

UNCLASSIFIED

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

ROCAP

PROJECT PAPER

ECONOMIC POLICY RESEARCH

AID/LAC/P-467

Project Number: 596-0147

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input checked="" type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number _____ DOCUMENT CODE 3
--	---	--

2. COUNTRY/ENTITY ROCAP	3. PROJECT NUMBER <input type="checkbox"/> 596-0147 <input type="checkbox"/>
-----------------------------------	--

4. BUREAU/OFFICE Latin America and the Caribbean <input type="checkbox"/> 05 <input type="checkbox"/>	5. PROJECT TITLE (maximum 40 characters) <input type="checkbox"/> Economic Policy Research <input type="checkbox"/>
---	---

6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 02 28 91	7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY <input type="checkbox"/> 8 <input checked="" type="checkbox"/> 8 B. Quarter <input type="checkbox"/> 1 <input checked="" type="checkbox"/> 4 C. Final FY <input type="checkbox"/> 8 <input checked="" type="checkbox"/> 9
---	--

8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY 88			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	750		750	1,700		1,700
(Grant)	(750)		(750)	(1,700)		(1,700)
(Loan)						
Other U.S.						
1.						
2.						
Host Country						720,160-
Other Donor(s)						
TOTALS	750		750	1,700		

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) USDA	5773					750		1,700	
(2)									
(3)									
(4)									
TOTALS						750		1,700	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) 910 930 960	11. SECONDARY PURPOSE CODE
---	-----------------------------------

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each) A. Code _____ B. Amount _____
--

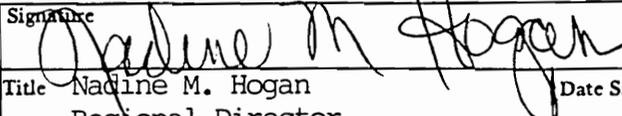
13. PROJECT PURPOSE (maximum 480 characters) <div style="border: 1px solid black; padding: 10px; margin-top: 10px;"> <p>To increase the quantity and quality of economic research and analysis by economic research centers and universities in Central America on critical economic policy issues, and to raise the level of public understanding and dialogue on those issues.</p> </div>

14. SCHEDULED EVALUATIONS Interim MM YY MM YY Final MM YY 08 89 09 90	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify) _____
---	---

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

I have reviewed the methods of implementation and financing of this Project and certify that they are in agreement with Payment Verification Policy Implementation Guidance provided in AA/M memorandum of December 30, 1983, as amended.

Joe O. Hill, Jr., CONT DATE 8/25/88

17. APPROVED BY	Signature:  Title: Nadine M. Hogan Regional Director	Date Signed MM DD YY 08 29 88	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY
------------------------	---	----------------------------------	--

PROJECT AUTHORIZATION

Names of Recipients: Institutes of Economic and Social Research of the Caribbean Basin (IESCARIBE), Permanent Secretariat for Central American Economic Integration (SIECA), and Central American Institute for Business Administration (INCAE)

Name of Project: Economic Policy Research

Number of Project: 596-0147

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Economic Policy Research Project with the Institute of Economic and Social Research of the Caribbean Basin (IESCARIBE), the Permanent Secretariat for Central American Economic Integration (SIECA), and the Central American Institute for Business Administration (INCAE) (collectively the "Grantees"), involving planned obligations not to exceed One Million Seven Hundred Thousand United States Dollars (\$1,700,000) in grant funds ("Grant") over a two and a half year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/ allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is two and a half years from the date of initial obligation.

2. The project ("Project") consists of support to IESCARIBE, SIECA and INCAE in order to support research activities at Central American universities and economic research institutes. The project will strengthen the present capability of these institutions to produce policy-oriented research and improve the viability of the institutions to contribute to economic policy reform efforts over the long term.

3. The two Cooperative Agreements and a Project Grant Agreement which may be negotiated and executed by the officer 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.

b'

- 2 -

A. Source and Origin of Commodities, Nationality of Services

Goods and services, except for ocean shipping, financed by A.I.D. under the Grant shall have their source and origin in the United States and the Central American Common Market, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall be financed only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.

B. Conditions Precedent to Disbursement to SIECA for Project Activities

1. First Disbursement

Prior to any disbursement, or to the issuance of commitment documents under the Grant with SIECA to finance any project activity, SIECA shall, except as A.I.D. may otherwise agree in writing, provide to A.I.D. the following:

(A) an opinion of Council acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;

(B) a statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2 and of any additional representatives, together with a specimen signature of each person specified in such statement;

(C) evidence that the Centro de Estudios e Investigaciones Especificas (CEIE) has been formally established within SIECA with provision for a full-time director and core staff, and sufficient autonomy and authority to develop work plans, hire technically qualified staff, make and supervise subgrants, and assure accountability for A.I.D. funds;

(D) designation of the representative and alternate to the Project Steering Committee;

2. Additional Disbursement:

Prior to any additional disbursements under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, SIECA will, except as the parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

C

- 3 -

(A) evidence that funds have been budgeted by SIECA to support at least one fourth of the costs of CEIE, and a significant portion of the costs of improving the statistical and publications functions of the institution;

(B) submission of a first year annual plan acceptable to A.I.D. which will include (a) studies and dissemination plans; (b) SIECA statistics and library program plans, and (c) a procurement plan.

(C) submission of a model or standard subgrant/ subcontract agreement for studies that is acceptable to A.I.D.; and

C. Covenants

The Grantees shall covenant that, unless A.I.D. otherwise agrees in writing, they will:

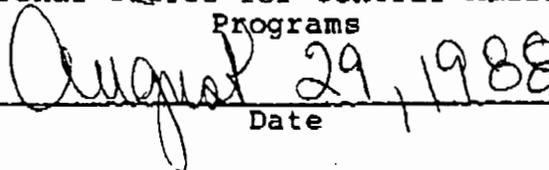
(1) provide adequate support and information to evaluation teams conducting evaluations of the project during the life of the project and at the end of the project.

(2) maintain communication and provide progress reports to the A.I.D. Mission for the Central America Region with regard to the activities of the Grant-financed activities in each country.

(3) ensure that technical assistance provided under the Economic Policy Research project is distributed among participating countries with respect to relative need and present capability.



Regional Director
Regional Office for Central American
Programs



Date

ECONOMIC POLICY RESEARCH

(596-0147)

PROJECT PAPER

	<u>PAGE</u>
I. SUMMARY AND RECOMMENDATIONS.....	1
A. Recommendations.....	1
B. Background Summary.....	1
C. Project Summary.....	1
II. BACKGROUND AND RATIONALE.....	2
A. Economic Background.....	2
B. Implementing Policy Reform in Central America.....	4
C. Regional Institutional Capacity.....	5
D. Project Development Issues.....	7
E. Rationale/Relation to Strategy.....	9
III. PROJECT DESCRIPTION.....	11
A. Goal, Purpose and Outputs.....	11
B. Project Components.....	11
1. Quality Policy Studies.....	12
2. Dissemination and Dialogues....	13
3. Institutional Strengthening....	14
C. Project Management.....	15
1. ROCAP Management.....	15
2. Project Steering Committee.....	16
3. Management of Studies.....	16
4. Management of Institutional.... Strengthening.....	17
IV. PROJECT ANALYSES.....	18
A. Technical.....	18
B. Economic.....	19
C. Social Soundness.....	20
D. Administrative.....	20
1. The Cooperating Institutions...	20
2. ROCAP.....	22
3. Conclusions.....	22

	<u>PAGE</u>
V. PROJECT IMPLEMENTATION.....	23
A. Administrative Arrangements.....	23
1. Structure.....	23
2. Project Steering Committee and Project Officer.....	23
3. Subgrants or Subcontracts.....	23
B. Negotiating Status.....	23
C. Conditions Precedent for SIECA.....	23
1. First Disbursement.....	23
2. Additional Disbursements.....	25
D. Special Covenants.....	25
1. Project Evaluation.....	26
2. Workplan and Budgets.....	26
3. Coordination.....	26
4. Reports.....	27
E. Financial Management.....	28
1. General Procedures.....	28
2. Procurement.....	29
3. Recurrent Costs.....	29
F. Procurement.....	29
G. Monitoring and Evaluation.....	30
H. Audit Coverage.....	31
I. Implementation Plan.....	31
VI. COST ESTIMATE AND FINANCIAL PLAN	32
A. Cost Estimates.....	32
B. ROCAP Inputs.....	33
1. SIECA.....	33
2. INCAE.....	33
3. IESCARIBE/Florida.....	34
4. ROCAP.....	35
C. Methods of Implementation and Financing.....	35
D. Counterpart Contribution.....	37
E. Summary Budget Tables.....	38

ANNEXES

- A. Logical Framework
- B. Statutory Checklist
- C. Letters of Application
 - 1. SIECA
 - 2. INCAE
 - 3. IESCARIBE
- D. IEE
- E. Approval for Non-Competitive Cooperative Agreement
- F. LAC Cable Transferring Project
- G. Project Analyses
 - 1. Technical
 - 2. Administrative
- H. Duties and Responsibilities of Project Steering Committee
- I. Procurement Plan
- J. Budget Tables

ACRONYMS

CEIE	SIECA's Center for Specific Studies and Investigations
ECID	SIECA's Estudios Centroamericanos de Integracion y Desarrollo (recently reorganized as CEIE)
GATT	General Agreement on Trade and Tariffs
GSP	General System of Preferences
IDB	Interamerican Development Bank
IDESCARIBE	Institutes of Economic and Social Research of the Caribbean Basin
IMF	International Monetary Fund
INCAE	Central American Institute of Business Administration
NBCCA	National Bipartisan Commission for Central America
SAL	Structural Adjustment Loan
SIECA	Secretaria Permanente del Tratado General de Integracion Economica Centroamericana

Project Development Team

Charles Lininger, ROCAP Economist
Pirie Gall, ROCAP Project Development Officer
Paul Tuebner, ROCAP Deputy Project Development Officer
Thomas Miller, ROCAP Program Officer
Michael Lofstrom, Project Development Consultant
Stan Nevin, Regional Contracts and Grants Officer
Andy Akers, ROCAP Deputy Controller
Enrique Delgado, SIECA Consultant
Jorge Salazar, Director, IDESCARIBE/Florida
Edgar Chamorro, SIECA
Laura de Aguilera, SIECA
Alfredo Trinidad, SIECA
Noel Ramirez, Chairman of Policy Center, INCAE
Noel Vidaurre, Liaison Officer, INCAE
Rafael Trejos, IDESCARIBE/Costa Rica

1

ECONOMIC POLICY STUDIES PROJECT

(596-0147)

I. SUMMARY AND RECOMMENDATIONS

A. Recommendations

The Project Review Committee of ROCAP/Guatemala recommends the authorization of \$1,700,000 for the Economic Policy Research Project, to be distributed among four entities in the following manner: a Project Agreement with the Permanent Secretariat of the Central American General Treaty Organization for Economic Integration (SIECA) (\$650,000), Cooperative Agreements with the Central American Institute of Business Administration (INCAE) (\$484,250), and the Institutes of Economic and Social Research of the Caribbean Basin (IESCARIBE) (\$192,750), and ROCAP (\$373,000).

B. Background Summary

Better economic policies within and between countries, and with the rest of the world are critical to accelerating economic growth and improving the distribution of its benefits. A key element to improving policies is good analysis of problems and broad dissemination of the findings and their implications. Current statistical information is a necessary ingredient to this effort.

Both the region's statistical base and its human resource base for policy analysis deteriorated during the economic crisis period of the early 1980s, and the amount, quality, and public awareness of economic analysis has been deficient. This is especially troublesome now. With the recent emergence of new democracies in Central America, there is need for forging acceptance, if not consensus, on hard economic choices that typically involve hardship to some important groups in the short run.

ROCAP, in its recently approved Regional Development Strategy Statement, gave highest priority to LAC/CAI Goal No. 2, Basic Structural Reform Leading to Rapid and Sustained Growth. Consistent with this, it added ROCAP Objective 15: Promote Regional Economic and Trade Policy Development.

C. Project Summary

The Economic Policy Research Project is a 2 1/2 year effort with coordinated grant support to SIECA, INCAE, and IESCARIBE for 24-months of activities for policy research studies, strengthening research infrastructure, training workshops, policy dialogue seminars, and technical assistance in support of these activities. ROCAP will arrange for audits and evaluations,

and will provide a PSC/Project Advisor for 30 months to oversee and coordinate activities under the direction of the ROCAP Program Officer who will serve as Project Officer. A team management structure will be created through a Project Steering Committee, chaired by the Project Advisor, with representation from each grantee--SIECA, INCAE, and IESCARIBE.

Economic policy studies will be in the broad areas of increasing economic cooperation and improving trade policy in the Central American region. The Grant to IESCARIBE will support technical assistance services of IESCARIBE's Grant Coordinator and senior economists under short-term contracts. The Grant to INCAE will support policy research by INCAE staff and local institutions under subgrants. Some subgrants will include assistance to improve the capacities of local institutions for policy research. The INCAE grant will also support 5 skills upgrading workshops, and 5 dialogue seminars to discuss research findings and their implications. The grant to SIECA will support policy research studies in-house and through subgrants, 2 dialogue seminars, and the strengthening of SIECA's regional statistics and library programs.

II. BACKGROUND AND RATIONALE

A. Economic Background

Economic conditions in Central America are evolving into a stage of growth following the period of crisis that began in 1979 and lasted through much of the 1980s. The region's economies grew rapidly in the 1960s and 1970s sparked by favorable prices for principal exports, the protection and incentives of import substitution policies and the Central America Common Market (CACM) and relative political stability. In the mid-1970s the inherent problems of import substitution policies became progressively more apparent, Honduras withdrew from the CACM, and the oil-price shocks took their toll.

Gross domestic product dropped sharply in 1979 and per capita growth became negative, and remained negative each year until 1987, when it was positive at only 0.2%. During most of the 1980s, prices were low for major export commodities, political instability was a major problem, Nicaragua defaulted on regional trade debt, export trade fell sharply, and investment declined and capital took flight.

The AID-supported countries of the region received sharply increased A.I.D. economic assistance during the 1980s resulting from implementation of the NBCCA's recommendations, and this sustained them and facilitated a turnaround in the region's economic situation. Regionalism and regional cooperation subsequently revived in both rhetoric and actions, with leadership primarily by Costa Rica and Guatemala. The most dramatic example is the Central American Peace Plan subscribed to by the five Central American Presidents at Esquipulas, but is buttressed by many other actions, including renewed interest in SIECA and ICAITI, including the naming of new leaders for each and improved quota payments to regional institutions.

Table 1 presents the main macroeconomic conditions characterizing the state of the economies during the growth, crisis, stabilization and revival periods. The reversal of the downward spiral in overall production is the broadest indicator of this turnaround. After average annual growth of Gross Domestic Product (GDP) of 5.7% during 1970-1978, the annual average declined to 1.6% and -2.1% in the 1979-1980 and 1981-1983 periods, before recovering to 1.6% annually during 1984-1986 period, and 2.7% in 1987.

TABLE 1

Gross Domestic Product for Central America: Annual Averages
for the Four AID-Supported Countries

	1970-78	1979-80	1981-83	1984-86	1987
Average Annual GDP Growth Rate	5.7%	1.6%	-2.1%	1.6%	2.7% e/

Source: ROCAP, using country data from the World Bank,
World Development Reports

e/: Estimated, using country estimates from AID/LAC/DP.

Although the fit with other data would not be perfect, and not all the desired data are readily available, reviews of published data on trade, balance of payments, public sector deficits, foreign and domestic investments, and capital flows are supportive of the conclusions derived from the GDP data.

The recovery is still precarious, although economic conditions have substantially improved. The 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, and where a major earthquake occurred in October 1986, causing a conservatively estimated \$822 million in damage to infrastructure alone.

The slowness of the recovery is also affected by external factors: external economic trends have been worse than anticipated, and have been characterized by sluggish world economic growth and unfavorable commodity prices; and anticipated capital inflows have not materialized, due at least in part, to the adverse political/military climate that still exists, particularly the destabilizing political conflicts in Nicaragua and El Salvador.

The major internal factors are related to inadequate economic policies, and lack of sufficient fiscal discipline, and it is to this condition that this Project responds. Governments have been slow to make economic policy changes and, to varying degrees, have been reluctant to take some of the steps necessary to resolve their economic problems. Also, progress in exchange rate realignment has been substantial but remains incomplete. In El Salvador the needed follow-up adjustments have not been made following the major adjustment in 1986, and in Honduras, the exchange rate remains a policy concern, and government deficits are still too large. Fiscal deficits have been cut sharply, but further reductions are needed.

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 region.

B. Implementing Policy Reform in Central America

In all the policy reform efforts in Central America, the IMF, World Bank, and A.I.D. have played major roles. First, staffs 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., members of the "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 and major interest groups has been that the reforms are imposed by the external donors, and that the governments have implemented the reforms merely to obtain foreign financing. The social groups affected negatively by the reforms have exploited this perception to attempt to derail the reform efforts. In order to effectively implement policy reforms, the governments need broad based support of the population. 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 structural adjustment loans (SAL).

A.I.D.'s strategy for Central America focuses on achievement of four broad goals: (1) short-term economic stabilization, (2) basic economic policy reforms which permit rapid and sustained economic growth, (3) a wider sharing of the benefits of growth, and (4) the strengthening of democratic institutions and respect for human rights. The strategy seeks, through policy dialogue, to encourage policy reforms which increase economic and political

freedoms, as well as management improvements which reduce the costs of public services.

These economic and social goals cannot be achieved in democratic societies simply by insisting that governments apply predefined policy actions. Successful development policy must be based on broad understanding of the reasons for proposed policy changes and their likelihood of success. Costa Rica, the most successful country in carrying out a structural adjustment program, is also the country with the most informed public awareness of economic issues, and the most visible public debate on alternative approaches.

Thus, success in reaching A.I.D.'s goals requires not only that governments be convinced of the need for such actions, but that the climate of informed opinion in the region is supportive. Crucial to the evolution of informed opinion is awareness of economic conditions and alternative approaches. The proposed project seeks to improve the climate for economic adjustment and growth over the medium term by promoting research by Central American institutions into the most important policy-relevant areas of economics, and fostering a higher level of economic sophistication in the region.

C. Regional Institutional Capacity

The design of the Project is directly responsive to the institutional capacity for policy analysis in the region. There is agreement among Central American and outside observers as to the insufficiency of policy analysis undertaken by researchers of the region, both in terms of the numbers and scope of studies, and the depth and quality of many of them. In part this is due to the shortage of qualified analysts and in part to the lack of organizational and financial support for this type of work.

Economic analysts are generally faculty members of university departments of economics or associated research institutes, principals in private research institutes or firms, staff of the major regional institutions and national business associations, or working in government or central banks. During the economic crisis years in Central America, the universities were seriously disadvantaged and lost many qualified staff members. Now there is a sparse cohort of well-trained younger economists to recruit from. Private research organizations grew to become relatively more important, having been formed by or attracted former faculty members. It was the consensus of the participants at RCCAP's Project Development Workshop held in June, 1988, that these organizations represent the richest pool of talent for recruitment to new work, providing that direct support is made available. The public institutions, national and regional, also recruit qualified and experienced staff at high levels, but they are absorbed by immediate concerns—"putting out fires" was one characterization of their use of time--rather than study and analysis in depth. The biggest exception was the staff of the central banks, where some in-depth studies are carried out, but

seldom are the results available to the general public or interest groups not allied with the political party in power.

Another factor is that there is little indigenous funding for public policy dialogue, so that even those studies that are available for dissemination and discussion have little circulation. Furthermore, the journalists for the major newspapers of the region often have little sophistication in economic matters and do not play a significant informative and mediating role in this area.

SIECA has a general mandate to produce studies, policy options, and recommendations for member governments, and with the renewed interest in regionalism and economic cooperation, many specific ones as well. In an action designed to make SIECA's research unit better coordinated with and more responsive to its leadership and new responsibilities, it has recently been reorganized as the Center for Studies and Specific Investigations (CEIE is its acronym in Spanish). Previously known as ECID, it had operated for many years with considerable independence, supported in large part by external donors for specific projects of interest to them. Recently, under SIECA's new Secretary General, the reorganization was carried out so that the study activities have a closer relationship to the priorities of his office.

CEIE will be guided to do studies closely related to the overall program of SIECA and the Vice-Presidents and Ministers who provide a large part of SIECA's agenda. SIECA's areas of proposed studies in its project proposal are focused on economic integration and trade expansion. Unfortunately, the financial situation at SIECA has not improved sufficiently to support a sizable research staff from general funds and it is requesting project funding from other donors to expand and continue activities at a significant level until conditions improve. The regular staff of SIECA is heavily committed to the many initiatives assigned to it as a result of the new emphasis on regional cooperation, and SIECA is promoting a linkage between the proposed research activities under the proposed grant and its ongoing activities.

INCAE has the largest concentration in the region of staff with advanced degrees in the fields of economics and business administration, but it is heavily engaged in teaching. It also depends heavily on project funding for its research and dissemination activities. INCAE has been successful, especially in the dissemination area, and has held numerous national and regional dialogues with mixed groups of high level individuals from the public, private, military and labor sectors. ROCAP has been one of the donors for these activities through its Export Management Training Project.

IESCARIBE is a network of faculties of economics, research institutes, and other institutions concerned with economic research in the Caribbean Basin. This network has been formally constituted in three different countries, by order of occurrence, as IESCARIBE-Santo Domingo, IESCARIBE-Florida, and IESCARIBE-Costa Rica.

IESCARIBE's publications have few articles authored by professionals from the Central American region, with the exception of the November, 1987 publication of IESCARIBE-Costa Rica that reported on its study of industrialization and trade in the Caribbean Basin carried out with a \$600,000 grant from the Inter-American Development Bank.

