some of the steps necessary to resolve their economic problems;
2. Progress in exchange rate realignment has been substantial but remains incomplete. This is not an issue in Belize, Costa Rica, or Panama. Guatemala adjusted its exchange rate for most transactions to a realistic level in early 1986 and has pledged to complete the process. El Salvador also undertook a major adjustment in 1986 but has not made needed followup adjustments. In Honduras, the exchange rate remains a policy concern;
3. Economic policy coherence has not been fully achieved. In addition to difficulties in maintaining an appropriate exchange rate system, El Salvador, despite the substantial gains of 1984 and 1985, continues to suffer from a lack of public and private consensus on economic policy. Costa Rica's overall economic policy under the current administration has been the subject of protracted negotiations, while its relationship with its commercial creditors deteriorates; and
4. Government deficits are still too large. Fiscal deficits have been cut sharply, but further reductions are needed in some countries. A relaxation of fiscal discipline in Costa Rica is threatening to undo some of its progress, while the Salvadoran Government's inability to control fiscal deficits threatens to increase inflationary pressures.

Implementing such structural economic reforms presents a dilemma for fragile democratic governments.

In the short run, such actions impose economic hardship on some groups upon which the governments depend for support. Over the long term, failing to correct underlying structural problems will only lead to worsening economic conditions for the entire country.

B. Implementing Policy Reform in Central America

In all the policy reform efforts in Central America, donor agencies, mainly the IMF, World Bank, and A.I.D. have played major roles. First, staff from the IMF, World Bank, and A.I.D. have worked closely with the staff of the different governments in the definition of the policy measures to be undertaken. At times, this effort has been complemented by consultants financed by A.I.D. (e.g., through the Development Policy Studies Project in Panama), financed by the World Bank through technical assistance loans (e.g., Panama and Costa Rica), and through IMF technical assistance (e.g., "panel of experts" have assisted countries on tax reform). Second, the main donors have conditioned their assistance on the implementation of policy reforms.

In all countries, key government officials have participated in the definition of the policy measures. However, the perception of the general public has been that the reforms are imposed by the external donors, and that the governments have implemented the reforms merely to obtain foreign finance. The groups of society affected negatively by the reforms have exploited this perception to attempt to derail the reform efforts. The lack of understanding of the benefits that accrue from policy reform has been a key constraint to structural adjustment programs, as has been recognized in a recent World Bank report which reviews the experience with the first 20 SALs.

C. Project Rationale and Design Consideration

The success of policy reform efforts will depend, to a large extent, on the understanding by the general public of the costs and benefits of economic reform. Additionally, it is necessary to end the misconception that the rationale for policy reform is to obtain financial assistance from the IMF, World Bank, and, A.I.D.

A program to finance economic research by private institutes and faculties of economies in Central America could help mobilize support for the reform effort. For this to be achieved, three conditions must be met. First, the main responsibility for identifying the research topics and for directing the research must lie with the national research institutes and the involvement of foreign consultant's must be

circumscribed to the technical aspects of the research. Second, the research must be policy oriented. Third, there must be ample dissemination of research results.

D. Relation to A.I.D. Policies and Strategy

This project would enhance the policy dialogue and world strengthen key economic development institutions. It responds directly to the NBCCA recommendation that closer linkages be established between academic institutions in Central America and institutions in the United States.

III THE PROPOSED PROJECT

A. Goal and Purpose

The goal of the project is to accelerate economic growth in Central America through the support of policy reform efforts. The purpose of the project is to strengthen economic research centers and university economics departments in Central America in order to improve the quality of research and teaching, and to raise the level of public understanding and dialogue on economic policy issues.

B. Length of Project

A pilot activity with a total duration of 18 months will be carried out, and will be circumscribed to Central America. If the pilot project is successful, a longer term activity, with a duration of four to five additional years, will be considered for finance. Additionally, the possibility of extending the activity to countries of the Caribbean Basin outside Central America also will be considered.

