

## TRIP REPORT/RAPPORT DE MISSION

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TR 97/1

Santiago, Buenos Aires, Montevideo, Lima, Havana

April 17 - May 3, 1997

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IDRC/CRDI

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## Summary

This trip report is very long by any standards, because there is substantial descriptive content about the research centres I visited, most of them for the first time. Getting that information down in writing is important for my own work, but I can't see too many other people wading through this information. A major objective of my trip was to inform myself about the kind of research being done in the region in areas of interest to the Trade, Employment and Competitiveness PI, and this conditions the type of information found here. The research centres visited are involved mainly in economic research, but many of them (CIEPLAN, CEPAL, CEDES, FLACSO-Argentina, CINVE, GRADE, University of Havana...) have more general research agendas, including issues of social policy. People from TEC or other PIs who plan to work with these research centres should find useful information in this trip report, on a case by case basis.

I also undertook project development and monitoring activities in each of the countries visited. In *Chile*, two of our projects with ECLAC in Chile ("The New Latin American Model" and "Industrial Restructuring") are just getting under way. The former is very ambitious in what it seeks to do, but should yield very interesting results if it succeeds.

In *Argentina* and *Uruguay*, I attended two project development workshops, along with Rohinton Medhora. The first of these was on trade negotiations in the WTO era, and should lead to a research network in Latin America. The intent is to have similar, but separate networks also in Africa and Asia. The second workshop was on regional integration in the MERCOSUR region, and the contribution which general equilibrium modelling could make to the policy discourse. The upshot was that we may offer limited support for this sort of research, but would like a better view of the issues and methodological options for addressing them.

In *Peru*, the principal agenda item was to initiate discussions on how the Peru Consortium might evolve in a subsequent phase of support from IDRC and CIDA. This was a ground breaking exercise, but a very useful one. The ball is now in the Consortium's court to come up with a formula for value added and sustainability.

I also discussed the "Mining and the Community" project with different people in Chile, Uruguay and Peru.

*Cuba* was my most interesting visit, and I think IDRC will be able to make a very valuable contribution through support of a research program on the Challenge of Cuba's reintegration into the world economy.

Persons met: *Gert Rosenthal* (Executive Secretary); *Dietrich Von Graevenitz* (Chief, Project management); *Vivian Mota* (Oficial de Asuntos Sociales); *Vivian Ventura Dias* (Chief, International Trade Unit, Division of Trade, Transport and Finance)

Object : **About CEPAL**

File : CEPAL

Date : April 17, 1997

## **General**

1. CEPAL is one of 5 UN economic commissions worldwide. It will celebrate its 50th anniversary in 1998 and harbors about 180 professionals, about 2/3 of which are economists. It distinguishes itself from the other economic commissions by its character as a regional think tank. About 2/3 of its work can be described as analytical in nature, and 1/3 "operational" (consisting of training, technical assistance, and the like). The ratios are the opposite for ESCAP (Asia) or ECA. CEPAL defines and structures the economic debate in Latin America and the Caribbean.

2. The emphasis for most of CEPAL's history has been macro-economic in orientation. This is starting to change. Among CEPAL's 8 divisions, two now devote over half of their resources to analysis of firms and institutions at a more micro level.

## **CEPAL and IDRC**

3. Like IDRC, CEPAL gives a lot of importance to networking with national research groups. External funding is used for this. IDRC has supported CEPAL's information services section (CLADES) for about 15 years, in addition to our projects with Jorge Katz and Barbara Stallings (reported separately below). Other donors have included CIDA, the Dutch, the Germans, Italy, and others to a more modest degree.

## **Research programs**

4. CEPAL is organized by Divisions, of which there are 8. See the organigram which I brought back. I also have the PWB for 98/99. Not very exciting reading, but it does serve as a reference of sorts. I'll put it in the library institutional files. Von Graevenitz spoke to me of some new areas CEPAL would like to move into, including the area of regulatory frameworks, in the context of recent privatizations and economic governance (competition policy).

## **Social policy**

5. Vivian Mota described some of CEPAL's activities in the area of social policy to me. For one, they have a training program on the evaluation of social policy reforms. Secondly, they have a \$1.126M project with GTZ titled "Reforms to Social Policy Management in Latin America and the Caribbean." It will involve 8 countries, over a two year period. The project is just starting. The responsible officer is Ernesto Cohen. The approach is to do one policy issue in each country. For example in Mexico, they are looking at a program of food distribution which reaches 12 million

people. E-Mail addresses are vmota@eclac.cl or ecohen@eclac.cl. Ms Mota suggests that messages for Mr. Cohen be sent through her.

6. The other activity well worth mentioning is the production of the *Social Panorama* publication. I am bringing back issues for 1995 and 1996 which I will share with Daniel Morales Gomez, along with some other documents, *The Equity Gap* (also very good, and very recent - 1997) and *Family and Future*. I left a copy of *Social Panorama 1996* with Marcos Lorenzelli for the Montevideo office. I also left him a copy of a documentation list produced by the Social Development Division.

## International Trade

7. CEPAL's division dealing with international trade also covers transport and finance. There are three separate units, and these are not very well integrated. As an order of magnitude, there are 8 professionals in trade (including 3 seniors) and 5 or 6 in each of the other two units. Ventura says the division has fewer resources than other divisions, and bases its work on work by others. However, she is quick to point out that their work has a different orientation than that of the WB, being closer to that of UNCTAD in terms of approach.

8. They are following the example of the social policy group, by producing an annual "*Panorama de la Insercion Internacional de America Latina y el Caribe*" (not available in English), which appeared for the first time in 1996. This is evidently absorbing most of CEPAL's resources, but strikes me as a very good use of resources.

9. In terms of orientations for the future, they would like to collaborate with UNCTAD to work on employment and competitiveness policies designed for countries to take better advantage of the opportunities opened up by the globalization of the world economy, and better manage countries' new obligations under the WTO. As a general statement, this sounds very much like what the TEC PI wants to do, but there is a lot of work to do in defining what this involves. This subject will be covered in their next *Panorama*. Their contact in UNCTAD is Murray Gibbs (Murray.Gibbs@unctad.org), who is chief of their Trade unit. See chapter 3 in the 1996 *Panorama*, to get a sense of their concerns.

10. They are also working on the FTAA (Free Trade Agreement for the Americas or ALCA in Spanish). That initiative has 11 working groups going, under a tripartite committee consisting of CEPAL, IDB and the OAS. OAS has a general mandate. IDB is working on rules of origin, market access... CEPAL is working on trade in services, small economies, investment, and competition policy (only as an observer in this case). There have been several vice ministers meetings, and two ministerial meetings (Denver in June 1995; Cartagena in March 1996). The next Ministerial meeting will be in Belo Horizonte in May 1997.

## Follow-up:

- suggest to Daniel Morales-Gomez that ASPR inform itself further on CEPAL's work in the area of social policy. Share documentation with him.
- maintain contact with Vivian Ventura on Trade issues.

Persons met: *Gert Rosenthal* (Executive Secretary); *Dietrich Von Graevenitz* (Chief, project management unit); *Raul Atria* (Senior regional advisor, extra budgetary resource mobilization unit); *Jorge Katz* (Regional advisor, Division de Desarrollo Productivo y Empresarial, responsible for technology module); *Jürgen Weller* (Economic Development Division); *Graciella Moguillansky* (Economic Development Division); *Joe Ramos* (Division Chief, Division de Desarrollo Productivo y Empresarial); *Barbara Stallings*, Division Chief, Economic Development Division and project leader.

Object : **Project monitoring: “New Latin American Model” and “Industrial Restructuring”**

File : 02898/95-0408; 03077

Date : April 17 and 27, 1997

1. This was my first direct contact with ECLAC on this project. I met with most of the group first, in the project leader’s absence, then met with the project leader on a return swing through Santiago.