IESCARIBE-Florida was the recipient of AID/W grants of \$5,000 and \$80,000, and was a candidate to be the primary grantee of this Project. However, it was reviewed, but not approved for the management of a grant of the magnitude originally contemplated. It was, however, judged qualified for more modest support, and its proposed role in the project as it is currently designed is consistent with this.

The shortage of current macro and micro-economic statistical data and regional library facilities are the final elements in the review of institutional capacity. SIECA had been the prime source for overseeing, collecting, publishing and otherwise making data available for the region. Its program suffered badly from the financial stringency during the recent economic crisis period, which affected both SIECA and the national institutions that are its primary sources of data, and the ability of its library to serve as a quality regional resource.

D. Project Development Issues

Issues were raised at the PID DAEC review held on July 10, 1987 and the PP pre-issues meeting held October 13, 1987, based on the project's developmental work in Washington. These issues were first addressed in the AID/W draft Project Paper which was passed subsequently to ROCAP and which forms the basis for this document. The issues that were raised are discussed below with the addition of new information where appropriate.

1. Project Purpose - The PID DAEC recommended a more precise Purpose statement to emphasize the improvement of economic research and avoid the impression that this short project would directly affect policy reform.

The purpose statement and related objectively verifiable indicators were revised to emphasize the increase in the quality and quantity of economic research and analysis. The purpose also reflects the importance of raising the level of dialogue on critical economic policy issues. (See Annex B. "Logical Framework".)

2. Participant Training - The PID DAEC discouraged the inclusion of participant training in the PP given the short life of the project. The suggestion was made that CAPS might be a more appropriate vehicle for such training.

The formal long-term training activities were deleted from the project.

3. Criteria for Selection of Subproject Research - The PID DAEC called for better identification of the research topics to be funded and the criteria for proposal selection to ensure that research will be pertinent to important economic policy issues. Linkages with U.S. universities and economic research institutes were also encouraged.

Study topics have been proposed by SIECA and INCAE following guidance from ROCAP concerning policy relevance. The responses fell within the guidelines suggested, but lacked specificity so that more effort is required to refine them. A process has been built into the initial stage of the project which will include inputs from senior economists from the U.S. and the region, as well as USAID economists. Decisions on subgrant proposals within the grants to INCAE and SIECA will be made using criteria directed to policy relevance, timeliness, and potential quality of the product.

4. Proposal Review Committee and Selection Process - The PID DAEC requested that the composition of the Proposal Review Committee (called the Subproject Review Committee in the draft PP that was reviewed at that time) include Latin American representatives as well as U.S. economic experts, and that A.I.D. participation on a Senior Review Committee (SRC) not be definitively precluded. A two step proposal selection process was recommended, with a first cut made before the final review.

Following internal reviews at SIECA and INCAE, a Project Steering Committee, comprised of representatives from each Grantee and chaired by ROCAP, will be augmented by U.S. and Latin American experts to review and recommend sub-projects for funding. The ROCAP Project Advisor will be responsible for obtaining inputs from interested USAID missions.

5. Regional Distribution of Funded Proposals - The PID DAEC recommended that an upward limit be established on the level of resources for any one country.

The design now calls for funding research by a subgrant or subcontract, augmented by assistance for institutional strengthening where necessary, with roughly equal geographic balance in each country.

6. Life of Project and Level of Funding - It was decided at the PID DAEC that the 18 month Life of Project and the \$1.0 million project budget were not sufficient.

The length of the project has been changed to 30 months and funding increased to \$1.7 million. In anticipation of the possible need for additional funding, the Congressional Notification contains a funding-level of \$2 million. ROCAP monitoring of the Project, audit, and evaluation activities are funded over the full 30 months. The proposed grants to SIECA, INCAE, and IESCARIBE are for 24 months, with the possibility of extending them if additional funding becomes available. (See VI. "Cost Estimate and Financial Plan.")

7. Evaluation - The PID DAEC requested that the second evaluation concentrate on the quality of research produced and that it make recommendations about how to make the follow-on project effective.

A mid-term review of progress will be made after 12 months by AID/ROCAP, and a final evaluation will be conducted after 24 months of project activities which will evaluate the quality of the research being performed and the institutional strengthening efforts.

8. Implementing Capability of IESCARIBE - The PID DAEC recommended that the design team consider a different grantee given the uncertainty over IESCARIBE's capability.

Potential grantees other than IESCARIBE-Florida were considered, and SIECA and INCAE were selected as the primary grantees. IESCARIBE-Florida was judged to be able to make a needed contribution to the Project and will also be a grantee, but at a level of support that is consistent with SER/OP's assessment of its management capacity and the sense conveyed in the DAEC review.

IESCARIBE-Costa Rica is a likely participant in the Project, as a sub-grantee or sub-contractor of INCAE and/or SIECA. The participation of IESCARIBE-Santo Domingo is not under consideration as it is located outside the region and has had no experience in the region.

9. A.I.D. Management - The PID DAEC called for the PP development team to determine the feasibility of ROCAP or USAID/Guatemala managing the project rather than LAC/DP.

This A.I.D. management issue was resolved as ROCAP was assigned responsibility for the Project. See Annex H "LAC Cable Transferring Project." ROCAP management places A.I.D.'s Project Officer in Guatemala City and will provide vigilant A.I.D. administrative support for the Project.

E. Rationale and Relation to A.I.D. and ROCAP Policies and Strategy

ROCAP, in its recently approved Regional Development Strategy Statement, gave highest priority to LAC/CAI Goal No. 2 - Basic Structural Reform Leading to Rapid and Sustained Growth. Consistent with this, it added ROCAP Objective 15: Promote Regional Economic and Trade Policy Development.

In order to accelerate economic growth and improve the distribution of its benefits, better economic policies within and between countries, and with the rest of the world are critical elements. Direct governmental actions cannot provide the needed investment in industrial and agricultural sectors, or reactivate trade. However, both the public and private sectors need better policies and improved planning and technical inputs to stimulate the domestic and foreign private sectors to expand their participation in production and trade.

One key element in improving policies is to make good information readily available. This includes both relevant, current statistics and policy analysis and recommendations. Existing human resources need to be recruited to this end in the region, and at the same time the analytical resource base must be improved.

The success of policy reform efforts will depend, to a large extent, on the understanding by major interest groups and the general public of the costs and benefits of economic reform. Hence a major dissemination activity is needed for both the private and public sectors, covering various interest groups and the general public. 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 strengthen the ability of public and private institutes and faculties of economics in Central America to produce economic policy research will 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 researchers and institutions of the region, and the involvement of foreign consultants 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.

It must be recognized that even if these three conditions are met, improving the climate for policy reform in Central America will be a lengthy procedure that will not be completed within the length of time proposed for the implementation of this project. However, SIECA's official role in promoting economic integration and trade expansion and frequent contact with high levels in all the Governments of the region enhance the prospects for the Project to have an impact during the LOP. INCAE has adopted a long-term strategy that takes it beyond its original business school role to be an actor in change in the region. Its contribution will also continue after the project ends.

This project will generate policy analysis and recommendations of publishable quality, and will strengthen the capacities for policy analysis of the key regional economic development institution (SIECA) and a number of national research entities (faculties of economics and private research institutes). This will ultimately increase the probability of success of policy reform efforts. Through the recruitment of senior professors to fill the technical assistance inputs needed from outside the region, it responds directly to the NBCCA recommendation that closer linkages be established between academic institutions in the United States and Central America.

III. PROJECT DESCRIPTION

A. Goal, Purpose, and Outputs

This section defines the expected outcomes of the Project.

The Goal is to support economic policy reform and economic growth through an expanded public policy dialogue and knowledge of public issues.

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

By the end of the project, the principal outputs will be the following:

1. Eighteen (18) directed economic policy studies, supported as necessary by original research and data collection/analysis. Of these, 10 will be carried out by or through INCAE and will be national in scope. Three to five of these will include assistance to strengthen the recipient institutions' capacity for such research. The remaining 8 studies, mostly regional in scope, will be carried out by SIECA or subcontracted by SIECA. Hence, most will meet high standards, suitable for publishing and presentation in seminars or workshops.

2. Sixteen (16) published studies, presented in monographs or collections, depending on the audience or ultimate use (to be determined when each proposed publication is reviewed for funding).

3. Seven (7) policy dialogue seminars or workshops, for economic analysts, policy advisors, sectoral representatives, and decision- or opinion-makers. Approximately 4 will be national in scope under INCAE management, and 3 of a regional nature, 1 by INCAE and 2 by SIECA.

4. Up to six (6) completed assistance activities with economic policy studies centers, one to strengthen the statistics and library programs of SIECA and 3-5 to be integrated into INCAE study subgrants with non-profit organizations, university faculties, or university-related centers.

5. Five (5) short courses will be conducted by INCAE for training in such areas as research methods, computer use, analysis, or report writing, according to needs identified during the review of the research capacities of institutions of the region and from experience in implementing the Project.

B. Project Components

This section discusses what will happen in each component during the Project.

The Project will have three main components, each intended to alleviate the problem of inadequate policy analysis and decision-making. These are (1) quality policy studies by selected investigators or institutions, (2) dissemination and discussion of studies meeting established standards, and (3) strengthening of the capacities of Central American institutions to do policy studies. The participating institutions will have specific roles in contributing to these components, as discussed below.

1. Quality Policy Studies

Through a meeting of USAID economists of the region and a ROCAP sponsored workshop, the agenda of priority research areas will be refined and agreed upon as one of the first activities under the project. Proposals will be presented by INCAE, SIECA, and IESCARIBE. These will be shared among all interested parties and reviewed at the first meeting of the Project Steering Committee, to which outside experts will also be invited. Recommendations for priority policy research areas and criteria for selection of specific studies for approval will be developed in the meeting and will be submitted by the Committee to ROCAP for its concurrence and approval. Thereafter, specific study proposals, with budgets, will be submitted to ROCAP for approval by INCAE and SIECA as part of their annual workplans, or as addenda to these plans during the year. Some of the studies will be conducted by INCAE's and SIECA's own staff or faculty, while others will be conducted by others under subcontract or subgrants. Proposals will be solicited from members of the IESCARIBE network and other qualified institutions, and a general announcement will be distributed as well. Most of these studies, especially during the early phases of the project, will be subjects of immediate interest and relevance, that can be studied using existing data and research, leading in the short run to discussions of policy alternatives and recommendations.

The terminology of policy studies as used in this project is that a policy study will rely principally on existing data or research, is problem-oriented and directed at decision-makers (and hence is written for readers with a general grasp of economic theory and terminology), and presents options, with their expected consequences. It is to be brief, containing summaries, rather than exhaustive analyses of quantitative information. Economic research, as used here, may be of two kinds. One is the compilation of information to establish the parameters of a problem area and form the basis for an assessment of the form and magnitude of a problem. The other is concerned with applied theory, incorporating new or updated data in econometric models or other theoretical frameworks and are directed at a more sophisticated audience of economically literate readers, often serving as the foundation of policy analysis. The emphasis in this project will be on supporting policy studies, while recognizing that research will be required in some areas, and will be desirable as part of the learning-by-doing capacity building activity.

SIECA will be pursuing studies related to its mandate as a regional development agency, falling within the following broad categories:

New parameters for cooperation in development of Central America (including factors of disequilibrium in Central American economies; analysis of economic viability; supporting mechanisms for trade; sectoral opportunities for trade expansion; and others).

The challenge of reinsertion of Central America in world trade (including structural rigidities in production and trade; price rigidities; new trends in foreign demand and trade; foreign trade mechanisms and conventions like GATT and GSP, and others).

INCAE, with its expertise in business administration and its interests in improving consensus among private and public interests in key areas, will support studies related to SIECA's mandate such as:

- Policies for transition to growth
- Financial intermediation
- Economic development and management capacity

SIECA's research agenda is relatively less flexible than INCAE's, as it is externally established by its ministerial council. However, ROCAP will not be the only source of funding for SIECA, as new agreements are being signed with Mexico, France and the EEC that will provide other financing. SIECA will have flexibility within its overall program to decide which study areas will be proposed for support by ROCAP funds, and in what order of priority. INCAE, as an independent academic institution, has greater flexibility within the Project's priority areas to pick areas of emphasis, applying criteria of relevance and immediacy of interest to business, labor and government, and building on its own areas of comparative strength and faculty expertise.

Research priorities will be further refined during the early phase of the project, as described previously. Each institution will carry out a limited number of studies using its in-house staff, while selecting, supervising, and reviewing additional studies conducted by IESCARIBE member entities and others. This approach is expected to assure that quality studies are produced, while at the same time offering broader participation and experience to research centers in each country. Each organization will closely monitor the methodology and progress of studies it is carrying out or supporting, so as to produce publishable products for presentation in forums.

2. Dissemination and Dialogues

This project is dedicated to the proposition that a policy study has its greatest value when it is brought to the attention and consideration of people who influence or make policy decisions. The first step will be the

publication of at least 16 studies, initially as articles or monographs authored by the principal investigator of each study, and possibly later in collected form for related topic areas. Further, the author or the grantee supporting each study will prepare journalistic summaries for distribution to regional media if the primary report is not appropriate for this purpose. Notwithstanding that the written word is a major step in influencing policy, until those words are examined, challenged, and otherwise internalized, they may be read and set aside under the pressures of other business. Therefore, the project will support a series of structured policy dialogue meetings based on the studies that are produced, and involving audiences of varied backgrounds: leading individuals from government, business, media, labor political organizations, and academia. In addition, SIECA, following its traditional procedures, and using its own resources primarily, will review the studies for the purpose of incorporating the results into its own processes for presenting issues and recommendations for the consideration and action of its member governments. Finally, it is likely that situations will arise in which the acceptance of study findings and recommendations, and public dialogues of the policy research studies, would be enhanced by gatherings of economists who would examine the methodological and theoretical questions involved in producing quality analysis.

Through cooperation among INCAE (with the most notable recent experience and skills in assembling and facilitating mixed groups for such discussions), SIECA (with its access to top-level national and regional decision-makers on economic matters), and IESCARIBE (with its pool of analytical talent and experience in organizing regional meetings of economists), at least seven (7) national and regional intersectoral dialogue sessions will be sponsored under the project.

3. Institutional Strengthening

The main instruments of institutional capacity-building under this project will be investments in human talent, through training in economic analysis, and investments in access to and manipulation of data. The objects of this effort will be SIECA and selected other economic research organizations in the region. Both have suffered setbacks in recent years, due to financial pressures and more urgent priorities. In the case of the economic faculties and study centers, staff capabilities need rebuilding, and in the case of SIECA, its ability to serve as a bank of statistical data and regular reporting on economic trends in the region (a basic resource for many kinds of analysis) has stagnated. The project will conduct assessments of economic study centers of the region early in the project with special reference to local capacities to participate in the research agenda. From this review, institutions will be encouraged to develop and submit proposals for research and assistance. To the extent that external assistance would be required to design an institutional strengthening proposal, IESCARIBE-Florida will contract for the TA from the region or from U.S. university faculty members. Institutional strengthening assistance will be provided to SIECA and 3-5 national centers of the region, with priority to institutions in countries

with the least resources in this area. SIECA's needs have already been evaluated, and the project will support a series of steps to restore its capacity to assemble regional statistics, reestablish uniformity of concepts and reporting from member countries, and produce reports and studies. Little or no technical assistance from the project is contemplated for this activity in SIECA, since both the United Nations Statistical Program and the Interamerican Statistical Institute have resources available for this.

Training will be conducted largely in the region, drawing on INCAE's ability to develop skills training in quantitative analysis, economic research methodology, and preparation of reports. IESCARIBE will assist through the recruitment of experts not otherwise readily available to INCAE for specialized training determined to be needed by the project. In exceptional circumstances, longer-term training up to one year may be sought from other donors or funding sources for one or two key individuals from economic research centers, although funding is not available within the budget of this Project.

Data and document management and production capability will be improved by several means: supplying upgraded computer equipment and software, providing training in making better use of installed capacity, and promoting a fresh look at data sources and methods of data collection.

The Project's assessment of research organizations may find that there are other limiting factors to improved economic analysis, such as inadequate space, furnishings, equipment, financial support, and other incentives. This project's ability to affect all these factors will be limited, though proposals will be considered that touch on these areas, and recommendations may be made to other donors, including bilateral USAIDs. It is not our intention to develop a dependency relationship on ROCAP or its implementing grantees. We will maintain a preference for one-time investments that are likely to have a lasting effect on an organization's capacity, and avoid recurring expenditures.

C. Project Management

This section describes how the project will be carried out.

The project will rely on three established regional organizations, each having complementary interests and capabilities, working under the leadership of ROCAP. As the project moves forward, the ROCAP role may be reduced, as discussed below.

1. ROCAP Management

ROCAP will administer the project through its Program Office which is responsible for overall strategic and economic policy issues. A senior economist with project management experience will be contracted as the Project Advisor. The advisor will oversee the effort on a daily basis, offering advice and counsel as needed and being the primary contact with

AID/ROCAP. The Project Advisor will chair the Project Management Team, and prepare the agenda for the meeting of USAID economists and the workshop to refine the research agenda.

2. Project Steering Committee

Each participating organization--SIECA, INCAE, and IESCARIBE-- will name a senior staff member to the Project Management Team. The Project Advisor will represent ROCAP, and will chair the Team. ROCAP will consider the possibility of rotating the leadership to other members as the project matures.

This team will have as its responsibilities the overall planning and coordination of the Project, including setting priorities for research and institutional strengthening, publications and seminars, and reviewing proposals and final products (See Annex H for more detail).

Members of this team will be invited to participate in technical and policy seminars.

3. Management of Studies

The first step in this process will be to establish more specific research priorities--a research agenda. This will also serve as the framework for institutional strengthening. The research agenda will be based on current programs and proposals of SIECA, INCAE, and IESCARIBE (some of which date back to the original project concept), and the comments of USAIDs of the region.

At the beginning of the Project, USAID economics officers from the region will be invited to meet to discuss and suggest research topics for the project with the Project Steering Committee. The Committee will review and recommend research priorities for the project to ROCAP. The approved priorities will serve as a shared set of ground rules for selecting and managing studies for first year activities and for the life of project, (although they may be revised and adjusted over time). They will also provide a focus for assessing the research interests and capacities of institutions of the region. In addition, the Ministers of Economy and/or Integration will be asked by ROCAP to name a technical liaison person to the project who will be asked to indicate country priorities and who will be kept informed of project plans and activities.

In developing the research agenda, as well as in the reviews of specific proposals, every effort will be made to determine at the outset who the audience(s) will be in each case. This will help to decide the kinds of publications, workshops or seminars that will follow from each successful analytical product, rather than waiting until the study is completed to make such plans.

Decisions will also be made about which studies will be conducted in-house by INCAE and SIECA, and which sub-granted. In the latter instance, we expect that some studies will be granted directly to known proposers, while others will be open for limited competition. This partly reflects the experience of INCAE under its present ROCAP project. INCAE found that open solicitations to the research community to present proposals within broad study areas resulted in a limited number of poor quality proposals on topics either unrelated or only marginally related to the intent of the program. This suggests that, at least in the early phases of this project, a more directed approach will be appropriate. The assessment discussed below will provide another basis for deciding how the external studies will be distributed among the research community in the region.

4. Management of Institutional Strengthening

This component of the project focuses on two areas: improving the capacity of Central American research entities, both those that are part of the IESCARIBE network, and those that are not (and may aspire to be); and improving or restoring the functions of SIECA in conducting research and providing statistical services to the policy and research community.

ROCAP and the participating institutions in the project have determined that an assessment of current capacity of research organizations to conduct policy research is needed, and should be conducted jointly in each country by a team comprised of the Project Steering Committee and at least one independent expert. USAID economists will also be invited to participate, but IESCARIBE will contract for one or more independent experts as needed to complete the review team. This will assure objectivity and that the reviews are conducted in the context of the research agenda for this project. The assessment, to be conducted early in the project, will collect and evaluate information on such matters as:

- o The charter of the organization (type of entity, overall purpose, degree of autonomy);
- o Program focus and activities carried out in recent years (teaching, research, publishing, seminars, data services, other);
- o Studies completed (when, for whom, quality of product);
- o Philosophical or political orientation, if any;
- o Facilities and equipment (work space, library, computers/word processors, etc.);
- o Personnel structure, qualifications, skills, fulltime or part-time staff, salary structure, etc.;

- o Financial condition, sources, financial accounting/reporting capability;
- o Current concerns, plans, interests as related to Project's study agenda;
- o External perceptions of institution's abilities, areas for improvements.

The assessment will also provide an opportunity to discuss the project, its purposes and audiences, and determine which organizations have the interest and ability to become involved in either studies or training/improvement plans.

The assessment will cover three to five research centers in each of the four countries, and will be compiled by the Project Steering Committee and presented, with a summary report, to each institution represented on the assessment team, including ROCAP. The report will rank the institutions according to their capacity for immediate participation in studies, or their suitability for institutional strengthening support. Selection for support will also depend on how well the institution's interests and capabilities relate to the research agenda. Strengthening proposals will probably result from a negotiated package of assistance (training, computer or software upgrading, possibly other equipment, and/or research support). Technical assistance that may be required for the development or implementation of any assistance package will be requested from the IESCARIBE grant.

IV. PROJECT ANALYSES

A. Technical

Technical feasibility of the plan to support quality policy research on critical Central American economic issues by institutions and analysts of the region, to disseminate the findings and their implications, and to enhance the institutional capacity for such research, is summarized below. (For more detail, see Annex H.1.).

There is a shortage, but not an absence, of skilled analysts in the region. The scarcity of funding limits the level of their activity. By budgeting funds for quality research, it seems reasonable to assume that local experts can be recruited for such work. The plan to fund a part of this work in-house and some through contracts or subgrants appears to be consistent with the reality of the region.