C. Project Outputs and Inputs

Project outputs will be:

1. Fifteen research projects will be completed;
2. Fifteen reports will be prepared;
3. Fifteen seminars will be given to present the results of the research;
4. Three international seminars that will include participants from each country will be organized to present the findings of the national research efforts. These seminars probably will be organized around the three topics which have been identified as research priorities by the institutes, i.e., the

impact of macroeconomic adjustment, trade policy, and labor markets, including issues related to the underground economy; and

5. Training. If the Masters program at the National University in Honduras is supported, 15 members of the faculty will be trained at the master's level.

Project inputs will be:

1. Funds to finance a proportion of the local research costs;
2. Technical assistance to assist with the national research efforts;
3. Finance for a proportion of the administrative costs of IESCARIBE;
4. Travel to international seminars and per diem; and
5. Honoraria and travel costs of the faculty that would teach the Masters program at the National University of Honduras.
6. Equipment, mostly personal computers.

D. Illustrative List and Description of Research Proposal

The member institutes have submitted preliminary research proposals to IESCARIBE. The method for selecting the proposals that will be financed is discussed in the chapter on Organization and Management. A list of proposals submitted is presented here to illustrate the types of activities which will be financed.

1. Instituto de Investigaciones en Ciencias Economicas (IICE)

IICE, a unit of the Universidad de Costa Rica, proposes to analyze the degree of capacity utilization in the Costa Rican manufacturing sector. This information would then be used to link capacity utilization with potential for growth in national exports. An econometric model would be structured to link capacity and market potential. Budget requirements total \$57,900.00 for expenses for staff researchers, consultants, a microcomputer, office supplies and administration, and a seminar focussing on the study's findings.

2. Universidad Rafael Landivar

Landivar, a private Guatemalan university, proposes to develop a set of short run social welfare indicators that can be used to measure, on a monthly basis, economic activity and living conditions. The work would include 1) evaluating current indicator systems, 2) analyzing available data sources, 3) development of a new system of short run indicators, 4) establishment of the methodology and institutional responsibilities for implementation. Budget requirements total \$59,900.00 for expenses for researchers and office equipment.

3. Centro de Estudios de Coyuntura Economica (Guatemala)

The Center proposes to review the Guatemalan foreign debt situation in order to enhance their capability in matters of political economy. Areas of work will include studying debt related policies, debt structure from 1970 to 1986, and analysis of the process of rescheduling. Budget requirements total \$14,700.00 for personnel costs, for data collection and evaluation, and preparation of a bibliography.

4. Centro de la Ciencias del Desarrollo Socioeconomico (Costa Rica)

The Center, also known as PRODESARROLLO, proposes to undertake research leading to identification of key policies and mechanisms that will permit an increase in the non-traditional export sector in Costa Rica. They propose to examine the structure of Costa Rica's external trade flows, identify twenty products with near term export potential and the firms involved, identify three export markets, and potentials for joint ventures. The work would be finalized by design of an export development program. Funding requirements are estimated to be \$60,000.00.

5. Universidad Nacional Autonoma de Honduras

The University of Honduras, in cooperation with Florida International University, continue the Masters of Economics degree, taught in Honduras by members of the FIV economics faculty. Incorporating a student loan program for financial aid, the program would require \$32,000.00 to finance the matriculation of 13 students.

E. Cost Estimate and Financial Plan

Total expenditures under this project are estimated to be \$1,350,000.00. Of this amount, \$1,000,000 will be

provided from AID grant funds for technical and administrative assistance, funding of local costs of research, and limited procurement of equipment. Approximately \$350,000.00 (or up to 50% of local costs for the studies) may be provided from in kind and counterpart funding from participating institutes and by IESCARIBE which we provide office space and logistic support in Guatemala City and Miami.

