

**INTER-AMERICAN APPLIED MACROECONOMICS PROGRAM,
STAGE THREE**

(TC-97-02-03-7-RG)

EXECUTIVE SUMMARY

REQUESTER: The Central American Monetary Council

EXECUTING AGENCY: The Economics Institute of the Pontificia Universidad Católica de Chile (PUCC) [Pontifical Catholic University of Chile]

BENEFICIARIES: Borrowing member countries of the Bank in groups C and D and Chile

FINANCING:

IDB (net income from the FSO (Chilean currency)):	US\$ 845,000
Local counterpart funding:	US\$2,105,000
Total:	US\$2,950,000

TERMS AND CONDITIONS:

Execution period:	42 months
Disbursement period:	45 months

ENVIRONMENTAL CLASSIFICATION: The Environment and Social Impact Committee approved this operation at its meeting of May 2, 1997 (13/97). Additional information can be found in the minutes of the meeting of TRG of June 13, 1997.

OBJECTIVES:

To cooperate with the governments of group C and D borrowing members of the Bank (countries with market inadequacies and less relative development) and Chile in improving their capacity to design and implement economic policies, through a third stage of the Inter-American Applied Macroeconomics Program (PIMA).

The specific objective is to train a minimum of 72 professionals from the public sector (government and academic) in aspects of applied macroeconomics.

The following countries are currently expected to participate in PIMA-III: Bolivia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, and Paraguay from group D; Costa Rica and Uruguay from group C; and Chile from group B. The program will be open to other group C and D borrowing member countries of the Bank.

DESCRIPTION: The students selected to participate in PIMA-III will take preparatory theoretical courses (subprogram A) and will complete the seminar on macroeconomic and financial planning (subprogram B).

Subprogram A lasts from one to three semesters, depending on the background of each participant in the fields of microeconomics, macroeconomics, and econometrics.

The seminar lasts for one semester and consists of the following modules: (i) measurement of economic variables and national accounts; (ii) the real sector; (iii) the external sector; (iv) public finances; (v) poverty and basic necessities; (vi) monetary theory and policy; (vii) workshop on macroeconomic and financial planning; and (viii) a final paper.

Most of the grants will be cofinanced by the IDB and public institutions in the countries participating in PIMA-III.

BENEFITS: The project will make a significant contribution to the capacity of middle and senior professionals in the countries of the region who are involved in the design and implementation of macroeconomic policies, by improving their capacity to devise and introduce programs for sustainable and equitable development in a context of macroeconomic consistency.

RISKS: The use of grants cofinanced by a limited number of institutions could, in some countries, impose restrictions on the number and caliber of applicants, which might jeopardize the academic level of the program.

This risk will be mitigated by a strict selection process that has been and will continue to be the best guarantee that PIMA maintains its high academic standards. Individual academic guidance and courses to bring each student up to the required level, depending on his/her previous training, will also help to reduce the risk. The substantial contribution made by the sponsoring institutions may translate into a greater commitment by them to the program, encouraging them to propose resourceful candidates with professional development potential.

THE BANK'S COUNTRY STRATEGY: The proposed project complies fully with the mandates of the Eighth Replenishment, since it offers training and specialization for technical teams in core areas for the consolidation of economic reform and

modernization. Further, the operation focuses on the training requirements of group C and D countries, supporting them in their efforts to boost their capacity to design macroeconomic policies that are compatible with equitable development.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Prior to the first disbursement, the executing agency will present evidence satisfactory to the Bank that the Program's operating regulations have been put into practice (see paragraph 3.9 and Annex IV).

**RESPONSIBILITY IN
THE BANK:**

The operation will be supervised and administered by COF/CCH, with support from INT/RTC.