The high-level technical assistance that is planned will be needed to fill knowledge gaps, offer an independent orientation, and confirm the methods and direction taken in local research efforts. Technical assistance will be provided through the grant to IESCARIBE/Florida, which has a roster of economists from U.S. universities.

The Project has plans for appropriate selection criteria for subgrants, and one of the first activities will be a ROCAP meeting of the Project Steering Committee to refine and focus the research agenda, and refine selection criteria to be used by all.

Dissemination activity plans appear to be complete and within the capacity of the region to conduct them, including various types of publications and dialogue seminars. In addition, SIECA has its own established means of communicating analysis and policy options to member governments.

There are questions as to the administrative efficiency of all three potential grantees, and the ROCAP Project Advisor should remain alert to the possible need for assistance to the grantees in this area.

B. Economic

The Project will develop economic knowledge and enhance analytical expertise, and increase awareness of policy options to increase economic growth. The relationship between project inputs and outputs appears to be sensible. However, it is not reasonable to expect that policy changes will necessarily follow careful analysis of options and consequences. Notwithstanding, providing better information and analysis, with dialogue among leaders in the major fields of interest, will improve the climate for improved policies and increase the likelihood that they will occur. This is the best approach consistent with democratic principles.

The need for more and better policy analysis and dialogue results from the recent history of the region. Central America underwent severe economic contraction in the early 1980s. Total production declined annually causing per capita income to drop by 12% over the period 1980-1983. The decline was reflected in a sharp drop in private investment, capital flight, and general deterioration of the economic climate. External factors influenced the economic down-turn. However, internal factors such as inadequate economic policies and lack of fiscal discipline also played a major role. Governments can be reluctant to make necessary policy reforms and impose fiscal restraint because the actions often impose economic hardship in the short run. The motivation of governments to adopt selected reforms is increased if the opposition to such reforms is lessened. This is one of the major outputs sought from the project, for the payoff for trade and the economies of the region could be substantial.

The planned research will be largely in the areas of economic cooperation and trade expansion, and the focus will be on practical, policy relevant work with widespread dissemination and dialogue. This is entirely consistent with ROCAP's recently approved five-year Regional Development Strategy Statement which gave priority to basic structural reform and the promotion of regional economic and trade policy development.

More specifically, the project will support studies of economic policies for improved economic cooperation in the region and expansion of trade, including the integration of the region into world markets. There is also interest in including studies to accelerate private sector development, and to better understand the informal sector. Knowledge in the former areas is central to making balance of payments and domestic fiscal adjustments that are needed to achieve economic growth. Trade and labor policies are important in removing restrictions that misallocate resources and constrain growth.

If the project also succeeds in improving the capacity of a few institutions and economists, particularly younger ones, to become more interested in and to undertake such research, an even greater long-run benefit will ensue.

C. Social Soundness

In the judgement of the Project Design Team, the project is socially sound. It is the intention of this project to develop the capacity of institutions in participant countries to conduct research on economic policy. In so doing, we seek to begin a process, which will doubtless have to extend over several years, of enabling Central Americans to take more control of their economic destiny, based on their own understanding of economic forces, choices, and consequences of their decisions. This will move them gradually away from dependency on externally conducted or imposed studies. Women will be benefited from the project as a consequence of the relatively high proportion of women that have been trained in economics and who hold responsible positions in the region. In reviewing research and institutional strengthening proposals, special efforts will be made to support proposals from countries that have less-well developed research capability and which incorporate female professionals.

During the Project, we will also seek to provide opportunities for students who are middle and low income to improve their skills and their capacity to train the next generation of economists in Central America. The project will also provide the opportunity to improve economic policies which can enhance the possibilities for economic growth and improve the welfare and standard of living for the general population.

D. Administrative

This section summarizes the analysis of the participating organizations, and their selection for the project, in terms of their capacity to carry out the work of the project. This section also reviews ROCAP's proposed management.

1. The Cooperating Institutions

Given the current state of economic research capacity and project management capacity in the region, as well as the limitations

identified by the LAC/DP project design and review, three potential grantees emerged: the Secretariat for Central American Economic Integration (SIECA), the Central American Institute for Business Administration (INCAE), and the Institute of Economic and Social Research of the Caribbean Basin (IESCARIBE)/Florida. SIECA and INCAE are of the Central American region, but neither has the capacity to implement the project by itself. IESCARIBE is based in Florida and its network of institutions in Central America, apart from SIECA, appears to have limited capacity for a large scale research effort. The conclusions drawn seem to be highly appropriate: use all three institutions in ways to draw on each one's comparative advantage, and incorporate a management system that is likely to assure coordination and collaboration.

SIECA is the treaty organization of the Central American Governments for Economic Integration and Trade Expansion. It is an institution undergoing change and restructuring as a result of the revived regionalism that has occurred recently, and the appointment of a new Secretary General. SIECA has created a private sector advisory board, and works with an advisory committee of regional institutions (CABEI, ICAITI, INCAP, etc.). The former economic studies arm of SIECA, called ECID, has been incorporated more closely with the office of the Secretary General, and has been renamed the Center for Specific Research and Studies (CEIE is the Spanish acronym).

ROCAP's current efforts with SIECA are limited, but it seems reasonable to expect that CEIE can effectively manage some studies in-house and contract out for others, as was described in its proposal to ROCAP. SIECA also is prepared to review the findings and recommendations from the research for incorporation into its activities with member governments for enhancing economic integration and trade development.

SIECA has also been eager to improve its statistics and library programs which had declined during the period of financial stringency during the early 1980s, and has detailed plans and staff available for this work.

The justification for a grant agreement with SIECA is based on (a) its unique role in the region as a source of data, analysis, and discussion of regional macro and sectoral policies and actions; (b) its newly revived mandate in the areas of studies and policy forums; (c) its known capability to manage AID funds, including subgrants, contracts and other procurements; and (d) its demonstrated commitment to the objectives of this project.

INCAE's involvement in Economic Policy Studies dates from 1986 when it established its Center for Policy Studies and Applied Economics. The Center has held over 30 policy forums for mixed groups of participants on subjects such as industrial policy, strategic options for economic recovery, and programs on economic stabilization and adjustment. INCAE has also a fine reputation in training as a result of its graduate degree programs, and it publishes a journal of economics and manages a small program of subgrants for policy studies.

As a regional private institution dedicated to both academic and skill training, supported by applied research, INCAE offers a distinctive resource for this project that we do not believe could be improved upon by soliciting other proposals.

IESCARIBE is a consortium of independent research institutes, faculties of economics, and other institutions in, or concerned with, the Caribbean Basin. IESCARIBE/Florida, the legal entity, was assessed as a potential grantee by SER/OP. It found that IESCARIBE had performed well under small grants and contracts for studies and seminars, but that it lacked the administrative structure to manage a project of the planned magnitude and complexity. The Bureau concluded, however, that a smaller grant would be appropriate, and ROCAP feels that IESCARIBE can make a highly beneficial contribution to the project.

ROCAP will make a grant to IESCARIBE-Florida to be used for recruitment of experts for special purposes, and participation on the Project Steering Committee. The head of the Florida office who will work part-time on the project (about 60 days/year), plans to resign from his Economics Department Chairmanship at Florida International University, and to hire necessary support staff to assure effective administration of the recruitment and fielding of experts.

Many of the member institutions of IESCARIBE in the region, with the exception of SIECA, seem to lack the depth or experience to conduct policy studies of quality without extensive external assistance, and they will be encouraged to consider applying for the institutional strengthening activities of the project.

2. ROCAP

One of the determining factors in the transfer of this project from LAC to ROCAP was the increased capability of the ROCAP Mission that occurred with the creation of a separate Program Office, headed by an economist, in January of 1988. This increased ROCAP's ability to work in the economic policy area, to interact knowledgeably with other USAIDs on such issues, and to effectively supervise a PSC economist/project advisor. Backstopping in the areas of grant management and procurement will be provided by the Project Development Office and the combined USAID-ROCAP offices for administration and contracting. The team management structure will allow careful monitoring of project activities by a fulltime Project Advisor (PSC) under the overall guidance of the Program Officer.

3. Conclusion

We have concluded that this mix of institutions will offer an opportunity for a rich exchange of ideas and mix of studies that address regional and country policy concerns. The institutions' representatives met in ROCAP's intensive workshop in June, 1988 on the design of this project, and

again at the VII Latin American Meeting of the Econometric Society during August in San Jose, and have developed a sense of teamwork and shared interest in working together on the Project.

V. PROJECT IMPLEMENTATION

A. Administrative Arrangements

1. Structure

The organizational structure and relationships established to carry out the Project activities described above are shown in Figure 1 on the next page. Within ROCAP, the project will be managed by the Program Office, with the Program Officer as the Project Officer. The day-to-day oversight and technical guidance will be the responsibility of a Project Advisor, a PSC economist recruited for and paid from the project and who will report to ROCAP.

2. Project Steering Committee and Project Officer

The Project Steering Committee, chaired by the ROCAP Project Advisor and with additional members appointed by each grantee (SIECA, INCAE, and IESCARIBE), will coordinate between grantees, provide general direction, conduct the assessment of local institutions, and review the research and institutional strengthening proposals and make recommendations to ROCAP. Administrative approval for disbursement of funds vouchers will be by the ROCAP Project Officer.

3. Subgrants or Subcontracts

Subgrants or subcontracts will be made by both SIECA and INCAE to fund approved proposals for quality research (SIECA and INCAE) and for institutional strengthening (INCAE). The institutional strengthening grants may include support for research that will provide experience (learning-by-doing), along with other assistance.

B. Negotiating Status

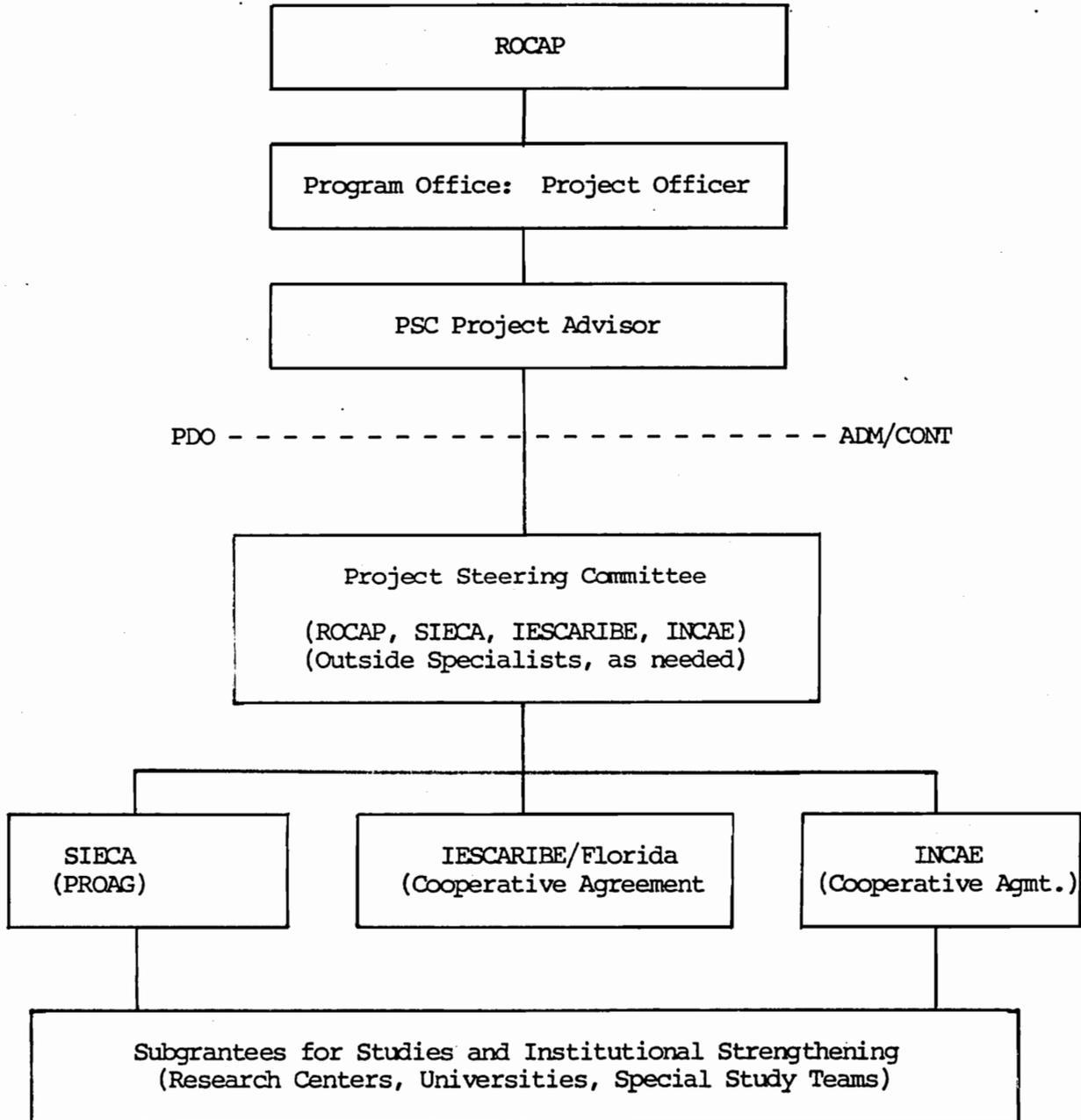
All of the participating institutions presented preliminary proposals which were discussed extensively in ROCAP's project design workshop. Revised versions have been prepared and reviewed and based on these revised proposals, each has presented a formal request for assistance. No major problems are expected in arriving at agreements on the terms of the grants.

C. Conditions Precedent for SIECA

1. Conditions precedent for first disbursement to SIECA for first quarter activities:

FIGURE 1

PROJECT ORGANIZATION STRUCTURE



Prior to the first disbursement under the Grant for first quarter activities, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(A) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(B) A statement of the name of the person holding or acting in the office of the Secretary General, and of any additional representatives, together with a specimen signature of each person specified in such statement.

(C) Evidence that the Center for Studies and Specific Research (CEIE) has been formally established within SIECA with provision for a full-time director and core staff, and sufficient autonomy and authority to develop work plans, hire technically qualified staff, make and supervise subgrants, and assure accountability for A.I.D. funds; and

(D) Designation of the representative and alternate to the Project Steering Committee.

2. Conditions precedent to additional disbursements to SIECA

Prior to any additional disbursements under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(A) Evidence that funds have been budgeted by SIECA to support at least 1/4 of the costs of CEIE, and a significant portion of the costs of improving the statistical, library, and publications functions of the institution;

(B) Submission of a first year annual plan acceptable to A.I.D. which will include: (i) studies and dissemination plans; (ii) SIECA statistics and library program plans, and (iii) a procurement plan.

(C) Submission of a model or standard subgrant/subcontract agreement for studies that is acceptable to A.I.D.

D. Special Covenants/Requirements

Each Grantee--SIECA, INCAE, and IESCARIBE--shall agree, except as A.I.D. may otherwise establish in writing, as follows:

1. Project Evaluations

The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include:

(A) Provide adequate support and information to evaluation teams conducting evaluations of the project during the life of the project and at the end of the project.

(B) Maintain communication and provide progress reports to the A.I.D. Mission for the Central America Region with regard to the activities of the Grant-financed activities in each country.

(C) Ensure that technical assistance provided under the Economic Policy Research project is distributed among participating countries with respect to relative need and present capability.

2. Work Plans and Budgets

(A) First year. INCAE and IESCARIBE, prior to undertaking project activities for the first year of the project, will furnish, in form and substance satisfactory to A.I.D., a consolidated work plan and budget for activities for that year. Work plans and budgets will include proposed activities for coordination, and for specific activities funded for each Grantee as follows for INCAE, research, including specific research proposed for approval; skills training workshops, including subject matter to be covered; seminars to be held, with tentative subject matter to be discussed and types of audiences to be invited; and publications proposed, including type of publication and content of the publication; for IESCARIBE, the consultant roster.

(B) Subsequent year. The Grantees--SIECA, INCAE, and IESCARIBE--prior to undertaking project activities for each year after the first year of the project, will furnish inform and substance satisfactory to A.I.D., a consolidated work plan and budget for activities for that year. Work plans and budgets will include proposed activities for coordination, and for specific activities funded for each Grantee as described above in I.C.2(B) for SIECA, and V.D.2(A) for INCAE and IESCARIBE.

3. Coordination

(A) Each Grantee shall agree to use its best efforts to ensure coordination with the governments of the region when formulating its institutional plan and strategies so as to be consistent with the human resource needs of the region.

(B) Each Grantee shall agree to coordinate project activities with the other two institutions which participate in the project: SIECA (The

Permanent Secretariat of the Central American Treaty Organization for Economic Integration), INCAE (The Central American Institute of Business Administration) and IESCARIBE/Florida (The Institute of Economic and Social Research of the Caribbean Basin), and to collaborate with them in the development of an increased quantity of economic research and analysis by economic research centers and universities in Central America on critical policy issues and to raise the level of public understanding and dialogue on those issues.

4. Reports

Each Grantee shall submit financial and progress reports of Project activities, in a format acceptable to A.I.D., both quarterly and annually.

(A) Quarterly Reports

Each Grantee shall submit progress reports and financial reports quarterly, or at its discretion, more often, together with an estimate of expenditures for the next 90 days and a request for replenishment of the funds advanced to meet its projected expenditures during that period.

Progress reports should cite the targets for the period and chronicle activities undertaken since the prior report (if any), identify any problems encountered and steps taken or plans to remedy them. Such reports should make the reasons clear why targets were either exceeded or not met. When considered necessary, revisions to the annual work plan should be proposed along with an explanation or justification for the proposed changes.

(B) Final Report

Prior to final disbursement under the grant/cooperative agreements, a final financial report will be submitted for each grant showing the approved budget by expenditure categories and expenditures annually and cumulative over the life of the grant. At the same time, a final progress report should be submitted for the life of the project, reviewing successes and problems, lessons learned, and any observations that each Grantee might care to make concerning the design, implementation, or desirability of a follow-on or related activity.

5. Other Requirements

Each Grantee will name its representative, and an alternate, to the Project Steering Committee, and participate in its functions.

Each Grantee will submit, for A.I.D. approval, a standard or model subgrant or subcontract that it will use for granting/contracting for technical services and research that is permitted under the terms of the Grants.

E. Financial Management

1. General Procedures

In line with Handbook 3 regulations for the Project Agreement and Handbook 13 regulations for the use of a Cooperative Grant Agreement, ROCAP personnel, and in particular the Project Officer with the advice of the Project Advisor, will have substantial involvement in the implementation of each recipient's program. The Project Officer's prior review and approval of each entity's annual work plan will be required before any disbursements can be made for project activities. The Project Officer will also review and approve, together with the ROCAP Controller and Contract officers, a model subcontract that each institution will use in the contracting of project-funded research or technical assistance. In other aspects of project implementation and evaluation it is expected that the Project Advisor will be involved jointly in activities with each project entity.

The project's institutional entities (i.e. SIECA, INCAE, and IESCARIBE) will be reimbursed for the specific items listed and up to the limits established in Section VI. Cost Estimates and Financial Plan. At the request of the institutions and subject to the conditions set forth in the grant/cooperative agreements, ROCAP may make periodic advance payments to the three Institutions not to exceed the 90 day actual cash requirement of each Institution under the agreement. No advance payments shall be made without approval of the Project Officer and the Controller of ROCAP. The funds made available to each Institution shall be deposited in a special, interest bearing bank checking account. Any interest earned will be accounted for and returned to the grantor. No part of the funds in the Special Bank Account shall be mingled with other funds of the Institution prior to any withdrawal from the Special Bank Account. Each withdrawal shall be made only by check of the Institution signed by two persons designated by the Institution. The funds in the Special Bank Account may be withdrawn by the Institution solely for the purposes of making payments for allowable costs as defined in the Illustrative Budget.

Whenever so requested in writing by ROCAP, the Institution shall repay to ROCAP such part of the unliquidated balance of the advance payments as shall in the opinion of ROCAP be in excess of immediate disbursing requirements (90 days). The advance will be liquidated by "no pay" vouchers prior to the completion date of the cooperative agreement or grant agreement. Advances will be authorized for up to 90 days of actual cash requirements. In order to obtain an advance, the Institution must submit a completed SF 1034 voucher in original and three copies, accompanied by a narrative justification for the 90 day cash requirement. The voucher must identify the grant and complete address where the advance is to be sent.

Advances will be liquidated against a payment voucher and the related invoice. After the initial advance, the amount of subsequent advances

will be subject to review by the Project Officer and the ROCAP Controller, given actual expenditures incurred and the budget for an additional 90 day period. All invoices and vouchers shall be approved by the Project Officer or his designee.

Grant funds will be used in two ways to achieve the objectives of the project: 1) Reimbursement for costs incurred in research, seminars, publications, institution strengthening including commodity procurements, and project management and evaluation; and 2) full or partial scholarships for attending the various Professional training programs. For purposes of the former, reimbursement will be based on costs incurred in the execution of the activity; in the latter case, reimbursement will be based on the scholarship aid offered for the event in question as agreed to by ROCAP beforehand and as detailed in project implementation letters.

2. Procurement

ROCAP will review SIECA's, INCAE's, and IESCARIBE's procurement policies and procedures for approval. In lieu of approval, SIECA will utilize AID Handbook 11, Host Country Contracting, for all subcontracting and procurement under the Project Agreement with that entity. INCAE and IESCARIBE will follow the general provisions described in their Cooperative Agreements with the exception of computer hardware and software which may be procured directly by AID.

3. Recurrent Costs

Upon completion of the project, the institutions will finance the costs associated with technical staff positions and other essential costs, with funding from their own resources and with assistance, most likely, from other donor organizations.