As illustrated in the following tables, AID project funds will be used to finance administrative and technical support costs (\$294,375.00 or 22% of total project funding) and both local costs and foreign exchange requirements for research subprojects (\$1,055,625.00 or 78%). During implementation, up to 15% of AID-provided funds may be transferred between "use" categories to assure flexibility of budgeting.

AID funding by fiscal year is expected to be \$500,000.00 in FY 1987 and \$500,000.00 from FY 1988 budget allocations to the AID/W LAC Regional budget.

Table 2

Summary Cost Estimate and Financial Plan  
(U.S. \$ X 1,000)

Sources	AID		Participants		Total
	FX	Local	FX	Local	
Uses*					
Operations					
TCU	129.8				129.8
CCU	146.6				146.6
Evaluations	18				18.0
Subprojects	705.6			350	1,055.6
<b>Total</b>	<b>1,000</b>			<b>350</b>	<b>1,350</b>

\*Includes 10% contingency charge.

Table 3

Projection of Expenditures by Fiscal Year

Administrative Costs	Year 1	Year 2	Total
CCU Subtotal	\$96,800.00	\$55,275.00	\$152,075.00
TCU Subtotal	\$86,900.00	\$42,900.00	\$129,800.00
Administrative Cost Total	\$183,700.00	\$98,175.00	\$281,875.00
Project Evaluation	\$8,000.00	\$10,000.00	\$18,000.00
Operating Costs Total	\$191,700.00	\$108,175.00	\$299,875.00
Subproject Funding Available	\$350,062.50	\$350,062.50	\$700,125.00
Institute Contributions	\$220,000.00	\$130,000.00	\$350,000.00
Total Expenditures	\$761,762.50	\$588,237.50	\$1,350,000.00

#### IV Organization and Management

##### A. Institutional Background

IESCARIBE is a consortium composed of independent research institutes and faculties of economics in the Caribbean Basin. Its main purpose is to promote the planning and initiation of studies useful to the economic development of the Caribbean Basin. The organization stresses applied research and professional training with a policy focus.

The primary purpose of IESCARIBE has been the promotion of contacts and cooperation among the economic and social research institutes of the Caribbean Basin by four means: first, by conducting research and joint studies on topics related to the economic and social development of the region; second, by organizing conferences and seminars on key regional problems to promote academic exchange and public policy discussion; third, by publishing the results of these research efforts; and fourth, by collaborating to provide postgraduate training programs in economics for the region.

IESCARIBE had its origin in a meeting held at Florida International University convened on April 30, 1981. Under the auspices of the Department of Economics and the Latin American and Caribbean Center of the University, directors and representatives of various research institutes in Central America, Colombia, the Dominican Republic, Mexico, Puerto Rico, Venezuela, the English-speaking Caribbean, and Miami, Florida proposed that a network for regional economic development research be established. The basic agreement forming the network was signed in Santo Domingo in October, 1981. In April 1983, IESCARIBE was officially and legally formed.

Since its inception, the organization has been involved in a variety of activities which include sponsoring seminars and conferences, coordinating joint research in regional trade, labor force migration, industrial policies, and employment. It has also been engaged in sponsoring a variety of facilitating activities designed to promote productive working relationships between personnel of member institutes and research practitioners from U.S. and other Latin American institutions.

IESCARIBE is financed mostly by its member institutes and by institutions participating in its public policy conferences. In addition to institute

financing, it has obtained small grants for its seminars and for project preparation and related meetings from AID, the German Friedrich Ebert Foundation, the Ford Foundation, the Econometric Society, and the U.S. Department of Education. Its major research project to date has been a study of regional trade which is being finance by the Inter-American Development Bank (IDB), and which is expected to be completed in July 1987.

Over the past two years, IESCARIBE has received two grants from AID for purposes of developing its agenda in support of the Caribbean Basin's institutes. The funds were used to prepare for and support meetings of researchers around topics of professional interest for the region. As part of these activities and in anticipation of a possible follow-on grant from AID to support its program of economic policy research, IESCARIBE went out to its member institutions with a call for preliminary proposals for research. Members responded with a total of 67 draft proposals elaborating on research and training activities. Examples of proposals received from Central American institutes follow. They are presented for illustrative purposes only.