## Operations

2. My meeting with Graevenitz and Atria covered operational issues. I am bringing back the signed original of the MGC. The first payment has now been received. Graevenitz explained that the consolidated financial report we had asked for could not be provided because they cannot inform us formally of expenses against a third source (the Dutch). This could only be done with a trust fund, which constitutes a single account, signed by all the donors involved.

## Delays

3. Rosenthal explained that they had lost approximately a year in launching the project due to the imbroglio on CIDA funding. He says they had received a commitment from IDRC, and had not been informed that this would involve CIDA funding until later. The situation led to repeated delays, and some frustration on CEPAL’s part. Only when the CIDA funding fell through did they approach the Dutch, who fully filled the gap. Rosenthal said CEPAL was not seeking additional funding from IDRC at this time.

4. Barbara Stallings explained to me that delays in the project were also due to slow project development in house. She blames some of this on Rosenthal’s trepidations in doing something innovative. Be that as it may, getting this project launched has taken her two or three years, which is a long time considering that contracts in CEPAL are normally two years renewable. She assured me that she would be seeing the project through to its completion, however.



## **Funding issues**

5. Von Graevenitz asked if supplementary funding might still be available from IDRC. They could use this to cover the environmental side, or to pay greater attention to agriculture or small industry. [Evidently, his group has some responsibility for raising funds for CEPAL] I thought this would be difficult at this stage, and would have had to be built into the project from the beginning.

6. Barbara explained to me that the strengthening of the dollar relative to the Dutch Florin had led to a substantial exchange loss of about \$100k, which will have to be made up somehow.

7. Regardless, it became clear from discussions among the program team that the IDRC and Dutch funding are quite modest compared to what they want to do. Recall that there are five modules to be done in each of 9 countries, at an average cost of 10-15k per module. As Katz summarized it, there are three formulas for contract research in Latin America today: for 6-10,000, you get a researcher part-time for 2-3 months, to produce a paper based on past work; for 30k, you can have new work done on an existing data base; for 100k, you can undertake data collection as well.

## **Priorities and leveraging**

8. Because of this and the ambitious nature of the project, the IDRC and Dutch funding is being used as seed money, and additional funding is being sought from other sources in each country, to undertake field work or new analyses. This involves high transactions costs for the team, but it should help cement networking relationships and stimulate demand for the output at the country level. For example, in Peru, some funding is being obtained from four different business associations. In Colombia, they are negotiating for a 50K contribution from Colciencias.

9. I got a rather different spin on how this would be done from the other team members than I did from Barbara, and this may say something about communications within the team. The general ambition as I understood it before speaking to Barbara was to do something which is more than a synthesis of existing knowledge, by adding new perspectives on each of the modules, through field work or new analyses, in at least some countries. Ramos gave an example of this from his own area. Productivity tends to be estimated from national income statistics and household surveys, separately. However, the work would be much more reliable and enriching if a single set of data resulting from establishment surveys was used. With extra funding in some of the countries, this could be done. The end result could be a much larger program than originally envisaged. Still, this would be much less than was spent on the Asian Miracle project (by a factor of 10 says Katz, though I assume he is guessing).

10. However, as Barbara Stallings explains it, it is only the investment module which would be pursued in greater depth than the other modules, in all countries. The focus on investment is felt to be the best way to show how the economic reforms are having an impact at the micro level, and data on investment will obviously provide input into the employment and technology modules. Investment is where the impact of the reforms would be most visible. Barbara felt that more raw material already exists in the other modules.

11. In any case, the story from everyone is that the project will try to target “pockets of opportunity” to secure complementary funding or savings wherever possible.

12. Getting a clearer picture of micro impacts is fundamental for Barbara in demarcating this project from other work, including the Asian miracle project and current work being done under Eduardo Lora at IDB. Lora is developing indices of economic reform and relating these to macro results, in typical WB style [I have the results of Lora’s work now, if anyone wanted to see it].

### **The project team**

13. The project team consists of CEPAL professionals responsible for each module plus ten or so professional making other contributions. Then there is a coordinator for each country. There was a meeting of country coordinators on March 12-13. When one takes account that there will be a minimum of five researchers per country, and 9 countries, one realises that this is a huge networking project, requiring fundraising and hands on monitoring of each country study by the CEPAL team. Members of the team have taken on shared responsibility for specific countries in addition to their modules. For example Graciella Moguillansky, has a special responsibility for Peru. She has longstanding relationships with many members of the Consortium through her work with them on economic monitoring of the Peruvian economy (coyuntura).

14. The following people are heading each of the five modules:

- a. *Barbara Stallings* for Module 1 on the internal consistency of the reforms
- b. *Graciella Moguillansky* for Module 2 on Investment
- c. *Jorge Katz* for Module 3 on productivity
- d. *Jürgen Weller* for Module 4 on Employment
- e. *Sam Marley* for Module 5 on Equity and Social Policy.

15. There are also two advisory commissions. One is an external one, consisting of five high level and internationally recognized people, as follows:

- a. *Nancy Birdsall*, IDB VP
- b. *Guillermo Perry*, Chief Economist for L.A. at the WB (replaced Sebastian Edwards)
- c. *Dorothea Werneck*, former IPEA economist in Brazil, then Minister of Labour, Industry and Vice Minister of Finance, now president of a bank
- d. *René Cortazal*, formerly of CIEPLAN, Minister of Labour under Elwyn, now head of the national TV station
- e. *Juan Antonio Morales*, former director of IISEC, now president of the Central Bank in Bolivia.

16. Barbara’s success in mobilizing this team testifies to the buy-in that there is for this project. According to Joe Ramos, everyone on Barbara’s list of first choices accepted to be on the commission. Note that the IDB and WB are both represented at very high levels. Other links also exist with the IDB on a personal and informal basis. Sam Morley of the IDB is also joining the project, as one of the module leaders.

17. The other commission is internal, consisting of the Division Chiefs. This is considered important to consolidating the project as an inter-divisional undertaking.

18. The countries and country team leaders of the project are as follows:

- a. Chile: *Ricardo Ffrench Davis*, formerly of CIEPLAN, not with CEPAL
- b. Argentina: *Oscar Altimir*, of CEDES
- c. Brazil: *Renato Baumann*, of CEPAL, in Brazilia, with Eduardo Amadeo of PUC
- d. Colombia: *Mauricio Cardenas* of FEDESARROLLO
- e. Bolivia: *Luis Carlos Jemio*, head of UDAPE, a semi-government/semi-private think tank (has worked on GE in the Netherlands)
- f. Costa Rica: *Anabelle Ulate*, head of the Economic Research Institute at the University of Costa Rica
- g. Jamaica: *Norman Girvan*, UWI, Director of Graduate Research Consortium
- h. Mexico: no-one selected yet. They are interviewing 4 people, and asking for a written note from each on how they would proceed in Mexico.
- i. Peru: Negotiations with *Richard Webb* look like they may fail. Webb has just returned from Washington, where he was involved in writing a history of the World Bank, and has a number of other activities in the pipeline. An alternative would be *Javier Escobal* of GRADE. More on Peru later.

19. As might be expected, all is not smooth sailing in a project such as this. CEPAL is known for the fiefdoms which each of its departments represents, so it is not easy mobilizing people for an inter-departmental project. Besides that is the problem that individuals do have their own agendas. I think this is what explains the idea of team members that different modules might receive greater attention in different countries. A challenge for Barbara is to avoid that the project become all things to all people, detracting from the overall objective to “model” recent trends in economic development in Latin America.