F. Procurement

Procurement of equipment and research supplies will be managed by the institutions under HB 13 and HB 11 rules, following approval by ROCAP of their procurement policies and procedures and approval of each Grantee's procurement plans. Procurement of equipment for research organizations will be done by ROCAP and SIECA, based on assistance packages developed by the Project Steering Committee. Computer purchases will be standardized, probably around the IBM-compatible computers with MS-DOS operating systems. Total computer hardware and associated software costs are not expected to exceed \$100,000. Therefore, no approval from IRM will be necessary for the procurement plan.

Technical assistance will be procured in different ways by the participating organizations. SIECA will build some of its technical assistance requirements into its research plans, and engage technical advisors under HB 11 rules. If technical assistance is needed for the statistics program, HB 11 rules will apply. When it subgrants studies, the technical assistance will be part of the subgrant, with the subgrantee expected to adhere to competitive principles under a standard agreement. Technical assistance for INCAE-sponsored studies will also be built into subgrants using Handbook 13. INCAE is not expected to contract TA for its internal activities. IESCARIBE will hire staff and procure technical assistance using Handbook 13 rules. IESCARIBE will hire or contract for the part-time services of the Project Manager and Administrative Assistant and Accountant positions. Technical consultants will be contracted by IESCARIBE for short-term assignments per AID informal competitive procedures.

G. Monitoring and Evaluation

The Project Steering Committee will be the main means for establishing objectives and benchmarks under the project, with each participating institution developing its work plans within the framework that is agreed to by the Committee. SIECA, INCAE, and IESCARIBE-Florida will provide quarterly reports on progress against objectives, successes or problems encountered, and steps being taken to correct problems. Special reports will also be prepared, including results of workshops and seminars, trip reports by technical advisors, and evaluations by trainees and their supervisors of the courses or technical workshops delivered.

The ROCAP Project Officer with the assistance of the ROCAP Project Advisor will be responsible for: 1) overseeing each grantee organization's compliance with A.I.D.'s policies, procedures and regulations; 2) ensuring the timely and coordinated provision of A.I.D. financing and inputs in support of the agreed project plan, 3) developing modified plans or project amendments when appropriate; 4) assuring a continuous communication among the grantees; 5) assuring a historical record of implementation of the official A.I.D. project files; and 6) preparing quarterly reports for ROCAP review.

The successful implementation of this project requires that the Project Steering Committee actively and continuously involve members of the university community throughout the region in the project's activities. The Project Steering Committee will need to be in frequent and regular contact with key representatives of regional universities and economic research centers, members of the private sector, those public sector officials important to policy reform efforts and the media. Close communication will also be maintained with USAID Economic Officers in the region, and with the LAC economics staff, to advise them of progress and to solicit ideas and research topics to be addressed. Such communication and coordination are essential both to the successful dissemination of results through seminars and to the formulation and implementation of any long term program which may emanate from this pilot project.

A mid-term evaluation will be made after twelve months by an evaluation team contracted for this purpose, with the assistance of the Project Steering Committee. This will focus on operational aspects of the Project, and result in an action plan for corrective actions, decisions on further obligations of funds, and possibly reprogramming of funds. It will look at progress on work plans, rate of funding disbursements, communications and reporting in the Project, common problems that may be emerging, relations with regional research entities and other factors at the input and output levels of the Project.

A formal evaluation utilizing additional outside specialists will be conducted about 24 months into the project to evaluate the quality of the research, outcomes of the dialogue seminars, effects of training, and use of project resources by the participating institutions. This evaluation will be focussed more on the purpose and goal levels of the Project. Evaluations will be financed from project funds. Estimates are \$25,000 for the mid-term and \$25,000 for the second evaluation.

H. Audit Coverage

In addition to the evaluations, mandatory non-federal audits will be performed prior to PACD. Costs of the audits are estimated to be \$75,000.00 for the LOP.

I. Implementation Plan

This schedule shows only the major milestones of the project, as detailed implementation planning will be a major activity of the first 90 days of the Project Steering Committee.

- | | |
|------------|---|
| Months 1-2 | SIECA meet Conditions Precedent and INCAE, and IESCARIBE meet Other Requirements for First Disbursement; Project Steering Committee (PSC) develops agenda and schedule of meetings; meeting with USAID economists on project research agenda. |
| Month 3 | Research Priorities Workshop; assessment of research institutions. Begin procurement of equipment for SIECA. Institutions submit work plans for approval; announcement of solicitation for proposals. |
| Month 4 | Complete Assessment of Research Institutions. PSC meets to plan first assistance packages. Begin in-house studies; review proposals for external studies; approve plans and schedule for skills training courses for first year; identify trainees. |
| Months 4-8 | Recruit technical expertise as needed through IESCARIBE. Conduct first training workshop (INCAE) |

and evaluate results. Complete first studies; PSC reviews studies and plans follow up: TA; publication; seminars. Procure and deliver computers for first regional institutions. Identify trainees for future courses.

- Month 6 Conduct review of startup issues (PSC, ROCAP).
- Months 8-12 Continue activities; recruit technical expertise as needed through IESCARIBE. Receive SIECA equipment. Increase number of studies underway.
- Month 12 Conduct self-evaluation (PSC, outside advisors). Develop plan for corrective action; reprogram funds if needed. Institutions submit new work plans/budgets.
- Months 12-18 Recruit technical expertise as needed through IESCARIBE. Increase number of studies in progress; conduct training (at INCAE, SIECA, on-site with institutions). Complete first publications, conduct dialogue seminars. Conduct training seminars.
- Month 18 PSC and ROCAP conduct implementation review; consider disbursement, management issues. Complete all procurement of equipment.
- Months 18-24 Continue activities as planned. Plan 24 month evaluation.
- Month 24 External evaluation of Project. Adjust as necessary. Institutions submit new work plans/budgets.
- Implementation Review with ROCAP. Special conference with regional research institutions to review results, future requirements, alternative sources.
- Month 30 Project Terminates.

VI. COST ESTIMATES AND FINANCIAL PLAN

A. Cost Estimates

The proposed project will total \$2,420,160, of which USAID through grant funds will finance \$1,700,000 (70%). The project funding will start in August 1988 and terminate February 1990, for a total of 30 months.

B. ROCAP Inputs

The ROCAP inputs and funding of the project according to the participating institutions and components is as follows:

1. SIECA (\$650,000)

(A) Policy Studies (\$478,000)

Under the major project component entitled Economic Policy Studies, SIECA will develop and carry out eight (8) studies at a cost of approximately \$50,000 each, for a total of \$400,000. An additional \$15,000 is added to this component for SIECA to cover the cost of technical equipment directly related to the completion and dissemination of the studies, and the remainder is for project-related travel and per diem, support staff, and other direct costs. Technical assistance will be requested from IESCARIBE and funded from the grant to that institution. The estimated cost of each study includes all other required monitoring, assistance and follow-up responsibilities, as well as the provision of local advisors on an as needed basis. Eight (8) publications (one for each policy study) will be provided at a cost of \$1,250 per publication, totalling \$10,000.

(B) Seminars (\$20,000)

SIECA will organize and provide two (2) regional seminars to disseminate and discuss the results of the studies. Each seminar is estimated to cost \$10,000, for a total of \$20,000.

(C) Statistics Strengthening (\$100,000)

The total cost of upgrading and making more current the Regional Statistics program, which includes all related publication work, is \$100,000, to be disbursed over the twenty four (24) month life-of-grant. Training is not provided for as a separate item in the SIECA grant. It is expected that SIECA will nominate candidates for the training funded under the INCAE grant.

(D) Institutional Strengthening (\$52,000)

SIECA will utilize \$52,000 to improve its library program and strengthen its internal organization to enhance its ability to administer the project and carry out similar programs in the future.

2. INCAE (\$484,250)

(A) Policy Studies (\$256,986)

INCAE will develop over the life-of-project a total of ten (10) policy studies at an average approximate cost of \$13,500 each, for a

total of \$135,000. Three to five (3-5) of the research grants shall include assistance for strengthening the analytic capacity of the institution receiving the subgrant. The INCAE budget contains \$35,000 for the procurement of computer equipment and related software, and other essential materials and equipment as deemed necessary to the strengthening of the institutional capacity of research entities in Central America. Eight (8) publications based on the studies (determined to have the highest priority, with the remaining two studies delivered in final but published at a later date with other funding sources), will be developed at an estimated cost of \$1,250 per publication, for a total of \$10,000. The studies budget also includes funds for coordinating and overseeing INCAE's management of its activities under the project, as well as the necessary monitoring and follow-up work associated with fully completing each study.

(B) Seminars (\$66,515)

In order to organize and carry out seminars for the presentation and discussion of the policy studies, INCAE will be responsible for four (4) local seminars (about \$10,000 each), and one (1) regional seminars (about \$25,000 each), for a total cost of \$66,515.

(C) Training (\$160,749)

The Training Component for INCAE will encompass the training of economic researchers in the Central American region through the provision of five (5) training courses at an average cost of about \$32,000 each -- totalling \$160,749 over the LOP.

3. IESCARIBE/Florida (\$192,750)

(A) Direct IESCARIBE Activities (\$91,000)

IESCARIBE will utilize \$91,000 for the services of its executive director as grant coordinator and for his technical assistance services to the project. This amount also includes travel and per diem for him, and supporting services in the home office. Commodities in the amount of \$2,000 are included to enhance and make more efficient the services of the Coordinator and his staff.

(B) Other Experts (\$101,750)

The second part of IESCARIBE's inputs to the project is comprised of contracting specialized technical assistance services at the request of RCCAP and the Project Steering Committee. These services will include: two or three economists for a period of up to 3 weeks per year in the development of seminar agendas and study reviews; a two or three person team of economists focused on specific constraints to the development of quality policy studies; and direct technical assistance as needed from top level economists from the U.S. and Latin America in resolving economic policy

questions for institutions in the region. Included in the total policy studies support will be approximately \$37,000 for travel and per diem costs associated with the proposed technical assistance, which will be managed by IESCARIBE in conformity with its standard/model contract.

4. ROCAP (\$373,000)

Funding for ROCAP from the project will be for management via a PSC/Project Advisor and miscellaneous services for 30 months (\$248,000), audit (\$75,000), and evaluation (\$50,000). The budget for the services of a Project Advisor/Senior Economist over the life-of-project will include the cost of salary, benefits and other related expenses under a direct AID long-term PSC contract. Approximately \$50,000 will be used for a mid-term and final project evaluation, and \$75,000 will cover the total cost of the required yearly project audits.

C. Methods of Implementation and Financing

The following chart provides information on the methods of implementation and financing for the project's funds.

<u>Item</u>	<u>Methods of Payment</u>	<u>Methods of Financing</u>	<u>Amount</u>
1. T.A., U.S. and Latin America	Grantee contract	Advance/Reimbursement	\$89,242
2. Audits	AID contract	Direct Pay	75,000
3. Evaluations	AID contract	Direct Pay	50,000
4. PSC, US/Local Hire	AID contract	Direct Pay	218,931
5. 5 Computers	AID contract	Direct Pay	35,000
6. Computers and related hardware and software	Grantee contract	Advance/Reimbursement	2,000
7. Computers and related hardware and software	Hc-Procedures Purchase Orders	Advance/Reimbursement	35,000
8. Office and library equipment	Hc-Procedures Purchase Orders	Advance/Reimbursement	27,400
9. Personnel Costs	Hc-Procedures Contract	Advance/Reimbursement	368,336
10. Travel & Per diem	Hc-Procedures	Advance/Reimbursement	139,680
11. Equip. & Supplies	Hc-Procedures	Advance/Reimbursement	138,334
12. Research Subgrants	Hc-Procedures subgrant/subcontr.	Advance/Reimbursement	304,000
13. Contingencies			107,932
14. Overhead	Hc-Procedures	Advance/Reimbursement	109,145
TOTAL			<u>\$1,700,000</u>

D. Counterpart Contribution (\$720,160)

1. SIECA (\$622,160)

SIECA will provide a counterpart contribution to the research studies part of the project of \$216,560. This includes an estimated \$76,320 toward the coverage of staff salaries directly involved in the performance of policy studies; \$8,000 for the presentation of two regional seminars and meetings; other institutional support services totalling \$56,400; and approximately \$75,840 for other direct costs to be applied toward the accomplishment of project objectives.

SIECA will also provide about \$405,600 toward the statistical program, \$300,000 in staff salaries, \$48,000 in other institutional support services, and \$57,600 for other direct costs to be applied toward the accomplishment of project objectives.

2. INCAE (\$98,000)

INCAE will provide a counterpart contribution of \$75,000 in salaries of professional staff, and \$23,000 in other direct costs.

3. IESCARIBE

IESCARIBE will not provide a counterpart contribution in as much as it will be responsible for providing technical assistance to the project.

E. Summary Budget

The summary budget for the project for the life of the project is shown in Table 1 on the next page. This table is arranged by major budget line items and institution that will use the funds, separately for each funding source.

Table 2 shows projected project outlays by year and by currency type.

Additional budget detail is presented in Annex J.

TABLE I

SUMMARY BUDGET FOR LIFE OF PROJECT
(In USDollars)

<u>ITEM</u>	<u>GRAND TOTAL</u>	<u>USAID/ROCAP</u>					<u>COUNTERPART</u>		
		<u>TOTAL</u>	<u>INCAE</u>	<u>SIECA</u>	<u>IESCARIBE</u>	<u>ROCAP</u>	<u>TOTAL</u>	<u>INCAE</u>	<u>SIECA</u>
Salaries	1,062,329	611,009	112,144	214,800	92,534	191,531	451,320	75,000	376,320
Travel	96,740	96,740	38,240	21,000	27,500	10,500			
Per diem	99,640	99,640	28,440	40,600	22,500	8,100			
Commodities	99,400	99,400	35,000	62,400	2,000	--			
Audit	75,000	75,000				75,000			
Evaluation	50,000	50,000				50,000			
Other Direct Costs	415,974	147,134	41,922	87,500	8,912	8,800	268,840	23,000	245,840
Subgrants	304,000	304,000	134,000	170,000					
Contingencies	107,932	107,932	10,500	53,700	14,663	29,069			
Overhead	109,145	109,145	84,004		24,378				
TOTAL	2,420,160	1,700,000	484,250	650,000	192,750	373,000	720,160	98,000	622,160
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

TABLE 2

ILLUSTRATIVE SUMMARY BUDGET BY YEAR AND CURRENCY TYPE
(In USDollars)

<u>ITEM</u>	<u>TOTAL</u>	<u>T O T A L</u>		<u>Y E A R 1</u>			<u>Y E A R 2</u>		
		<u>FX</u>	<u>LC</u>	<u>TOTAL</u>	<u>FX</u>	<u>LC</u>	<u>TOTAL</u>	<u>FX</u>	<u>LC</u>
<u>Salaries</u>	<u>611,009</u>	<u>284,065</u>	<u>326,944</u>	<u>316,625</u>	<u>156,453</u>	<u>160,172</u>	<u>294,384</u>	<u>127,612</u>	<u>166,772</u>
<u>Travel</u>	<u>96,740</u>	<u>37,500</u>	<u>59,240</u>	<u>34,098</u>	<u>16,650</u>	<u>17,448</u>	<u>62,642</u>	<u>20,850</u>	<u>41,792</u>
<u>Per diem/hotel/food</u>	<u>99,640</u>	<u>30,600</u>	<u>69,040</u>	<u>36,368</u>	<u>13,500</u>	<u>22,868</u>	<u>63,272</u>	<u>17,100</u>	<u>46,172</u>
<u>Commodities</u>	<u>99,400</u>	<u>73,400</u>	<u>26,000</u>	<u>89,000</u>	<u>63,000</u>	<u>26,000</u>	<u>10,400</u>	<u>10,400</u>	<u>---</u>
<u>Audit</u>	<u>75,000</u>	<u>75,000</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>75,000</u>	<u>75,000</u>	<u>---</u>
<u>Evaluation</u>	<u>50,000</u>	<u>50,000</u>	<u>---</u>	<u>15,000</u>	<u>15,000</u>	<u>---</u>	<u>35,000</u>	<u>35,000</u>	<u>---</u>
<u>Other Direct Costs</u>	<u>147,134</u>	<u>17,712</u>	<u>129,422</u>	<u>55,491</u>	<u>8,856</u>	<u>46,635</u>	<u>91,643</u>	<u>8,856</u>	<u>82,787</u>
<u>Subgrants/Subcontracts</u>	<u>304,000</u>	<u>---</u>	<u>304,000</u>	<u>157,500</u>	<u>---</u>	<u>157,500</u>	<u>146,500</u>	<u>---</u>	<u>146,500</u>
<u>Contingencies</u>	<u>107,932</u>	<u>43,732</u>	<u>64,200</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>107,932</u>	<u>43,732</u>	<u>64,200</u>
<u>Overhead (Provisional)</u>	<u>109,145</u>	<u>35,162</u>	<u>---</u>	<u>45,918</u>	<u>10,021</u>	<u>35,897</u>	<u>63,227</u>	<u>25,141</u>	<u>38,086</u>
<u>TOTAL</u>	<u>1,700,000</u>	<u>647,171</u>	<u>1,052,829</u>	<u>750,000</u>	<u>283,480</u>	<u>466,520</u>	<u>950,000</u>	<u>363,691</u>	<u>586,309</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

TABLE OF CONTENTS

ANNEXES

- A. Logical Framework
- B. Statutory Checklist
- C. Letters of Application
 - 1. SIECA
 - 2. INCAE
 - 3. IESCARIBE
- D. IEE
- E. Approval for Non-Competitive Cooperative Agreement
- F. LAC Cable Transferring Project
- G. Project Analyses
 - 1. Technical
 - 2. Administrative
- H. Duties and Responsibilities of Project Steering Committee
- I. Procurement Plan
- J. Budget Tables

3776j

ROCAP Economic Policy Studies Project (596-0147)
Logical Framework

Narrative Summary

Objectively Verifiable Indicators

Means of Verification

Important Assumptions

Goal

To support economic policy reform and economic growth through an expanded public policy dialogue and knowledge of economic issues.

1. Participation and effectiveness of research institutions in informing the policy dialogue.
2. Studies and dissemination receiving media attention.

1. Evaluation
2. Content analysis of print and other media.

1. Increased public awareness will reduce resistance to policy reform
2. Governments and regional agencies implement coherent economic policies.
3. Other elements necessary to achieve sustained economic growth will occur.

Purpose

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

1. Project team, together with research centers/universities capable of identifying research needs and of formulating policy oriented research proposals, facilitating quality research on these topics by member organizations, and communicating the results effectively for economic impact.
2. Policy research meets appropriate standards and is published by participating centers/universities.
3. Research topics are pertinent to important policy dialogue issues, are designed for maximum impact on policy dialogue and are effectively introduced into the policy arena.
4. Research centers/universities conduct more research and analysis on critical economic policy issues than would be the case without project support.
5. Quality of studies improves over time, and additional centers added to IESCARIBE network.
6. Attendance at seminars including follow up events increases.

1. Evaluation
2. Project reports on seminars.

1. Research institutions are interested in researching.
2. Research can be translated into actionable projects/recommendations.
3. Opinion leaders and decision makers seek and use analysis, want to participate in dialogue events.

41

ROCAP Economic Policy Studies Project (596-0147)

Logical Framework

<u>Narrative Output</u>	<u>Objectively Verifiable Indicators</u>	<u>Means of Verification</u>	<u>Important Assumptions</u>
<u>Outputs</u>			
1. Completed policy studies.	1. 18 studies, 3-5 of which include Institutional strengthening activities	- Initial (12 months) self-evaluation. - External Evaluation Report.	1. Research Institutions can achieve internal consensus/approval for the research, and can organize the research.
2. Published studies.	2. 16 publications.		
3. Policy dialogue seminars.	3. 4 national seminars.		
4. Seminars to research priority topics and methodologies and results.	4. 3 regional seminars with private sector, university, media and government participants. Topics focusing on: (a) critical economic policy issues (b) methodology (c) interim results (d) final research results	- Seminar programs/reports. - SIECA/INCAE reports on project implementation and evaluation.	
5. Technical training.	5. 100 Economic Analysts Trained in 5 events.		

Inputs

1. Financing for Policy Studies and related publications, seminars.	2. Technical assistance for research	3. Training	4. Institutional strengthening	5. Management/Administration	Project Budget (\$000)			1. Project Records and Reports. 2. Agency Records. 3. Grantee Records and Financial reports.	-Counterpart funding will be available.
					A.I.D.	INCAE	SIECA		
	Financing Studies				827		270		
	Tech. Assistance				193				
	Training				155				
	Inst.Strengthening				152		500		
	Project Mgt. (Including Eval. and Audit)				373				
					<u>1700</u>		<u>770</u>		

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to: (A) FAA funds generally; (B)(1) Development Assistance funds only; or (B)(2) the Economic Support Fund only.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FY 1988 Continuing Resolution Sec. 526. NO
Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

2. FAA Sec. 481(h). (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government), has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without N/A

Congressional enactment, within 30 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, and to prevent and punish drug profit laundering in the country, or that (b) the vital national interests of the United States require the provision of such assistance?

