

SCHOLARSHIPS FOR THE GRADUATE PROGRAM IN ECONOMICS AND  
SOCIAL POLICY, ILADES-STAGE II

(TC-96-03-25-01-RG)

EXECUTIVE SUMMARY

**REQUESTER:** Instituto Latinoamericano de Doctrinas y Estudios Sociales [Latin American Institute of Social Doctrine and Social Studies] (ILADES)

**EXECUTING AGENCY:** ILADES

**BENEFICIARIES:** Borrowing member countries of the Bank

**FINANCING:**

IDB: (in Chilean pesos)	US\$1,460,000 (SF)
ILADES:	US\$ 650,000
Total:	US\$2,110,000

**TERMS:**

Execution period:	4 years
Disbursement period:	5 years

**ENVIRONMENTAL CLASSIFICATION:** The Environment Committee, at its meeting of May 21, 1996, classified this as a Category II operation.

**OBJECTIVES:** The objective of the project is to train professionals from the borrowing member countries of the Bank, with preference for those from Group C and D countries, as specialists in social policy, giving them a solid grounding in economic theory and a sound understanding of the economies of Latin America through scholarships enabling them to attend the graduate program in economics and social policy offered by ILADES.

**DESCRIPTION:** Over a four-year period the project will award scholarships to 45 professionals, divided into three cohorts of 15 students each, so that they can pursue graduate studies. The program will be carried out over four academic semesters including a core curriculum covering basic economic theory, econometrics and socioeconomic conditions in Latin America, plus one term of specialized studies in social policy.

**BENEFITS:** The proposed project will provide training for 45 professionals from Latin America, preferably from Group C and D countries, enabling them to analyze and comprehend the economic and social problems facing their countries, as well as to design the policies

and programs that will remedy them. These professionals will emerge better equipped to analyze, design and implement social policies that are tailored to the macroeconomic circumstances in their countries and feasible in the context of structural adjustments that many of the countries in Latin America are undergoing, thereby aiding efforts to combat poverty and improve social conditions.

**RISKS:**

In general, offering courses such as those proposed here presents risks related to the qualifications and level of the participants and the likelihood that they will continue to work in areas within their countries where they can transfer the benefits of their recently acquired knowledge. These risks will be minimized by establishing clearly-defined selection procedures, including minimum requirements and a commitment by students to continue at their posts upon completion of the program.

**THE BANK'S  
COUNTRY STRATEGY:**

The program is consistent with the priorities set by the Bank and its member countries in that it supports efforts to train public officials and professionals in the management, analysis, design and implementation of social and economic policies, thus furthering the process of socioeconomic development in the region.

**PROCEDURE:**

Pursuant to document AT-1046-4, approved by the Board of Executive Directors on November 21, 1995, this operation must be submitted for consideration by the Committee of the Whole.

## I. BACKGROUND

- 1.1 The Instituto Latinoamericano de Doctrina y Estudios Sociales [Latin American Institute of Social Doctrine and Social Studies] (ILADES) is a nonprofit educational foundation located in Santiago, Chile.
- 1.2 ILADES provides training at the graduate level in three academic disciplines: economics, social and political sciences, and business administration.
- 1.3 The graduate program in economics is a two-year course of studies in which students receive intensive training in economic theory, econometrics and applied economics. The course work emphasizes the relationship between economic theory and its application to the economic and social challenges facing Latin America.
- 1.4 In the nine years since it was created, seven cohorts containing a total of 127 students have completed the program. These graduates are successfully carrying out management duties or serving as advisors in the public and private sectors in their countries. Of this total, 66% are now working in the public sector, in the government ministries, central banks or universities of their respective countries.
- 1.5 Since its creation in 1987, the program has also developed a wide range of research projects and specialized publications on topics in the field of economics that are of direct relevance to developing economies.
- 1.6 In 1990 there was a notable increase in the number of students from other Latin American countries applying to the program – a rise in demand which was both a consequence of the social and economic reforms beginning to be implemented in those countries, and a tribute to the glowing reputation that the program had acquired in the brief period since its creation. Unfortunately, most of these applicants lacked sufficient financial support to attend the courses in Santiago, so that for a time many good applicants had to be rejected. Spurred by this increase in demand, interest arose in the possibility of extrapolating the lessons learned to date from Chile's brief but highly successful reforms, to students from other countries in the region with the help of the Bank.
- 1.7 In 1992 the Bank signed agreement ATN/SF-4106-RG with ILADES to finance scholarships for 45 professionals from Group C and D countries and Peru, including tuition and room and board, to participate in the graduate program in economics and social policy. The project was designed to provide for the admission of 15 students per year during the 1993, 1994 and 1995 academic years.