I. BACKGROUND

- 1.1 In view of the need felt by some countries in the region to establish technical teams able to design macroeconomic policies to deal with the aftermath of the external debt crisis unleashed at the start of the 1980s and in response to requests by the governments of Bolivia, Chile, Paraguay, and Uruguay, the Economics Institute of the Pontificia Universidad Católica de Chile (PUCC) [Pontifical Catholic University of Chile] designed an Inter-American Applied Macroeconomics Program (PIMA) in 1989.
- 1.2 PIMA is a training and specialization program for professionals, mainly from the public sector, who work on the design and implementation of macroeconomic policies in the countries of the region.
- 1.3 PIMA consists of two main subprograms. Subprogram A offers courses to complete the basic theoretical education of participants to prepare them for subprogram B or the PIMA seminar, which offers intensive training in financial and applied macroeconomic planning. A subprogram C was also designed to offer technical advisory services and training courses in macroeconomic aspects in the same beneficiary countries. During the first two stages, those courses also served to identify candidates for subprograms A and B.
- 1.4 In response to a request from the central banks of the countries mentioned earlier, in July 1990 the IDB approved agreement ATN/SF-3474-RE. It granted the PUCC a total of US\$1,610,000 in nonreimbursable resources to help finance the cost of PIMA. The Economics Institute of the university carried out stage one of PIMA from August 1990 to June 1994, which was intended to train economists, with emphasis on participants from Bolivia, Uruguay, Paraguay, and Chile.
- 1.5 The evaluation of stage one of the program performed by an independent consultant concluded that PIMA offers a high level of academic training which is extremely relevant for professionals involved in designing public policies in the beneficiary countries.
- 1.6 The positive evaluation of PIMA-I led to a second operation (ATN/SF-4372-RG) for US\$1,690,000 which began in July 1994 and ended in December 1996.
- 1.7 PIMA-II was expanded to include the countries of Central America, Peru, and the Dominican Republic. Owing to changes in the macroeconomic context in the region and at the request of the beneficiary countries, subprogram B was modified to include a new module on economic integration and one on poverty and basic necessities.

- 1.8 Under PIMA-II's subprogram C - training in the beneficiary countries - courses were offered in macroeconomics, microeconomics, mathematics, and statistics in the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Paraguay. They had the dual aim of providing additional training for group D countries and of identifying potential candidates for subprograms A and B offered in Chile.
- 1.9 The results of stage two of the program are summarized in a final report and ex post evaluation prepared by the Economics Institute of the PUCC. The report includes a detailed description of the activities carried out in that stage and an evaluation of the academic results of each graduate. The latter includes an econometric study that permits the university to fine-tune entry requirements and tests for better candidate selection.
- 1.10 As for the employment status of PIMA-II graduates, out of a total of 108 grant holders who completed the course, 60 (56%) are working in the public sector (government or academic) in their countries, 30 (28%) are studying in a postgraduate program, 1/ and 15 (14%) are working in the private sector (for-profit and not-for-profit organizations). 2/ Annex I gives details on the professional performance of the graduates of PIMA-I and PIMA-II.
- 1.11 Thanks to focussed promotion, careful selection of participants, and the program's methodology, which includes consolidation of basic training prior to the seminar, over six years the PUCC has been able to train a critical mass of highly-qualified economists in the countries participating in PIMA. Particularly in the case of group D members of the Bank, PIMA graduates are generally employed in positions of responsibility in their countries, forming influential work teams in governments or the academic community.
- 1.12 Another important feature of PIMA is the motivation and capacity demonstrated by graduates in passing on the training they received. Out of a total of 176 graduates in stages I and II, 23 are employed as university teachers in their countries. Thirty six of the graduates employed in the nonuniversity public and private sectors work part time in higher education. Also, many graduates help to disseminate their training under PIMA by offering courses in their own institutions.
- 1.13 PIMA's success is attested to in a letter sent by the presidents of the central banks of Central America to the Bank on June 7, 1996,
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- 1/ PIMA graduates have the possibility of obtaining a master's degree in economics from the PUCC by completing one further semester of studies.
- 2/ About one third of them have been released from their obligation to work for the public institution that sponsored them. The others have already completed their commitments to the public sector.

expressing their support for the program, their wish to see it continue, and their willingness to cofinance a third stage.