3. Drug Act Sec. 2013. (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress listing such country as one (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

N/A

44

4. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? N/A
5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? N/A
6. FAA Secs. 620(a), 620(f), 620D; FY 1988 Continuing Resolution Sec. 512. Is recipient country a Communist country? If so, has the President determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism? Will assistance be provided directly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, Iran or Syria? Will assistance be provided to Afghanistan without a certification? No
7. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? No
8. FAA Sec. 620(l). Has the country failed to enter into an investment guaranty agreement with OPIC? No
- 45

9. FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters?
(b) If so, has any deduction required by the Fishermen's Protective Act been made?
10. FAA Sec. 620(q); FY 1988 Continuing Resolution Sec. 518. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1988 Continuing Resolution appropriates funds? No
11. FAA Sec. 620(s). If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.) N/A
12. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No

1/16

13. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the Taking into Consideration memo.) N/A
14. FAA Sec. 620A. Has the President determined that the recipient country grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism? No
15. FY 1988 Continuing Resolution Sec. 576. Has the country been placed on the list provided for in Section 6(j) of the Export Administration Act of 1979 (currently Libya, Iran, South Yemen, Syria, Cuba, or North Korea)? No
16. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures? No
17. FAA Sec. 666(b). Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? No
18. FAA Secs. 669, 670. Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) No
- 41

19. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? No
20. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.) No
21. FY 1988 Continuing Resolution Sec. 528. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States? No
22. FY 1988 Continuing Resolution Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? No
23. FY 1988 Continuing Resolution Sec. 543. Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? Yes

16

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

No

FY 1988 Continuing Resolution Sec. 538. Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

No

2. Economic Support Fund Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

N/A

FY 1988 Continuing Resolution Sec. 549. Has this country met its drug eradication targets or otherwise taken significant steps to halt illicit drug production or trafficking?

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1988 Continuing Resolution Sec. 523; FAA Sec. 634A. If money is sought to obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified? N/A
2. FAA Sec. 611(a)(1). Prior to an obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? Yes
3. FAA Sec. 611(a)(2). If legislative action is required within recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? N/A

4. FAA Sec. 611(b); FY 1988 Continuing Resolution Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. Yes, Regional Project
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. Yes, the project will produce policy research on trade expansion and regional economic cooperation for the purpose of increasing international trade. Important secondary impacts can be expected on private initiatives and technical efficiency.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). Yes, same as 7. above.
9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? - N/A
11. FY 1988 Continuing Resolution Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? N/A
12. FY 1988 Continuing Resolution Sec. 553. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? No
13. FAA Sec. 119(g)(4)-(6). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? No

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? N/A
15. FY 1988 Continuing Resolution. If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? N/A
16. FY Continuing Resolution Sec. 541. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? N/A
17. FY 1988 Continuing Resolution Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has prior approval of the Appropriations Committees of Congress been obtained? N/A
18. FY Continuing Resolution Sec. 515. If deob/reob authority is sought to be exercised in the provision of assistance, are the funds being obligated for the same general purpose, and for countries within the same general region as originally obligated, and have the Appropriations Committees of both Houses of Congress been properly notified? N/A
19. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). Yes

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

N/A

- a. FY 1988 Continuing Resolution Sec. 552 (as interpreted by conference report). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers?

- b. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and

Policy Studies
will impact on
these areas.

insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

- c. FAA Secs. 103, 103A, 104, 105, 106, 120-21. Does the project fit the criteria for the source of funds (functional account) being used? Yes
- d. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? Yes, in the sense of introducing personal computers and appropriate data processing and analytic programs for policy research.
- e. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)? Yes
- f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority? Yes

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

Research Institutions carrying out quality Policy Studies and training for local level economic analysts.

h. FY 1988 Continuing Resolution Sec. 538. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

No

Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

N/A

Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

i. FY 1988 Continuing Resolution. Is the assistance being made available to any organization or program which has been determined to support or participate in the management of a program of coercive abortion or involuntary sterilization?

N/A

If assistance is from the population functional account, are any of the funds to be made available to voluntary family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services?

- j. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes
- k. FY 1988 Continuing Resolution. What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 20 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? Very little since focus is on work in Central America by Central Americans.
- l. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (a) stress the importance of conserving and sustainably managing forest resources; (b) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (c) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (e) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared N/A

or degraded; (f) conserve forested watersheds and rehabilitate those which have been deforested; (g) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (h) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (i) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (j) seek to increase the awareness of U.S. government agencies and other donors of the immediate and long-term value of tropical forests; and (k) utilize the resources and abilities of all relevant U.S. government agencies?

- m. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project (a) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (b) take full account of the environmental impacts of the proposed activities on biological diversity?

N/A

- n. FAA Sec. 118(c)(14). Will assistance be used for (a) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (b) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas? No
- o. FAA Sec. 118(c)(15). Will assistance be used for (a) activities which would result in the conversion of forest lands to the rearing of livestock; (b) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (c) the colonization of forest lands; or (d) the construction of dams or other water control structures which flood relatively undegraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development? No
- p. FY 1988 Continuing Resolution If assistance will come from the Sub-Saharan Africa DA account, is it (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) being provided in N/A

accordance with the policies contained in section 102 of the FAA; (c) being provided, when consistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups; (e) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

2. Development Assistance Project Criteria
(Loans Only)

- a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.
- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?
- c. FY 1988 Continuing Resolution. If for a loan to a private sector institution from funds made available to carry out the provisions of FAA Sections 103 through 106, will loan be provided, to the maximum extent practicable, at or near the prevailing interest rate paid on Treasury obligations of similar maturity at the time of obligating such funds?
- d. FAA Sec. 122(b). Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

N/A

3. Economic Support Fund Project Criteria

- a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?
- b. FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes?
- c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

N/A

62

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

1. FAA Sec. 602(a). Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? No
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him? Yes
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? N/A
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A
5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those N/A

countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

6. FAA Sec. 603. Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? N/A
7. FAA Sec. 621(a). If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes
8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes
9. FY 1988 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? Yes
10. FY 1988 Continuing Resolution Sec. 524. If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? Yes

64

B. CONSTRUCTION

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used? N/A
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP), or does assistance have the express approval of Congress?

C. OTHER RESTRICTIONS

1. FAA Sec. 122(b). If development loan repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? N/A
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? Yes
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes

4. Will arrangements preclude use of financing:

- a. FAA Sec. 104(f); FY 1987 Continuing Resolution Secs. 525, 538. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; or (4) to lobby for abortion? Yes
- b. FAA Sec. 483. To make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes
- c. FAA Sec. 620(q). To compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes
- d. FAA Sec. 660. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? N/A
- e. FAA Sec. 662. For CIA activities? N/A
- f. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? N/A

- g. FY 1988 Continuing Resolution Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? N/A
- h. FY 1988 Continuing Resolution Sec. 505. To pay U.N. assessments, arrearages or dues? N/A
- i. FY 1988 Continuing Resolution Sec. 506. To carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? Yes
- j. FY 1988 Continuing Resolution Sec. 510. To finance the export of nuclear equipment, fuel, or technology? Yes
- k. FY 1988 Continuing Resolution Sec. 511. For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes
- l. FY 1988 Continuing Resolution Sec. 516; State Authorization Sec. 109. To be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? Yes

3(A)2 - NONPROJECT ASSISTANCE CHECKLIST

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In Part B a distinction is made between the criteria applicable to Economic Support Fund assistance and the criteria applicable to Development Assistance. Selection of the criteria will depend on the funding source for the program.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED?

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. FY 1988 Continuing Resolution Sec. 523; FAA Sec. 634A. Describe how authorization and appropriations committees of Senate and House have been or will be notified concerning the project. N/A
2. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?
3. FAA Sec. 209. Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

4. FAA Sec. 601(a). Information and conclusions on whether assistance will encourage efforts of the country to:
(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.
5. FAA Sec. 601(b). Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
6. FAA Secs. 612(b), 636(h); FY 1988 Continuing Resolution Secs. 507, 509. Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.
7. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?
8. FAA Sec. 601(e). Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?
9. FAA 121(d). If assistance is being furnished under the Sahel Development Program, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of A.I.D. funds?

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

N/A

b. FAA Sec. 531(e). Will assistance under this chapter be used for military or paramilitary activities?

c. FAA Sec. 531(d). Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106?

d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

e. FY 1988 Continuing Resolution. If assistance is in the form of a cash transfer: (a) are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds? (b) will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account to be used in accordance with FAA Section 609 (which requires such local currencies to be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA

would themselves be available)? (c) Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance?

f. FY 1988 Continuing Resolution. Have local currencies generated by the sale of imports or foreign exchange by the government of a country in Sub-Saharan Africa from funds appropriated under Sub-Saharan Africa, DA been deposited in a special account established by that government, and are these local currencies available only for use, in accordance with an agreement with the United States, for development activities which are consistent with the policy directions of Section 102 of the FAA and for necessary administrative requirements of the U. S. Government?

2. Nonproject Criteria for Development Assistance

a. FAA Secs. 102(a), 111, 113, 281(a).
Extent to which activity will (a) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Secs. 103, 103A, 104, 105, 106, 120-21. Is assistance being made available (include only applicable paragraph which corresponds to source of funds used; if more than one fund source is used for assistance, include relevant paragraph for each fund source):

(1) [103] for agriculture, rural development or nutrition; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with efforts carried out under Sec. 104 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people; and (c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

(2) [104] for population planning under Sec. 104(b) or health under Sec. 104(c); if so, extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

(3) [105] for education, public administration, or human resources development; if so, (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

(4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:

(i)(a) concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and (b) facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

(ii) concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development organizations;

(iii) research into, and evaluation of, economic development processes and techniques;

(iv) reconstruction after natural or manmade disaster and programs of disaster preparedness;

(v) for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

(vi) for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

(5) [120-21] for the Sahelian region; if so, (a) extent to which there is international coordination in planning and implementation; participation and support by African countries and organizations in determining development priorities; and a long-term, multi-donor development plan which calls for equitable burden-sharing with other donors; (b) has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of projects funds (dollars or local currency generated therefrom)?

c. FAA Sec. 107. Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

74

d. FAA Sec. 281(b). Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

e. FAA Sec. 101(a). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

SECRETARIA PERMANENTE DEL TRATADO GENERAL
DE INTEGRACION ECONOMICA CENTROAMERICANA

No _____

A D T

A D

SG-172/88

19 de agosto de 1988

Señora
Nadine Hogan
Directora de ROCAP
8a. Calle 7-86, Zona 9
Ciudad de Guatemala

Proyecto de Estudios en Política
Económica. Solicitud de Coopera-
ción Técnica y Financiera

Estimada Señora Directora:

De acuerdo con el gentil ofrecimiento de cooperación con esta Secretaría Permanente, que usted nos ha expresado, y al tenor de las reuniones de trabajo que han tenido lugar en los últimos meses entre funcionarios de la SIECA y de la Oficina Regional a su digno cargo, tenemos el gusto de solicitar, por su medio, que ROCAP nos otorgue cooperación financiera, por el monto de US\$650,000.00 (Seiscientos Cincuenta Mil Dólares), destinados a la ejecución del Proyecto en referencia, en un período estimado de veinticuatro meses.

El Proyecto, según ha sido expuesto en las reuniones de trabajo y que se encuentra descrito en el Anexo I del reciente borrador del Convenio de Donación, que obra en nuestro poder, a partir del 8 del corriente mes, tiene cuatro componentes que se complementan así:

1. La dirección y ejecución, en el curso de los siguientes veinticuatro (24) meses, de aproximadamente ocho (8) estudios de corta duración, sobre cuestiones de política económica relevantes para el desarrollo y la integración centroamericana, y dirigidos a facilitar el proceso de toma de decisiones de política en el ámbito regional.
Los estudios serán llevados a cabo por la SIECA, por conducto de su Centro de Estudios e Investigaciones Específicas (CEIE), tanto en forma directa como también por medio de contratar, con cargo a los recursos del Proyecto, los servicios de otros centros de investigación y consultores (firmas o individuos) del área centroamericana. El costo de este componente del Proyecto está estimado en US\$478,000.00 (Cuatrocientos Setenta y Ocho Mil Dólares).

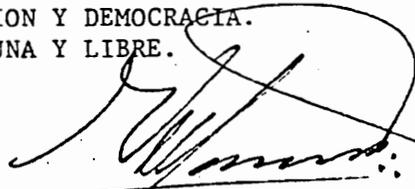


Señora Nadine Hogan
19 de agosto de 1988
Segunda hoja

2. El mejoramiento de las estadísticas básicas y de las publicaciones que, en este importante campo de servicio regional, realiza la Secretaría en beneficio de los gobiernos e instituciones del área, así como de otros usuarios de datos, tanto dentro de Centroamérica como en el exterior. Su costo es de US\$100,000.00 (Cien Mil Dólares).
3. El fortalecimiento de facilidades básicas para la Secretaría, tales como la dotación de equipos y programas de computación, otros equipos de comunicación; así como la adquisición de libros y otras publicaciones relevantes para el quehacer de la Secretaría, que completen y actualicen la existencia de su biblioteca y Centro de Documentación, y la implantación de mejores sistemas que faciliten a los usuarios, de dentro y fuera de la SIECA, el acceso a la información. El costo de este componente es de US\$52,000.00 (Cincuenta y Dos Mil Dólares).
4. La celebración de dos (2) seminarios regionales, con amplia participación de distinguidas personalidades de los sectores público y privado de la región, para: presentar los resultados de las investigaciones; discutir las opciones de solución de problemas que se presentan en ellas; y difundir los méritos del Proyecto. El costo de este componente es de US\$20,000.00 (Veinte Mil Dólares).

Esperando que la información que suministramos a usted con la presente sea suficiente para resolver nuestra solicitud de ayuda técnica y financiera, sin perjuicio de remitir en breve documentación completa sobre el Proyecto aquí referido, aprovecho la oportunidad para saludar a usted muy atentamente y para reiterarle testimonio de mi alto aprecio y consideración.

DESARROLLO, INTEGRACION Y DEMOCRACIA.
CENTROAMERICA, UNA Y LIBRE.


Marco Antonio Villamar Contreras
Secretario General





INCAE

Alajuela, Costa Rica
August 8, 1988

Ms. Nadine Hogan
Regional Director
AID/ROCAP
American Embassy
Guatemala, C.A.

Dear Nadine:

The purpose of this letter is to request approval for the Economic Policy Research Project.

The project will sponsor the Central American Institute of Business Administration (INCAE), the permanent secretariat for Central American Economic Integration (SIECA), and the Institutes of Economic and Social Research of the Caribbean Basin (IESCARIBE), in coordinated efforts to improve the quality of economic policy analysis in Central America.

The project will support studies, technical assistance, strengthening research infrastructure, training workshops, and policy dialogue seminars. Economic policy studies will be in the broad areas of increasing economic cooperation and improving trade policy in the Central American Region.

INCAE's responsibilities under the grant will include: liaison and cooperation with ROCAP and other grantees; representation on the project steering committee and participation in all activities assigned to this committee in the project. INCAE will also: make subgrants or otherwise arrange for 10 economic policy studies, 3-5 of which will also include institutional strengthening assistance; hold 5 skills-improvement workshops; and hold at least 5 dissemination and discussions meetings around of the results from the studies supported via the INCAE grants.

INCAE is looking forward to work once again with ROCAP.

Very truly yours,

Melvyn R. Copen
Rector

Enclosed you will find one annex showing the budget for the life of the project to which we agree and the INCAE's matching contribution.

INSTITUTO CENTROAMERICANO DE ADMINISTRACION DE EMPRESAS

Sede Costa Rica
Apartado 960
4050 Alajuela
Costa Rica

Telex 7040
Teléfono 41-22-55

Sede Nicaragua
Telex 2360 Apartado 2485
Teléfono 58446/8 Managua, Nicaragua

INCAE'S MATCHING CONTRIBUTION

	<u>FIRST YEAR</u>	<u>SECOND YEAR</u>	<u>THIRD YEAR</u>	<u>TOTAL</u>
<u>SALARIES</u>				
J. Nicolás Marín *	12,500	12,500	12,500	37,500
Francisco Gutiérrez *	<u>12,500</u>	<u>12,500</u>	<u>12,500</u>	<u>37,500</u>
	25,000	25,000	25,000	75,000

* They are INCAE's Faculty member and will support the project

79

TABLE 1

ILLUSTRATIVE INCAE BUDGET FOR THE LIFE-OF-THE-PROJECT
(30 Months)

<u>ITEM</u>	<u>TOTAL</u>	<u>STUDIES</u>	<u>TRNGNG</u>	<u>SEMINARS</u>
<u>Salaries</u>	<u>121,642</u>	<u>57,500</u>	<u>44,860</u>	<u>24,282</u>
Professional Staff	121,642	57,500	44,860	24,282
Support staff				
Consultants				
<u>Travel</u>	<u>38,240</u>	<u>3,500</u>	<u>25,000</u>	<u>9,740</u>
Staff	5,740	3,500		2,240
Consultants	-	-		
Participants	32,500		225,000	7,500
<u>Per diem/hotel/food</u>	<u>28,440</u>	<u>2,700</u>	<u>17,500</u>	<u>8,240</u>
Staff	3,500	2,700		800
Consultants	-	-	-	-
Participants	24,940	-	17,500	7,440
<u>Training courses</u>	<u>a/</u>	<u>_____</u>	<u>a/</u>	<u>_____</u>
<u>Seminars</u>	<u>b/</u>	<u>_____</u>	<u>_____</u>	<u>b/</u>
<u>Commodities</u>	<u>35,000*</u>	<u>_____</u>	<u>35,000*</u>	<u>_____</u>
<u>Audit</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>Evaluation</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>Other Direct Costs</u>	<u>41,922</u>	<u>15,232</u>	<u>14,875</u>	<u>11,815</u>
Publications	20,140	10,000	4,875	5,265
Supplies, etc.	8,982	2,232	5,000	1,750
Communications	5,250	3,000	1,500	750
Site expenses	7,550	-	3,500	4,050
<u>Subgrants/Subcontracts</u>	<u>135,000</u>	<u>135,000</u>	<u>_____</u>	<u>_____</u>
Subtotals:				
w/ computers	400,244	208,932	137,235	54,077
w/o computers	365,244		102,235	
<u>Overhead</u> (23%; provisional)	<u>84,006</u>	<u>48,054</u>	<u>23,514</u>	<u>12,438</u>
TOTAL	<u>484,250</u>	<u>256,986</u>	<u>160,749</u>	<u>66,515</u>

* No overhead on ROCAP-procured computer.
a/ \$155,637 distributed; b/ \$63,811 distributed.

80

IESCARIBE**INSTITUTOS DE INVESTIGACION ECONOMICA Y SOCIAL
DE LA CUENCA DEL CARIBE****INSTITUTES OF ECONOMIC AND SOCIAL RESEARCH OF
THE CARIBBEAN BASIN**

August 10, 1988

Ms. Nadine Hogan
Director, ROCAP
Guatemala City, Guatemala

Dear Ms. Hogan:

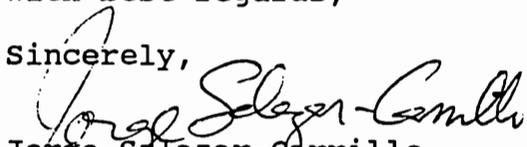
We are requesting a grant to IESCARIBE, under ROCAP's Economic Policy Research Project, in the amount of \$192,750.

As you know, this project was developed by IESCARIBE for the AID office in Washington, D.C. It is our understanding that it was approved there, and then sent to ROCAP for its study and possible implementation. The project was discussed at a meeting in Guatemala from June 12 to 14, at which proposals were presented by INCAE, SIECA, and ourselves. The outcome of this meeting was modified and finally confirmed at a recent meeting in San Jose on August 4th and 5th.

The new version of the project has IESCARIBE providing the technical expertise and consulting services. Our request for funds to include conferences and a publication, as agreed in the June meeting, was not included in the budgeted amount referred to above. Hopefully they will be financed from funds obtained in the future.

With best regards,

Sincerely,


Jorge Salazar-Carrillo
President

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D C 20523

LAC-IEE-88-28

ENVIRONMENTAL THRESHOLD DECISION

Project Location : ROCAP
Project Title : Economic Policies Studies
Project Number : 596-0147
Funding : \$2,000,000 (G)
Life of Project : 2 years
IEE Prepared by : William Garland
LAC/DR
Recommended Threshold Decision : Categorical Exclusion
Bureau Threshold Decision : Concur with Recommendation
Comments : None
Copy to : Nadine Hogan, Director
ROCAP/Guatemala
Copy to : Frank Zadroga, ROCAP/San Jose
Copy to : Donald Boyd, LAC/DR/CEN
Copy to : IEE File

James S. Hester Date JUL 28 1988

James S. Hester
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

82

JUL 27 1988

MEMORANDUM

TO: LAC/DR/EST, James S. Hester

FROM: ROCAP Director, *Madeline Hester*

SUBJECT: Environmental Determination for ROCAP: Economic Policy Research Project (596-0147)

Project Description: The purpose of this project is to finance research and institution building activities to improve the capacity to undertake economic policy analysis. The project will increase the quality and quantity of economic research and analysis in Central America on critical economic policy issues through three main types of activities: economic research by Central American organizations, including technical assistance; sponsorship of seminars and dissemination of research publications; and project management.

Statement of Categorical Exclusion: It is the opinion of the project manager that this project does not require further environmental analysis because its activities fall within the class of actions subject to a categorical exclusion, as described in Section 216.2, paragraph (c)(2)(i) and (c)(2)(iii) of 22 CFR 216. This section states that "Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment", and "Analysis, studies, academic or research workshops and meetings" are types of activities generally excluded from further environmental review.

Recommendation: That you approve the threshold decision of a categorical exclusion for this project given that the activities to be funded are macroeconomic research studies and technical assistance which will not directly affect the environment and which are included in the classes of actions not subject to the full A.I.D. environmental assessment procedures.

83

APPROVAL OF NON COMPETITIVE GRANT SELECTION

SUBJECT: Approval of Non-Competitive Grant Assistance
under the Economic Policy Research Project
(596-0147)

SUMMARY:

This Annex justifies, recommends, and when signed by the Regional Contracts Officer, approves non-competitive grant selection of INCAE (Central American Institute for Business Administration) and IESCARIBE (Institutes of Economic and Social Research in the Caribbean Basin) under project No. 596-0147.

