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

ROCAP

PROJECT PAPER

ECONOMIC POLICY RESEARCH  
(AMENDMENT NO. 1)

AID/LAC/P-590  
CR-467

PROJECT NUMBER: 596-0147

UNCLASSIFIED

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AGENCY FOR INTERNATIONAL DEVELOPMENT <b>PROJECT DATA SHEET</b>		1. TRANSACTION CODE <b>C</b> A = Add C = Change D = Delete	Amendment Number <u>1</u>	DOCUMENT CODE <b>3</b>
2. COUNTRY/ENTITY Central America / ROCAP		3. PROJECT NUMBER <u>596-0147</u>		
4. BUREAU/OFFICE Latin America and the Caribbean		5. PROJECT TITLE (maximum 40 characters) <u>Economic Policy Research</u>		
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY <u>08 31 93</u>		7. ESTIMATED DATE OF OBLIGATION (Under 'B' below, enter 1, 2, 3, or 4) A. Initial FY <u>88</u> B. Quarter <u>4</u> C. Final FY <u>91</u>		

8. COSTS (\$000 OR EQUIVALENT \$1 = )						
A. FUNDING SOURCE	FIRST FY <u>88</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	750		750	3,900		3,900
(Grant)	( 750 )	( )	( 750 )	( 3,900 )	( )	( 3,900 )
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S.	1.					
	2.					
Host Country						
Other Donor(s)						
<b>TOTALS</b>	<b>750</b>		<b>750</b>	<b>3,900</b>		

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) NSDA	5773			1,700		2,200		3,900	
(2)									
(3)									
(4)									
<b>TOTALS</b>				<b>1,700</b>		<b>2,200</b>		<b>3,900</b>	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) 910      930      960	11. SECONDARY PURPOSE CODE
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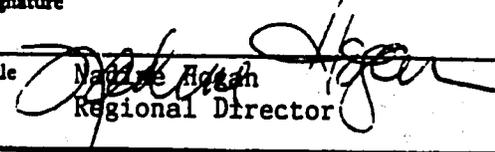
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each) A. Code      RDEV B. Amount      100%
--

13. PROJECT PURPOSE (maximum 480 characters)

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.

14. SCHEDULED EVALUATIONS Interim    MM YY    MM YY    Final    MM YY <u>08 89</u> <u>09 90</u>	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) <u>Coop. Ag. &amp; Grant Ag.</u>
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment.)  
The objective of this Amendment to the Economic Policy Research Project is to provide greater analytic support for economic development by increasing the quantity and quality of economic research and policy analysis undertaken by Central American economic research centers and universities.

17. APPROVED BY	Signature 	Date Signed MM DD YY <u>07 18 90</u>	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY
	Title Name <u>Regional Director</u>		

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## INSTRUCTIONS

The approved Project Data Sheet summarizes basic data on the project and must provide reliable data for entry into the Country Program Data Bank (CPDB). As a general rule blocks 1 thru 16 are to be completed by the originating office or bureau. It is the responsibility of the reviewing bureau to assume that whenever the original Project Data Sheet is revised, the Project Data Sheet conforms to the revision.

Block 1 - Enter the appropriate letter code in the box, if a change, indicate the Amendment Number.

Block 2 - Enter the name of the Country, Regional or other Entity.

Block 3 - Enter the Project Number assigned by the field mission or an AID/W bureau.

Block 4 - Enter the sponsoring Bureau/Office Symbol and Code. *(See Handbook 3, Appendix 5A, Table 1, Page 1 for guidance.)*

Block 5 - Enter the Project Title *(stay within brackets; limit to 40 characters).*

Block 6 - Enter the Estimated Project Assistance Completion Date. *(See AIDTO Circular A-24 dated 1/26/78, paragraph C, Page 2.)*

Block 7A. - Enter the FY for the first obligation of AID funds for the project.

Block 7B. - Enter the quarter of FY for the first AID funds obligation.

Block 7C. - Enter the FY for the last AID funds obligations.

Block 8 - Enter the amounts from the 'Summary Cost Estimates' and 'Financial Table' of the Project Data Sheet.

**NOTE:** The L/C column must show the estimated U.S. dollars to be used for the financing of local costs by AID on the lines corresponding to AID.

