

PD-ARF-320
81039

United States Agency for
International Development (AID)
Quito, Ecuador



Agencia de los Estados Unidos para
el Desarrollo Internacional (AID)
Quito, Ecuador

August 31, 1989

Mr. Juan Ignacio Varas C.
President
Fundación de Estudios de la
Facultad de Economía y Administración
Universidad Católica de Chile
Vicuña Mackenna 4860
Santiago, Chile

Subject: Cooperative Agreement No. 513-0598-A-SS-9083-00

Dear Mr. Varas:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby grants to Fundación de Estudios de la Facultad de Economía y Administración (hereby referred to as "Fundación de Economía y Administración" or "Recipient"), the sum of \$350,000 to support the program to improve the development of the activity for Human Resources Management of Chilean Companies, as described in the Schedule of this agreement and the Attachment 2, entitled "Program Description."

This Agreement is effective and obligation of \$350,000 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 beginning with the effective date and ending approximately August 31, 1990.

This agreement is made to Fundación de Economía y Administración on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1, entitled the "Schedule", Attachment 2, entitled "Program Description," and Attachment 3 entitled "Standard Provisions," which have been agreed to by your organization.

**DUPLICATE
ORIGINAL**

INTERNATIONAL MAIL ADDRESS: U. S. AID Mission to Ecuador - c/o American Embassy - Quito, Ecuador
U. S. MAIL ADDRESS: USAID Quito - APO Miami, FI 34039
PHONE: 521 - 100

4

Please sign the original and each copy of this letter to acknowledge your receipt of the cooperative agreement. Return the original and all other copies to the Regional Contracting Officer, Quito, Ecuador, but keep one for your files and send another one to Mr. Paul Fritz, USAID/Chile.

Sincerely yours,


James J. Dunlap
Regional Agreement Officer

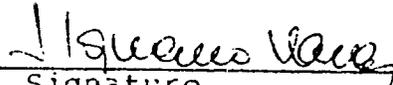
Attachments:

1. Schedule
2. Program Description
3. Standard Provisions

ACKNOWLEDGED:

FUNDACION DE ESTUDIOS DE ECONOMIA Y ADMINISTRACION

BY:


Signature

NAME: Juan Ignacio Varas C.
Chairman

Title: Fundación Economía y Administración U.C.

Date: September 6, 1989

FISCAL DATA

Appropriation:	72-1191021
PIO/T No.	513-598-0616-3-90022
Project No.	598-0616.20
Budget Plan Code:	LDEA-89-25513-KG12
Obligated Amount:	\$200,000
Reservation Control No.	H900024
Budget Plan Code:	LDSA-89-25513-KG12
Obligated Amount:	\$150,000
Reservation Control No.	H900025
Total Estimated Cost:	\$700,000
Total Obligated Amount:	\$350,000

Funding Source: A.I.D./X _____ USAID X



SCHEDULE

A. Purpose of Agreement

The purpose of this Agreement is to support the recipient's efforts to assist Fundación de Economía y Administración to improve the development of the activity for Human Resources Management of Chilean Companies, as more specifically described in Attachment 2 to this Agreement entitled "Program Description."

B. Period of Agreement

1. The effective date of this Agreement is the date of the cover letter. The expiration date of this Agreement is August 31, 1992.
2. Funds obligated hereunder are available for program expenditures for the estimated period as of the cover letter to approximately August 31, 1990 as shown in the Agreement Budget below.

C. Amount of Agreement and Payment

1. The total estimated amount of this Agreement for the period shown in B.1 above is \$700,000.
2. A.I.D. hereby obligates the amount of \$350,000 for program expenditures during the period set forth in B.2. above and as shown in the Agreement Budget below.
3. Payment shall be made to the Recipient in accordance with procedures set forth in Attachment 3 Standard Provision One, entitled "Periodic Advance."
4. Additional funds up to the total amount of the agreement shown in C.1 above may be obligated by A.I.D. subject to the availability of funds, and to the requirements of the Standard Provision of the Agreement, entitled "Revision of Grant Budget."