#### B. Project Management

For purposes of administering this project, IESCARIBE will organize two operating units for technical and administrative support and one specialized committee for subproject proposal review. Originally, it was envisaged that the project would be implemented by a single unit based at an IESCARIBE member institute in Central America, and that the selection of research proposals would be the responsibility of a review committee that would meet periodically, and that would be composed of eminent U. S. based researchers and academicians. However, during project design, it was determined that there was a need to provide continuous technical support to the member institutes. While the rationale for basing the project coordination in Guatemala remained, continuing support from a U. S. institution has been deemed necessary for project success. Florida International University, a member of IESCARIBE, is perfectly suited for this role for two basic reasons. First, the Chairman of its Economics Department has had a long experience in supporting economic research in Latin America. Second, most of the other members of the faculty have strong research interests in the Caribbean Basin. The proposed organization is as follows:

The Central Coordinating Unit (CCU): The CCU will be staffed by the project's Director who will be supported by an assistant for technical affairs, an

assistant for financial management and administrative affairs, and a secretary. The function of this unit will be to initiate the call for subproject proposals, support the subproject proposal review committee, and support the participating institutes for proposal submission and administrative, procurement, and minor technical matters involving subproject research activities.

For purposes of convenience and cost savings, the CCU will have its offices in Guatemala. A Guatemalan IESCARIBE member institute will provide the CCU with office space, access to its facilities, its library, and (to a lesser degree) some of its administrative support personnel. The CCU will contract locally for specialized assistance as needed in the areas of accounting and legal matters.

The Technical Support Unit (TSU): The TSU will have a complement of personnel limited to a Senior Technical Coordinator, a roster of four part-time research consultants, and secretarial and other office services on a contract basis. It will be based at the IESCARIBE office in Miami, Florida and will receive some infrastructural support from Florida International University.

Its functions will include technical support to member institutes on all problems arising from research design, methodology, and execution of subprojects. It will provide this assistance through written guidance and/or onsite support services on a TDY basis.

The Subproject Review Committee (SRC): The SRC will be comprised of eminent economic researchers from U.S. institutions and will be charged with the responsibility of reviewing and selecting subprojects for funding under this project. The committee will be made up of five individuals (all U.S. economic research practitioners) who will serve at the pleasure of the IESCARIBE board on an honorarium fee basis. The Senior Project Director and the Technical Coordinator will be ex-officio members. The SRC will meet twice a year to evaluate proposals.

As described in the section concerning the subproject selection process, members of the SRC will individually review subproject proposals of Central American research institutes and select those which best meet the criteria for funding under this project. They will then assemble for discussions of the merits of each proposal and present a recommended list of finalist subprojects to the principal officers of IESCARIBE.

### E. The Subproject Selection and Administration Process

To administer AID funds provided under this project, IESCARIBE has developed a subproject proposal preparation, review, and support program. The steps in that process are as follows:

1. IESCARIBE will prepare and post a call for proposals for funded research, seminars, and training activities related to issues of economic policy. The call will contain a detailed definition of target subject areas, information required for inclusion in the proposal, guidelines for budget preparation and other important information designed to aid the research proposer in preparing his proposal.

2. Upon receipt of the proposals, IESCARIBE will review them for general completeness and responsiveness and categorize them in terms of focus (research area, training, seminars and conferences, and the like).

3. The proposals will be sent to members of the Subproject Review Committee (SRC) and will be given substantive review by knowledgeable research practitioners.

SRC members will review each of up to 15 proposals for substantive factors such as relevance of the subproject to regional and national economic problems, feasibility of the research effort given the human, institutional, and financial resources available, and the like. Committee members will screen the proposals in one of three categories: Reviewable, Unacceptable, and Uncertain.

