

PD-ABE-229
17500

**AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID/Panama**

Unit 0949, APO AA 34002
Telephone: (507) 63-6011
FAX: (507) 64-0104

June 5, 1992

IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY
College of Agriculture
Office of International and Off-campus Credit Programs
117 Curtiss Hall
Ames, Iowa 50011-1050

Subject: Cooperative Agreement No. 525-0313-A-00-2259-00

Dear Dr. Crawford:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, and the Federal Grant and Cooperative Agreement Act of 1977, the Agency for International Development (hereinafter referred to as "AID") hereby enters into a Cooperative Agreement with Iowa State University of Science and Technology (hereinafter referred to as "Iowa State," "ISU" or "Recipient") for the total estimated sum of Eight Hundred Seventy One Thousand Two Hundred Seventy-one U.S. Dollars (\$871,271) with an initial obligation of Six Hundred Thousand U.S. Dollars (\$600,000) to provide support for the Economic Training Component of the Economic Policy Development Project as more fully described in the attached Schedule and Program Description.

This Cooperative Agreement is effective and obligation is made as of the date of this letter, and shall apply to commitments made by the Recipient in furtherance of program objectives during the period June 5, 1992 through June 4, 1994.

This Cooperative Agreement is made with the Recipient on condition that the funds will be administered in accordance with the terms and conditions as set forth in this cover letter and attached Schedule, Program Description, and Mandatory and Optional Standard Provisions.

Please acknowledge receipt of this Agreement by signing and dating all copies of this cover letter, retaining one copy for your files, and returning the remaining copies to me. Please insure that the copy with the original funds availability stamp is returned to AID.

Sincerely,

Virginia B. Speidel 6/16/92

VIRGINIA B. SPEIDEL
Agreement Officer, USAID/Panama

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions
4. AID Geographic Codes
5. Source/Origin Report Format

ACKNOWLEDGMENT OF RECEIPT FOR RECIPIENT:

By:

Title:

Date:

Richard E. Hasbrouk
 Richard E. Hasbrouk
 Contracts and Grants Officer

Harold R. Crawford
 Assoc. Dean / Dir. Int'l Agri. Programs

6-22-92 6/18/92

FISCAL DATA

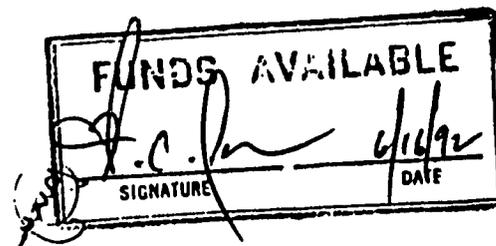
PIO/T No.: 525-0313-3-10094
 Appropriation: 72-110/11037
 Budget Plan Code: LESO-91-25525-IG13
 Allowance: RCN P100050/ECN E10062 \$63,200.00
 EL.02/ECN E100063.EL4 \$536,800.00

Total Estimated Agreement Amount: \$871,271
 Total Obligated Amount: \$600,000
 Balance to be Obligated: \$271,271

Project No.: 525-0313
 Project Office: Office of Economic Plans & Policy (OEPP), USAID/Panama
 Project Officer: Chief, OEPP

Paying Office: Controller, Unit 0949, USAID/Panama, APO AA 34002

Employer IRS ID No.: 42-600-4224
 Letter of Credit No.: 72001598



SCHEDULE

I. AUTHORITY, PURPOSE AND PROGRAM DESCRIPTION:

A. Authority:

This Cooperative Agreement is entered into pursuant to the Foreign Assistance Act of 1961, as amended, and the Federal Grant and Cooperative Agreement Act of 1977 (Public Law 95-224).

B. Purpose:

The purpose of this Agreement is to provide support for the Economic Training Component of the Economic Policy Development Project, as more specifically described in the Program Description and more fully set forth in the Recipient's application dated February 13, 1992 as amended by best and final application of May 28, 1992, which is hereby incorporated into and made a part of this Agreement.

II. FUNDS OBLIGATED, PAYMENT, ESTIMATED COSTS AND COST SHARING:

A. The total estimated amount of this Agreement for the period shown in Article III below is \$871,271 financed by USAID and an ISU contribution of an additional \$466,218, as shown in the Financial Plan found in Article IV of this Schedule.