- 1.14 Mirroring the initiative of the five members of the Central American Monetary Council, Paraguay and the Dominican Republic have also expressed their interest in supporting PIMA under a cost-sharing plan.
- 1.15 In view of this general expression of interest in continuing the program, a third and final stage is proposed here. Unlike the two earlier stages, the grants provided in this stage will be substantially cofinanced by the beneficiary countries.

II. OBJECTIVE

- 2.1 The objective of this regional technical-cooperation program is to cooperate with the governments of group C and D borrowing members of the Bank (countries with market inadequacies and less relative development) and Chile in improving their capacity to design and implement economic policies, through a third stage of PIMA.
- 2.2 The specific objective is to train a minimum of 72 professionals from the public sector (government and academic) in aspects of applied macroeconomics. PIMA-III will offer a training program that will consist of a theoretical preparation stage (from one to three semesters) and a macroeconomic and financial planning seminar (one semester).
- 2.3 At the current time, the following countries are expected to participate in PIMA-III: Bolivia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, and Paraguay from group D; Costa Rica and Uruguay from group C; and Chile from group B. The program will be open to other borrowing members of the Bank from groups C and D.

III. DESCRIPTION

A. Activities

- 3.1 To receive a PIMA diploma, students must have successfully completed the basic theoretical preparatory courses (subprogram A)

and the modules in the seminar on macroeconomic and financial planning (subprogram B). 3/

- 3.2 Subprogram A will offer students with weaknesses in their theoretical background the opportunity of consolidating their basic knowledge of economic theory and developing their capacity to apply it to specific problems. This preparatory stage lasts from one to three semesters depending on the level of each participant in microeconomics, macroeconomics, and econometrics.
- 3.3 Subprogram B (seminar on macroeconomic and financial planning) has a triple purpose: (i) to spell out the relationship between macroeconomic performance and social performance in the economy in terms of basic social indicators; (ii) to deepen the capacity to analyze and conceptualize macroeconomic phenomena and develop the ability to perform quantified analyses of the macroeconomic scenario in order to improve the design and implementation of economic policies; and (iii) to gain a greater understanding of the ties between national economies and the world economy and the consequences of the different forms of linkage with the global economy for national macroeconomic management, well-being, and growth.
- 3.4 The seminar consists of eight modules: (i) measurement of economic variables and national accounts; (ii) the real sector; (iii) the external sector; (iv) public finances; (v) poverty and basic necessities; (vi) monetary theory and policy; (vii) a workshop on macroeconomic and financial planning; and (viii) a final paper, in which the students project the main macroeconomic variables under different internal and external scenarios, performing a quantitative analysis of the impact of different policies on the product, jobs, wages, income distribution, consumption, investment, balance of payments, monetary sector, exchange rate, inflation, and the fiscal sector (see Annex II for detailed information on the study program).
- 3.5 The seminar lasts for one semester and is offered every semester.

B. Organization and execution

1. Executing agency

- 3.6 Implementation of the operation, including the organization of teaching and technical aspects and logistical support, will be

3/ Subprogram C will be suspended in this third stage in order to channel the limited funding into grants for subprograms A and B. Further, the function of subprogram C of recruiting candidates has been gradually taken over by the group of graduates in the different public institutions in the region.

performed by the Economics Institute of the PUCC (see Annex III for detailed information).

- 3.7 The program will be administered, coordinated and supervised by the steering committee of PIMA-III, composed of the dean of the Faculty of Economic and Administrative Sciences, the director of the Economics Institute, the director of PIMA, and one of the professors from the program.
- 3.8 The professors for PIMA-III will be drawn from the staff of the Economics Institute, except for some experts who will be hired specifically for the program to teach classes and supervise work in subjects not covered in the institute's regular curriculum.
- 3.9 PIMA-III will be governed by operating regulations (see Annex IV), which will be placed in effect by the executing agency as a condition precedent to the first disbursement of the Bank's contribution.