D. Agreement Budget

1. The following is the Program Budget, including local cost financing items.

6

PROGRAM BUDGET (US\$)

COST ELEMNT	AID	RECIPIENT (*)	TOTAL
1. Extension	220,000	300,000	520,000
2. Faculty Strengthening	180,000	45,000	225,000
3. Research	220,000	80,000	300,000
4. Admin Expenses	<u>80,000</u>	<u>100,000</u>	<u>180,000</u>
TOTAL	700,000	525,000	1,225,000

(*) Includes fees collected on courses/seminars, and in-kind and cash contributions.

2. The portion of the program to be financed by AID under this agreement and the funding period are detailed below:

AID AGREEMENT BUDGET (US\$)

COST ELEMENT	Fm: 09/01/89	To: 09/01/90	TOTAL
	To: 08/31/90	Fm: 08/31/92	
1. Extension	109,000	111,000	220,000
2. Faculty Strengthening	105,000	75,000	180,000
3. Research	85,000	135,000	220,000
4. Admin Expenses	<u>51,000</u>	<u>29,000</u>	<u>80,000</u>
TOTAL COST	350,000	350,000	700,000

Revisions to this budget shall be made in accordance with Standard Provision of this agreement, entitled, "Revision of Grant Budget."

3. The Recipient shall provide AID with a copy of each financial audit conducted of the recipient. The audit report shall include a section detailing AID project receipts and related expenditures by project components.

4. At the beginning of each calendar year, Fundación de Economía y Administración shall prepare and present to AID an annual budget to cover the estimated expenses during the year. This budget shall be based on the general budget herein approved.

5. Additionally, Fundación de Economía y Administración shall prepare and submit to AID a quarterly budget for the expenses to be incurred during the report period. The amount and budget items shall be consistent with the yearly working budget.

E. Reporting

1. Financial Reporting

a. Financial reporting requirements shall be in accordance with the Standard Provision of this Agreement entitled "Payment - Periodic Advance (November 1985)", as shown in Attachment 3.

b. The original and two copies of all financial reports shall be submitted to USAID/Peru, Office of the Controller, Larrabure y Unanue 110, Lima, Peru. In addition, three copies of all financial reports shall be submitted to the AID Representative, Chile.

2. Program Performance Reporting

The recipient shall submit quarterly program performance reports, and a final report which briefly presents the following information:

(a) A comparison of actual accomplishments with the goals established for the period.

(b) Reasons why established goals were not met.

(c) Between the required performance reporting dates, events may occur that have significant impact upon the program. In such instances, the recipient shall inform AID as soon as the following types of conditions become known:

(1) Problems, delays, or adverse conditions that will materially affect the ability to attain program objectives, prevent the meeting of time schedules and goals, or preclude the attainment of work units by established time periods. This disclosure shall be accompanied by a statement of the action taken, or contemplated, and any AID assistance needed to resolve the situation.

(2) Favorable developments or events that enable time schedules to be met sooner than anticipated or more work units to be produced than originally projected.

8

(3) If any performance review conducted by the recipient discloses the need for change in the budget estimates in accordance with the criteria established in the Standard Provision of this Agreement entitled "Revision of Grant Budget", the recipient shall submit a request for budget revision.

(d) Other pertinent information, including when appropriate, analysis and explanation of cost overruns or high unit costs.

Three copies of each program performance report shall be submitted to the AID's Technical Office.

3. Special Reports

The Recipient shall provide special reports as requested by the AID Technical Office.

F. Substantial Involvement Understandings

Fundación de Economía y Administración shall obtain AID approval for:

1. The designation of the Program Director.
2. All contracts exceeding \$10,000 in value.
3. The final designs and plans for the extension and the research components.

G. Indirect Cost Rates

Not applicable to this Agreement.

H. Title to Property

Title to property purchased under this agreement shall vest in the Recipient.

I. Close-Out Procedures

This section prescribes uniform closeout procedures for this agreement.