B. AID hereby obligates the amount of \$600,000 for program expenditures during the period shown in Article III below.

C. Additional funds up to the total amount of the Agreement shown in II.A above will be obligated by AID subject to the availability of funds.

D. Payment shall be made to the Recipient in accordance with procedures set forth in the Optional Standard Provision of this Agreement, entitled "Payment - Letter of Credit."

E. The Recipient agrees to contribute an amount of \$466,218 toward program objectives.

III. PERIOD OF AGREEMENT:

A. The effective date of this Agreement is June 5, 1992. The estimated completion date is June 4, 1994.

B. Funds currently obligated hereunder are available for program expenditures for the estimated period beginning June 5, 1992 and ending approximately August 3, 1993.

IV. SUBSTANTIVE INVOLVEMENT OF AID:

AID intends to maintain substantive involvement in the implementation of this Project.

A. USAID intends to insure that the Recipient provides a staff able to function effectively in a Spanish speaking environment. USAID insists that instructors speak and read Spanish, at a minimum, at the U.S. Department of State Foreign Service Institute (FSI) S-4, R-4 levels. English speaking and reading fluency is also required.

B. During the selection of participants, as well as during presentation of courses, USAID/Panama will provide guidance regarding the desired project objectives, as well as regarding critical relations that must be maintained with public and private sector organizations.

C. The quality of personnel is critical to the success of the project. USAID will, therefore, approve in writing all team members. If a particular individual is not approved by USAID, the Recipient will be required to provide an acceptable replacement. Substitution of approved personnel by the Recipient is not permitted unless approved in writing by USAID and only when an acceptable replacement is provided.

V. FINANCIAL PLAN:

The Project budget is shown on the following page. Revisions to this budget may be made in accordance with the Standard Provision of the Agreement, entitled "Revision of Grant [Agreement] Budget."

Cooperative Agreement No.
525-0313-A-00-2259-00
Attachment 1

Financial Plan

<u>Element</u>	<u>YEAR 1</u>	<u>USAID YEAR 2</u>	<u>TOTAL</u>	<u>ISU MATCH</u>
COP/Administrative/Instructors				
Salaries	\$110,480	\$111,937	\$222,417	\$24,678
Fringe Benefits	26,210	26,596	52,806	30,604
Local Personnel				
Salaries	12,000	12,600	24,600	0
Fringe Benefits	3,912	4,108	8,020	0
Travel/Transportation/ Per Diem/Housing	107,487	99,557	207,044	0
Special Topics Class	24,344	24,344	48,688	0
Microcomputer Class	40,027	4,250	44,277	0
Video Support for Class	3,800	3,000	6,800	0
Supplies				
Expendable	27,500	27,500	55,000	0
Non-expendable	8,200	0	8,200	0
Training Expenses	<u>64,440</u>	<u>64,440</u>	<u>128,880</u>	<u>238,800</u>
Subtotal	428,400	378,332	806,732	294,082
Indirect Costs (See Note)				
USAID portion	34,272	30,267	64,539	
ISU portion				172,136
TOTAL	\$462,672	\$408,599	\$871,271	\$466,218

NOTE: ISU indirect costs are calculated at 21.5% of direct costs. Total amount of indirect costs reflected in "ISU Match" column includes ISU contribution of 13.5% of USAID funded direct costs plus 21.5% of ISU match costs. USAID portion is 8% of direct costs.

VI. REPORTS:

A. Quarterly Reports:

The Recipient will submit quarterly reports that summarize activities during the period, discuss planned activities for the subsequent period, and highlight any problems encountered, along with recommended solutions. The format will contain a brief executive summary and discuss activities by component, measuring progress to date against the goals to be accomplished under the Agreement.

B. Annual Report:

The fourth quarterly report will instead be an annual report and will discuss activities as specified above for the entire year.

C. Final Report:

The ultimate quarterly report will be a final report which will discuss in detail the status of all activities under the Agreement. This report will be due within thirty (30) days after the termination of the Agreement.

D. Financial Reporting:

1. Financial Status Report

a. If a Letter of Credit is used for this Cooperative Agreement, the Recipient is required to use the "Financial Status Report," Standard Form 269, at the time the Recipient submits this report to PFM/FM/CMPD in AID/Washington.

b. The report shall be on an accrual basis. If the Recipient's accounting records are not normally kept on the accrual basis, the Recipient shall not be required to convert its accounting system, but shall develop such accrual information through best estimates based on an analysis of the documentation on hand.