2. Grants

- 3.10 The project will offer grants to professionals from the public sector in group C and D borrowing members of the Bank and Chile. The grants will be awarded over seven semesters, starting in the semester following the date on which the agreement between the Bank and the PUCC is signed.
- 3.11 A total of 72 grants or 210 student semester grants will be awarded, assuming an average of three semesters per grant holder and the failure or withdrawal of six students after the first semester.
- 3.12 Of the 210 student semester grants, 186 will be cofinanced by the IDB and the central banks or ministries of finance or the economy of group C and D members of the Bank that have signed agreements with the PUCC to participate in stage three of PIMA.
- 3.13 Agreements have already been signed with the central banks of El Salvador and Nicaragua. Agreements with the central banks of Costa Rica, the Dominican Republic, Guatemala, and Honduras and the Ministry of Finance of Paraguay are almost ready for signature. Talks are well advanced with the central banks of Bolivia, Paraguay, and Uruguay, and contacts are being initiated with the Central Bank of Ecuador.
- 3.14 The Bank's funds will also be used for six full grants (or 18 student semester grants). They will be awarded to outstanding professionals from the public academic sector in Group C and D borrowing member countries of the Bank, who are not supported by an institution that can provide them with a partial grant for living expenses.

- 3.15 In the event that a large number of qualified candidates supported by a public institution apply, the funds for these 18 student semester grants may be used, with the Bank's approval, to supplement the partial grants. This would make it possible to increase the number of beneficiaries and strengthen program sustainability.
- 3.16 In addition, six Chileans will be awarded tuition grants by the PUCC. They will go to professionals from the Chilean public sector whose background allows them to enter subprogram B directly.

3. Selection of grant holders

- 3.17 Candidates for the grants to be awarded under this project must meet the following basic requisites:
- Have graduated from a university with a degree in economics or a similar field, or a program that stresses mathematics, such as engineering.
 - Hold a professional position in the public sector (government or academic) in one of the countries participating in PIMA-III, particularly in central banks, ministries of economy, planning, or finance, or their reporting agencies. University graduates without professional experience will also be considered when their academic potential warrants.
 - Be sponsored by a public sector institution (government or academic).
 - Have signed a commitment to be available after completion of their studies for work in the public sector (government or academic) for a period not less than the duration of the studies.
 - Not be over 40 years of age when starting the program (exceptions must be justified and approved by the Bank).
- 3.18 Candidates for partial grants must also submit a certified letter that the grant will be supplemented by a sponsoring institution in the public sector.
- 3.19 Grants will be awarded on the basis of the following criteria: (i) academic background; (ii) professional career in the public service (government or academic); and (iii) the candidate's professional development potential.
- 3.20 These criteria will be evaluated on the basis of: (i) transcripts of previous university studies; (ii) the results of an admission examination to be written in the country of origin of the candidate administered by a program representative; (iii) the results of the selection interviews conducted by a program representative; and

(iv) the academic and professional recommendations submitted together with the application.

3.21 The grants will be awarded by the program's steering committee.

C. Cost and financing

1. Cost

3.22 The cost of the project is an estimated US\$2,950,000 equivalent, as per the following budget (see detailed budget in Annex VI):

Component	IDB	Countries	PUCC	TOTAL
A. Grants	808,452	1,249,944	96,384	2,154,780
1. Tuition	692,376		20,364	712,740
2. Living allowance	87,282	931,008		1,018,290
3. Travel and installation	19,200	216,600		235,800
4. Insurance	5,814	62,016	34,020	101,850
5. Book stipend	3,780	40,320		44,100
6. Teaching materials			42,000	42,000
B. Academic coordination			515,358	515,358
1. Coordination staff			284,469	284,469
2. Teachers exclusive to PIMA			165,441	165,441
3. Selection of candidates			65,448	65,448
C. Administration			165,142	165,142
1. Physical/technical infrastructure			81,029	81,029
2. Administrative staff			71,113	71,113
3. Auditing			13,000	13,000
D. Contingencies	36,548	50,056	28,116	114,720
Total	845,000	1,300,000	805,000	2,950,000

2. Bank contribution

3.23 The Bank's nonreimbursable contribution from the net income of the Fund for Special Operations in local currency has been budgeted as US\$845,000 equivalent.