4. Committee members will compare and rank order proposals. The SRC will review proposed subprojects using the following criteria:

--- Fit within the three primary areas of applied research.

--- Technical and administrative feasibility of the proposed effort for the proposing member institution.

--- The effect of the proposed subproject on the institution's needs for strengthening.

--- The relevance of the proposed subproject to host country policy needs.

--- The effect of the proposed subproject on building professional linkages with U.S. and other Latin American economic research practitioners and their institutions.

5. IESCARIBE will notify successful proposers that a final proposal is invited. The proposer will be given guidance as to form and substance of the proposal, specific advice on areas of improvement needed for their proposal, and terms and conditions for receipt of subproject funding. Site visits may also be scheduled by the CCU and/or TCU on an as needed basis for those institutes whose proposals may have merit but fall under the classification of "uncertain".

6. Final proposals will be distributed to the SRC for final evaluation and competitive ranking. The Committee will assemble to discuss candidate projects and, by consensus, will nominate to IESCARIBE the best ranked projects and two alternates.

7. Successful candidates will be notified of the Committee's findings and subordinate project agreements will be forwarded for signature.

8. Some proposals may be received which will meet general requirements for responsive subprojects but are not sufficiently well developed to be considered as finalists in the review process. The CCU, with assistance from the TCU, will assist promising proposers in reorganizing or reformulating subproject plans, administrative arrangements, or other tasks necessary to improve the quality of their proposal.

9. The CCU and the TCU will work closely with participating institutes during the subproject implementation phase. The CCU will provide administrative support and a limited amount of technical assistance on substantive matters. The TCU will perform the function of technical consultant on substantive matters concerning the research itself, including methodology, recruitment of appropriate expatriate experts, and evaluation of interim results.

10. The CCU, with support from the TCU and the participating institutes, will organize and sponsor seminars to review and publicize interim and final products of the subprojects.

In addition to the administration of subprojects, IESCARIBE will organize and host two or three regional plenary conferences on economic policy matters. As has been its practice in the past, IESCARIBE will prepare the content of the conferences in collaboration with a member institute hosting the meeting, publicize it to other institutes and prospective attendees throughout their network, manage international logistics, and circulate the output of the deliberations to interested parties including the professional press.

#### F. Procurement Planning

Due to the general nature of the project, the CCU and the TCU will be procuring a limited quantity of goods and services with AID funds. However, judging from the examples provided by the draft proposals received from Central American institutions, certain equipment requirements can be anticipated. Microcomputers and appropriate software will likely be an element in as many as 60% of requests for subproject funding.

The Project will standardize microcomputer purchases around the IBM-compatible computer with operating systems known as MS-DOS or PC-DOS. Purchases will be made from "off the shelf " stock available in each of the countries of Central America participating in the project.

#### G. Monitoring Plan

The project will be managed by A.I.D. Washington (LAC/DP). The project manager will be responsible for providing ongoing review of the progress of the project toward its objectives. He/she will prepare a plan, supplemental to those found in this paper, which will be used to chart progress toward specific implementation targets (i.e. transmittal of the call for concept papers from proposing institutes, preparation of detailed guidelines to proposers, completion of the CCU voucher handling system, and the like).

The AID project manager will meet with the IESCARIBE project director on a regular basis until such time as, in his opinion, such close coordination is no longer needed to assure project objectives are achievable, that the grantee is fully organized to carry out the project, and that IESCARIBE is able to adhere to the implementation schedule.

#### H. Project Evaluation Arrangements

Because of the short duration of this project, there are only two scheduled evaluations. The first will be made at six months following project obligation and the second will be three months prior to the PACD.

The initial evaluation will concentrate on 1) the progress of IESCARIBE to date in meeting implementation plan targets, 2) the effectiveness of IESCARIBE's operating units and committees in discharging their duties, 3) review and recommendations concerning IESCARIBE's voucher handling process, and 4) compliance of IESCARIBE with subproject selection criteria.