Cooperative Agreement No. 513-0598-A-SS-9083-00
Attachment 1
Page 5 of 5

1. The following definitions shall apply for the purpose of this section:

a. Closeout: The closeout of a agreement is the process by which AID determines that all applicable administrative actions and all required work of the agreement have been completed by the Recipient and AID.

b. Date of Completion: The date of completion is the date on which all work under agreement is completed or the date on the award document, or any supplement or amendment thereto, on which sponsorship ends.

c. Disallowed Costs: Disallowed costs are those charges to a agreement that AID or its representative determines to be unallowable in accordance with the applicable Federal cost principles or other conditions contained in the grant.

2. AID closeout procedures include the following requirements:

a. Upon request, AID shall make prompt payments to a Recipient for allowable reimbursable costs under the grant being closed cut.

b. The Recipient shall immediately refund any balance or unobligated (unencumbered) cash that AID has advanced or paid and that is not authorized to be retained by the Grantee for use in other agreements.

c. AID shall obtain from the Recipient within 90 calendar days after the expiration of the Agreement all financial, performance and other reports required as a condition of the agreement. AID may grant extensions when requested by the Recipient.

d. In the event a final audit has not been performed prior to the closeout of the agreement, AID shall retain the right to recover an appropriate amount after fully considering the recommendations on questioned costs resulting from the final audit.

PROGRAM DESCRIPTION

I. Background and Rationale

Chile's development model strongly emphasizes the working of free market principles and the encouragement of private enterprise. The policy and program support of the enterprise sector has largely taken place during a period of restrictive labor legislation and, until recently, very high unemployment. Consequently, with a few notable exceptions, personnel administration policies and practices at the company level in Chile have not modernized over the last two decades to the extent advances have been made in other management areas such as marketing, financial analysis and planning, data management and communications, etc. For the most part, Chilean companies are characterized as having very weak personnel administration units with little influence on policy decisions. These units are generally located close to the bottom of the organization structure with responsibilities confined to administration routines.

At the same time, since the early 1970's a new stage of organizational thought has been emerging in the United States and other industrialized societies. Leading

companies, recognized for their overall excellence and innovation, are found to have a number of common values or attributes. Among these is a focus on "productivity through people". The leading companies treat employees at all levels as the fundamental source of quality and productivity gain. They do not foster "we vs. them" labor attitudes or regard capital investment as the exclusive source of efficiency improvement. Such an approach has profound implications for the management style and personnel administration function of companies seeking to achieve excellence in their fields.

As Chile moves into the decade of the 1990's, the critical management challenge of its enterprise sector will be how to adopt appropriate human relations practices. This challenge will be faced in the context of improved corporate profits, recent substantial reductions in the unemployment rate, high worker expectations for improved bargaining power as a result of the country's return to full democracy, and pent-up worker discontent. There is ample evidence that an important degree of worker dissatisfaction is due to factors other than wages, i.e., problems that can be addressed through improved human relations practices.

Without such improvements, Chilean companies will have difficulty in maintaining productivity gains, innovation, and overall quality of performance necessary to support continued wage increases.

The School of Economics and Business Administration of Catholic University of Chile is well suited for assuming a leadership role in assisting Chile's private enterprise sector to address the above concerns. Its programs at the undergraduate and masters level in business administration and in economics are considered among the best in the country. There is a high demand for its two year, part-time program providing an MBA equivalent for business executives as well as for its seminars and short term courses for middle and top level managers. Through these programs and other efforts, the School has developed not only a wide network of graduates within the Chilean business community but also a prestigious reputation among the general public for serious and high quality work.

II. Program Objectives and Components

The principal objective of the program is to assist Chile's business sector meet pent-up and increased labor demands upon the return to full democracy through the

modernization of the human relations practices of Chilean companies. By promoting sound "people oriented" management approaches, the program will contribute towards greater worker satisfaction and productivity, increased innovation, and a reduced level of conflicts between management and labor. These results can be achieved within an overall framework that supports the maximization of economic efficiency.

The program has four components: (1) faculty exchanges, training, and educational materials adquisicion; (2) expansion of university outreach to the business community; (3) research related to the application of modern human relations practices and to labor economics; and (4) program administration, including evaluation.