Block 9 - Enter the amounts and details from the Project Data Sheet section reflecting the estimated rate of use of AID funds.

Block 9A. - Use the Alpha Code. *(See Handbook 3, Appendix 5A, Table 2, Page 2 for guidance.)*

Blocks 9B., C1. & C2. - See Handbook 3, Appendix 5B for guidance. The total of columns 1 and 2 of F must equal the AID appropriated funds total of 8G.

Blocks 10 and 11 - See Handbook 3, Appendix 5B for guidance.

Block 12 - Enter the codes and amounts attributable to each concern for Life of Project. *(See Handbook 3, Appendix 5B, Attachment C for coding.)*

Block 13 - Enter the Project Purpose as it appears in the approved PID Facesheet, or as modified during the project development and reflected in the Project Data Sheet.

Block 14 - Enter the evaluation(s) scheduled in this section.

Block 15 - Enter the information related to the procurement taken from the appropriate section of the Project Data Sheet.

Block 16 - This block is to be used with requests for the amendment of a project.

Block 17 - This block is to be signed and dated by the Authorizing Official of the originating office. The Project Data Sheet will not be reviewed if this Data Sheet is not signed and dated. Do not initial.

Block 18 - This date is to be provided by the office or bureau responsible for the processing of the document covered by this Data Sheet.

PROJECT AUTHORIZATION  
AMENDMENT No. 1

**Names or 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

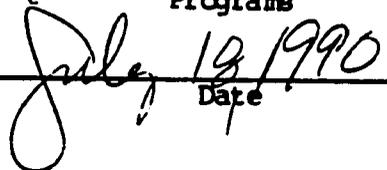
**Number of Project:** 596-0147

1. Pursuant to Sections 103 and 106 of the Foreign Assistance Act of 1961, as amended, the Economic Policy Research Project was authorized on August 29, 1988. That authorization is hereby amended as follows:

a. Paragraph 1 of the Authorization is deleted in its entirety and the following substituted in lieu thereof:

"Pursuant to Sections 103 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 Three Million Nine Hundred Thousand United States Dollars (US\$ 3,900,000) in grant funds ("Grant") over a five year period from 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 costs for the project. The planned life of the project is (five) years from the date of initial obligation."

2. The authorization cited above remains in force except as hereby amended.

  
\_\_\_\_\_  
Regional Director  
Regional Office for Central American  
Programs  
  
\_\_\_\_\_  
Date

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R O C A P

ECONOMIC POLICY RESEARCH PROJECT  
(596-0147)  
Amendment No. 1

I. RECOMMENDATIONS AND SUMMARY

A. Recommendations

The Project Review Committee of ROCAP/Guatemala recommends that the Director of ROCAP authorize an amendment to the Economic Policy Research Project which will extend the Project Assistance Completion Date (PACD) by two and a half years through August 31, 1993, and increase funding by \$2.2 million, to a total life of project (LOP) of \$3.9 million.

The Project operates through three grantees who are funded for a period ending 6 months prior to the PACD, leaving 6 months for completing audits and an evaluation.

Funds will be distributed among three entities as follows: a Project Agreement with the Permanent Secretariat of the Central American General Treaty Organization for Economic Integration (SIECA) (\$1,092,000) and a Cooperative Agreement with the Central American Institute of Business Administration (INCAE) (\$434,000) and ROCAP (\$674,000). IESCARIBE, who participated in this project during the first two years, will not be part of this amendment. Depending on the financial review now in process and Mission Director's decision, IESCARIBE will be allowed to complete activities under the initial grant, or will be determined with unexpended funds being reprogrammed to other project elements.

The justification for this amendment is to:

- Extend Project Studies and activities to Nicaragua and Panama;
- Allow the Project more time to produce additional valuable studies;
- Permit a continuation of the INCAE skills up-grading workshops;
- Allow SIECA to extend its statistical coverage to include additional social indicators and to initiate

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the publication of a new series of quarterly economic data;

- Provide top-quality outside expertise to support C. A. researchers and policy analysts;
- Allow the Project to conduct studies that will support and strengthen a new Central American development strategy under discussion by private and public entities coordinated by SIECA;
- Facilitate policy dialogue and dissemination activities by both SIECA and INCAE; and
- Provide the Public and Private Sector decision-makers with research results that will assist them to promote positive changes, especially in the area of foreign trade.
- Allow ROCAP to start a regional disseminating activity on significant economic topics to non-technical audiences.