2. Federal Cash Transactions Report

a. The Recipient shall submit a Federal Cash Transactions Report and its continuation form (Standard Forms 272 and 272A) for all funds advanced to the Recipient through a Letter of Credit or periodic Treasury check. AID will use this report to monitor cash advanced to the Recipient and to obtain disbursement information for the Agreement from the Recipient.

b. The Recipient shall forecast federal cash requirements in the "Remarks" section of the report.

c. The Recipient shall report in the "Remarks" section the amount of cash advances in excess of three days' requirements in the hands of subrecipients and the amount of cash advances in excess of thirty (30) days' requirements in the hands of non-U.S. subrecipients. The Recipient shall provide short narrative explanations of actions taken by the Recipient to reduce the excess balances.

d. The Recipient shall submit not more than an original and one copy of the Federal Cash Transactions Report within twenty-five (25) working days following the end of each calendar quarter.

e. The Recipient shall submit copies of all documents sent to PFM/FM/CMPD, AID/Washington to:

Controller
USAID
Unit 0949
APO AA 34002

Project Officer
USAID
Unit 0949
APO AA 34002

E. Other Reports:

The Recipient agrees to submit to USAID/Panama such other reports as may be reasonably requested. The Recipient also agrees to share with USAID/Panama any reports which have a bearing on the successful implementation of the project.

VII. NEGOTIATED OVERHEAD RATES:

Pursuant to Clauses No. 12 and 13 entitled, "Negotiated Indirect Cost Rates - Predetermined" of the Optional Standard Provisions of this Agreement, an indirect cost rate has been predetermined for the Recipient's accounting period beginning July 1, 1991 and ending June 30, 1994. Pending establishment of final indirect cost rates for each of the Recipient's accounting periods which apply to this Agreement, payments on account of allowable indirect costs shall be made on the basis of the following negotiated predetermined bases which are set forth below:

<u>Description</u>	<u>Accounting Period</u>	<u>Rate</u>	<u>Location</u>	<u>Base</u>
Predetermined	7/1/91-6/30/94	21.5%	Off-campus	See note

Note: Base is total direct costs less individual items of equipment in excess of \$500, alterations and renovations, and subcontracts and subgrants in excess of \$25,000.

VIII. SPECIAL PROVISIONS:

A. Title to and Use of Property:

Standard provisions related to title to and use of property are included in the Mandatory Standard Provisions entitled "Title to and Use of Property (Grantee [Recipient] Title)." Recipient agrees that at the completion of the Agreement all AID financed property will be transferred to AID.

B. Authorized Geographic Code for Procurement:

The Recipient shall procure goods and services financed by this Agreement in accordance with the Optional Standard Provision entitled "Procurement of Goods and Services" and "AID Eligibility Rules for Goods and Services." All goods and services shall have their source, origin and nationality only in the United States and AID Geographic Code 941 or as otherwise specifically approved by AID. Commodities of Geographic Code 935 origin are authorized if the value of the transaction does not exceed \$5,000.

C. Relationships and Responsibilities:

1. The Recipient will work under the general direction of the USAID Director and/or his designee. The Office of Economic

Policy and Programs has the overall responsibility for this project. The individuals in that Office who are the AID liaison officials are the Chief, OEPP, and Nilka Varela.

2. The Recipient will report directly to the Chief of the Office of the USAID/Panama Office of Economic Policy and Programs (OEPP). The Chief, OEPP is the Agreement Officer's Technical Representative (AOTR) for the performance of the Agreement. The AOTR will have the following duties and authority:

a. Certification of work performed on all vouchers submitted by the Recipient.

b. Approval of travel and procurement of commodities if required.

c. Clarification of non-cost related or minor questions on the Agreement.

d. Approval of all personnel charged to USAID.

e. Approval of all reports and evaluations submitted in accordance with the provisions of the Agreement.

D. Use of USAID/Panama Funds:

1. Funds provided by USAID/Panama for the project must be used exclusively for the purposes set forth in this Agreement.

2. The Recipient shall ensure that USAID/Panama funds are accounted for separately from Recipient funds.

E. Travel Notification/Country Clearance:

1. The Recipient will provide to USAID, by FAX or other written means, the following information on any proposed travel to Panama: purpose of visit, inclusive trip dates and names of travelers.