20. One problem for Barbara is the lack of a strong deputy-leader. Jorge Katz is the only one senior enough to play that role, but he has his hands full juggling three different projects at this time (this one, the IDRC project on industrial restructuring, and a GTZ project on institutional reforms to support market reforms). Combine this with Katz’s penchant for a particular type of research which is different in approach from the one in this project, and it becomes impossible for Barbara to rely on Katz for co-leadership. See note on discussions with Katz below.

### **Terms of reference for the modules**

21. The lack of terms of reference for the modules is illustrative of the flux in which the project still finds itself. Barbara says that draft terms of reference had been prepared, but that substantial revisions were required following internal meetings and the country leaders’ meeting on March 12-13. She says these meetings were the spark that finally galvanized people to begin communicating more closely with each other. However, the TOR now need to be revised to take account of that discussion. She will share those with me in about a month, when they are ready.

## **Environment**

22. I asked Barbara how environment would be dealt with in the study, after all. As the files will show, a part of the IDRC's funds were originally intended for work on environmental policies. In discussing this further with Barbara, I had shown substantial flexibility, leaving it to CEPAL how best to account for environmental issues in the project. However, it remains in objectives b) and j) of the MGC, and we should make sure the issue is not neglected. She said the investment module would include observations on environmental considerations as part of its TOR, as would module 1, in determining the consistency and satisfactoriness of the policy mix. I suggested that the concept of consistency should be interpreted in terms of sustainability, which would point one squarely in the direction of environmental considerations. Her response to this was that sustainability in LA is associated more with social sustainability. My guess is that environmental issues will not get as much attention as we might like, but that remains to be seen in practice.

## **Peru**

23. Stallings described her difficulty in recruiting someone to lead the Peru study. Furthermore, one of her CEPAL "colleagues" has gone ahead on his own in launching work on the investment module in Peru, even before a Peru coordinator has been selected. From what I could gather, this person has secured independent funding for this, and is not doing this in the context of the New Model project (she says he "stole" the project), but then how will the results be integrated back into the project? Besides, she says, the person selected to do the work in Peru (Alberto Campodónico) is not very strong. Carlos Yuste says he heard that the choice was made on the basis of personal friendship with the CEPAL person.

24. The other issue in Peru, is that negotiations with Richard Webb are not going very well, as noted earlier. Barbara thought that Javier Escobal might be a better choice in the end, and I asked Carlos what he thought of this. He thought Escobal would be an excellent choice, and that I should recommend him myself, as PO responsible for the Consortium. I think it is important that the Consortium have a degree of visibility in this.

## **Separate discussions with Jorge Katz**

25. Katz described to me his long-standing relationship with IDRC, going back to the big project on science and technology in Latin America, with Geoff Oldham, Francisco Sagasti, and others (with Tony Tillett for IDRC at the time), which lasted for almost 10 years, from 1974-83. This was a huge project, with funding from IDRC, IDB and UNDP, which involved 30 researchers, and about 60 separate research activities. Four books resulted from this activity.

26. Katz's became involved with IDRC again after 1992, on the first phase of the industrial restructuring project. See the appraisal of the Phase II project regarding the satisfactory output resulting from that project (five books). Katz gave me copies of the first two books. The other three are just out, and Brent should be receiving copies shortly, notably the one on the pulp and paper industry. Katz linked this previous work to the current project. Much of the original work was to

study the learning processes of the firm. Today the game has changed entirely, with greater emphasis on networking for example, and no one knows what is happening.

27. Katz is rather overstretched right now, with the Stallings project in addition to the Industrial Restructuring project, and another project on National Innovation Systems financed by GTZ. He says the Industrial Restructuring project is still at the stage of building up the national teams (like the Stallings project). For the pulp and paper module, he has identified researchers for Chile, Argentina and Brazil, but has not found anyone for Mexico and Colombia. He wants to know if Brent knows anyone he could try. For the metal-mechanical sector (basically auto-parts), he is missing someone for the Colombia study. Nothing has been done yet on the apparel sector. He expects to launch the pulp and paper module with about 6-7 people, in a month or so.

28. He explained to me some of the work on changing productivity gaps that he is doing by sector and size of firm in ten countries. His hypothesis is that small and medium firms are having a more difficult time of it, due to reduced access to information and technology through conglomerates.

29. What is the link with the Stallings project? He says he will use the resources from the Stallings project to cover the non-tradables sector (telecommunications, energy, transportation, finance...). and agriculture. He agrees that measurement of productivity in these sectors is difficult, but would be satisfied at this stage to get a number of good "stories" done on each.

30. We discussed methodological approaches, in particular the rather inductive and exploratory approach which he uses. He is critical of neo-classical economics, and provided me with a number of readings in his area of work (Richard Nelson, Paul David, Giovanni Dosi, Martin Fransman, Mario Cimoli). These are readings he uses in a course on Innovation and Growth which he teaches at Universidad de Chile. His conceptual framework emphasizes imperfect information and knowledge, the importance of institutional factors and synergies within networks.

31. I wanted to know how the researchers of the Réseau sur les Politiques Industrielles might be introduced to this sort of work. SPRU would be one option, and he could put me in touch with Martin Bell or Rafy Kaplinsky there. Unfortunately, neither speaks French. In France, there is Benjamin Coriat and Robert Boyer. I will share the readings he gave me by those authors with Dominique Njinkeu. The difficulty in working with these authors, and in this area in general (including the Stallings project), is the absence of shared paradigms and conceptual frameworks.

Follow-up:

- share Coriat and Boyer readings with Dominique
- Stallings did a big study for SAREC in 1990 on 25 research centres in LA. See if I can get a copy somehow.

Persons met: *Jose-Miguel Sanchez* (Universidad de Chile); *Alberto Pasco-Font* (GRADE, Peru)  
 Object : **Mining and the Community**  
 File : 03330  
 Date : April 18 and April 28, 1997

## Chile

32. I met with Jose-Miguel to pursue discussions on the Mining and the Community project. I shared my recent letter and the accompanying documentation with him, and suggested that a joint meeting be held in Quito involving the WB group, DEVCO and Ossio. He shared with me his write-up concerning the proposed sample of three projects for Chile for the WB project.

33. Jose-Miguel agrees that the most interesting aspect of the proposed research is not the balance sheet of benefits and costs to the community, but the analysis. However, he does not seem to have thought very much about the nature of the research problematic or the methodological issues which must be addressed.

34. His implicit idea of this project is clearly similar to that of Gary McMahon, which is to say, to do a balance sheet of costs and benefits, tracing these out in a relatively comprehensive and quantitative way. In Gary's proposal, this involves a sort of "general equilibrium" orientation, which implies identifying and measuring indirect and feedback effects in some way, in addition to the most direct and observable effects. To which I say, fine, but how necessary and useful an addition to knowledge would this represent?

35. An issue which does concern him is to identify the inefficiencies and inequities which accompany the use of water by mining concerns in Chile, but this is a relatively specific problematic relative to the general theme of Mining and the Community. It would constitute a project in its own right. Anyway, he says other people are studying this at this time.

36. A reading of his document explaining his choice of cases for Chile can be used to derive some insight into what he considers important. He has chosen three mines, all quite large, which affect communities of different sizes, in somewhat different ways. In terms of technological best practice, he says all three mines use state of the art technology, and the study is not likely to yield interesting results on this front. What would be more interesting is the nature of the firms' relationship to the community. However, he offered no insights as to why the cases he identified were interesting, other than the fact that the communities are of different size and distance from the mine.

37. He suggests that the environmental impact assessments done by these firms should have affected the attention accorded to the community, but to test that, we would need to compare with projects done before environmental impact assessments became de rigueur.

38. Overall, I found the meeting with Jose Miguel Sanchez quite disappointing. I thought my detailed comments on this project would have stimulated some deeper thinking about what this project was or should be about, but Jose-Miguel has not evolved. He does not seem more self-aware

than before about the project's justification and limitations, and has continued along the same lines as were being developed in Lima.