B. Background Summary

The current project has produced valuable studies and has performed fully in accordance with the purpose and terms of the agreements. SIECA has in less than 18 months produced six significant new studies with recommendations in the area of international trade policy; two successful major regional seminars on trade policy with high level public and private officials; is completing five additional studies on tariff reductions, one for each of five selected industries that benefited from the early import-substitution tariff policies; and has upgraded its services to the region by bringing its statistical publications up to date.

INCAE designed and carried out its first policy research training cycle of three research skills workshops for young economic researchers to improve methodological standards and analytic capability, and began the second cycle which will include supervised research. A training cycle consists of three interrelated one-week seminars each consisting of some 20-25 attendees. The usefulness of, and demand for, this activity is such that ROCAP will expand it under the grant amendment. A number of studies are also being undertaken through INCAE both by faculty and outside researchers.

IESCARIIBE, which participated during the first part of the project, provided technical assistance and consultants requested by INCAE, SIECA and ROCAP to support project training and research activities.

C. Summary of Proposed Project Changes

The Project will provide greater analytic support to NGO's and Governments for economic development by increasing the quantity and quality of economic research and policy analysis undertaken by Central American economic research centers and universities. Activities will center on critical economic policy issues, and in addition to analysis, will seek to raise the level of public understanding and dialogue on those issues. Contingent on legislation to lift restriction on AID to Nicaragua and Panama, project activities will be extended to those countries.

Greater participation of women as professional staff and as participants for training will be encouraged. Results of the grant will position each of the grantees to attract funding from other donors, and SIECA expects to obtain the funding owed them from member governments based on improved services provided. The grant strengthens SIECA's ability to promote and manage assistance from other donors such as the European Economic Community and the United Nations.

ROCAP is proposing to amend the subject project to extend the project assistance completion date (PACD) by two and a half years, through August 31, 1993, and increase funding by \$2.2 million, to a total life of project (LOP) of \$3.9 million.

Grantees will be funded for an additional period of 30 months following the initial 2-year grants (Sept. 1988-August 31, 1990). In addition, ROCAP will issue RFP's for two contracts to provide services in the region, one for a portion of the technical assistance previously provided by IESCARIIBE, and the second to work with appropriate regional entities to prepare and disseminate in the region information for non-technical audiences on economic policy issues.

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D. Summary Budget

ECONOMIC POLICY RESEARCH PROJECT  
(AMENDMENT)  
PROJECT No. 596-0147  
(US \$ 000)

LINE ITEMS	ORIGINAL BUDGET	NEW FUNDS	REVISED BUDGET
Salaries & Related Costs	568,060	699,000 1/	1,267,060 1/
Travel	138,423	124,000 2/	262,423 2/
Perdiem	155,850	208,000	363,850
Commodities	180,600	56,000	236,600
Audit	--	75,000	75,000
Evaluation	--	50,000	50,000
Other Direct Costs	107,556	127,000	234,556
Subgrants/Subcontracts	263,376	549,000	812,376
Miscellaneous	209,389	239,000 3/	448,389
Overhead (Provisional)	76,746	121,000	197,746
<b>TOTAL</b>	<b>\$1,700,000</b>	<b>\$2,200,000</b>	<b>\$3,900,000</b>

1/ Includes \$142,000 for Salary and Moving Costs for a senior US PSC Economic Cooperation Advisor

2/ Includes \$10,000 of travel for USPSC

3/ Includes funds for studies and projects activities in Nicaragua and Panama.

## II. BACKGROUND AND RATIONALE

### A. Background

The Economic Policy Research Project was authorized in August 1988, to address the need to expand and up-grade regional analytic capacity. It has been implemented with coordinated grant support to SIECA, INCAE and IESCARIBE and provided for three separate 24-month grants, one to each of the implementing institutions, for carrying out the objectives of the project. In addition, a Project Advisor was hired for a thirty month-period. Policy research studies, strengthening of research infrastructure, training workshops, policy dialogue seminars and technical assistance in support of these activities have been conducted.