The second evaluation will concentrate on the impact of the subprojects. Special attention will be given to the quality and utility of the funded work of the participating institutes, its general relevance to the Central American policy dialogue process, and the incremental effect on the institutes of the experience gained from executing the subprojects. An analysis of whether the studies have had an effect on policy implementation will be a key component of the evaluation. In addition, the evaluator will examine the process by which IESCARIBE provided technical and administrative support to participating institutes, draw conclusions concerning its relative efficacy and efficiency, and make recommendations for enhancements in any possible follow-on activities of this type, should further funding is available and deemed warranted.

Evaluations will be forwarded to the IESCARIBE board who will provide them to the Senior Project Director, the Technical Coordinator, and the PEC.

Costs of the evaluations will be financed from project funds and are estimated to be \$8,000.00 for the mid-term study and \$10,000.00 for the second study.

In addition to the evaluations, a mandatory audit will be performed prior to PACD. Costs of the audit are estimated to be \$5,000.00. Funding in that amount has been included in the project budget to defray all related expenses as no other funding source is available.

#### I. Contracting with IESCARIBE

IESCARIBE is the only institution in the region actively engaged in the support of economic research and training. A.I.D.'s purpose is to support IESCARIBE's program, but there will be a need for A.I.D. to become substantially involved in IESCARIBE's program. Therefore, the A.I.D. assistance will be provided through a cooperative grant agreement.

## Narrative Summary

**Goal**  
To accelerate economic growth in Central America through the support of policy reform efforts.

### Purpose

To strengthen economic research centers and university economics departments in Central America in order to improve the quality of research and teaching, and to raise the level of public understanding and dialogue on economic policy issue.

### Outputs

1. Completed research projects
2. Reports on completed projects.
3. Seminars to present report results.
4. Seminars on research priority topics.
5. National University of Honduras faculty trained at masterlevel.

### Inputs

1. Support for local research costs.
2. Technical assistance for research projects.
3. Administrative support.
4. Participants at international seminars.
5. Instruction for Masters program.

## Objectively Verifiable Indicators

- Basic national accounts data for growth of GDP and of private sector investment.

1. Research centers/universities capable of identifying research needs and of formulating policy oriented research proposals.
2. Policy research completed by participating centers/universities.
3. Increased public awareness of costs and benefits of economic reform efforts.

1. 15 projects
2. 15 reports.
3. 15 seminars.
4. 3 international seminars with private sector, university and media participants. Topics:
  - (1) impact of macroeconomic adjustments;
  - (2) trade policy;
  - (3) labor markets.
5. 15 masters level trained faculty.

Project Budget	
Administration	(\$000)
Technical assistance	180
Travel and seminars	30
Office expenses	60
Sub-total	270
Institute Support	
Research	800
Seminars & publications	150
Equipment	110
Sub-total	1060
Evaluations	20
TOTAL	1350

## Means of Verification

Annual National Accounts data published by Ministries of Finance, Central Banks.  
Evaluation Team's Comprehensive EOP Evaluation Report.

Evaluation Team's Comprehensive EOP Evaluation Report. Ongoing evaluation of projects provided by CCU/TCU.

Initial (6 months) Evaluation. Evaluation Team's Comprehensive EOP Evaluation Report. Copies of reports. Seminar programs. TCU reports on project implementation and evaluation.

1. Project Records and Reports.
2. Agency Records.
3. Grantee Records and Financial Reports.

## Important Assumption

1. Increased public awareness will reduce resistance to policy reform
2. Government implements a coherent set of economic policies.
3. Other elements necessary to achieve sustained economic growth will occur.

1. The studies address policy relevant issues.
2. The results of the study are disseminated widely.

1. TCU selection and monitoring will keep research activities on schedule.
2. Qualified staff can be identified and recruited.
3. Perceived need for seminars exists.

- A.I.D. funding will be available.  
- Counterpart funding will be available.