## Peru

39. I met Alberto Pasco-Font in Lima to pursue these discussions. I had hoped that Juan Ossio would be able to join us, but Ossio was away on travel. He will not be going to Quito either. Alberto understands that field work is progressing on the IDEM project, but he has not been able to meet with Ossio, due to recent travel by each of them. He plans to meet with him as soon as possible after the Quito meeting.

40. I spoke to Alberto about the idea of organizing a network along the lines discussed in Montevideo (see separate entry in this trip report), and he was supportive of the idea. He pointed out that he had had previous discussions with Alyson Warhurst about setting up a sub-network of MERN on informal mining in Latin America. This is quite different from doing Mining and the Community, but there might be economies of scale from doing a Mining, Environment and the Community network, with separate research thrusts. He will pursue these discussions with Roberto and the others in Quito.

41. Like Jose Miguel Sanchez, Alberto was likewise inclined to continue along the same lines as developed so far in the project, because of the quantitative importance of large mines. He agrees that large mines by themselves are only a part of the story, but feels there are plenty of interesting questions to be asked at the level of big mines. He does not see balance sheet of benefits and costs as the crux of the project. It is just the starting point. For him the interesting policy questions have to do with lessons for national legislation and policy regarding the land, water, tax and environmental legislations. In other words, to analyse national legislation which impinges on negotiations between the mine and the community, possibly raising transactions costs, or altering the resulting balance of costs and benefits. Other questions of importance are those of the type which was included in my comments. How should the firm handle the situation when there is a lack of social services in the region? What is the best balance between compensation for environmental damage and damage control in the first place?

42. Alberto's responses made me more comfortable about what could be achieved using the proposed sampling scheme in Gary's project. We agreed that it was particularly easy to justify such a focus for this project if other aspects would be dealt with in other parts of the network.

43. Alberto gave me his copy of comments he had sent to Gary. I quite like his comments, and note the similarity with my own in some respects (even though these preceded my own comments). He also gave me his three pager on the sample he proposes for Peru, but I have not had time to look at this yet.

cc. David Brooks

Persons met: Jose-Miguel Sanchez (U. de Chile); Dagmar Raczynski (CIEPLAN); Patricio Meller (U. de Chile and CIEPLAN)

Object : **Economic policy research in Chile**

File : Institutions

Date : April 18, 1997

1. The main purpose of my meeting with Sanchez and Raczynski was to get a birds-eye view of how economic research is organized in Chile today.

2. Only two universities have graduate programs. These are the *Universidad de Chile* and the *Universidad Católica*, which have M.A. programs, but no PhD. Although there has been a multiplication of private universities in Chile in recent years, these are the only two research universities. Raczynski says there are now 80-90 universities of one sort or another in Chile, up from less than 10 in the 1970s. There is also the *Instituto de Doctrina y Estudios Sociales*, which offers an MA degree from Georgetown University.

3. The principal research centre outside the universities has long been *CIEPLAN*, but *CIEPLAN* has entered into a phase of serious decline. There is also the *Programma de Economía del Trabajo*, which is more micro-oriented than *CIEPLAN*, but it has faced the same problems as *CIEPLAN*. Finally, there is the *Centro de Estudios Públicos*, which has enjoyed high visibility in recent years. It is funded by the private sector, and contracts out studies on specific issues. Its modus operandum is to organize major conferences and to publish the results. I saw their publications series (which comes out as a sort of review) in *CIEPLAN*, and it is quite impressive.

4. There was not much mention of *ILADES*, which it is quite an important centre. I will have to learn more about it. It has a sandwich program with Georgetown University, and grants a Georgetown MA.

### **The universities**

5. The *Universidad de Chile* has two economics departments. One is in the Faculty of management and economics, the other is the Dept. of Applied Economics in the Faculty of industrial engineering. The former has 15 full-time PhDs on staff. The latter has 7-8 very good economists. Patricio Meller is the head of that department. I am bringing back a list which shows who's who in the Economics Faculty, along with their specializations (left with Lorenzelli in Montevideo, who will return it).

6. Most of the students in the Faculty are in the business school (80%). Employment and earnings opportunities for these students are excellent, the best of them earning \$2000 US a month on graduation.

7. *Universidad Católica's* Facultad de Economía y Administración enjoys a high reputation. It has 20 teaching staff, all or the vast majority of which should have PhDs. A PhD is a condition for teaching today.



### *financing*

8. The Universidad de Chile is a public institution. However its funding base is not that different from the private Universidad Católica. In the past Catolica resembled a public university. Tuition was free for everyone, and 80-90% of their funding base was public anyway. Today, it is the other way around. Both universities charge high tuition, and there is little public funding for either. The state pays a base salary which is supplemented by the universities' own income generating activities.

9. In the case of the Economics Faculty at the U. de Chile, the base salary is about \$1500 US. This is supplemented by \$750 by the Faculty itself, using money from consultancies and various services such as training or survey work, for a total of \$2250. This can double on the basis on contract research, consultancies, etc. So the university ends up being quite competitive for high level talent, and it does succeed in retaining people.

10. Funding for research is available on a competitive basis from FONDESYT under the Consejo Nacional de Ciencias y Tecnología (CONACYT), which allows up to \$300 US per month in supplemental salary support for research. However, funding is not readily available for research of a long-term nature. FONDESYT does fill a gap, but will not allow centres such as CIEPLAN, which need to pay researchers' salaries, to survive,

### **CIEPLAN**

11. CIEPLAN has become a shadow of its former self in recent years. There may be some important lessons here regarding the sustainability of this sort of research centre and the need for public support.

12. I am bringing back a copy of CIEPLAN's Annual Report for 1995, along with their list of publications. I left these in Montevideo for Marcos Lorenzelli to see before returning them to me.

#### *a brief history*

13. CIEPLAN was founded in 1976, by a group of Christian-democrat-leaning economists coming out of Universidad Católica. The university at that time was heavily controlled by the military, and there was a desire for autonomy, which CIEPLAN was expected to provide. Alejandro Foxley and Ricardo Ffrench Davis (now with CEPAL) were the leaders. Others were Oscar Muñoz, and some younger people, Jose Pablo Arellano, Marfan, Mario Marcel (who is still with CIEPLAN today). Patricio Meller joined later, in the 1980s. (Originally an engineer, he was studying economics in the US at the time.)

14. Two main principles have guided CIEPLAN throughout its history: the production of high-quality research, and policy relevance, with special attention to issues of equity and democracy in addition to efficiency. The group has consisted mainly of economists, along with a minority of other social scientists.

15. CIEPLAN played an importance role as a source of critical analysis of the economic policies of the military regime, especially in the 1980s, when a certain opening was observed. By the end of

the 1980s, it was actively defining the economic program of the future democratic government. CIEPLAN has been associated with the Concertación (an alliance of the Christian Democratic party and left of centre parties) since it formed the government in March 1990 (with Elwyn).

16. However, when the Elwyn government was formed, CIEPLAN lost about 60% of its researchers to the government, 12 researchers in all, in particular the more senior and visionary researchers. Alejandro Foxley became Minister of the Hacienda (Finance), taking with him Jose Pablo Arellano as head of the budget office and some younger people (including Mario Marcel). René Cartazal became Minister of Labour, and took some younger people with him too. Ignacio Walker became deputy-minister of labour.

17. This left Patricio Meller (who became director of CIEPLAN until 1994), Oscar Muñoz (who is now in the Frei government), Dagmar Raczynski (now director of CIEPLAN), Joachim Vial (who became Director of CIEPLAN but now heads the budget office in the government), and not much more.