The Project's three main components, each intended to alleviate the problem of inadequate policy analysis and decision-making are: (1) Quality Policy Studies; (2) Dissemination and Dialogues of Study Results; and (3) Institutional Strengthening.

The original intended main outputs of the Project were to produce the following:

1. Eighteen (18) directed economic policy studies, supported as necessary by original research and data collection/analysis. Of these, a limited number are being carried out as learning/training exercises, while most will be expected to 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.
3. Seven (7) policy dialogues seminars or workshops, for economic analysts, policy advisors, sectoral representatives, and decision-opinion-makers. Approximately 4 will be national in scope, and 3 of a regional nature.
4. Four to six (4-6) completed assistance activities with economic policy studies centers, one with SIECA and 3-5 with non-profit organizations, university faculties, or university-related centers.

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5. Six (6) short courses conducted in two cycles for training in such areas as research methods, computer use, analysis, and report writing.

B. Project Accomplishments and Current Status

The project has performed fully in accordance with the purpose and terms of the agreements. SIECA has in less than 18 months, produced six significant new studies with recommendations in the area of international commerce; held two major regional seminars on trade policy with high level public and private officials of the four AID-assisted Central American countries, including the major export and trade promotion associations; and self-generated proposals from the seminar for aggressive collaboration between SIECA and the trade associations in refining the recommendations and implementing them in each of the countries. As part of this process, the trade and export associations are developing working relationships with SIECA.

SIECA had earlier committed itself, in its second-year Workplan, to expand its follow-up activities to review and promote the recommendations within each country and to package them for presentation to the regional Ministerial Council for approval. The areas covered include the removal of obstacles to regional trade; improvement of policies encouraging extra-regional trade, especially in non-traditional products; the reduction of effective protection; improved and expanded involvement in the CBI; and revisions to the bilateral trade agreements with Mexico, Colombia and Venezuela.

SIECA also is now completing five additional studies, one for each of five selected industries that benefited from the early import-substitution tariff policies. They present the levels of protection today in each country by product, and the implications of reducing tariffs for these products and industries on the competitiveness of the products in domestic and international markets.

With rather modest assistance from ROCAP, SIECA has also upgraded its statistical services to the region by coordinating more closely with the national statistical services, and by bringing its statistical publications up to date. SIECA's detailed trade statistics fall short of reporting the total volume of international trade, but it has begun the process of working with each country to expand and improve the reporting of detailed trade data under a regional assistance agreement with the European Economic Community. In the second

year of the Project, SIECA will extend its statistical coverage to include many more social indicators, and begin a new series of quarterly data.

INCAE, the second grantee in the Project, designed and carried out its first policy research training cycle of three research skills workshops for young economic researchers to improve methodological standards and analytic capability, and has begun the second cycle of workshops for a second cohort of investigators. The usefulness of and demand for this training is such that this activity is being expanded under the grant amendment. INCAE is also promoting and providing sub-grants to some of these investigators for comparative research in each of the four countries, under its supervision. They will focus on two timely topics--Structural Adjustment and Economic Growth; and Financial Market Reform.

During the first year, INCAE also supported a study of traditional exports, and a readings-textbook on Strategic Planning for Business by two INCAE staff. Also, as part of the second year of the Project, INCAE is funding the travel of a staff member who is on leave from INCAE to accept a year's fellowship with the Overseas Development Council. He will collect information for his study on "Politics and the Implementation of Economic Reactivation in Central America."

It must also be noted that INCAE collaborated with SIECA on the recent trade-policy seminar, and plans additional collaboration on dialogue and dissemination activities. The two most significant events are the major conference with the World Bank, SIECA and ROCAP on "Trade Liberalization and Strategies for Development," and INCAE's on Structural Adjustment, Monetary Policy and Financial Market Reform.

IESCARIIBE, the third grantee under the first part of the Project, has had a smaller role. IESCARIIBE provided technical assistance and consultants to INCAE, SIECA, and ROCAP in support of project training and research activities, and the evaluation of proposed research.

### C. Rationale for Amendment

The primary rationale for continuing this Project is the valuable results that have been forthcoming during the first 1 1/2 years and a secondary rationale is the flow of information to AID/W via ROCAP on regional activities and the involvements of other donors. This information flow has resulted from ROCAP's contact and collaboration with SIECA under the Project.