BACKGROUND:

The scarcity of economic research capacity in Central America has long been recognized as a serious constraint to long term development. To address the need to expand and up-grade regional analytic capacity, AID/W initially undertook a project design activity to address this constraint. The PID, approved on July 10, 1987, included reference to IESCARIBE as the implementing institution. The original draft PP called for a single cooperative agreement with IESCARIBE. Following several reviews of the PP, responsibility for project design, obligation, and implementation was transferred to ROCAP in early CY 1988.

Given the nature of the task, and of the required institutional involvement, ROCAP determined that the objectives could best be pursued through interrelated separate grants to SIECA (the chosen instrumentality of the Central American government's for regional economic cooperation issues), INCAE (a premier academic institution and the region's principal business economics training center), and IESCARIBE (an association of U.S., Central American, and Caribbean universities and research institutions.) INCAE, alone among C.A. educational institutions, combines business education with academic excellence and has the confidence of both governments and the private sector. It also has unique experience in conducting the types of seminars and workshops called for under the Grant. IESCARIBE provides a link among both the target institutions in the region and with potential providers of technical assistance from the U.S. In the judgement of ROCAP, each could make a unique contribution to the project and, collectively with SIECA, they are exhaustive of the region's capability to implement the project.

247

Proposals were invited from these three. ROCAP hosted a workshop with these institutions in Guatemala City in June of 1988. This resulted in a project paper and refined proposals from the potential grantees. (See project paper for full discussion of project rationale, the advantages of these respective institutions, and overall orchestration of project components).

Based on the refined proposals, ROCAP proposes to enter into 30-month Cooperative Agreements with INCAE (for approximately US\$ 485,000) and IESCARIBE (for approximately US\$190,000); and into a Handbook 3 Project Grant Agreement with SIECA (for approximately US\$650,000).

ROCAP will contract directly for a project advisor, coordinate project activities among the three grantees, and remain substantially involved in the project.

The Cooperative Agreements with INCAE and IESCARIBE involve three basic components: (1) studies and study-related institutional support; (2) seminars and meetings to disseminate findings; and (3) technical workshops to improve research skills.

AUTHORITY:

Use of Grants:

Channeling of assistance through a grant instrument, two cooperative agreements in this case, instead of a contract arrangement is authorized by the Federal Grant and Cooperative Agreement Act of 1977 (PL 95-225, 31 USC 6301-8 et seq., A.I.D.'s Handbook 1B, CH. 25, E3). Grants are justified when the purpose of A.I.D.'s "relationship is the transfer of ... anything of value to the recipient in order to accomplish a public purpose of support or stimulation authorized by Federal statute rather than" to acquire property or services for the direct benefit or use of the U.S. Government. Cooperative Agreements are justified when substantial involvement is anticipated between A.I.D. and the recipient.

Non-Competitive Awards:

Handbook 13 (rev. May 26, 1988) provides that the cognizant grant officer may approve the justification of non-competitive awards based on a specified criteria for exceptions. Handbook 13, Chapter 47.3 provides that "Competition is not required for... b. Assistance awards for which one recipient is

considered to have exclusive or predominate capability, based on experience, specialized facilities, or technical competence, or based on an existing relationship with the cooperating country or beneficiaries." The grantees, both severally with respect to project components and collectively with respect to the project as a whole, meet this test.

RECOMMENDATION:

That you approve the non-competitive selection of INCAE and IESCARIBE for Cooperative Agreements based on their collective predominate capability to implement this project. This capability consists of technical competence, ability to supply critical inputs, unique relationships with Central American Governments, and existing relationships with beneficiaries and with potential U.S. technical assistance providers.

APPROVED *J. B. McAvoy*
DISAPPROVED _____

John McAvoy
Regional Contract Officer

DATE 8/5/88

Drafted by: *[Signature]*
PRM:TFMiller

Cleared by: *[Signature]*
APDO:PTuebner
ARDIR:EBrineman *[Signature]*

brg:8-04-88:0235J

86

ACTION **ROCP** INFO AMB DCM ECON AID STORE/5

ANNEX F

VZCZCGT0748
 PP RUEEGT
 DE RUEEC #8438/01 0641149
 ZNR UUUUU ZZH
 P 041142Z MAR 88
 FM SECSTATE WASEDC
 TO AMEMBASSY GUATEMALA PRIORITY 9918
 BT
 UNCLAS STATE 068438

04-MAR-88 TOR: 14:26
 CN: 25392
 CHRG: ROCP
 DIST: ROCP
 ADD:

AIDAC ROCAP

E.O. 12356 N/A
 TAGS:

SUBJECT: ECONOMIC POLICY RESEARCH PROJECT

1. AN ISSUES MEETING WAS HELD ON JANUARY 7, 1988, TO REVIEW THE DRAFT PROJECT PAPER (PP) FOR SUBJECT PROJECT. RESULTS OF THAT MEETING AND SUBSEQUENT DEVELOPMENTS ARE SUMMARIZED IN THIS CABLE.
2. (A) THE PROPOSED DOLS 1.7 MILLION FY 1988 PROJECT IS DESIGNED TO EXPAND AND IMPROVE ECONOMIC RESEARCH AND ANALYSIS BY UNIVERSITIES AND ECONOMIC RESEARCH CENTERS IN CENTRAL AMERICA ON CRITICAL ECONOMIC POLICY ISSUES. MUCH OF THE POLICY ANALYSIS INDICATING A NEED FOR ECONOMIC REFORM IN CENTRAL AMERICA HAS BEEN DONE BY DONOR INSTITUTIONS, AND THE LACK OF IN-COUNTRY ECONOMIC ANALYSIS HAS BEEN A KEY CONSTRAINT TO SUCH REFORM. THE PROJECT PROPOSES TO FINANCE ECONOMIC RESEARCH OF CURRENT INTEREST BY UNIVERSITIES AND ECONOMIC RESEARCH CENTERS, AND RELATED TECHNICAL ASSISTANCE AND DISSEMINATION COSTS. THE PROJECT WOULD ALSO FUND A CONTRACT EMPLOYEE TO ASSIST WITH A.I.D. PROJECT MANAGEMENT FUNCTIONS. THE PROJECT DESIGN CALLS FOR THE PROJECT TO BE MANAGED UNDER A COOPERATIVE AGREEMENT WITH THE INSTITUTES OF ECONOMIC AND SOCIAL RESEARCH OF THE CARIBBEAN BASIN (IESCARIBE) A NON-GOVERNMENTAL ASSOCIATION OF THE LEADING UNIVERSITY ECONOMICS DEPARTMENTS AND ECONOMIC RESEARCH CENTERS IN THE CARIBBEAN BASIN.
- (B) CHANNELING A.I.D. SUPPORT THROUGH A CARIBBEAN/CENTRAL AMERICAN ORGANIZATION IS INTENDED NOT ONLY TO INSTITUTIONALIZE EFFECTIVE PROJECT DIRECTION AND MANAGEMENT BUT ALSO TO INSULATE THE PROJECT FROM ANY PERCEPTION OF USG CONTROL OVER THE CONDUCT OF THE RESEARCH OR THE FINDINGS. THE RESEARCH MUST BE BONAFIDE LOCAL WORK TO ENSURE ITS CREDIBILITY AND MAXIMIZE THE PROSPECTS FOR POLICY IMPACT.
- (C) THE PROJECT IS A PILOT AND COULD LEAD TO A FOLLOW-ON PROJECT BEGINNING IN FY 1993.
- (D) THE DRAFT PP HAS BEEN FORWARDED TO ROCAP IN HARD

COPY AND ON A WANG DISK.

3. A.I.D. PROJECT MANAGEMENT: PER RECOMMENDATIONS AT THE ISSUES MEETING AND DISCUSSIONS BETWEEN LAC AND ROCAP, FURTHER PROJECT DEVELOPMENT AS WELL AS MANAGEMENT FOR THIS PROPOSED PROJECT ARE BEING TRANSFERRED FROM A I.D./w TO ROCAP ALONG WITH THE RELATED OYB. ROCAP IS AUTHORIZED TO APPROVE THE PP AND AUTHORIZE THE PROJECT AFTER RESOLVING PROJECT DESIGN ISSUES RAISED IN THIS CABLE. SHIFTING THE PROJECT TO ROCAP WILL SITUATE A I.D.'S PROJECT MANAGEMENT IN CENTRAL AMERICA WHERE IESCARIBE AND THE MEMBER UNIVERSITIES AND ECONOMIC RESEARCH CENTERS ARE LOCATED; AND WILL ALLOW A.I.D. TO BEST PROVIDE THE LEVEL OF SUPPORT NEEDED FOR THIS PROJECT (PROJECT MANAGEMENT, ECONOMIC ANALYSIS PROCUREMENT, CONTRACTING, FINANCIAL MANAGEMENT, AND COORDINATION WITH BILATERAL MISSIONS).

4. IESCARIBE MANAGEMENT:

(A) IESCARIBE WAS IDENTIFIED BY THE LAC DESIGNERS AS THE GRANT RECIPIENT (COOPERATIVE AGREEMENT) BECAUSE IESCARIBE IS THE ONLY ORGANIZATION WHOSE MEMBERSHIP COMPRISES THE LEADING UNIVERSITY ECONOMICS DEPARTMENTS AND OTHER ECONOMIC RESEARCH CENTERS IN THE REGION, AND WHICH EXISTS TO PROMOTE ECONOMIC RESEARCH BY ITS MEMBERS. ALSO, IESCARIBE INITIATED SOME OF THE PROJECT CONCEPTS IN AN EARLIER PROPOSAL TO A.I.D. TO SUPPORT

ECONOMIC POLICY RESEARCH BY ITS MEMBERS IN CENTRAL AMERICA. THE DRAFT PP ACKNOWLEDGES, HOWEVER, THAT IESCARIBE'S CAPABILITY LIES ESSENTIALLY IN THE ECONOMIC RESEARCH CAPABILITIES AND ORGANIZATIONAL SKILLS OF THE MEMBER INSTITUTIONS RATHER THAN IN THE IESCARIBE HEADQUARTERS.

(B) RECOGNIZING IESCARIBE'S LIMITATIONS, THE PP INCORPORATED MODEST INSTITUTION BUILDING COMPONENTS. THE PP DELIBERATELY AVOIDED CREATING AN OVERSIZED IESCARIBE HEADQUARTERS UNIT THAT WOULD NOT BE FINANCIALLY VIABLE BEYOND THE PROJECT LIFE. THE PP PROVIDED FUNDING TO HIRE TWO SENIOR STAFF AND SOME SUPPORT STAFF FOR IESCARIBE. ADDITIONAL ADMINISTRATIVE AND FINANCIAL MANAGEMENT SERVICES WERE TO BE CONTRACTED FROM THE PERMANENT SECRETARIAT FOR CENTRAL AMERICAN ECONOMIC INTEGRATION (SIECA) A MEMBER OF IESCARIBE WITH EXPERIENCE CONDUCTING ECONOMIC POLICY STUDIES AND MANAGING A.I.D.-FUNDED PROJECTS. THE PP REQUIRED EARLY ESTABLISHMENT OF ADEQUATE ADMINISTRATIVE AND FINANCIAL MANAGEMENT PROCEDURES BEFORE A.I.D. DISBURSEMENT FOR ECONOMIC RESEARCH ACTIVITIES. TO ASSIST IN THE DESIGN

REVIEW AND IMPLEMENTATION OF THE ECONOMIC RESEARCH ACTIVITIES, TECHNICAL ASSISTANCE WAS TO BE PROVIDED BY ECONOMIC EXPERTS FROM THE UNITED STATES AND CENTRAL AMERICA.

WITH THIS SUPPORT, IESCARIBE WAS TO PROVIDE OVERALL PROJECT MANAGEMENT INCLUDING: 1) PROMOTE AND COORDINATE RESEARCH BY ITS MEMBERS ON TOPICS OF POLICY IMPORTANCE; 2) SELECT THE RESEARCH PROPOSALS WHICH WOULD RECEIVE SUBGRANTS; 3) AWARD SUBGRANTS TO MEMBER INSTITUTIONS; 4) MONITOR RESEARCH UNDER THE SUBGRANTS TO ENSURE PROPER IMPLEMENTATION AND USE OF FUNDS; 5) PROVIDE TECHNICAL ASSISTANCE AND COMMODITIES FOR ECONOMIC RESEARCH; 6) PROMOTE DIALOG ON RESEARCH FINDINGS THROUGH REGIONAL CONFERENCES; AND 7) STIMULATE THE PUBLICIZING AND APPLICATION OF RESEARCH FINDINGS AND RECOMMENDATIONS TO THE FORMULATION OF NATIONAL ECONOMIC POLICIES.

(C) THE ISSUE OF IESCARIBE'S ADMINISTRATIVE AND FINANCIAL CAPACITY WAS EXAMINED AT THE PP ISSUES MEETING. AT THAT MEETING, THE SER/OP REPRESENTATIVE WAS ASKED TO EXAMINE INFORMATION AVAILABLE IN A.I.D./W ON IESCARIBE'S FINANCIAL SITUATION AND TO OFFER A WRITTEN OPINION ABOUT IESCARIBE'S ELIGIBILITY FOR THIS GRANT. SUBSEQUENTLY, SER/OP ADVISED THAT IESCARIBE DID NOT HAVE

THE FINANCIAL DEPTH TO JUSTIFY A "RESPONSIBILITY DETERMINATION" BY A CONTRACT OFFICER FOR A GRANT THIS LARGE. A COPY OF THAT WRITTEN OPINION HAS BEEN PROVIDED TO ROCAP.

5. REDESIGN OF PROJECT MANAGEMENT: GIVEN A.I.D.'S CONTINUING INTENT TO SUPPORT AN ECONOMIC POLICY RESEARCH PROJECT, THE KEY ISSUE AT THIS DRAFT STAGE IS HOW IT SHOULD BE ORGANIZED AND MANAGED. WE FEEL THAT IESCARIBE PARTICIPATION IS STILL VITAL TO THE PROJECT CONCEPT. WE SUGGEST THAT ROCAP EXPLORE THE POSSIBILITY OF A MUCH SMALLER GRANT TO IESCARIBE AND A LARGER GRANT WITH SIECA OR WITH AN IESCARIBE UNIVERSITY OR ECONOMIC RESEARCH CENTER WITH ADEQUATE ADMINISTRATIVE SYSTEMS AND FINANCIAL RESOURCES TO ACT AS A LEAD INSTITUTION.

IESCARIBE'S ROLE WOULD BE TO CONDUCT INTERNATIONAL CONFERENCES AND COORDINATE ECONOMIC RESEARCH ON CRITICAL ECONOMIC POLICY ISSUES. AMONG OTHER FUNCTIONS, IESCARIBE COULD BE INVOLVED IN INVITING RESEARCH PROPOSALS, COORDINATING THE WORK OF THE SUBPROJECT REVIEW COMMITTEE, PROVIDING TECHNICAL ASSISTANCE FOR THE PREPARATION OF PROPOSALS PUBLICIZING RESEARCH FINDINGS AND STIMULATING POLICY DISCUSSION AND IMPACT.

SIECA OR ANOTHER IESCARIBE LEAD INSTITUTION WOULD BE RESPONSIBLE ESSENTIALLY FOR MANAGING THE SUBGRANTS AND OTHER DIRECT SUPPORT TO THE UNIVERSITIES AND ECONOMIC RESEARCH CENTERS CONDUCTING THE RESEARCH.

FOR ROCAP'S CONSIDERATION IN REDESIGNING THIS COMPONENT

OF THE PROJECT, SOME MANAGEMENT OPTIONS AND CONSIDERATIONS DISCUSSED INFORMALLY IN A.I.D./W ARE NOTED IN ITEMS 11 AND 12 BELOW.

6. OBLIGATION SCHEDULE:

(A) THE PP, P.21, CALLS FOR OBLIGATION IN TWO TRANCHES, U.S. DOLLARS 600 000 FOR PROJECT START-UP AND AN ADDITIONAL DOLS 1,100,000 IN MONTH SEVEN. THE INTENT WAS TO LIMIT A.I.D.'S INITIAL FUNDING UNTIL IESCARIBE HAD DEMONSTRATED THE EFFECTIVENESS OF ITS PROJECT MANAGEMENT SYSTEMS. THIS WILL BE LESS OF A CONSIDERATION IF A MAJOR PORTION OF PROJECT FUNCTIONS ARE UNDERTAKEN BY ANOTHER INSTITUTION WITH EVIDENT SUFFICIENT CAPABILITY. HENCE, ROCAP SHOULD RECONFIGURE THE OBLIGATION SCHEDULE TO REFLECT PROJECT EXPENDITURE REQUIREMENTS AND OYB AVAILABILITY.

(B) THE PP FACESHEET, BLOCK EIGHT, "COSTS;" NEEDS TO BE REVISED TO REFLECT THE OBLIGATION CHANGES. NOTE THAT BLOCK EIGHT INCORRECTLY SHOWS ESTIMATED EXPENDITURES RATHER THAN ESTIMATED OBLIGATIONS.

7. ADMINISTRATIVE ANALYSIS:

(A) THE PP ADMINISTRATIVE ANALYSIS NEEDS TO BE AUGMENTED WITH MORE EXPLICIT INFORMATION ABOUT IESCARIBE'S PRESENT ORGANIZATIONAL STRUCTURE OPERATIONS AND LIMITATIONS. THE PP SHOULD IDENTIFY IESCARIBE'S LEADERSHIP AND STAFFING AND EXPLAIN THEIR ROLES. TO THE EXTENT POSSIBLE IT SHOULD ASSESS IESCARIBE'S PERFORMANCE UNDER TWO PREVIOUS A.I.D. CONTRACTS AND UNDER THE RECENTLY COMPLETED INTER-AMERICAN DEVELOPMENT BANK PROJECT. WHAT KIND OF FINANCIAL AND PROCUREMENT SYSTEMS WERE USED? A.I.D./W MAY BE ABLE TO HELP PROVIDE ADDITIONAL DESCRIPTION/ANALYSIS IN THIS REGARD.

(B) ASSUMING THE PROJECT DESIGN IS MODIFIED TO INCLUDE A

GRANT TO SIECA OR ANOTHER IESCARIBE INSTITUTION THE ADMINISTRATIVE ANALYSIS SHOULD BE EXPANDED TO DISCUSS THE CAPABILITIES OF THAT INSTITUTION.

(C) THE PROCEDURES USED IN THE A.I.D. SCIENCE ADVISOR'S COMPETITIVE GRANTS PROGRAM WAS DISCUSSED AT THE ISSUES MEETING AS HAVING POSSIBLE APPLICATION TO THE ECONOMIC POLICY RESEARCH PROJECT. LAC/DR WAS ASSIGNED TO EXAMINE THE PROCEDURES USED AND THEIR POTENTIAL APPLICABILITY.

THIS PROGRAM SUPPORTS NEW RESEARCH IDEAS IN THE NATURAL SCIENCES AND ENGINEERING THAT CAN BE READILY ADAPTED TO SERIOUS PROBLEMS FACING LDCS. DESPITE IMPORTANT DIFFERENCES BETWEEN THE SCIENCE ADVISOR'S PROGRAM AND THE PROPOSED ECONOMIC POLICY RESEARCH PROJECT, THE SCIENCE ADVISOR'S PROGRAM HAS GENERATED EXPERIENCE RELATED TO RESEARCH GRANTS THAT COULD BE HELPFUL. AMONG ITEMS FOR CONSIDERATION ARE: 1) THE DETAILED INSTRUCTIONS AND INFORMATION TO POTENTIAL RESEARCHERS; 2) THE "PRE-PROPOSAL" PROCESS WHICH WEEDS OUT SUBMISSIONS PRIOR TO DEVELOPMENT OF FULL PROPOSALS; 3) THE INSTRUCTIONS TO THE REVIEW PANELS THAT RATE PROPOSALS; 4) THE TIME INVOLVED IN AWARDED GRANTS AND CONDUCTING RESEARCH; AND 5) A.I.D.'S PROCEDURES FOR MANAGING INDIVIDUAL RESEARCH GRANTS. INFORMATION ON THE SCIENCE ADVISOR PROGRAM IS BEING FORWARDED BY LAC/DR TO ROCAP.

8. A.I.D. CONSULTANTS: THE PP BUDGET (P.22) CONTAINS DOLS 230,000 UNDER THE A I.D. PROJECT MANAGEMENT CATEGORY FOR A CONSULTANT TO ASSIST A.I.D. WITH PROJECT MANAGEMENT. ROCAP SHOULD CONFIRM THE NEED FOR THIS PROJECT MANAGEMENT ASSISTANCE.

9. LINKAGES WITH U.S. UNIVERSITIES: WAYS TO STRENGTHEN THESE LINKAGES SHOULD BE CONSIDERED. THE PP NARRATIVE SPEAKS OF ENCOURAGING INSTITUTIONAL LINKAGES BETWEEN THE CENTRAL AMERICAN UNIVERSITIES AND ECONOMIC RESEARCH CENTERS AND SIMILAR INSTITUTIONS IN THE UNITED STATES. THIS ASPECT OF THE PROJECT IS NOT DESCRIBED IN ANY DETAIL HOWEVER NOR ARE FUNDS IDENTIFIED TO PAY FOR U.S. INSTITUTIONAL SUPPORT OTHER THAN PSC SERVICES PROVIDED BY INDIVIDUALS FROM THOSE INSTITUTIONS. PERHAPS FUNDS UNDER THE SUBPROJECTS CATEGORY OR OTHER BUDGET CATEGORY COULD BE MADE AVAILABLE, IF NEEDED, TO PAY FOR TRAVEL BY CENTRAL AMERICAN RESEARCHERS TO U.S. INSTITUTIONS OR FOR SUPPORT PROVIDED BY U.S. INSTITUTIONS: EVERY EFFORT SHOULD BE MADE TO SEEK THE BEST TALENT AVAILABLE FROM AMONG A WIDE RANGE OF U.S. UNIVERSITIES:

10. STUDY TOPICS:

(A) THE ISSUES MEETING DISCUSSED WHETHER THE PP NEEDED TO IDENTIFY MORE EXPLICITLY THE ECONOMIC STUDY TOPICS THAT WILL RECEIVE PRIORITY FOR SUPPORT UNDER THIS PROJECT. STUDY TOPICS ARE DISCUSSED IN THE PP ON PPS. 15 AND 46-47.