3.24 It will be used to cover the following expenses:

- a. Tuition for a minimum of 186 student semesters to enable professionals who work or are planning to work in the public sector (government or academic) to participate in subprograms A and B of PIMA-III.
- b. A maximum of 18 full student semester grants for professionals from the public academic sector in Group C and D borrowing member countries of the Bank who do not have institutional sponsors to cofinance the grant. The full grants will cover

tuition, living allowances, travel, installation, medical insurance, and a stipend for books.

3. Local contribution

- 3.25 The local contribution from the countries participating in PIMA-III and the PUCC will be an estimated US\$2,105,000 equivalent.
- 3.26 The equivalent of US\$1.3 million will come from the institutions that have signed agreements with the PUCC to supplement the tuition grants from the Bank with grants for living allowances, travel, installation, medical insurance, and books for the participants mentioned in paragraph 3.24 (a).
- 3.27 The PUCC's contribution is an estimated US\$805,000 equivalent. The university will shoulder the costs of program execution. It will also cover tuition for six professionals from the Chilean public sector whose background enables them to enrol directly in the seminar (subprogram B).
- 3.28 The Bank's contribution will be disbursed following Bank procedures.

D. Monitoring and reports

- 3.29 Program activities will be monitored by a programming and evaluation committee (PEC) composed of the program director, teaching staff, and designated staff from the Bank's Country Office in Chile.
- 3.30 The PEC will meet at least once a year to: (i) discuss headway in the program, including administration and programming; (ii) deal with aspects relating to the selection of participants; and (iii) solve any problems that may arise during the program.
- 3.31 The executing agency will present the following to the Bank:
- a. Progress reports: To be submitted within 90 days after the end of each academic year. They will discuss and evaluate the activities carried out and make recommendations regarding program development. The reports will include data on the participation of women and, when available, on minority groups, to take any necessary and feasible measures to promote the program in a more focussed fashion.

After year one, the executing agency undertakes to conduct a survey of the graduates of PIMA-II, the first generation of PIMA-III, and the sponsoring institutions. The purpose is to examine the relevance and utility of the academic program, make adjustments, and explore new areas that require stress, such as the microeconomic and institutional aspects of fiscal policy. The executing agency will present a report to the Bank

containing the results of the survey and any recommendations stemming from it.

- b. Financial reports: (1) Annual, to be presented within 90 days after the end of each academic year; and (2) final, within 90 days after the end of the program. The financial reports must be certified by the Accounting Department of the Faculty of Economic and Administrative Sciences of the PUCC.
- c. Evaluation report: To be presented within 180 days after the end of the program. It will contain a quantitative and qualitative evaluation of the results of PIMA-III, with special stress on the impact of the training on the institutions that employ the graduates.

IV. BENEFITS AND RISKS

A. Benefits

- 4.1 The project will make a significant contribution to the capacity of middle and senior professionals in the countries of the region who are involved in the design and implementation of macroeconomic policies by improving their capacity to define and introduce programs for sustainable and equitable development in a context of macroeconomic consistency.
- 4.2 The priority and social value that the beneficiary countries attach to this type of training is demonstrated not only by their willingness to contribute over 50% of the cost of studies and specialization for their employees, but also by the significant role that teams which have graduated from PIMA play in formulating economic policies in their countries.