2. This information will be provided ten (10) days in advance of initiation of travel to permit processing of country clearance, unless USAID agrees that special circumstances warrant exemption from this time frame.

F. USAID Approval of Salaries:

Salaries of all short term personnel financed by USAID requires the prior written approval of the Agreement Officer's Technical Representative. Salaries shall not exceed an individual's current salary or the salary of an AID employee at the FS-01 grade whichever is less.

G. Source and Origin Reporting Requirement:

Recipient shall submit a "Source/Origin Report" in the format specified at Attachment 5 to the Agreement Officer within ten (10) calendar days of the end of each U.S. Government reporting quarter (December, March, June, September) applicable to this Agreement. The purpose of this report is to provide data to the Agreement Officer regarding the source/nationality/origin of all commodities and services purchased with AID-financed dollars. The report shall specify for AID-financed costs only the total dollar amounts for both the source and origin of all commodity and service costs incurred by the grantee or any subgrantees during the reporting period.

PROGRAM DESCRIPTION

I. BACKGROUND OF OVERALL ECONOMIC POLICY DEVELOPMENT PROJECT:

It is important to note at the beginning that the economic training activity which is the subject of this Agreement is a component of a larger project of economic policy development.

The constraints to economic policy making that the Economic Policy Development Project, as a whole, will address include the limited number of Panamanians participating in the process of policy formulation and the limited depth of internal economic debate in promoting policy changes. The process of policy discussion and consensus-building at present unnecessarily risks failure because (1) it does not include public sector officials at the levels of government where economic policy must be implemented; (2) it does not attempt to identify and garner support from beneficiaries; and (3) it does not nurture economic talent within the public sector in a way that would strengthen indigenous capability to formulate and analyze policy reform proposals. The project strategy will focus on increasing the depth and breadth of participation in economic policy making, and on strengthening the quality and usefulness of the economic analysis used in such policy making.

A major constraint to effective functioning by the Government of Panama (GOP) relates to the training and position of the economists working within the public sector. Most of these economists have received training oriented more toward social and political economy. Training in theory and technique required for policy or program analysis has not been as strongly emphasized. With few exceptions, one finds economists relegated to low level positions in which they are rarely consulted or involved in discussing or implementing policy reform. An inevitable consequence of this situation is that morale is low at the levels that will be essential to consensus-building and successful fine-tuning and implementation of policy reforms.

The objective of the Economic Policy Development Project is to assist the GOP in expanding and strengthening the process of economic policy making. The project consists of three components with activities designed to strengthen and expand that process: Economic Policy; Economic Training; and the Canal Management and Development Plan.

The Economic Policy Development Project was developed in close collaboration with the International Monetary Fund, the World Bank,

and the Inter-American Development Bank. Careful coordination will be carried out by USAID so that project technical assistance and economic training do not duplicate activities of other donors.

II. BACKGROUND OF ECONOMIC TRAINING COMPONENT:

The quality of GOP economists needs to be improved. Most government economists have bachelor's degrees (*licenciaturas*) in economics from the University of Panama, which are not adequate in the depth or breadth of education imparted in the areas of economic theory and quantitative analysis. Moreover, much of the international training over the last two decades of GOP and University of Panama economists has taken place in communist bloc countries, whose framework for analyzing needed reforms cannot be considered appropriate in the 1990s. The need for greatly improved understanding of market economy economics is one of the principal reasons for undertaking the Project.

The Ministry of Planning and Economic Policy (MIPPE) has about 40 economists of which approximately 10 have Master's level training. The Ministry of Commerce and Industry (MICI), the Contraloria, and the Ministry of Finance have about 10 economists each, few with graduate level training. It is not presently known how many economists are in the Ministry of Agriculture and the Ministry of Labor and Social Welfare, but these institutions will be eligible to participate in the project training as well. The whole GOP civil service has 235 positions titled as economic slots. MIPPE has approximately 800 employees, MICI 620, and the Ministry of Finance 2,400. As the primary organizations for economic policy, these entities will provide the Project's training component with an abundant supply of candidates for the planned in-country training.

III. OBJECTIVE OF ECONOMIC TRAINING COMPONENT:

The objective of the Economic Training component is to develop and implement an in-house training program to upgrade the skills of public sector economists in economic theory, statistical techniques and analysis. Training will be open to all public sector economists, and will be of particular use to those Ministries that now suffer a skill shortage in the economic area.