18. With the change in government (same coalition, new President) in 1994, some people came back and others left. In general, CIEPLAN has had trouble building up a new team of economists. Here is how the team stands today:

- a. Dagmar Raczynski. Sociologist. Has been in CIEPLAN since the 1980s.
- b. Claudia Cerrano. Also a sociologist. Decentralization, evaluation of social programs.
- c. Patricio Meller. Economist. Coordinates CIDA's SPEAL program (see below), and is head of the Applied Economics Dept. at the U. de Chile. Works in the trade area. Publishes a lot.
- d. Carmen Caledon. Economist. Mainly on health sector reforms, a big issue in Chile.
- e. Pablo Cabezas, young economist, working on his PhD thesis on banking, finance, country risk.
- f. five research assistants.

19. René Cortazal came back after being Minister of Labour, and is collaborating in work on a forward looking economic strategy for Chile. He is bringing in former CIEPLAN people for this, and some new people. About 25 people in all. He now heads the national TV company.

### *governance*

20. CIEPLAN is governed like a private club. There are the members, which includes the founding members, the researchers, and others, who meet once a year. It excludes anyone working in the government for the duration of their time in government. Then there is a 3-5 member directorate, named by the members, which currently includes Dagmar Raczynski, Pablo Pinera and René Cortazal.

21. To hear Jose Miguel Sanchez tell the story, some of the blame for CIEPLAN's troubles are due to Alejandro Foxley, who became president of the CD party after being Minister of Finance, and wanted to use CIEPLAN to his own ends. I don't know how much there is to that, because the haemorrhaging began much earlier, and seems to have continued along the same lines as before,

through the promotion of researchers to positions of high office. The other problem CIEPLAN is facing has to do with financing.

### *financing*

22. Funding for CIEPLAN also changed radically during this period. Previous funding of a core nature from Ford Foundation and IDRC dried up, and was not replaced. Contrary to what I had thought, the fact that CIEPLAN had friends in high places was more of a handicap than anything else, due to strong conflict of interest management in Chile. As a result of this, CIEPLAN no longer has any core funding. It survives through short-term projects, leading to loss of continuity of research in any specific area. It is therefore difficult to accumulate skills and experience in any particular line of research. Outside funding is available, but does not allow CIEPLAN to *define* the research agenda for itself or others the way it once did.

23. Interestingly, Dagmar included IDRC support for the labour markets project in this category, saying the TOR were not necessarily what Chile's priorities for research might have called for. As we've seen in Africa too, networked research is disempowering for national research centres. The trend in Ford Foundation is the same. They tend to define the research agenda much more actively than before (stressing action research, in their case).

24. Transactions costs imposed by the new funding situation are also very high. There are some advantages to this model, because the impact of research is more immediate than it was in the past, but I can see how CIEPLAN would have trouble retaining researchers in such a context. What serious researcher would want to work under such uncertain conditions when good opportunities exist elsewhere?

### *competition with the universities*

25. Note that CIEPLAN has difficulty competing with the universities, because they have to pay full salaries for research, whereas the universities pay a core salary, which research funding is only expected to supplement. The question arises whether CIEPLAN can compete with the universities in future? I asked Dagmar what she thought CIEPLAN's comparative advantage over the universities might be. She referred to CIEPLAN's reputation for academic quality and coverage of a wide political spectrum; its importance as a meeting place for researchers in and out of CIEPLAN; its usefulness as a reference point for students who use its documentation centre; and its role as a haven for full-time research (even though most researchers do some teaching anyway). What CIEPLAN has lost, is the ability to act as an integrator of research (the way Foxley and other visionaries tended to do).

### *implications*

26. My guess is that CIEPLAN will not survive unless it is able to secure core funding of some sort from the government. The natural source would be the Dept. of Finance. What will subsist without new forms of government funding are the universities (because they receive government funding already) and business-funded organizations like the Centro de Estudios Publicos, with a

distinctly business-oriented agenda. I don't find this very satisfactory. At the very least, there should be research centres within the universities, but something like CIEPLAN which plays a more integrative role has an important role to play as well. There is an important policy issue here to which IDRC may wish to contribute. It is relevant to SISERA in Africa, and to how we choose to go on the next phase of the Peru Consortium. This is an area where a serious piece of thinking and comparative investigation could yield substantial impact.

*training and research*

27. CIEPLAN is becoming involved in training activities, thanks to Patricio Meller's initiatives. There is the SPEAL project funded by CIDA, and there is an MA in Public Policy and Management involving the U. de Chile and the IDB (I'm guessing CIEPLAN's future role in the latter will be minor, however).

28. Research in the past has covered labour markets and social policy, international trade, macro-economic policy, governance and larger strategic issues. Today, the issue areas in which CIEPLAN has some interest and expertise are predominantly the following:

- a. international trade, in particular the link to natural resource-based development (Meller)
- b. decentralization. A big issue in Chile, which has a tradition of centralization. Research into some of the incongruencies, and the problems associated with the lack of strong communities to begin with. (Claudia Cerrano)
- c. Social reforms. Education, health, housing, poverty alleviation. (Carmen Calderón). A big issue in health is how to reconcile the public and private health systems. Dagmar notes that 65% of mandatory contributions to health end up in the private sector programs which serve 30% of the population. The question is how to ensure equity in the coexistence of the two systems. In the area of poverty alleviation, Dagmar notes that there are over 140 programs, which are supposed to be decentralized. The question is how to ensure synergy among different activities. Dagmar is currently doing a paper on social reforms for ASPR (Daniel and Nejla), but this is just a small contract.

*projects currently being funded*

29. Current funding is quite thin.

- a. There is the SPEAL project, which provides some overheads, and this is allowing Meller to pursue some research, but Meller does not have a research project under funding at this time. I am not reporting on SPEAL here because we have the project documentation in Ottawa, and I did not discuss the project in any depth with Patricio. However, it is a regional program of economic policy training workshops and seminars for applied economists organized by CEPAL, in partnership with the U. of Toronto (Gustavo Indart), Carleton U. and FOCAL (Jean Daudelin) (for the Canada-LA linkages part of it). It is quite a large project. In Phase II, now in force, the focus will be on a smaller number of countries, Peru, Bolivia, Ecuador, Paraguay, and one other. Patricio has accepted to encourage greater Canadian-LA partnership provided certain value added conditions are met. As part of the effort, Daudelin and Indart have prepared lists of Canadians with Spanish language skills and specific expertise in Latin America. I

have the list of political scientists prepared by Daudelin and could ask Indart for the list of economists. Note that the second phase of SPEAL covers social and political subjects as well as economics.

- b. There is funding from the Ford Foundation and the Ministry of Health to organize some public policy workshops, which includes some research activities.
- c. On decentralization, there is funding on an issue-by-issue basis from the Secretariat for regional development
- d. On poverty they did an evaluation of the programs under the Social Investment Fund. They obtained funds for field work from the IDB (Morley), which is doing work on social investment funds.

30. They are currently preparing a big project on decentralization, its management and implementation (healthy, regional investment, poverty).

31. I asked Meller what research ideas he was developing. He proposed the idea of a network looking at how countries like Canada, New Zealand and Australia have become developed on the basis of natural resource exploitation and what lessons countries like Chile could draw from this. This is a big issue in Chile right now, as one can imagine. It is no less important in Peru. However, I wonder how such a project would be researched, and who would do it. The question is so very broad, requiring a comparative knowledge of history and development economics, of economics as well as political economy, that I wonder how such a project could be managed.

32. I asked Patricio to try to think things through more thoroughly in terms of the research problematic and possible methodology, and to send us a two or three pager on this. I raised the idea later with the CEDES people, who showed interest in the topic. Barbara Stallings pointed out that this is an area of considerable interest also to Joe Ramos of CEPAL. However his approach to the question would be centred around the concept of industrial clustering and differs from Meller's larger view of how spillover effects manifest themselves.