B. Risks

- 4.3 The use of grants cofinanced by a limited number of institutions could, in some countries, impose restrictions on the number and caliber of applicants, which might jeopardize the academic level of the program.
- 4.4 This risk will be mitigated by a strict selection process that has been and will continue to be the best guarantee that PIMA maintains its high academic standards. Individual academic guidance and courses to bring each student up to the required level, depending on his/her previous training, will also help to reduce the risk. The substantial contribution made by the sponsoring institutions may translate into a greater commitment by them to the program, encouraging them to propose resourceful candidates with professional development potential.

V. EVALUATION

- 5.1 The executing agency will prepare an evaluation as specified in paragraph 3.31 (a) and (c).

EMPLOYMENT STATUS OF GRADUATES OF PIMA-I AND -II

Graduates awarded grants under projects ATN/SF-3474-RE and AT/SF-4372-RG

Sector	Public sector			International Agencies	Private sector		Postgraduate studies	No information	Total
Country	Central banks	Ministries	Academic institutions		Non-profit	For-profit			
Bolivia	3	13	2	1	0	1	0	0	20
Chile	1	6	7	0	0	6	1	0	21
Costa Rica	10	3	3	0	3	2	2	1	21
Dominican Republic	0	2	1	0	1	1	5	0	10
El Salvador	7	4	1	1	0	2	2	1	18
Guatemala	3	1	0	0	0	0	9	0	13
Honduras	0	0	0	0	0	0	4	0	4
Nicaragua	9	2	2	1	0	0	6	1	21
Paraguay	9	12	4	0	0	0	1	0	26
Peru	1	0	0	0	0	0	0	0	1
Uruguay	6	3	3	1	0	4	1	0	18
TOTAL	49	46	23	4	4	16	31	3	176

INTER-AMERICAN APPLIED MACROECONOMICS PROGRAM. STAGE THREE

Operating Regulations

1. The following operating regulations will govern stage three of the Inter-American Applied Macroeconomics Program (PIMA-III) to be cofinanced by the Inter-American Development Bank (IDB), the countries participating in PIMA-III, and the Pontificia Universidad Católica de Chile (PUCC).
2. Executing agency: The executing agency will be the Pontificia Universidad Católica de Chile. Program administration, coordination, and supervision will be the responsibility of the steering committee of PIMA-III composed of the Dean of the Faculty of Economic and Administrative Sciences, the Director of the Economics Institute, the Director of PIMA, and one of the professors from the program. Activities will be carried out through the University's Economics Institute.
3. Eligible countries: Borrowing member countries of the Bank from groups C and D, and Chile.
4. Funds: Financing for PIMA-III will consist of an IDB contribution of US\$845,000 in Chilean domestic currency (pesos) under a regional technical-cooperation program, ATN/SF.... RG, and a counterpart of US\$2,105,000. Of that sum, US\$1,300,000 equivalent will be provided by the countries participating in PIMA-III and US\$805,000 equivalent by the PUCC.
5. Mode of financing: A total of 210 student semester grants, of which:
 - 186 student semester grants will be awarded to outstanding professionals from the public sector (government and academic) which will be cofinanced by the IDB and public institutions in group C and D borrowing member countries of the Bank;
 - 18 full student semester grants for outstanding professionals from the public academic sector in Group C and D borrowing member countries of the Bank who do not have the support of an institution to provide them with living allowances; and
 - 6 tuition grants for professionals from the Chilean public sector.

In the event that a large number of qualified candidates supported by a grant from a public institution apply, the funds associated with the full grants may be used, with the Bank's approval, to supplement the partial grants.