The first component will strengthen the capacity of Catholic University's School of Economics and Administration to carry out business outreach. Faculty exchanges will take place with selected U.S. universities and other training entities. Such exchanges will bring to Chile recognized experts in human relations management to participate in the business outreach activities. They will also provide the opportunity for Chilean experts connected with the program to update their own academic

preparation through individualized short-term (less than one year) research/study grants. This component will finance observational travel, consulting and related expenses required to collect information on training methodologies and curriculum materials and to exchange views with other professionals on the state of the art in human relations management training. Educational materials and teaching aids such as training videos, texts, etc., also will be procured.

The second component will help finance the business outreach activities of the School of Economics and Administration. Two sets of extension activities to improve human resources management are envisaged: a variety of short-term workshops and seminars directed at business leaders, company owners, general managers, and personnel directors; and a diploma or certificate program directed at directors and potential directors of personnel departments and other managers having important supervisory responsibilities.

The workshops and seminars will test a variety of approaches in terms of duration, location, topics, and other design features to determine the most effective extension activity for mobilizing the interest of the

business community in adopting modern human resources management practices. These workshops and seminars will draw on the School's past experience and capacities for extension while introducing new training practices, technical courses, research results, and other innovations.

The diploma or certificate program will be offered on a part-time basis over approximately 10 months. It will be directed at providing the skills necessary to introduce or improve "people oriented" management at the company level as well as to reinforce sound personnel administration techniques and practices.

The third component will help overcome an absence of in-depth knowledge of human resource management and labor economics in Chile by stimulating an increase in the amount and quality of the research being undertaken in these areas. Case study approaches of specific Chilean companies will be undertaken as well as industry wide investigations.

In the area of human resource administration, research will be directed at studying principal labor problems within Chilean companies with the objective of proposing specific solutions. In general terms, this component will

try to document the current state of the art in human resources management in Chilean companies. It will also generate information on collective bargaining, unions, strikes, occupational safety, and other factors useful for encouraging more informed approaches by all parties during labor negotiations.

Research on labor economics at the sector level would focus on such aspects as worker productivity measurements and trends and prevailing wage rates and benefit packages. At the company level it would study the economic effects of different labor participation schemes. At the national level, research could address the economic effects of possible changes in labor legislation and for pension and medical care systems.

The fourth component consists of the overall administration of the program, including its evaluation. For this purpose, a program director with qualifications acceptable to A.I.D. will be hired together with a secretary and office assistant. The program director will take an active role in the extension outreach program, including course design and instruction. He/she will be responsible for administering and coordinating the faculty exchanges, research, and other program activities. The

program director will develop a detailed evaluation plan consistent with the design described in the project proposal.

III. Operating Features

A. Grant Recipient - The A.I.D. grant will be administered through the Studies Foundation of the School of Economics and Administration of Catholic University, which will act as grantee. The Studies Foundation will hire the program director and will be responsible for administering the funds in accordance with the terms of the grant and all of its provisions. It will assure the achievement of the grant objectives as described herein as well as in the program proposal presented by the School of Economics and Administration. It shall arrange for all counterpart contribution to carry out the program and will manage the program in a manner that will continue the extension activities on a cost sustaining basis and assure funding for related research as needed. The Studies Foundation shall be responsible for the annual audit of the grant as required by the standard provisions of the grant, as well as all periodic reports required for the monitoring of the program.

B. Substantial Involvement of A.I.D. - The A.I.D. financing is being furnished through the Cooperative Agreement mode which envisages a collaborative involvement of A.I.D. in the evolution or refinement of the design features of the program and in certain key decisions affecting program implementation. In this regard, initiation of the components of the program for extension (except for design work) and for the research shall be subject to more detailed design and implementation planning as noted below.

- Extension - The grantee shall present detailed plans for the first cycle of short term workshops and seminars and the first diploma or certificate program. The plan shall describe the structure of the training efforts, the intended audience, the course content, and the training methodologies to be used. The plan should identify any special requirements to encourage women participation in the seminars and courses since women frequently serve as personnel unit directors. The plans shall be accompanied with updated cost projections and a pricing strategy statement that demonstrates the basis for calculating the value and number of A.I.D. financed scholarships for each seminar or course. This strategy shall take

into account the need to attain a cost and price structure adequate to assure the continuation of the extension activities after the completion of A.I.D. financing. These plans shall be adjusted as necessary during the annual joint program reviews.