33. Note that the next SPEAL conference, to be held in Peru in March 1998, is supposed to be on natural resources and development. How would Meller propose to take account of this?

Follow-up: Pursue questions of this sort in other countries. Discuss with colleagues. Consider using RSA money to have someone investigate this question further.

Persons met: *Patricio Meller* (U. de Chile and CIEPLAN)

Object : **Support for economic training and research in Cuba**

File : Cuba

Date : April 18, 1997

1. I had met Patricio in Canada a while back, and looked him up in Santiago. One of the topics we discussed was that of support for economic training and research in Cuba. Patricio is well informed about this because he was involved in the conference on economic reforms organized in Cuba in 93/94, with support from CIDA. Camargo, Frenkel and Gary were also there. The conference was not about Cuba per se, but about the economic reform process in general.
2. It was at that time that the idea of an M.A. for existing teaching staff should be organized as the fastest way of correcting the deficiencies of the Cuban curriculum in economics. Meller had been shocked by the absence of anything “instrumental” in the Cuban curriculum.
3. However, Meller is critical of how the M.A. was implemented. It should have been their M.A. and not Carleton’s, because the Cubans did not need for Carleton professors to teach them graduate courses in economics. Although they tend to succeed in those courses because of their prior mathematics training, they do not develop an appropriate feel for applied economic analysis. It becomes “puro formalismo”. CEPAL people did go to Cuba too, but their approach was excessively anecdotal, so you ended up with excessive formalism on one side, and little application of the tools, with little connection between the two. The other problem is that the Canadians were teaching in English.
4. I spoke to Meller about the CIEI project. He was concerned that here, too, there should be some Latin Americans involved. ITAM in Mexico seems like a good candidate for this if the project evolves the way I hope it will. He gave me a book he has edited on Chile, which addresses much the same issues as the CIEI project, and the researchers may be able to derive some methodological ideas from that. The material in the book seems to be quite descriptive in orientation, but that would be a start, for researchers who do not have strong methodological skills to begin with.

Persons met: *Leading issues Meeting in FLACSO (see list of participants)*

Object : **Leading issues in trade relations in Latin America meeting**

File : pipeline file

Date : April 20-21, 1997

1. A report on this meeting is not required here, since Rohinton Medhora will be covering the meeting. I do have extensive handwritten notes for future reference, in case I need them.
2. The meeting was an opportunity for me to meet Diana Tussie and others who have been involved in IDRC networks with FLACSO. This network would be the fifth in a long series beginning with the Debt Bargaining network that David Glover had managed. The other networks since then have been on Conditionality and Restructuring, Trade Conditionality and Negotiations, and Trade and the Environment.
3. The current plans for the Leading Issues network were for it to be global in scope, but this idea has evolved into plans for separate networks in different regions. All but one of the research participants in the present meeting were Latin Americans.
4. The meeting began with a discussion of Rohinton's Leading Issues paper. However, there was resistance among the researchers to focusing on these leading issues (labour standards, competition policy, investment codes, trade and the environment, and trade in services), to the exclusion of "older" issues which continue to preoccupy Latin America. I think there was a tension also between the research agendas of the international relations approach (Diana Tussie) and that of the economists predominant in the meeting.
5. It was agreed that the research agenda could be divided into three groups or blocks.
  - a. First would be a series of key issue areas of general importance in the WTO framework. These include issues such as competition policy, subsidies, services, government procurement, investment, etc.
  - b. Second are issues of particular importance in the context of regional negotiations going on in Latin America. Diana Tussie called these interblock/intrablock issues, and included here mechanisms of dispute resolution, safeguards, rules of origin, FDI (incentives, costs and benefits), and macroeconomic harmonization.
  - c. Finally, there would be a need for country studies. Diana Tussie had proposed here to concentrate on the new trade policy (safeguards, anti-dumping, etc.). However, this struck me as secondary in terms of the project's general concerns for capacity building and agenda setting. The more general issue seems to be to attempt to define the trade negotiations agenda which countries should be pursuing, taking into account their negotiations capacity, the intrinsic importance of the issues and their ability to influence the outcome. Response to this idea seemed very positive [especially from Fanelli, who said I should push this], and it was added to the third block. However, I am not sure Diana fully appreciated the relevance of this. She only added it after I pointed out that she had forgotten it, and then it appeared as III,b, the more restrictive topic originally proposed remaining as III,a. Let's see how this evolves, but I think it would be a shame to let this slip.

Follow-up: monitor how the country studies block is treated as the project evolves



Persons met: *Daniel Filmus, Diana Tussie*, FLACSO

Object : **About FLACSO**

File : FLACSO

Date : April 22, 1997

1. I profited from our presence in FLACSO for the Emerging Issues meeting to learn more about FLACSO-Argentina. For more information, see the 1994/95 and 1996 annual reports which I am bringing back. I will forward these to the library for their institutional files.

2. FLACSO has five specialized M.A. programs. These were recently evaluated by the Ministry of Education, and rated at the highest level in the country. Furthermore, tuition in FLACSO is lower than in the universities.

### **Funding and sustainability**

3. FLACSO owns its own building and receives about \$70,000 a year from the government. Aside from that, it relies on outside funding and self-financing and is highly autonomous. Self-financing comes from tuition fees. FLACSO's research program is integral to what it does, since research provides the subject matter for the MA program. They only do training associated with their research programs. A good example of synergy between research and graduate training. See page 37 in the 1996 annual report for a breakdown of funding by type.

4. They are creating a new MA program on the social dimensions of health, thanks to a major grant from Ford Foundation.

### **Size**

5. FLACSO has 50-60 permanent researchers, including seniors and juniors, plus 20-30 associates, visitors and teachers. There are links to universities outside of Buenos Aires, where the same MA courses are reproduced.

6. Note that the breadth of activities pursued by FLACSO is probably an advantage in terms of sustainability.

### **Publications**

7. They have three journals, one on education (which is self-financing, thanks to about 1000 subscriptions), one on bioethics, and one on rural development. They had another on international relations, but it stopped in 1994 due to lack of funds. They have a WP series and books in the I.R. field instead.

Follow-up: forward documentation to library after ensuring they still collect such things.

Persons met: *Roberto Frenkel, Guillermo Rozenwurcel, Mario Damill*, CEDES  
 Object: **About CEDES**  
 File: CEDES  
 Date: April 23, 1997

1. IDRC has been collaborating with CEDES since the early 1980s. Right now, CEDES is responsible for anchoring the Trade and Finance network. They also have a project with us titled From Stabilization to Growth. However, this was not a conventional project monitoring visit. The principal aim was to renew my knowledge of CEDES as a research institution.
2. CEDES has not regularly published an annual report, and the most recent one they could give me was for 1993. I am bringing it back nonetheless (left with Marcos Lorenzelli for now), and will pass it on the library for our institutional files.
3. We also discussed some economic issues related to the Argentine economy, which finds itself in a difficult situation due to the overvaluation of the peso and the impossibility of devaluing under current circumstances. However, I will not be reporting on this discussion here.

#### **A short historical review**

4. CEDES was founded in 1965, with a focus on the stage and society. The founder was Guillermo O'Donnell, who is now in the US. Economics did not figure in CEDES' program until 1977, when Canitrot and Frenkel joined (Canitrot is now Director of the Centro de Investigación del Instituto di Tella). Three of CEDES's "founders" (more than 20 years in CEDES) are still here: Frenkel, Jorge Belan (education and health), Oscar Landi (sociology of communications).