The proposed amendment is designed to: (1) Extend Project Studies and activities to Nicaragua and Panama; (2) Allow the project more time to produce additional valuable studies; (3) Permit a continuation of the INCAE skills-upgrading workshops; (4) Allow SIECA to extend its statistical coverage to include additional social indicators and to initiate the publication of a new series of quarterly economic data; (5) Provide top-quality outside expertise to support C. A. researchers and policy analysts; (6) Allow the Project to conduct studies that will support and strengthen a new Central American development strategy under discussion by private and public entities coordinated by SIECA; (7) Facilitate policy dialogue and dissemination activities by both SIECA and INCAE, and begin dissemination activities by ROCAP; (8) Provide the Public and Private Sector decision-makers with research results that will assist them to promote positive changes, especially in the area of regional and foreign trade; and (9) Permit the contracting of a US PSC Economic Cooperation Advisor to provide policy and technical guidance on all aspects of the project.

### III. PROPOSED AMENDMENT

#### A. Goal and Purpose

The Goal and Purpose of the Amendment remain the same as the ones including in the original 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.

#### B. Narrative

Under the project amendment, the following activities will be undertaken:

1. The SIECA grant will be amended to provide additional funding (US\$ 1,092,000) for: (a) Studies and technical assistance needed to foster outwardly oriented, coordinated, technically sound, economic policy in the region; (b) Strengthening the C.A. data base and making it readily

accessible to economic and other researchers (computer data access by modem, library facilities, etc.); (c) Contract high level researchers to support SIECA's research; and (d) Provide research results in a form useful to public and private policy makers.

2. The INCAE Cooperative Agreement will be amended to provide additional funding (US\$ 434,000) to: (a) Continue project support for workshops, seminars, and other activities aimed at upgrading research skills among Central American economists and policy analysts; (b) Provide funds to support technical assistance by INCAE to governments and NGOs; (c) Host seminars, and a wide variety of activities aimed at educating not only policy-makers, but also influential groups (such as educators, journalists, politicians, etc.) on economic reality and its implications.

3. ROCAP (US\$ 674,000) will employ C. A. country nationals or USPSCs as project manager, project economist and provide clerical support, and arrange for evaluations and audits, as required. In addition, ROCAP will contract for two firms via RFPs to provide some of the technical assistance needed by the Project, and to prepare and disseminate information on economic policy issues to non-technical audiences.

### C. Project Outputs

By this Amendment to the project, in addition to the original expected outputs, the following are anticipated:

1. Twenty five (25) directed economic policy studies, supported as necessary by original research and data collection/analysis. Of these, INCAE will carry out 8, which will be national in scope and include assistance to strengthen national institution's capacity for such research. In addition, INCAE using its staff or contracting other senior investigators will carry out three other studies. The remaining 14 studies, mostly regional in scope, will be subcontracted or carried out by SIECA. At least 12 of these studies will be of the quality and content warranting for publishing and presentation in seminars or workshops.

2. Ten (10) published studies, presented in monographs or collections, depending on the audience or ultimate user.

3. Eleven (11) policy dialogue seminars or workshops, for economic analysts, policy advisors, sectoral

representatives, and decision-or-opinion-makers. Approximately 6 will be national in scope and 5 will be of a regional nature.

4. Statistics and library programs of SIECA, and institutional development activities integrated into six (6) study subgrants for young researchers affiliated with non-profit organizations or universities; and

5. Three (3) short training workshops will be conducted by INCAE in areas of research methods and analysis techniques, computer use, or report preparation.

#### D. Overall Project Strategy and Timing

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 or 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

Following the pattern set during the first year of the Project, SIECA will continue to conduct or subcontract for quality policy-oriented studies. 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 training and business administration and its interests in improving consensus of development strategies among private and public interests in key areas, will support studies related to SIECA's mandate such as:

- Policies for transition to growth

- Financial markets in Central America
- External Debt Management
- 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 was the completion of relevant studies. This has been followed by extensive follow-up in a new promotional activity by SIECA's central staff, as well as the seminars and conferences in the original plan.

Regular SIECA staff are discussing and promoting new trade policy recommendations with public and private sector leaders in each of the Central American countries. Sessions have been organized to orient a variety of different audiences in separate meetings over the course of a week in each country. Leaders have been drawn from public sector officials, from industry and commerce, labor, the press, the university community, church and military.