6. Financeable items: The Bank's contribution to PIMA-III may be used to finance partial and full grants for public sector professionals (government and academic) from group C and D borrowing member countries of the Bank, as specified below:
- Partial grants: tuition costs during a maximum of four semesters (subprograms A and B).
 - Full grants: (i) tuition costs during a maximum of four semesters (subprograms A and B); (ii) round-trip economy-class air fare; (iii) a lump sum for installation costs; (iv) living allowance during the study period; (v) medical insurance; and (vi) a stipend for books each semester.
7. Contribution of the countries participating in PIMA III: The partial grants under this regional technical-cooperation operation will be effectively awarded only after the institution cofinancing the grant has deposited its contribution (installation expenses, subsistence allowance, medical insurance and books) for the first semester in a PUCC account. For subsequent semesters, this contribution will be deposited one month before the beginning of each semester.
- PUCC will be responsible to communicate to the applicants for grants cofinanced by the Bank, using the means it considers appropriate (e.g. promotional materials, letter of preselection or award of grant) that the Bank (a) will disburse its portion of the grant only to the extent that the cofinancing institution has paid its share, and (b) will not be responsible for the contribution of the cofinancing institution in the event it does not materialize.
8. Duration: PIMA-III grants will be awarded over a period of 3.5 years (or seven semesters) starting in the first semester after the agreement between the Bank and the PUCC is signed.

Candidate selection procedures

9. Basic requisites: (i) Have graduated from a university with a degree in economics or a similar field, or a program that stresses mathematics, such as engineering; (ii) hold a professional public sector position (government or academic) in a country participating in PIMA-III, particularly in a central bank, ministry of economy, planning, or finance, or their reporting agencies; university graduates without professional experience will also be considered when their academic potential warrants; (iii) be sponsored by a public sector institution (government or academic); (iv) have signed a commitment to be available for public sector work (government or academic) after completion of studies for a period not less than the duration of the studies; and (v) be 40 years of age or under when starting the program (exceptions must be justified and approved by the Bank).

Candidates for partial grants who have been preselected must present a letter certifying that the grant for subsistence, travel, installation, medical insurance, and books has been awarded by a public sector institution in order for their acceptance to be confirmed.

10. Selection criteria: (i) academic background; (ii) professional work experience in the public service (government or academic); and (iii) professional development potential.
11. Selection of candidates: The grants will be awarded by the program's steering committee.
12. Commitments of the grant holders: Persons awarded grants funded by the Bank are required to: (i) work full-time on approved program activities; (ii) complete their theoretical education under subprogram A if required by the executing agency; and (iii) complete subprogram B, which consists of a total of eight modules.
13. Upon completion of their training under PIMA-III, grant holders undertake to return to their countries and be available to provide professional services in the public sector institution that has sponsored them and/or cofinanced the grant. The period of service will depend on the stipulations set forth in the agreements signed by the grant holders with their sponsor institutions. However, it may not be less than the time taken by the candidate to complete PIMA-III.

Academic program

14. Structure: PIMA-III consists of two subprograms. Subprogram A will offer students with weaknesses in their theoretical background the opportunity of consolidating their basic knowledge of economic theory and developing their capacity to apply it to specific problems. This preparatory stage lasts from one to three semesters depending on the level of each participant in microeconomics, macroeconomics, and econometrics.
15. Subprogram B or the seminar on macroeconomic and financial planning will last for one semester and consists of eight modules: (i) measurement of economic variables and national accounts; (ii) the real sector; (iii) the external sector; (iv) public finances; (v) poverty and basic necessities; (vi) monetary theory and policy; (vii) workshop on macroeconomic and financial planning; and (viii) a final paper in which students are required to apply the skills learned in the preceding modules.

16. Teaching staff: The professors of PIMA-III will be drawn from the faculty of the Economics Institute of the Pontificia Universidad Católica de Chile, except for some experts who will be hired specifically for the program to teach classes and supervise work in subjects not covered in the institute's regular curriculum.