#### **Programs**

5. Today, there are 30 researchers, including 20 seniors and 10 MA level juniors. CEDES is doing well, and has grown in recent years.
6. In *economics*, there are 7 seniors (4+3, the first number referring to the most senior level) and 4 juniors plus a number of assistants - what Frenkel calls the "fauna periférica", who work for free on an internship basis.
7. In *sociology and health*, there are 6 seniors (5+1), plus interns from a training program they support with the Ford Foundation. They are starting an MA program on the social dimensions of health in collaboration with FLACSO. Most of their funding comes from the Ford Foundation. There has been some funding from WHO and, in the past, from IDRC.
8. Under *sociology of education*, there are 4 professionals (2+2). The focus is on higher education, and there is complementarity between FLACSO and CEDES in that regard.

9. There is a new program on *civil society and social development* (2 seniors and 1 junior). They are investigating the possibility of setting up an MA with Universidad de los Andes (Colombia) with seed money from Kellogg and the Inter American Foundation.

10. Finally, there is the program on *communications and socio-political processes* (Landi plus 2 others).

### **Collaboration with the universities**

11. Contrary to FLACSO, CEDES does not have degree-granting status, and CEDES' work in graduate training is all done in collaboration with universities. Given the evident synergies between research and training in ensuring the sustainability of other research centres, I may want to explore further how successfully CEDES taps into this for generating revenues, next time I am there. I gather from Frenkel that there are formulas for sharing tuition fees between CEDES and the universities involved.

12. One formula CEDES is using to reduce costs is to publish its working paper series in economics in association with the Centro de Investigaciones en Economía (CIE) of the Universidad de Palermo. This gives the Universidad de Palermo, where Frenkel and some of the others give courses, some content for its publication series, and saves CEDES the cost of publication. There is pressure to publish in Universidad de Palermo now, following the creation of a Commission to assess educational quality in the universities in follow-up to the new law on higher education. The intention is to tap into the association with CEDES to create an improved environment for research in the university. Frenkel says CEDES researchers are also members of CIE, which is otherwise a bit of a shell (Frenkel described it as an extension of CEDES). Frenkel gave me the first WP produced under this format (dated 1997, so this is quite a recent arrangement). It looks quite interesting, so I kept it. It is on convertibility and capital flight in Argentina.

13. The collaborative relationship between CEDES and the universities is interesting, and original. Worth exploring further next time I am in Argentina. Think about how/whether it relates to what the Consortium might do in Peru.

### **Funding**

14. As is the case elsewhere, core funding is disappearing. CEDES currently has a grant of \$50k per year from Melon Foundation, but this arrangement ends this year. However, Ford Foundation left CEDES a legacy, by supplying \$300k for the purchase of the building they are located in. CEDES added \$200k to this from its own savings, and as a result, now owns a building of considerable value.

15. CEDES has succeeded in adopting a remarkable formula for covering its fixed costs, which include maintenance of the building, accounting, joint services, etc. the cost of which is about \$8-9,000 per month. These costs are paid by the researchers themselves, out of pocket: \$400/mo for senior researchers (titulares), \$300/mo for juniors, and \$100/mo for the youngest researchers. This

formula allows CEDES to subsist regardless of the vicissitudes of project funding, insofar as the basic costs are covered independently of overheads on projects.

16. What the programs support (from project funding and other activities) are things such as long-distance phone, books, fax, photocopies, and secretarial support. And remuneration, of course. Remuneration is the adjustment variable. Interesting contrast to how the public sector operates!! The only permanent feature with regard to remuneration is the ceiling (\$3,000/mo) and the floor (-\$400/mo). The formula varies for different programs. In health, they have a more traditional, salaried, approach. In economics, earnings are a residual, and depend on who is working on what project.

17. Funding for economics is not abundant, and comes basically from IDRC. The researchers cannot subsist on this, so complement their incomes with graduate teaching. Salaries are low, considering the low value of the US dollar relative to the peso. \$3000/mo is not much in Argentina today, considering that an entry level undergraduate degree-holder can earn as much as \$1800 in the work place.

### **IDRC funding**

18. The last two IDRC projects with CEDES are on the passage from Stabilization to Growth. Phase I took us up to the Tequila crisis. Phase II covers the post Tequila period. That project began in October 1996 and a report will be due in October. It is an 18 month project, and the bulk of the funding will have been consumed by October. It is a comparative project covering Argentina, Brazil, Chile, Colombia and Mexico. The aim of the second phase is to take a fairly close look at policy interdependence among countries through the trade-macro policy link.

19. There seemed to be some surprise when I remarked that this was likely to be the last project of this nature, though I am sure Gary must have discussed this with them. This is disappointing news to CEDES because of the lack of alternatives to IDRC for support of relatively long-term research. Networks constitute an alternative source of support for centres like CEDES, but the amounts involved tend to be smaller.

### **Latin America Macroeconomics Network**

20. The network has decided that the next meeting of the macroeconomics network should be in Buenos Aires, on Trade, Growth and Competitiveness. One option was to do this at the same time as the LACEA (Latin American and Caribbean Economics Association) meeting in Bogota in October, but this was discarded, because the meeting would be only one event among many in such a context. Besides, Frenkel sees the LACEA meeting as a North-American dominated event. LACEA was founded by Latin Americans, but in his view it has now been taken over by IDB, WB, Brookings, and the Universities in the US. He says there are many Latinos in North America working ON Latin America, and LACEA has lots of money.

21. The workshop will thus be in Buenos Aires, preferably around Sept. 15.

Follow-up: for next time, learn more about Instituto di Tella

Persons met: *Juan José Taccone*, INTAL  
 Object : **Possible collaboration with INTAL**  
 File : INTAL  
 Date : April 23, 1997

1. I learned about INTAL (Instituto para la Integración de America Latina y el Caribe) from information sent to us by Carlos Sere, a copy of which is on file. Hutoxi will make a copy also for the library. INTAL supports research and training in the area of regional integration in Latin America, and is an obvious partner for IDRC in this process.
2. More information can be obtained from their Web site: [www.iadb.org](http://www.iadb.org) (...departments, INTAL), or directly: [www.iadb.org/espanol/departamentos/int/s-intal.html](http://www.iadb.org/espanol/departamentos/int/s-intal.html).
3. INTAL is a Division of the International and Regional Programs Dept. of IDB (Dir. = Nora Rey de Marulanda). It works in parallel with the Division of International Trade and Hemispheric Issues (Div. Chief = Robert Devlin). The latter deals with FTAA and trade issues generally. INTAL is likely to focus more on MERCOSUR and non-trade aspects. INTAL was moribund for some time, and is now being revitalized, with an injection of funds of \$6M over the next few years. The new Director Juan José Taccone took office in July 1996.
4. INTAL was created in 1964, four years after ALALC, now ALADI. However, there is no formal link with ALADI. INTAL's original focus was on training, but this has shifted now, because there is a good supply of alternative training institutions in the region (MAs in regional integration).

## Resources

5. Operating costs of INTAL are covered 50% by IDB, 50% by Argentina. Staff include two professionals and 10 support staff, including good representation of communications and information people.

## Activities

6. The needs identified by Taccone are similar to those identified by IDRC, including the need for long-term research, networking, and information services. INTAL wants to establish a network of research institutions, and would like to focus on new topics in integration, similar to those identified in the IDRC meetings of this week on Emerging Issues and MERCOSUR. However, INTAL will function in IDB mode, focusing on a quick response to the needs of negotiators, and their niche will be distinct in that regard from that of IDRC.
7. Technical assistance will be a major activity. For instance, this year, there will be TA projects to support infrastructure development and border negotiations.
8. Public fora involving government, private sector representatives and NGOs will be organized in support of policy-making. For example on Integration and the Environment and other current

issues. For this year: ISO 14000 (environment); Codex Alimentario; investment flows. These will be supported with expert papers and panels. Issues of a WTO nature from a Latin American perspective. Links to the Emerging Issues network will obviously be important. Taccone knows Diana Tussie and will be in touch with her.