Qualified participants from the Legislative Assembly will also be allowed to apply for this economic training. Unlike Ministry candidates, Legislative Assembly candidates would not have to be in positions designated as economists. They would, however, have to demonstrate that they are, or will be, involved in economic policy matters in the legislative branch of the government.

Criteria for trainee selection will be decided upon by the GOP and USAID in cooperation with the Recipient. It is envisioned that participants will be selected on criteria such as quality of academic transcripts, potential for growth and development as an economist within the GOP, interest in the training, and anticipated use of the training within their organizations.

The Chief of USAID/Panama's Office of Economic Policy and Programs (OEPP) will be responsible for both overall project management and the management of this component. S/he will assign staff or contract additional personnel, as needed, to assist in monitoring and implementing the Project.

IV. DESCRIPTION OF AGREEMENT:

The training program under this component will be carried out by the Recipient through a Cooperative Agreement. The program will at a minimum offer a curriculum of four economic courses over a twelve-month time period which will provide a certificate and/or 12 semester-hours of transferrable scholastic credit to participants who successfully complete all of the courses. The program will offer three courses of basic economic training at the level of a junior or senior U.S. undergraduate. The first three courses should cover Macroeconomic Theory, Microeconomic Theory, and Quantitative Analysis Techniques. The sequence will end with a fourth course that applies the theory and techniques learned to topics relevant to the Panamanian economy and that will, in particular, complement the technical assistance efforts of the economic policy component of the Economic Policy Development Project by concentrating a part of the training on priority areas for economic reform.

The training will be carried out over two consecutive twelve-month periods, with approximately 50 students being given four courses in each year, in two classes of about 25 students each, for a total of 100 people trained. Each year of training will commence with an initial two week refresher course in introductory economics, including at least one paper and one test, which will not only provide substantive training but will also help determine

student abilities for division, if necessary, into standard and accelerated sections for the remainder of the training. Thereafter, operating in a mini-semester format of approximately five instructional hours per week over an eight or nine week period, the Recipient will present classes in: macro-economic theory; micro-economic theory; quantitative analysis techniques; and special topics. The courses in macroeconomics, microeconomics and quantitative techniques should be presented as standard courses at the appropriate level as offered in United States universities.

Participants will be required both to take examinations and make written and oral presentations, which shall be developed by the Recipient, in cooperation with USAID and the GOP to test the students in ways relevant to their present or expected work. All lectures, course work and textbooks will be in Spanish and will be provided/procured by the Recipient. The Recipient may utilize qualified instructors from Panama or Central America, as well as the United States, always remembering that both excellence as an instructor and the capability to perform in Spanish at a fully professional level are considered paramount requirements. The Agreement will include provision for international travel for professors to come to Panama and/or for leading students to attend seminars overseas.

The fourth course, special economic topics, will consist of a series of one-week sessions and will be topically tailored to the reform efforts before the GOP and/or being worked on by technical advisors funded under this Project. Funding from this component will be available for distinguished professors to give short (one to three week) courses on topics such as tax reform, analysis of labor markets, budget policy, tariff reform, regulation of public enterprises, valuation of public enterprises for privatization purposes, economics of health care, the Canal, national income accounts, etc.

It is contemplated that the guest professors for this fourth course will use one week prior to their lectures to tailor the instruction and discussion to Panama-specific policy constraints. Toward the end of his/her short course presentation, the visiting professor will be required to give a speech on his/her special topic which will be open to the press and public. It is expected that the professors for the special topics program will be well known among economists and be capable of delivering lectures and speeches in Spanish, even if, in the case of such special professors only, they might need the help of an interpreter for discussions.

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Attachment 2

The design of the proposed training program highlights the need for the Recipient to have experience and resources in Latin America. Courses and textbooks must be in Spanish, and professors should be current on the local political dynamics of the GOP's economic reform program. The Recipient is encouraged, where reasonably possible, to take advantage of the local and regional intellectual capability which will make the training most relevant. The Recipient will establish a local office. The space for the actual training will be provided by the GOP.

The implementation of the program is more fully described in the Recipient's application of February 13, 1992 as amended by best and final application of May 28, 1992, which is hereby incorporated into and made a part of this Agreement by reference.