(B) THERE WAS AGREEMENT THAT THE PP DISCUSSION OF STUDY TOPICS WAS ADEQUATE BUT THAT THE QUOTE CALL FOR PROPOSALS UNQUOTE WHICH WILL BE SENT TO MEMBER INSTITUTIONS SHOULD BE DEVELOPED EARLY AND IN SOME DETAIL BY IESCARIBE AND APPROVED BY A.I:D. THIS DOCUMENT WILL EXPLAIN THE PROJECT THE AREAS OF STUDY AND THE PROPOSAL PROCESS TO THE IESCARIBE MEMBER INSTITUTES. IT WILL BE THE KEY ACTION DOCUMENT FOR THE MEMBER INSTITUTIONS AND THE INDIVIDUAL RESEARCHERS.

(C) FOR ROCAP'S REFERENCE, WE ARE FORWARDING BY POUCE SEVERAL DOCUMENTS RELATED TO THE CALL FOR PROPOSALS KQQNCE ADVISOR'S OFFICE THAT IS SIMILAR TO A CALL FOR PROPOSALS:

11. OPTIONS FOR PROJECT MANAGEMENT: OPTIONS BELOW ARE LISTED IN THE EXPECTED ORDER OF PRIORITY ANY OPTION SELECTED WILL HAVE TO BE JUSTIFIED BY APPROPRIATE ADMINISTRATIVE ANALYSIS.

(A) GRANTS TO IESCARIBE AND SIECA: AMONG OPTIONS DISCUSSED INFORMALLY IN A.I:D /W, PEREAPS MOST WORKABLE IS THAT OUTLINED IN ITEM 5 ABOVE, A SMALL GRANT TO IESCARIBE AND A LARGER GRANT TO SIECA.

(1) IESCARIBE: A SMALL NON-COMPETITIVE GRANT (COOPERATIVE AGREEMENT) TO IESCARIBE CAN PROBABLY BE JUSTIFIED ON THE BASIS OF THE RATIONALE PRESENTED IN THE DRAFT PP. NOTE THAT QUOTE THE SPECIFIC APPROVAL OF THE RESPONSIBLE AA... IS REQUIRED ON THE MEMORANDUM WHICH SETS FORTH THE CHOICE OF METHOD TO OBTAIN APPLICATIONS WHEN AN INVITATION IS RESTRICTED TO A LIMITED NUMBER OF ENTITIES OR A SINGLE ENTITY:..UNQUOTE UNDER THE PROVISIONS OF HB 13, CH 2, 232. IN 1986, THE AA/LAC WAIVED COMPETITION FOR A CA REGIONAL PD&S FUNDED CONTRACT WITH IESCARIBE TO CONDUCT PROJECT DESIGN WORK

UNDER THE THEN-PROPOSED UNIVERSITY LINKAGES PROJECT. THE WAIVER WAS ALLOWED BECAUSE IESCARIBE WAS CONSIDERED QUOTE THE BEST MECHANISM TO IMPLEMENT THE ECONOMIC RESEARCH COMPONENT OF THE PROJECT UNQUOTE NO UNIVERSITY LINKAGES PROJECT RESULTED, BUT IESCARIBE'S WORK UNDER THAT CONTRACT PROVIDED THE BASIS FOR IESCARIBE'S PROPOSAL TO A.I.D FOR THE ECONOMIC POLICY RESEARCH PROJECT NOW PROPOSED.

(2) SIECA: SIECA MAY BE UNIQUELY SITUATED TO RECEIVE A GRANT UNDER THIS PROJECT BECAUSE OF ITS ECONOMIC RESEARCH PROGRAM, ORGANIZATIONAL CAPABILITIES AND EXPERIENCE AND EXPRESSED WILLINGNESS TO CONTRIBUTE SIGNIFICANT IN-KIND RESOURCES FOR THE PROJECT. THROUGH ITS RESEARCH UNIT SIECA HAS SUCCESSFULLY CARRIED OUT GRANTS FROM A.I.D. AND OTHER DONORS TO CONDUCT ECONOMIC STUDIES SIECA HAS A PROGRAM OF SUPPORT AND GRANTS TO PUBLIC AND PRIVATE INSTITUTIONS DOING ECONOMIC RESEARCH ON THE CENTRAL AMERICAN ECONOMY. ALSO SIECA IS A MEMBER OF IESCARIBE. A GRANT TO SIECA COULD BE STRUCTURED TO ENHANCE ITS CAPABILITY TO CONDUCT AND PROMOTE ITS ECONOMIC STUDIES PROGRAM AND TO CHANNEL FUNDS TO IESCARIBE INSTITUTIONS FOR SUCH STUDIES. SPECIFIC APPROVAL OF THE AA WOULD BE REQUIRED PER HB 13, CH 2, 2B2.

(3) WITH TWO GRANTS UNDER THE PROJECT, THE GRANT AGREEMENTS WOULD HAVE TO BE CLEAR ABOUT THE TWO ORGANIZATIONS' RESPECTIVE ROLES, INTERACTIONS, AND RESPONSIBILITIES. FOR EXAMPLE SPECIFIC SUPPORT PROVIDED BY SIECA TO IESCARIBE SHOULD BE INDICATED. ALSO PROCEDURES SHOULD BE CLEAR WHEN BOTH ORGANIZATIONS CONTRIBUTE TO A COMMON TASK SUCH AS PROVIDING TECHNICAL ASSISTANCE FOR THE DESIGN OR IMPLEMENTATION OF RESEARCH PROPOSALS.

(B) OTHER IESCARIBE MEMBER AS A GRANTEE: IF SIECA IS NOT INTERESTED OR ARRANGEMENTS DON'T WORK OUT, THE MISSION MIGHT CONSIDER A GRANT TO ANOTHER IESCARIBE MEMBER UNIVERSITY OR RESEARCH CENTER. ROCAP COULD CONSIDER ELICITING EXPRESSIONS OF INTEREST FROM IESCARIBE MEMBERS AND LIMITED COMPETITION IF WARRANTED. FLOIDA INTERNATIONAL UNIVERSITY A FOUNDING MEMBER OF IESCARIBE, WITH A PROVEN CAPABILITY TO MANAGE A.I D GRANTS MIGHT BE A POSSIBLE GRANTEE. OTHER OPTIONS SHOULD BE EXPLORED. SPECIFIC APPROVAL OF THE AA WOULD BE REQUIRED PER HB 13, CH 2, 2B2:

(C) DIRECT A.I.D. SUBGRANTS TO IESCARIBE MEMBERS: A I.D: COULD DIRECTLY MANAGE THE SUBGRANTS AND OTHER DIRECT SUPPORT TO THE UNIVERSITIES AND ECONOMIC RESEARCH CENTERS CONDUCTING RESEARCH, PER THE SCIENCE ADVISOR'S COMPETITIVE GRANTS PROGRAM MODEL. ROCAP AND/OR PARTICIPATING BILATERAL MISSIONS WOULD HAVE TO NEGOTIATE AND AWARD SUBGRANTS TO THE TWELVE OR SO INDIVIDUAL INSTITUTIONS MONITOR THE RESEARCH, DISBURSE FUNDS DIRECTLY FOR EACH SUBGRANT, AND PROCURE OR SUPERVISE

PROCUREMENT OF TECHNICAL ASSISTANCE AND COMMODITIES FOR THE SUBGRANTS. GIVEN ROCAP STAFF LIMITATIONS, AND PRELIMINARY DISCUSSION ON THIS SUBJECT BETWEEN LAC/DR AND ROCAP, THIS APPROACH SEEMS UNLIKELY.

12. OTHER PROJECT MANAGEMENT CONSIDERATIONS:

(A) GRANT VERSUS CONTRACT: THE NORMAL CONSIDERATIONS ABOUT THE APPROPRIATENESS OF A GRANT VERSUS A CONTRACT WOULD HAVE TO BE CONSIDERED: USE OF A CONTRACT AS AN INSTRUMENT FOR CHANNELING RESOURCES THROUGH SIECA OR OTHER LEAD IESCARIBE INSTITUTION MIGHT BE RULED OUT BY A.I D: REGULATIONS THAT PRECLUDE A CONTRACTOR FROM MAKING SUBGRANTS WITH U.S. FUNDS. NEGOTIATING, SIGNING AND MONITORING THE SUBGRANTS WOULD PRESUMEABLY BE THE KEY FUNCTION FOR THE IESCARIBE LEAD INSTITUTION.

(B) LEVEL OF COMPETITION: IN CONSIDERING THE OPTIONS ABOVE, THE APPROPRIATE LEVEL OF COMPETITION CONSISTENT WITH THE PROJECT CONCEPT MUST ALSO BE CONSIDERED.

(C) GIVEN EXTENSIVE INVOLVEMENT OF SER/OP IN EARLIER REVIEWS OF THIS PROJECT THE ROCAP CONTRACTS OFFICER MAY WANT TO CONSULT WITH SER/OP REGARDING GRANT/CONTRACT CONCERNS AS THE MISSION FOCUSES ON SPECIFIC MECHANISMS FOR PROJECT MANAGEMENT.

13. LAC/DP ECONOMICS STAFF WHO HAVE BEEN INVOLVED IN DESIGN WORK-TO-DATE ARE PREPARED TO OFFER ASSISTANCE TO ROCAP IN COMPLETING PP, INCLUDING TDY SERVICES.

WHITEHEAD

BT

#8438

NNNN

TECHNICAL ANALYSIS

This analysis reviews the technical feasibility of the plan to support quality policy research on critical Central American economic issues by institutions and analysts of the region, to disseminate the findings and their implications, and to enhance the institutional capacity for such research .

There is a shortage, but not an absence, of skilled analysts in the region, and a small but active and willing number of local institutions with interest to become involved in policy research. Scarce funding limits the level of activity, and often such persons and institutions are required to work in areas far afield from their primary interests in order to survive, and others, such as SIECA and INCAE, are involved, but in a limited way by the scarcity of their resources for such work. By budgeting funds for quality research, it seems reasonable to assume that local experts will be interested and can be recruited for such work. The plan to fund a part of this work in-house and some through contracts or sub-grants appears to be consistent with the reality of the region in which some economists choose to work independently and others are available for recruitment to stable institutions, even for limited appointments.

Because of the important nature of the proposed policy studies and the relative isolation of many local economists from the main stream of economic thinking and their lack of specialization, it seems prudent to allow for inputs of carefully focused, high-level technical assistance to fill gaps that may be identified, offer a somewhat different orientation, or confirm the methods and direction taken in the local research efforts. Such technical assistance will be called on as needed, and and it will be provided primarily through the grant to IESCARIBE/Florida. This grantee has an adequate base for identifying and recruiting economists from U.S. universities, including a roster of persons with which it has worked previously or who have indicated their interest in assisting in the manner described. This roster will also be available for other necessary tasks such as staffing for the review of Central American research institutions.

The Project also has planned adequately for appropriate criteria to be used in the selection of research for funding. One of the first activities under the Project will be a meeting of experienced persons to refine and focus the research agenda to be supported under the Project. The Project Steering Committee will review proposals and make recommendations to ROCAP, using criteria of potential quality of the product, policy relevance, and appropriateness of methodology, cost in relation to potential benefit, and the intended audience. A more detailed set of criteria will be prepared as one of the initial tasks of the Project Steering Committee, and will take place prior to reviews of proposed research.

61

The Project activities for strengthening analytic capability are needed in the region, and although the assistance earmarked for it is modest, it is appropriately programmed given the available resources.

The plans for dissemination activities are complete and within the capacity of the region to conduct them. A variety of written publication types--books or monographs, articles, policy statements, and materials for the press and news magazines--seem to cover all the reasonable bases. In addition, SIECA has its own established means of communicating analysis and policy options to member governments. INCAE has a demonstrated capacity to conduct dialogues and workshops with high-level representatives of all the major interest groups of the region, and the only concern is the competition for their resources on the part of other donors. Attention should be paid to coordination with the World Bank, for example, in this field, to avoid overcommitting INCAE in the years ahead, and to assist them to expand staff for these activities.

There are questions as to the administrative efficiency of all three potential grantees, and the ROCAP Project Advisor should remain alert to the possible need for assistance to the grantees in this area.

3766j

ADMINISTRATIVE ANALYSIS

The selection of participating organizations and their capacity to carry out the work of the project, and ROCAP's administrative arrangements to manage the Project are analyzed below.

1. The Cooperating Institutions

In reviewing the choices and the current state of economic research capacity and project management capacity in the region, as well as the limitations identified by the LAC/DP project design and review, we have determined that the major grantees should be The Secretariat for Central American Economic Integration (SIECA) and the Central American Institute for Business Administration (INCAE), with a smaller supporting grant to the Institute of Economic and Social Research of the Caribbean Basin (IESCARIBE)/Florida. Our analysis of each is summarized below.

SIECA is the treaty organization of the Central American Governments for Economic Integration and Trade Expansion. It is an institution undergoing change and restructuring as a result of the revived regionalism of the last several months, and the appointment of a new Secretary General. The economic development side of the Esquipulas meetings has resulted in major plans and documents being prepared, all requiring follow-up studies and maintenance of regional dialogue through SIECA, its ministerial board, and special meetings of Vice Presidents. In addition, SIECA is in the process of signing grant agreements (with Mexico, France, and the EEC) that will obligate it to conduct analyses and forums on economic and social development matters. SIECA has created a private sector advisory board, and works with an advisory committee of regional institutions (CABEI, ICAITI, INCAP, etc.). The former economic studies arm of SIECA, called ECID, has been incorporated more closely with the office of the Secretary General, and has been given a new name, the Center for Specific Research and Studies (CEIE is the Spanish acronym). The former center, (a founding member of IESCARIBE), has a long history with the conduct of studies using ROCAP resources, particularly during more than five years of collaboration during the 1970s between the Brookings Institution and ECID, and currently with the Price and Energy Studies projects.

While ROCAP's current efforts with SIECA are limited, we have confidence that SIECA, through the CEIE, can effectively manage a program such as they have described in a preliminary proposal to ROCAP, and that the findings and recommendations from the research will be reviewed by SIECA for incorporation into its activities with member governments for enhancing economic integration and trade development. As SIECA has been undergoing reorganization under new leadership during recent months, ROCAP will seek assurances (through conditions precedent) that the CEIE has the necessary authority and autonomy within SIECA to carry out the program of the Project, relating it to the institution's goals, while being able to hire appropriate

staff, and administer subgrants. Summing up, our justification for a cooperative agreement to SIECA is based on (a) its unique role in the region as a source of data, analysis, and discussion of regional macro and sectoral policies and actions; (b) its newly revived mandate in the areas of studies and policy forums; (c) its known capability to manage AID funds, including subgrants, contracts and other procurements; and (d) its demonstrated commitment to the objectives of this project.

INCAE's involvement in Economic Policy Studies dates from 1986 when it established its Center for Policy Studies and Applied Economics. The Center receives support from ROCAP as well as other donors, and has held over 30 policy forums for mixed groups of participants (business, government, labor, academics, and military leaders). Subjects have included Industrial Policy, Strategic Options for Economic Recovery, and programs on Economic Stabilization and Adjustment, among others. INCAE has also established a new graduate program, the masters in Business Economics, with IDB support. Under INCAE's contract with ROCAP for the Export Management Training Project, INCAE has also begun to publish a journal of economics and manage a program of subgrants for policy studies. This project was recently evaluated by the Development Associates' project evaluation team and was judged satisfactory. INCAE learned a number of useful lessons from this activity which will be applied in the new project, especially the need for more focused solicitations of policy research proposals.

As a regional private institution dedicated to both academic and skill training, supported by applied research, INCAE offers a distinctive resource for this project that we do not believe could be improved upon by soliciting other proposals. It has achieved a high degree of credibility in both public and private circles for its ability to facilitate useful dialogues among previously polarized or non-communicating groups, and its international faculty offers a wide range of expertise that can help strengthen policy analysis in the region in areas of trade, finance, sectoral analysis, and entrepreneurship. While certain program management and financial reporting issues remain to be resolved with INCAE as a result of the most recent evaluation and audit, we are confident that these are exceptions to INCAE's proven administrative capability.

I ESCARIBE-FLORIDA was assessed as a potential grantee by SER/OP when the LAC Bureau was developing the project. They found that I ESCARIBE is an association of institutions and individuals concerned with economic policy analysis in the Caribbean and Latin America which had performed well under small grants and contracts for studies and seminars, but that it lacked the administrative structure to manage a project of the planned magnitude and complexity. The Bureau concluded, however, that a smaller grant would be appropriate, and we feel that I ESCARIBE can make a highly beneficial contribution to the project.

The I ESCARIBE concept is a consortium of independent research institutes, faculties of economics, and other institutions in, or concerned with, the Caribbean Basin. The main purpose is to promote the planning and

95

initiation of studies that will be useful for the economic development of the Caribbean Basin. Its activities stress applied research and professional training with a policy focus.

IESCARIBE had its origin in a meeting held at Florida International University 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, and the English-speaking Caribbean proposed a network for regional economic development research. In October 1981, the basic agreement forming the network was signed in Santo Domingo. In April 1983, IESCARIBE was officially and legally established. Currently, another IESCARIBE is legally constituted in Florida, and a third in San José, Costa Rica.

IESCARIBE promotes contacts and cooperation among the economic and social research institutes of the Caribbean Basin by four means: 1) conducting research and joint studies on topics related to the economic and social development of the region; 2) organizing conferences and seminars on key regional problems to promote academic exchange and public policy discussion; 3) publishing the results of research efforts; and 4) collaborating to provide postgraduate training programs in economics.

The organization has sponsored seminars and conferences, and coordinated joint research in regional trade, labor force migration, industrial policies, and employment. It has also promoted working relationships between personnel of member institutes and research practitioners from U.S. and other Latin American institutions.

IESCARIBE is financed partly by its member institutes and by institutions participating in its public policy conferences. In addition to this financing, it has obtained small grants for its seminars and for project preparation and related meetings from A.I.D., the German Friedrich Ebert and Friedrich Naumann Foundations, the Ford Foundation, the Econometric Society, the National Science Foundation, and the U.S. Department of Education. IESCARIBE-Costa Rica's major research project to date has been a study of Caribbean regional trade financed in the amount of \$600,000 by the Inter-American Development Bank (IDB). It was largely completed by September 1987 with the collaboration of several member institutions with guidance of the group based in San José, Costa Rica.

ROCAP will make a grant to IESCARIBE-Florida to be used for recruitment of experts for special purposes, and participation on the project's Management Team. The head of the Florida office who will work part-time on the project (about 60 days/year), plans to resign from his Economics Department Chairmanship at Florida International University, and to hire necessary support staff to assure effective administration of the recruitment and fielding of experts.

09

IESCARIBE's presence in Central America is also recognized. On the one hand, SIECA was a founding member of IESCARIBE. Also, IESCARIBE-Costa Rica appears to have performed satisfactorily on the IDB research grant. It and IESCARIBE's Central American leadership will be encouraged to apply for Project-financed studies to be subgranted by SIECA and INCAE to local institutions, and will be considered as possible providers of advisory services, and for involvement in institutional strengthening efforts, including the training of researchers. On the other hand, member institutions of IESCARIBE which lack the depth or experience to conduct policy studies of quality without extensive external assistance will be encouraged to consider applying for the institutional strengthening activities of the project.

2. ROCAP

One of the determining factors in the transfer of this project from LAC to ROCAP was the increased capability of the ROCAP Mission that occurred with the creation of a separate Program Office, headed by an economist, in January of 1988. This increases our ability to work in the economic policy area, to interact knowledgeably with other USAIDs on such issues, and to effectively supervise a PSC economist/project advisor. Backstopping in the areas of grant management and procurement will be provided by the Project Development Offices and the combined USAID-ROCAP offices for administration and contracting. The team management structure will allow careful monitoring of project activities by a fulltime Project Advisor (PSC) under the overall guidance of the Program Officer.

3. Conclusion

We have concluded that this mix of institutions will offer an opportunity for a rich exchange of ideas and mix of studies that address regional and country policy concerns. The institutions' representatives met in ROCAP's intensive workshop in June, 1988 on the design of this project, and again at the VII Latin American Meeting of the Econometric Society during August in San Jose, and have developed a sense of teamwork and shared interest in working together on the Project.

ROCAP's Project Design Team finds that the selected institutions have established solid records of conducting work related to that which is proposed under the project, and adequate administrative systems to meet AID requirements in procurement and financial management. Conditions precedent to disbursement will be included in each grant that require ROCAP explicit approval of staffing, administrative systems and procedures, and plans of work.

PROJECT STEERING COMMITTEE

The composition of the Project Steering Committee and a listing of its responsibilities are described below.

Each participating organization, SIECA, INCAE, IESCARIBE, and ROCAP will name a senior staff member to the Project Steering Committee. The Project Advisor will represent ROCAP, and will chair the Team. The Grant Coordinator of each Grantee will be the primary representative of the Committee, and will name an alternate to serve in his/her absence.

ROCAP will consider the possibility of rotating the leadership to other members as the project matures.

The Committee will be responsible to:

- o Develop and make recommendations to ROCAP as to research priorities for the Project;
- o Coordinate the Project's and participating organizations' research plans to assure relevance and complementarity of efforts;
- o Identify the audiences for the Project's planned activities;
- o Develop the general plan of work for the year, including the research and training activities, publications, and seminars, and monitor the execution of that plan;
- o Plan the assessment of economic research entities; announce the institutional strengthening assistance program, and invite proposals;
- o Review all research and institutional strengthening proposals, including those presented by INCAE and SIECA's faculty/staff, and make recommendations. Submit the qualifying proposals to ROCAP for its approval;
- o Provide liaison between Grantees and arrange for technical assistance as needed.