- Research - The grantee shall present detailed plans for each research activity to be financed with A.I.D. funds. The plans should describe the purpose of the research in terms of the usefulness of the results or the product expected for achievement of the overall objectives of the program. All data should be collected and published on a sex-disaggregated basis in order to discern the role of women in the labor force. The plan will include an implementation schedule and a detailed budget. The need for any future financial support will be identified together with an explanation of how such support will be generated.

C. Mobilization of Additional Support - The School of Economics and Administration of Catholic University and A.I.D. both recognize that additional support, while not crucial to the success of the program, can enhance and extend its impacts. The School will seek complementary

sources of support through business associations, private companies, academic institutions, and other donors. Such support can take many forms. Business associations can promote private sector understanding and appreciation of the program's extension activities as useful and worthwhile. In this regard, the School will undertake special efforts to explain the program to associations that work with organized labor. Private Chilean and multinational companies will be asked to collaborate by providing access to information needed for research and cases studies. Academic institutions in Chile may offer sites and other support for seminars and courses outside of Santiago. U.S. academic institutions will be requested to complement the exchange component by providing low cost opportunities for on-campus research/study programs or providing visiting professors. Financial support from international research foundations and other sources will be sought for continuing the research activities. At the same time, A.I.D. will assist with seeking potential complementary support from the various exchange programs and other activities sponsored by the United States Information Service. Similarly, U.S. Government supported labor programs also offer opportunities for outside speakers and sharing of views on effective labor - management relations.

D. Evaluation - Project evaluation will consist of annual joint program reviews and an impact assessment. The joint reviews will be organized by the program director. The reviews will include senior faculty members of the School of Economics Administration, such outside experts that the grantee may be able to obtain at no cost to the program, a representative of the Chilean business community, and appropriate officers of A.I.D. The results of the reviews shall be documented in written reports prepared by the grantee. The impact assessment will be carried out through surveys of management attitudes towards human resource management. Also, the possibility of establishing an independent annual public ranking of companies "best to work for" based on survey and other information as part of the evaluation process will be considered.

STANDARD PROVISIONS 1/

The following Mandatory and Optional Standard Provisions for NON U.S., NON-Governmental Grantees in effect as of the effective date of this Grant are incorporated herein by reference with full force and effect as though fully set forth herein:

A. Mandatory Standard Provisions

- | | |
|--|-----------------|
| 1. Allowable Costs | (May 1986) |
| 2. Accounting, Audit, and Records | (May 1986) |
| 3. Refunds | (May 1986) |
| 4. Revision of Grant Budget | (May 1986) |
| 5. Termination and Suspension | (May 1986) |
| 6. Disputes | (November 1985) |
| 7. Ineligible Countries | (May 1986) |
| 8. Debarment, Suspension and other
Responsibility Matters | (March 1989) |
| 9. U.S. Officials Not to Benefit | (November 1985) |
| 10. Nonliability | (November 1985) |
| 11. Amendment | (November 1985) |
| 12. Notices | (November 1985) |

B. Optional Standard Provisions

- | | |
|---|-----------------|
| 1. Payment - Periodic Advance | (November 1985) |
| 3. Air Travel and Transportation | (May 1986) |
| 5. Procurement of Goods and Services | (May 1986) |
| 6. AID Eligibility Rules for Goods and
Services | (May 1986) |
| 7. Subagreements | (May 1986) |
| 8. Local Cost Financing | (November 1988) |
| 10. Publications | (May 1986) |
| 12. Regulations Governing Employees | (May 1986) |
| 13. Participant Training | (May 1986) |
| 18. Title To and Use of Property
(Grantee Title) | (May 1986) |

1/ When these Standard Provisions are used for Cooperative Agreements, the following form apply "Grantee" means "Recipient", "Grant" means "Cooperative Agreement", and "AID Grant Officer" means "AID Agreement Officer."