- 1.8 The three cohorts of the Bank's scholarship recipients have now been enrolled, causing a significant shift in the composition of the student body attending the program. During its first six years of operation, some 35% of the students in attendance were from countries of the region other than Chile, whereas over the last three years, 73% came from those other countries. With help from the Bank, students from Bolivia, Costa Rica, the Dominican Republic, Ecuador, Nicaragua, Panama, Paraguay and Peru have been able to enter the program.
- 1.9 It has been possible at the same time to strengthen research and publishing activities carried out under the program in social policy, including studies of poverty, income distribution, health economics, the economics of education, housing and the effects of environmental policies, to name a few.
- 1.10 An external evaluation of the program was conducted in January 1996, with generally favorable findings. This evaluation found that the project's execution has met its proposed objectives, and that it has complied with the standards and requirements agreed upon with the Bank.
- 1.11 It is worth noting that the reasons which justified the Bank's support for the program in 1992 continue to be valid today. There is an increasing need to provide training for economists specializing in health, employment and social welfare, education and housing, among other areas, as a means of strengthening local professional capacity in highly important areas that are undergoing reform and modernization in the majority of the countries in Latin America.
- 1.12 Based on the success achieved in the first stage, the excellent work being done by former students of the program in their respective jobs, and the demand for continued expansion of the program to accommodate additional students and professionals from less developed countries, ILADES is requesting support for a second stage of the project.

## II. OBJECTIVES

- 2.1 The overall objective of the project is to expand and strengthen the graduate program in economics and social policy, in order to ensure attendance by Latin American students from the borrowing member countries of the Bank, preferably from Group C and D countries, through provision of scholarships paid for with funds provided under this project.

2.2 The specific objectives of this project include:

- a. To train Latin American professionals as specialists in the field of social policy, with a solid grounding in economic theory and adequate understanding of the economies of Latin America.
- b. To carry out research projects in social policy and general economic theory applied to different countries, as a means of reinforcing the training provided under the graduate studies program.
- c. To prepare a series of publications on the research conducted as part of the program.
- d. To link research topics developed by the students with subjects of interest to the IDB's Inter-American Institute for Social Development (INDES).

### III. DESCRIPTION OF THE PROJECT

#### A. Activities

##### 1. Graduate course in economics and social policy

- 3.1 Scholarships will be awarded to three cohorts of 15 students each to attend the graduate program. In each cohort, 12 students drawn from Group C and D countries will be financed by the Bank, and 3 by ILADES.
- 3.2 The courses will consist of a cycle of core curriculum courses in economic theory, econometrics and the socioeconomic situation in Latin America; and a second program of specialized studies in social policy. The program will be carried out over four academic semesters and, to graduate, students will be required to complete the core curriculum, the specialized studies program, a seminar on ethics and economics, plus two electives. In addition, they will be required to successfully complete two research projects, one of which must be in the area of specialization.
- 3.3 The core curriculum theory program will consist of two courses in microeconomics, two in macroeconomics, one course in econometrics, and one in the economic aspects of present-day Latin America.
- 3.4 The specialized studies program on social policy will consist of four courses. These may be taken beginning in the second semester of the program and will provide the analytical, methodological and practical tools necessary for well-rounded training of professionals specializing in this area. The four courses of specialized

studies are Social Policy I, Social Policy II, Evaluation of Projects from a Social Perspective, and Economics in the Public Sector.

- 3.5 Electives must be chosen from a total of 12 subjects including Financial Economics, Advanced Econometrics, the Economics of Natural Resources and the Environment, Labor Economics, Industrial Organization, International Trade, Monetary Policy, Advanced Macroeconomics, and International Macroeconomics. Annex 2 provides a schematic outline of the plan of studies and course contents for the program.
- 3.6 The courses will be supplemented with seminars and lectures given by specialists in social policy and general economics.
- 3.7 To attend the graduate courses, applicants must hold a university degree in economics, engineering, public administration or other related areas. In granting admission to the program, preference will be given to candidates who are employed in public administration or in an academic or research center in his or her respective country. Selection of applicants will be carried out by an admissions committee consisting of the director and two instructor-researchers from the program.
- 3.8 Since professionals in fields other than economics will be admitted to the graduate program in economics, ILADES will conduct one month of remedial courses prior to the start of the program, which will include classes in economic theory, mathematics and statistics. Whether or not a student is required to attend these courses will be determined by ILADES based on the student's background.
- 3.9 One of the two research projects that students are required to complete as part of their studies at ILADES may be carried out in cooperation with INDES, and can take the form of a case study for subsequent use as part of the working materials of INDES.