PROCUREMENT PLAN

<u>ITEM</u>	<u>DATE</u>
<u>1. ROCAP</u>	
PROAG, SIECA	August 1988
Cooperative Agreements:	
INCAE	August 1988
IESCARIBE	August 1988
PIO/T, PSC	August 1988
Contract PSC	September 1988
Micro-computers, ROCAP	October 1988
Audits of Grants, ROCAP	August 1989
August 1990	
August 1991	
Evaluations, ROCAP	August 1989
August 1990	
<u>2. GRANTEEES</u>	
Micro-computer, IESCARIBE	October 1988
T.A., IESCARIBE as per ROCAP, thereafter	October 1988 and
Subgrants/subcontracts, SIECA and INCAE	October 1988 and as per ROCAP, thereafter

BUDGET TABLES

<u>Table Number</u>	<u>Title</u>
1	Total Budget, Life of Project
1A	SIECA Budget, Life of Project
1B	INCAE Budget, Life of Project
1C	IESCARIBE Budget, Life of Project
2	Total Budget, Phase I
2A	SIECA Budget, Phase I
2B	INCAE Budget, Phase I
2C	IESCARIBE Budget, Phase I

102

TABLE I

ILLUSTRATIVE TOTAL BUDGET FOR THE LIFE-OF-THE-PROJECT
(30 MONTHS)

ITEM	TOTAL	24 MONTHS GRANT BUDGETS			30 MONTH
		INCAE	SIECA	IESCARIBE	BUDGET ROCAP
<u>Salaries</u>	<u>611,009</u>	<u>112,144</u>	<u>214,800</u>	<u>92,534</u>	<u>191,531</u>
Professional Staff	512,594	112,144	193,200	28,500	178,750
Support staff	31,600	-	21,600	10,000	-
Consultants	51,142	-	-	51,142	-
FICA	15,673	-	-	2,892	12,781
<u>Travel</u>	<u>96,740</u>	<u>38,240</u>	<u>21,000</u>	<u>27,000</u>	<u>10,500</u>
Staff	36,240	5,740	14,000	6,000	10,500
Consultants	21,000	-	-	21,000	-
Participants	39,500	32,500	7,000	-	-
<u>Per diem/hotel/food</u>	<u>99,640</u>	<u>28,440</u>	<u>40,600</u>	<u>22,500</u>	<u>8,100</u>
Staff	51,100	3,500	34,100	5,400	8,100
Consultants	17,100	-	-	17,100	-
Participants	31,440	24,940	6,500	-	-
<u>Training courses</u>	<u>- a/</u>	<u>- a/</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Seminars</u>	<u>b/ c/</u>	<u>- b/</u>	<u>- c/</u>	<u>-</u>	<u>-</u>
	<u>d/</u>	<u>d/</u>			
<u>Commodities</u>	<u>99,400</u>	<u>35,000</u>	<u>62,400</u>	<u>2,000</u>	<u>-</u>
<u>Audit</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
<u>Evaluation</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
<u>Other Direct Costs</u>	<u>147,134</u>	<u>41,922</u>	<u>87,500</u>	<u>8,912</u>	<u>8,800 e/</u>
Publications	60,140	20,140	40,000	-	-
Supplies, etc.	63,394	8,982	41,500	4,112	8,800
Communications	16,050	5,250	6,000	4,800	-
Site expenses	7,550	7,550	-	-	-
<u>Subgrants/Subcontracts</u>	<u>304,000</u>	<u>134,000</u>	<u>170,000</u>	<u>-</u>	<u>-</u>
<u>Contingency</u>	<u>107,932</u>	<u>10,500</u>	<u>53,700</u>	<u>14,663</u>	<u>29,069</u>
<u>Overhead (Provisional)</u>	<u>109,145</u>	<u>84,004</u>	<u>-</u>	<u>25,141</u>	<u>-</u>
TOTAL	1,700,000	484,250	650,000	192,750	373,000
	=====	=====	=====	=====	=====

a/ distributed, b/ distributed, c/ distributed,

d/ No overhead on \$35,000 computers to be procured by ROCAP, and e/ In PSC budget.

(3739j/p.52 - 8/16)

TABLE I A

ILLUSTRATIVE SIECA BUDGET FOR LIFE OF PROJECT
(24 MONTHS)

ITEM	R O C A P					S I E C A		
	TOTAL	STUDIES	STAT'S	STRENGTH	SEMINAR	TOTAL	STUDIES	STATISTICS
<u>Salaries</u>	<u>214,800</u>	<u>214,800</u>	--	--	--	<u>376,320</u>	<u>76,320</u>	<u>300,000</u>
Professional Staff	193,200	193,200	--	--	--			
Support staff	21,600	21,600	--	--	--			
Consultants	--	--	--	--	--			
<u>Travel</u>	<u>21,000</u>	<u>7,000</u>	<u>7,000</u>	--	<u>7,000</u>			
Staff	14,000	7,000	7,000	--	--			
Consultants	--	--	--	--	--			
Participants	7,000	--	--	--	7,000			
<u>Per diem/hotel/food</u>	<u>40,600</u>	<u>5,400</u>	<u>28,700</u>	--	<u>6,500</u>			
Staff	34,100	5,400	28,700	--	--			
Consultants	--	--	--	--	--			
Participants	6,500	--	--	--	6,500			
<u>Training courses</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>			
<u>Seminars</u>	<u>-a/</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>a/</u>	<u>8,000</u>	<u>8,000</u>	--
<u>Commodities</u>	<u>62,400</u>	<u>15,100</u>	<u>5,300</u>	<u>42,000</u>	<u>--</u>			
<u>Audit</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>			
<u>Evaluation</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>			
<u>Other Direct Costs</u>	<u>87,500</u>	<u>22,000</u>	<u>59,000</u>	<u>--</u>	<u>6,500</u>	<u>237,840</u>	<u>132,240</u>	<u>105,600</u>
Publications	40,000	10,000	28,500	--	1,500	18,000	6,000	12,000
Supplies, etc.	41,500	9,000	28,500	--	4,000	60,000	36,000	24,000
Communications	6,000	3,000	2,000	--	1,000	26,400	14,400	12,000
Rent utilities	--	--	--	--	--	133,440	75,840	57,600
<u>Subgrants/Subcontracts</u>	<u>170,000</u>	<u>160,000</u>	<u>--</u>	<u>10,000</u>	<u>--</u>			
<u>Contingency</u>	<u>53,700</u>	<u>53,700</u>	<u>--</u>	<u>--</u>	<u>--</u>			
<u>Overhead</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>			
TOTAL	650,000	478,000	100,000	52,000	20,000	622,160	216,560	405,600
	=====	=====	=====	=====	=====	=====	=====	=====

a/ \$20,000 distributed.

TABLE I B

ILLUSTRATIVE INCAE BUDGET FOR THE LIFE-OF-THE-PROJECT
(24 MONTHS)

ITEM	ROCAP				INCAE
	TOTAL	STUDIES	TRNGG	SEMINARS	
<u>Salaries</u>	<u>112,144</u>	<u>42,000</u>	<u>44,862</u>	<u>25,282</u>	<u>75,000</u>
Professional Staff	112,144	42,000	44,862	25,282	75,000
Support staff					
Consultants					
<u>Travel</u>	<u>38,240</u>	<u>3,500</u>	<u>25,000</u>	<u>9,740</u>	
Staff	5,740	3,500	--	2,240	
Consultants	--	--			
Participants	32,500	--	25,000	7,500	
<u>Per diem/hotel/food</u>	<u>28,440</u>	<u>2,700</u>	<u>17,500</u>	<u>8,240</u>	
Staff	3,500	2,700	--	800	
Consultants	--	--	--	--	
Participants	24,940	--	17,500	7,440	
<u>Training courses</u>	<u>--a/</u>	<u>--</u>	<u>--a/</u>	<u>--</u>	
<u>Seminars</u>	<u>--b/</u>	<u>--</u>	<u>--</u>	<u>--b/</u>	
<u>Commodities</u>	<u>35,000*</u>	<u>35,000*</u>	<u>--</u>	<u>--</u>	
<u>Audit</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	
<u>Evaluation</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	
<u>Other Direct Costs</u>	<u>41,922</u>	<u>15,232</u>	<u>14,875</u>	<u>11,815</u>	<u>23,000</u>
Publications	20,140	10,000	4,875	5,265	12,000
Supplies, etc.	8,982	2,232	5,000	1,750	5,000
Communications	5,250	3,000	1,500	750	3,000
Site expenses	7,550	--	3,500	4,050	3,000
<u>Subgrants/Subcontracts</u>	<u>134,000</u>	<u>134,000</u>	<u>--</u>	<u>--</u>	
<u>Contingency</u>	<u>10,500</u>	<u>10,500</u>	<u>--</u>	<u>--</u>	
Subtotals:					
w/ computers	400,246	242,932	102,237	55,077	
w/o computers	365,246	207,932			
<u>Overhead XX</u>	<u>84,004</u>	<u>49,054</u>	<u>23,512</u>	<u>11,438</u>	
(23%; provisional)					
TOTAL	484,250	291,986	125,749	66,515	98,000
	=====	=====	=====	=====	=====

* No overhead on ROCAP-procured computer.

a/ distributed; b/ distributed.

XX Secretarial support staff will be funded from Overhead

TABLE I C

ILLUSTRATIVE IESCARIBE BUDGET FOR THE
LIFE OF THE GRANT
(24 MONTHS)

<u>ITEM</u>	<u>TOTAL</u>	<u>FLORIDA OPER'NS</u>	<u>OTHER EXPERTS</u>
<u>Salaries</u>	<u>92,534</u>	<u>41,392</u>	<u>51,142</u>
Professional Staff	28,500	28,500	--
Support staff	10,000	10,000	--
Consultants	51,142	--	51,142
FICA (.0751)	2,892	2,892	--
<u>Travel</u>	<u>27,000</u>	<u>6,000</u>	<u>21,000</u>
Staff	6,000	6,000	--
Consultants	21,000	--	21,000
Participants	--	--	--
<u>Per diem/hotel/food</u>	<u>22,500</u>	<u>5,400</u>	<u>17,100</u>
Staff	5,400	5,400	--
Consultants	17,100	--	17,100
Participants	--	--	--
<u>Training courses</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Seminars</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Commodities</u>	<u>2,000</u>	<u>2,000</u>	<u>--</u>
<u>Audit</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Evaluation</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Other Direct Costs</u>	<u>8,912</u>	<u>8,912</u>	<u>--</u>
Publications	--	--	--
Supplies, etc.	4,112	4,112	--
Communications	4,800	4,800	--
Subgrants/Subcontracts	--	--	--
<u>Contingency</u>	<u>14,663</u>	<u>14,663</u>	<u>--</u>
Subtotal:	167,609	78,367	89,242
<u>Overhead</u> (15% provisional)	<u>25,141</u>	<u>11,755</u>	<u>13,386</u>
TOTAL	192,750	90,122	102,628
=====	=====	=====	=====

100

TABLE 2

ILLUSTRATIVE TOTAL BUDGET FOR PHASE I OF THE PROJECT
(12 MONTHS)

ITEM	PHASE I TOTAL	PHASE I GRANT BUDGETS (12 Mos)			18 MONTH ROCAP
		INCAE	SIECA	IESCARIBE	
<u>Salaries</u>	<u>316,625</u>	<u>52,772</u>	<u>107,400</u>	<u>41,153</u>	<u>115,300</u>
Professional Staff	270,872	52,772	96,600	14,250	107,250
Support staff	15,800		10,800	5,000	--
Consultants	20,457			20,457	--
FICA	9,496			1,446	8,050
<u>Travel</u>	<u>34,098</u>	<u>11,848</u>	<u>5,600</u>	<u>11,400</u>	<u>5,250</u>
Staff	15,698	1,848	5,600	3,000	5,250
Consultants	8,400			8,400	--
Participants	10,000	10,000			--
<u>Per diem/hotel/food</u>	<u>40,418</u>	<u>9,228</u>	<u>13,640</u>	<u>9,450</u>	<u>8,100</u>
Staff	21,630	1,240	13,640	2,700	8,100
Consultants	6,750			6,750	--
Participants	7,988	7,988		--	--
<u>Training courses</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Seminars</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Commodities</u>	<u>89,000</u>	<u>a/ 35,000</u>	<u>52,000</u>	<u>2,000</u>	<u>--</u>
<u>Audit</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Other Direct Costs</u>	<u>59,891</u>	<u>14,727</u>	<u>31,908</u>	<u>4,456</u>	<u>8,800 b/</u>
Publications	21,641	6,478	15,163	--	--
Supplies, etc.	20,594	3,775	14,763	2,056	--
Communications	10,346	1,564	1,982	2,400	8,800
Site expenses	2,910	2,910	--	--	--
<u>Subgrants/Subcontracts</u>	<u>157,500</u>	<u>67,500</u>	<u>90,000</u>	<u>--</u>	<u>--</u>
<u>Contingency</u>	<u>6,550</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>6,550</u>
Subtotal:					
w/ROCAP-procured computers	704,082	191,075	300,548	68,459	144,000
w/o ROCAP-procured com	669,082	156,075			
<u>Overhead (Provisional)</u>	<u>45,918</u>	<u>35,897</u>	<u>--</u>	<u>10,021</u>	<u>--</u>
TOTAL	750,000	226,972	300,548	78,480	144,000
=====	=====	=====	=====	=====	=====

a/ No overhead on \$35,000 computers to be procured by ROCAP, and b/ In PSC budget.

TABLE 2 A

ILLUSTRATIVE SIECA BUDGET FOR PHASE I

ITEM	PHASE I - 12 MONTHS				PLANNING & COORDINATION - FIRST QUARTER (90 DAYS)			
	TOTAL	STUDIES	STAT'S	STRENGTH	TOTAL	STUDIES	STAT'S	STRENGTH
<u>Salaries</u>	<u>107,400</u>	<u>107,400</u>	--	--	<u>17,900</u>	<u>17,900</u>	--	--
Professional Staff	96,600	96,600	--	--	16,100	16,100	--	--
Support staff	10,800	10,800	--	--	1,800	1,800	--	--
Consultants	--	--	--	--	--	--	--	--
<u>Travel</u>	<u>5,600</u>	<u>2,800</u>	<u>2,800</u>	--	<u>1,400</u>	<u>700</u>	<u>700</u>	
Staff	5,600	2,800	2,800		1,400	700	700	
Consultants	--	--						
Participants	--			--				
<u>Per diem/hotel/food</u>	<u>13,640</u>	<u>2,160</u>	<u>11,480</u>	--	<u>1,620</u>	<u>540</u>	<u>1,080</u>	
Staff	13,640	2,160	11,480	--	1,620	540	1,080	
Consultants								
Participants								
<u>Training courses</u>	--	--	--	--	--	--	--	
<u>Seminars</u>	--	--	--	--	--	--	--	
<u>Commodities</u>	<u>52,000</u>	<u>15,100</u>	<u>5,300</u>	<u>31,600</u>	--	--	--	
<u>Audit</u>	--	--	--	--	--	--	--	
<u>Evaluation</u>	--	--	--	--	--	--	--	
<u>Other Direct Costs</u>	<u>31,908</u>	<u>8,800</u>	<u>23,108</u>	--	<u>1,395</u>	<u>1,200</u>	<u>195</u>	
Publications	15,163	4,000	11,163	--	--	--	--	
Supplies, etc.	14,763	3,600	11,163	--	900	900	--	
Communications	1,982	1,200	782	--	495	300	195	
<u>Subgrants/Subcontracts</u>	<u>90,000</u>	<u>80,000</u>	--	<u>10,000</u>	--	--	--	
Subtotal:	300,548	216,260	42,688	41,600	22,315	20,340	1,975	
<u>Overhead</u>	--	--	--	--				
TOTAL	300,548	216,260	42,688	41,600	22,315	20,340	1,975	
=====	=====	=====	=====	=====	=====	=====	=====	

NOTE: Column for seminars is omitted since no funds are budgeted for seminars during Phase I.

NOTE: The 90-day First Quarter Planning and Coordination Budget is included in the Phase I (12 month) Budget, it is not additive to the Phase I Budget.

TABLE 2 B

ILLUSTRATIVE INCAE BUDGET FOR PHASE I
(12 Months)

ITEM	12 MONTHS				90 DAYS (1st Q)			
	TOTAL	COORD. STUDIES	SKILLS TRG.	SEMINARS	TOTAL	COORD & STUDIES	TRG	SEMINAR
<u>Salaries</u>	<u>52,772</u>	<u>21,000</u>	<u>26,916</u>	<u>4,856</u>	<u>7,493</u>	<u>5,250</u>	<u>2,243</u>	<u>---</u>
Professional Staff	52,772	21,000	26,916	4,856	5,250	5,250	2,243	---
Support staff	--	--	--	--	--	--	--	---
Consultants	--	--	--	--	--	--	--	---
<u>Travel</u>	<u>11,848</u>	<u>1,400</u>	<u>8,500</u>	<u>1,948</u>	<u>350</u>	<u>350</u>	<u>---</u>	<u>---</u>
Staff	1,848	1,400		448	350	350	--	--
Consultants								
Participants	10,000		8,500	1,500				
<u>Per diem/hotel/food</u>	<u>9,228</u>	<u>1,080</u>	<u>6,500</u>	<u>1,648</u>	<u>270</u>	<u>270</u>	<u>---</u>	<u>---</u>
Staff	1,240	1,080	--	160	270	270	--	--
Consultants								
Participants	7,988	--	-6,500	1,488				
<u>Training courses</u>	<u>a/</u>	<u>---</u>	<u>---a/</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<u>Seminars</u>	<u>b/</u>	<u>---</u>	<u>---</u>	<u>---a/</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<u>Commodities</u>	<u>35,000*</u>	<u>35,000*</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<u>Audit</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<u>Evaluation</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<u>Other Direct Costs</u>	<u>14,727</u>	<u>3,439</u>	<u>8,925</u>	<u>2,363</u>	<u>560</u>	<u>235</u>	<u>325</u>	<u>---</u>
Publications	6,478	2,500	2,925	1,053	--	--	--	--
Supplies, etc.	3,775	425	3,000	350	356	106	250	--
Communications	1,564	514	900	150	204	129	75	--
Site expenses	2,910	--	2,100	810	--	--	--	--
Subgrants/Subcontracts	<u>67,500</u>	<u>67,500</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Subtotal:								
Computers	191,075	129,419	50,841	10,815	8,673	6,105	2,568	--
Computers	156,075	94,419	--	--	--	--	--	--
<u>Overhead XX</u> (23%, tentative)	<u>35,897</u>	<u>21,716</u>	<u>11,694</u>	<u>2,487</u>	<u>1,995</u>	<u>1,404</u>	<u>591</u>	<u>---</u>
TOTAL	226,972	151,135	62,535	13,302	10,668	7,509	3,159	--
=====	=====	=====	=====	=====	=====	=====	=====	=====

*No overhead on ROCAP - procured computer. a/ distributed; b/ distributed.

XX Secretarial support staff will be funded from Overhead

NOTE: The 90-day 1st Q Planning & Coordination Budget is included in the Phase I (12-month) Budget. It is not additive to the Phase I Budget.

TABLE 2 C

ILLUSTRATIVE IESCARIBE BUDGET FOR PHASE I

ITEM	12 MONTHS			PLANNING & COORDINATION 90 DAYS (First Quarter)		
	TOTAL	FLORIDA OPER'NS	OTHER EXPERTS	TOTAL	FLA	OTHER
<u>Salaries</u>	<u>41,153</u>	<u>20,696</u>	<u>20,457</u>	<u>10,287</u>	<u>5,173</u>	<u>5,114</u>
Professional Staff	14,250	14,250	--	3,562	3,562	
Support staff	5,000	5,000	--	1,250	1,250	
Consultants	20,457		20,457	5,114		5,114
FICA (.0751)	1,446	1,446	--	361	361	
<u>Travel</u>	<u>11,400</u>	<u>3,000</u>	<u>8,400</u>	<u>2,850</u>	<u>750</u>	<u>2,100</u>
Staff	3,000	3,000	--	750	750	
Consultants	8,400	--	8,400	2,100		2,100
Participants	--	--	--			
<u>Per diem/hotel/food</u>	<u>9,450</u>	<u>2,700</u>	<u>6,750</u>	<u>2,362</u>	<u>675</u>	<u>1,687</u>
Staff	2,700	2,700	--	675	675	
Consultants	6,750	--	6,750	1,687		1,687
Participants	--	--	--			
<u>Training courses</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Seminars</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Commodities</u>	<u>2,000</u>	<u>2,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Audit</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Evaluation</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Other Direct Costs</u>	<u>4,456</u>	<u>4,456</u>	<u>--</u>	<u>1,114</u>	<u>1,114</u>	<u>--</u>
Publications	--	--		514	514	
Supplies, etc.	2,056	2,056				
Communications	2,400	2,400	--	600	600	--
Subgrants/Subcontracts						
Subtotal:	68,459	32,852	35,607	16,613	7,712	8,901
<u>Overhead</u> (14.6%, provisional)	<u>10,021</u>	<u>4,796</u>	<u>5,225</u>	<u>2,425</u>	<u>1,125</u>	<u>1,300</u>
TOTAL	78,480	37,648	40,832	19,038	8,837	10,201
=====	=====	=====	=====	=====	=====	=====

NOTE: The 90-day First Quarter Planning & Coordination Budget Is Included in the Phase I (12-month) Budget. It is not additive to the Phase I Budget.

1111