PERFORMANCE INDICATORS

Objective	Indicators	Means of verification	Assumptions
GOAL To cooperate with the governments of group C and D countries and Chile in improving their capacity to design and implement macroeconomic policies	<ul style="list-style-type: none"> • Promotion of graduates to positions of responsibility • Training of economic analysis teams with influence in government or the academic community 	<ul style="list-style-type: none"> • Evaluation report • Updated PIMA data base 	Training of a critical mass of graduates in a single institution
PURPOSE Training for professionals from public agencies involved in the design and implementation of macroeconomic policies	Graduation of a minimum of 72 specialists in macroeconomics after the seven semesters of the program	<ul style="list-style-type: none"> • Progress reports • Meetings of the PEC 	<ul style="list-style-type: none"> • For the beneficiary public agencies: offer graduates the opportunity to apply their expertise • For the executing agency: select students with development and leadership potential
RESULTS Award of a total of 210 student semester grants	<ul style="list-style-type: none"> • Theoretical courses taught under subprogram A depending on student requirements • a seminar on macroeconomic and financial planning (subprogram B) taught each semester 	Financial reports	<ul style="list-style-type: none"> • Maintenance of the program's high academic standards • Relevance of training for the professional duties of the students
ACTIVITIES <ul style="list-style-type: none"> • Preselection of candidates through examinations and interviews • Final selection of participants • Award of partial and full grants • Organization and implementation of the academic program 	Budget	Budget execution	Strict selection process for candidates with academic potential

DETAILED BUDGET

Category	Description	IDB	PIMA Countries	PUCC	Total
	Grant holders	<u>808,452</u>	<u>1,249,944</u>	<u>96,384</u>	<u>2,154,780</u>
3.1	<u>Tuition subprog. A and B:</u> 204 student semester (ss) grants @ US\$3,394/semester <u>Tuition subprog. B:</u> 6 ss grants @ US\$3,394/semester	692,376		20,364	692,376 20,364
3.2	<u>Living allowances</u> (US\$4,849/semester): • 18 full ss grants • 186 cofinanced ss grants • 6 ss grants, Chile	87,282	901,914 29,094		87,282 901,914 29,094
3.3	<u>Travel and installation</u> • 6 full grants (US\$2,500/travel, US\$700/installation) • 66 cofinanced grants (US\$2,500/travel, US\$700/installation) • 6 grants, Chile (US\$200/travel, US\$700 installation)	19,200	211,200 5,400		19,200 211,200 5,400
3.4	<u>Insurance</u> (US\$323/semester): • 18 full ss grants • 186 cofinanced ss grants • 6 ss grants, Chile <u>PUCC insurance</u> (US\$162/semester) • 204 ss grants • 6 ss grants, Chile	5,814	60,078 1,938	33,048 972	5,814 60,078 1,938 33,048 972
3.5	<u>Book stipend</u> (US\$210/semester) • 18 full ss grants • 186 cofinanced ss grants • 6 ss grants, Chile <u>Teaching materials</u>	3,780	39,060 1,260		3,780 39,060 1,260 42,000
	Academic coordination			<u>515,358</u>	<u>515,358</u>
2.1	Director (part time) Assistant			155,165 129,304	155,165 129,304
2.2	Teachers hired for PIMA			165,441	165,441
3.9	Candidate selection			65,448	65,448
	Administration			<u>165,142</u>	<u>165,142</u>
6	Physical and technical infrastructure			81,029	81,029
6.6	Administrative staff			71,113	71,113
6.7	Auditing			13,000	13,000
98	Contingencies	36,548	50,056	28,116	114,720
	TOTAL	845,000	1,300,000	805,000	2,950,000

PROPOSED RESOLUTION

REGIONAL. NONREIMBURSABLE TECHNICAL COOPERATION FOR THE INTER-AMERICAN
PROGRAM ON APPLIED MACROECONOMICS - THIRD PHASE

The Board of Executive Directors

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreements as may be necessary with the Pontificia Universidad Católica de Chile, and to take such additional measures as may be pertinent for the execution of the plan of operations referred to in Document AT-_____ with respect to a nonreimbursable technical cooperation for the execution of the Inter-American Program on Applied Macroeconomics -Third Phase.

2. That up to the equivalent of US\$845,000 in pesos chilenos, is authorized for the purposes of this resolution, chargeable to the net income of the Fund for Special Operations.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.