## 2. Research and publications

- 3.10 Plans are to continue developing a full range of research projects in the field of government and social policies. Full-time instructors and part-time staff whose contracts permit will conduct research activities in areas of specialization.
- 3.11 Some of the topics being considered have to do with the economic aspects of the housing sector, social security, poverty, labor markets, women's socioeconomic conditions, basic education, higher education, health insurance and, in general, those areas where it is possible to improve delivery of social programs.
- 3.12 These research projects will give rise to a series of publications including both books and working papers. In addition, these

outputs may be used as teaching aids and training materials for students attending the graduate program.

B. Organization and execution

- 3.13 Execution of the project will be the responsibility of the ILADES graduate program in economics. In addition to the academic aspects, ILADES will be responsible for organizing and administering the scholarships to be awarded with project funds.
- 3.14 The programming and evaluation of activities covered by the project will be carried out by a programming and evaluation committee whose members include the director of the graduate program and professionals involved in the project and appointed by the Bank on a case-by-case basis.
- 3.15 The agenda of committee meetings will focus on discussing the project's general direction and methods, the results obtained, and the plan of activities for the next period. This committee will meet four times during the course of the operation.
- 3.16 The initial meeting of the programming and evaluation committee for stage II of the program will be convened after the technical cooperation agreement has been signed, for the purpose of reviewing: (i) the detailed proposal for planning and administration of the various activities to be carried out in stage II of the program; (ii) the coordination and supervision of project execution; (iii) the criteria to be used in selecting scholarship recipients; and (iv) the criteria and proposals for joint efforts aimed at publicizing the program.
- 3.17 Meetings of the programming and evaluation committee will monitor the work carried out under the project based on objectives described in the present document. The program director will be responsible for the preparation of semiannual follow-up reports including academic performance by scholarship recipients.

C. Follow-up and reports

- 3.18 The technical cooperation agreement to be signed between the Bank and ILADES will contain a provision requiring the latter to submit the following reports to the Bank:
  - a. Progress reports: during the execution period of the project, ILADES will submit semiannual progress reports to the Bank. These reports must be submitted within 30 days following the conclusion of the respective six-month period. In its progress reports, ILADES will report to the Bank on the academic performance of students who receive scholarships financed under the project, including their marks and assessment of each scholarship recipient by appropriate advisers.

- b. Annual report prepared by independent auditors: during execution of the project, ILADES will submit annual financial reports to the Bank prepared by independent auditors, including detailed breakdown of the use of amounts contributed by the Bank and ILADES.
  - c. Final report: within three months following completion of the project, ILADES will submit a final report to the Bank, which will include a detailed account and evaluation of the activities carried out and the results obtained during the operation, the number and citizenship of scholarship recipients, and the results achieved in their studies.
- 3.19 Within one year after completion of the activities described in the plan of operations, an ex post evaluation will be carried out according to the procedures established for this purpose by the Bank. To this end, the Bank will hire the services of two independent consultants who will be charged with the task of conducting this evaluation.
- 3.20 The consultants will perform a full analysis of progress under the project with respect to the objectives set out and the results obtained. In particular, the consultants will evaluate progress under the program through follow-up on students and their reinsertion into their country of origin, with special focus on their employment history.
- D. Cost and financing
- 3.21 The proposal calls for the granting of 36 scholarships to be financed by the Bank, and nine scholarships by ILADES, both groups of students to be divided into three cohorts.



	IDB	ILADES	TOTAL
3. Scholarship recipients			
3.1 tuition	653,915	163,479	817,394
3.2 living expenses	566,150		566,150
3.3 air fares	59,200		59,200
Remedial courses		15,000	15,000
Research and publications		310,000	310,000
8. Evaluation	49,500		49,500
Operating costs		100,000	100,000
98. Contingencies	131,235	61,521	192,756
Total	1,460,000	650,000	2,110,000

- 3.22 The heading "tuition" includes access to all of the reference works required for the courses and the use of well-equipped computer facilities. An annual adjustment of 8.6% over stage I is included which represents the average depreciation of the dollar with respect to the Chilean peso over the past three years.
- 3.23 The heading "living expenses" is intended to cover student room and board during the two years of study. It is estimated on the basis of monthly stipends of US\$650 per student, over 24 consecutive months.

#### IV. BENEFITS AND RISKS

- 4.1 The proposed project will provide training for 45 professionals from Latin America, preferably from Group C and D countries, enabling them to analyze and comprehend the economic and social problems facing their countries, as well as to design the policies and programs that will remedy them.
- 4.2 These professionals will emerge better equipped to analyze, design and implement social policies that are tailored to the macro-economic circumstances in their countries and feasible in the context of structural adjustments that many of the countries in Latin America are undergoing, thereby aiding efforts to combat poverty and improve social conditions.