Finally, the preparation of more popular presentations will be assisted by ROCAP, for use in mass media outlets by means of a contract with a public relations or similar firms to prepare and disseminate information on economic policy issues for non-technical audiences.

### 3. Institutional Strengthening

The main instruments of institutional capacity-building under this project will be in human talent, through training in economic analysis, and investments in access to and manipulation of data. The objectives of this effort largely by INCAE will be selected economic research centers in the region.

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.

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.

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#### IV. FINANCIAL PLAN

The Project will disburse the \$2.2 million in additional funds through ROCAP and its implementing institutions, as shown in the table below. The overall PACD will be extended for two and a half years to August 31, 1993, and the PACD grants for two and a half years through February 28, 1993, leaving ROCAP an additional six months to complete audits or other remaining actions.

The project inputs and funding by participating institution and components is as follows: (Funding illustrative)

1. SIECA (\$1,092,000)

A. Policy Studies (\$867,000)

Under this project amendment, SIECA will develop and carry out 14 additional studies at a cost of approximately \$20,000 each, for a total of \$280,000. An additional \$15,000 is added to this component for ten (10) published studies at a cost of \$1,500 per publication; and the remainder of \$572,000 is for project-related salaries, travel and per diem, support staff and other direct costs, including follow-up activities. SIECA will contract high level researchers to support its research and to provide research results in a form useful to public and private policy makers.

B. Seminars (\$75,000)

As part of the follow-up activities, SIECA will organize and provide five (5) regional seminars to disseminate and discuss the results of the studies. Each seminar is estimated to cost \$15,000, for a total of \$75,000.

C. Statistics Strengthening (\$100,000)

The total cost of strengthening the C. A. data base and making it readily accessible to economic and other researchers, is \$100,000, to be disbursed over the thirty (30) month life of the grant.

D. Institutional Strengthening (\$50,000)

SIECA will utilize \$50,000 to improve its library program to strengthen its organization to

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enhance its ability to administer the project and carry out similar programs in the future.

2. INCAE (\$434,000)

A. Policy Studies (\$278,000)

Under this Amendment, INCAE will develop eleven (11) policy studies at an approximate cost of \$13,500 each, for a total of \$148,500. The remaining funds of \$129,500 will be for travel and per diem, direct costs and overhead.

B. Seminars (\$60,000)

To organize and carry out seminars for the presentation and discussion of the policy studies, INCAE will conduct six (6) local seminars of about \$10,000 each, for a total cost of \$60,000.

C. Training (\$96,000)

Economic researchers in the region will be trained by INCAE through three (3) training workshops in areas of research methods and analysis techniques, computer use and report preparation at an average cost of \$32,000 each, totalling \$96,000.

3. ROCAP (\$674,000)

Funding for ROCAP from the project will be to hire two PSCs; one, a project manager and the other, a senior project economist with experience in economic policy issues. Estimated costs are of \$342,000 which includes salary, moving costs, benefits, and other related expenses; \$35,000 for travel and per diem costs, \$10,000 for commodities; and \$62,000 for advertisements and other miscellaneous expenses.

A total of one hundred and twenty five thousand (\$125,000) are also included for yearly audits (\$75,000) and a final evaluation (\$50,000); and \$100,000 to contract two IQC firms; one to provide technical assistance, and the other for publishing articles and periodic reports on economic issues.

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**TABLE 1****ILLUSTRATIVE BUDGET FOR ADDITIONAL 30 MONTHS**

(US \$000)

	TOTAL	INCAE	SIECA <sup>1/</sup>	ROCAP <sup>2/</sup>
		(Sept. '90 - Aug. 92)		
Salaries	699,000	85,000	272,000	342,000
Travel	124,000	48,000	56,000	20,000
Perdiem/etc.	208,000	68,000	125,000	15,000
Commodities	56,000	--	46,000	10,000
Audit	75,000	--	--	75,000
Evaluation	50,000	--	--	50,000
Other Direct Costs	127,000	26,000	101,000	--
Subgrants/Sub- contracts	549,000	134,000	315,000	100,000
Miscellaneous	239,000	--	177,000 <sup>3/</sup>	62,000*
Overhead Provisional	73,000	73,000	--	--
<b>TOTAL</b>	<b>\$2,200,000</b>	<b>\$434,000</b>	<b>\$1,092,000</b>	<b>\$674,000</b>

<sup>1/</sup> Includes \$212,000 for May- Aug 1990.

<sup>2/</sup> (Mar. '91 - Feb. '93).

<sup>3/</sup> Funds reserved for project studies and activities in Nicaragua and Panama.

\* Advertisements, etc.

## V. PROJECT ANALYSES

The original analyses conducted for this Project have been reviewed, and remain valid for this amendment.

The Technical Analysis estimated that the high-level technical assistance that was planned would be needed to fill knowledge gaps and it was foreseen that this assistance would be provided through the grant to IESCARIBE. Under this PP amendment, this arrangement has been changed to exclude IESCARIBE and replace it with a Central American IQC firm.

The Economic Analysis stated that the project would 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. The studies performed by SIECA are an example of this. Support is being developed for the international trade policy recommendations from the first year of SIECA's policy research and implementation of a second round of research on trade and tariff policy issues is planned.

The projected effects of the project as discussed in the Social Soundness Analysis have been borne out, as indicated by the increased capacity of the institutions in the participating countries to conduct research on economic policy.

## VI. IMPLEMENTATION ARRANGEMENTS

### A. Project Management

The project will rely on two 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 administers the project through its Program Office which is responsible for overall strategic and economic policy issues. A senior economist with project management experience was contracted as the Project Advisor. This advisor oversees the effort on a daily basis, offering advice and counsel as needed and being the primary contact with AID/ROCAP. The Project Advisor also chairs the Project Steering Committee, and with the Program Officer, maintains liaison with USAID economists and interested international agencies.

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The initial advisor is resigning and will be replaced by two persons, both possibly Foreign Service Nationals (FSN's). One, the more junior, will be a Project Manager whose primary responsibilities will be the general oversight of the expenditures and the drafting of AID documents that are needed for the Project to run. The second position, a senior economist, will be much more technically oriented toward economic policy issues and regional cooperation, and will provide liaison with an IQC firm in the region who will provide some of the needed technical assistance, and a public relations firm that will prepare and publish information on economic policy issues for non-technical audiences.

As indicated above, ROCAP will manage two new contracts, one, a regional IQC for Technical Assistance, and the other, for publishing popular articles and periodic reports for general audiences on economic issues. INCAE and SIECA may contract for technical assistance directly, or when advantageous, through the IQC.

2. Procurement Plan

Two paths for identifying and contracting two types of professional services in the regional will be overseen by ROCAP, both by PIO/Ts. One to obtain local technical assistance, the other for dissemination of economic policy positions to non-technical audiences. The timetables are:

<u>ACTION</u>	<u>DATE</u>
Signed PIO/T to Contracts Office	June 15
Advertise for interested firms	June 22
Issue RFP	July 1
Select best proposals	August 15
Award contracts	September 1

3. Project Steering Committee

Each participating organization - SIECA and INCAE, - has named a senior staff member to the Project Steering Committee. The Project Advisor represents ROCAP, and chairs the Team. A representative from FEDEPRICAP, the grantee under the related project, Private Sector Initiatives, will be invited to participate on the Steering Committee.

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This team will make recommendations to ROCAP on 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.

Members of this team participate in technical and policy seminars.

4. Management of Institutional Strengthening

This component of the project focuses on two areas: improving the capacity of Central American research entities; and improving or restoring the functions of SIECA in conducting research and providing statistical services to the policy and research community.

INCAE is primarily responsible for the first area, and will provide short-term training for a new cohort of junior investigators as well as follow-up for those who continue to need assistance. SIECA has to a large extent strengthened its internal capability both to conduct and to subcontract research, and to provide statistical services, and with this additional assistance will further refine its activities especially in social statistics.

Both INCAE and SIECA will contract directly as needed for the technical assistance that previously had been arranged by IESCARIBE. ROCAP will provide assistance as needed to identify qualified individuals.

In addition, ROCAP will arrange for a regional IQC contract to provide technical assistance from the region and to undertake specific tasks under work orders. The IQC contractor will be selected by competitive bidding.

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