- 4.3 The students selected will be government officials, university instructors or researchers who will apply and disseminate their new expertise after returning to their respective countries.
- 4.4 In general, offering courses such as those proposed here presents risks having to do with the qualifications and level of students, and the likelihood that they will continue to work in areas within their countries where they can transfer the benefits of their recently acquired knowledge. These risks will be minimized by establishing clearly-defined selection procedures, including minimum requirements and a commitment by students to continue at their posts upon completion of the program.
- 4.5 The feasibility of the project is based on the extensive experience of ILADES, which will act as executing agency. The project has no foreseeable risks given ILADES's level of experience and track record.

## V. EVALUATION

- 5.1 Through the efforts of the project team and the staff of its Country Office in Chile, the Bank will conduct an evaluation following receipt of each progress report and the final report for the purpose of determining:
  - a. The efficiency of the executing agency in its organization of the project.
  - b. The qualifications of students who receive scholarships financed by the project.

## TOPICS OF RESEARCH PROJECTS CARRIED OUT IN THE 1993 TO 1995 PERIOD

### ECONOMICS OF SOCIAL POLICY

Macroeconomic adjustment and social policy in Latin America  
Analysis of the distributional impact of public spending  
Growth, income distribution and poverty  
Ethics and social policy  
Decentralization and delivery of social services  
Analysis and evaluation of social policy in various countries of Latin America  
Designing structures to finance social policy  
Economic evaluation of nutrition programs  
Economic structure of the health sector  
Evaluation of preventive health campaigns  
Analysis of the cost effectiveness of primary care programs and study of financing strategies  
Setting resource priorities in health care and basic food baskets  
Economics of higher education  
Allocation of financial resources for education  
Quality of public versus private education  
Willingness to pay for basic housing solutions  
The social cost of labor

### ORGANIZATION OF INDUSTRY AND THE ECONOMICS OF REGULATIONS

Regulating natural monopolies: electricity, telecommunications and sanitation  
Anti-trust policies  
Promoting competition  
Tariff regulations  
Financial regulations and trade agreements  
Efficient development of cities  
Tradable development rights  
Financing of local public assets

### ECONOMICS OF NATURAL RESOURCES AND THE ENVIRONMENT

Regulatory instruments for air pollution  
Economic instruments for regulation of pollution from mining operations  
Measuring the health costs of air and water pollution  
The environment and trade agreements  
Alternative systems for regulation of the forestry sector

**MACROECONOMICS**

The role of fiscal policy in growth among Latin American countries

Macroeconomic forecasting models

International movement of capital and financial opening in Latin America

Prices of marketable assets, real exchange rates and capital flows

Quasi-fiscal deficit and central bank autonomy

Financial indexing

Public debt

Empirical models of inflation and real exchange rates

Nonlinear models of rational expectations

Growth trends in employment

# LOGICAL FRAMEWORK

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<u>Goal</u>  The graduate program in economics and social policy was strengthened by ensuring the admission of Latin American students, preferably from Group C and D countries	Increase in the number of students from Group C and D countries attending the graduate program	Reports submitted by the executing agency, and final report of independent consultant	Interest on the part of professionals from Group C and D countries in attending the graduate program
<u>Purpose</u>  Training was provided to produce specialists in social policy, giving them a solid grounding in economic theory and good understanding of the economies of Latin America	In two years, training was provided for 45 specialists, most of whom are from Group C and D countries, in the field of social policy, providing them with a solid grounding in economic theory and a good understanding of the economies of Latin America	Evaluation carried out by the executing agency, and external evaluation	Selection of high-quality professionals to take part in the program
<u>Components</u>  Graduate program in economics and social policy  Research and publications	Successful completion of the program of studies  Completion and publication of research works as called for in the curriculum	Report submitted by the program administrator, and student surveys  Reports submitted by the program administrator	Students strive for successful completion of the program. High-quality courses are presented  The topics selected are pertinent from a social perspective
<u>Activities</u>  Selection of scholarship recipients Administrative arrangements Remedial courses Basic curriculum Specialized program on social policy Seminars and electives Development of research topics Publication of research works	Budget	Budget execution	Cooperation among personnel at the Bank's headquarters, its Country Office and ILADES staff in the administration of the project

PROPOSED RESOLUTION

REGIONAL. NONREIMBURSABLE TECHNICAL COOPERATION FOR SCHOLARSHIPS FOR  
A POST-GRADUATE PROGRAM IN ECONOMICS WITH SPECIALIZATION  
IN SOCIAL POLICIES, ILADES STAGE II

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 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 with the Instituto Latinoamericano de Doctrinas y Estudios Sociales (ILADES), for Scholarships for a Post-Graduate Program in Economics with Specialization in Social Studies, ILADES Stage II.

2. That up to the equivalent of US\$1,460,000 in pesos chilenos, is authorized for the purpose 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.