## **Publications and information**

9. There used to be a monthly publication *Integración Latino Americana* until December 1995. This is being replaced by a new publication, which will appear every 4 months. I am bringing back issues number 0 and 1 (Jan. 97). In addition, there is a monthly newsletter, which is very informative. I am bringing back a couple of samples of this too.

10. Their web site will contain abstracts of all the articles in the journal, but for the full text, one would have to subscribe to the journal. There are already 5000 subscribers (!). Papers from the public fora will also be published.

11. They also have a data base, which they will sell to private users and make available to members of the INTAL research network.

12. INTAL's work program and research priorities are being defined, and should be available in early fall.

## **IDB network**

13. There were several references in the course of my trip to an IDB network of research institutions. This network is not specialized in integration issues, and does not, in fact, deal with integration. The INTAL network will do that. Frenkel suggested I should meet in IDB with Nora Rey de Marulanda, who supervised the setting up of the network. Another person to speak with would be Maria Lisa Bernal, from the Universidad de los Andes, who is doing an assessment of research centres for INTAL, and who had organized the first network.

14. Frenkel pointed out that the IDB network lost its autonomy after IDB set up its on research department. Now IDB directs the research under the network in WB style. The network still exists but has changed.

cc. Diana Tussie

Follow-up: one thing they do not have is the Canada-Chile agreement. It might be good PR to get it to them. Get in touch with DFAIT and see what can be done. Maybe send it to ALADI too.

Persons met: *participants, MERCOSUR meeting. See list.*

Object : **MERCOSUR meeting in Montevideo**

File : Mercosur meeting

Date : April 24, 1997

1. This meeting had several objectives. The impetus for organizing it was a proposal by a Canadian economist, Jean Mercenier, who has developed a general equilibrium model for MERCOSUR, and wanted to explore networking possibilities for the further development and exploitation of that model.
2. However, the meeting had a larger agenda than this. It brought together modellers, other economists with a more general interest in research on MERCOSUR, and what could be called the research users (representatives of INTAL and ALADI, for example).
3. I will not report on the meeting in any detail here, because Marcos Lorenzelli will be doing a report on it. I have lent him my notes, which he will use in addition to his own.
4. In brief, I think the meeting was very successful. It led to very rich discussions about the issues in general, and the uses, limitations and difficulties of general equilibrium modelling in this context.
5. The IDRC group had some hesitations about supporting a general equilibrium exercise on regional integration, and organized the meeting in such a way as to give that option a fair hearing, without getting locked into it.
6. If anything, the meeting confirmed, and fed, our hesitations. However, there is work going on in general equilibrium modelling in the region already, and we would be willing to support such efforts in a limited way, to encourage a greater degree of networking and exchange of experience. Two of the participants, Alejandro Vargas and Omar Chisari (both Argentines) agreed to prepare a proposal for support of this nature from IDRC, which would incorporate the results of discussions in the meeting.
7. A second outcome of the meeting was an offer from Jose Maria Fanelli to produce an agenda of research issues for MERCOSUR, which could form the basis for identifying appropriate methodologies and priorities. This will be done in consultation with other participants in the meeting.



Persons met: *Sylvia Laens*, CINVE  
 Object : **About CINVE**  
 File : CINVE  
 Date : April 25, 1997

1. The purpose of this meeting was to learn more about CINVE, which IDRC has supported since its creation in 1975. I will put my more detailed handwritten note on file, in order to keep this a bit briefer.

### **A brief history**

2. CINVE was created at the time of the dictatorship, when the university was under military control. It was founded by Luis Macadar, who has now left CINVE to pursue his activities independently, and one other person, whose name I did not take down.

3. The early IDRC support was in the area of technology in the agro-livestock sector, and Sylvia did not know too much about this. In 1981, CINVE did some important studies for the WB on the structure of protection in Uruguay. This study became a reference-point on the subject. It was updated in 1986. Later work supported by IDRC was on the industrial sector.

4. When the democratic opening came in 1985, research which had been performed in CINVE and in other private research centres provided the scientific capital which informed policy. It provided an understanding of economic policies pursued since 1975, in particular the gradual liberalization policies which had been implemented and the bilateral trade agreements which Uruguay had negotiated with Argentina and Brazil (which ultimately explain Uruguay's place in MERCOSUR - otherwise, MERCOSUR might have consisted only of Brazil and Argentina). CINVE's analysis of this whole period meant that by that there was a better understanding of trade issues at the time of the democratic opening, in particular regarding the differences between the Argentine and Brazilian markets for Uruguay (as outlets for non-conventional and traditional exports respectively). [Note that tourism from Argentina is a major export earner for Uruguay.]

5. Recent support from IDRC included a project with Luis Macadar on industry and Uruguay's increased trade openness to trade since the 1970s, which ended in 1992 or so. Sylvia was involved in that project, and was responsible for developing a general equilibrium model of the economy. However, she was alone on the model with only an assistant to help her, and by the time she got the model running, funding for the project had expired. After publishing an article in SUMA, CINVE's journal of the time (no longer publishing), in Oct. 92, on the effects of declining tariffs on the Uruguay economy, she was obliged to discontinue work on the model. Today, the model would need to be improved and updated if it was to be made operational again. This points to the difficulties of using such models in a small research centre such as CINVE which is required to respond to short term demand for research in order to survive.

6. CINVE has also received support from IDRC through the networking mode, in the financial liberalization network (Nelson Noya and Fernando Lorenz), and now the Trade and Finance network, just coming on stream (Nelson Noya). They are also involved in IDRC's social policy

network with Mario Torres (Sylvia and Nelson, and one other). They have received modest core support from SAREC, but this is coming to an end this year. They also secured funding for one study from the IDB network, for a six month period.

7. CINVE had seven researchers and several assistants in place in 1992. However, they have lost some people since then. Currently, they have five full-time researchers. Their problem today is in securing research projects of any duration, since funding is mainly for short-term studies or consultancies. IDRC is currently the only source of funding for longer-term studies.

### **Other research centres in Uruguay**

8. Other centres of economic research in Uruguay include the following:

- a. in the Universidad de la Republica, the Economics Faculty, which has its *Instituto de Economía*
- b. in the same university, Social Sciences Faculty, the Dept. of Economics (which is where graduate training and research mainly takes place; see separate entry in this trip report)
- c. the Centro Latino Americano de Estudios Humanos, CLAEH, (mainly history, sociology, and a small group in economics)
- d. CIEDUR (Centro de Investigaciones y Estudios de Uruguay ?), which includes some work on labour economics; IDRC may be funding something on the environment with them
- e. CERES (Centro de Estudios de la Realidad Economica y Social). This is a privately funded organization, with close links to the WB. They do consultations, conferences and the like, not long-term research. They have a limited staff of 1-2 permanent people but a high level of visibility. Sounds like the *Centro de Estudios Públicos* in Chile. In Argentina, the equivalent is called CEMA. It looks like there is one of these in each country. Maybe the WB had something to do with setting these centres up. CERES has been successful in securing funding from the IDB for research, but they subcontract this research out. Sylvia, like some others, pointed out the failure of IDB support to strengthen research capacity, as originally intended, due to the pressure for immediate results.
- f. The Central Bank has a research unit of 4-5 people. There are good links between this group and that of the *Departamento* mentioned in b. above.

9. Generally speaking the situation for CINVE is critical. CINVE is likely to disappear or to be transferred into something quite different.

Persons met: *Marcel Vaillant*, Universidad de la Republica  
 Object : **About the *Departamento de Ciencias Económicas***  
 File : Universidad de la Republica (Uruguay)  
 Date : April 25, 1997

1. The main purpose of this meeting was to learn more about this research centre. For more information, see the very thorough brochures I brought back with me. They will be in the corresponding institutional file.

### **Nature and sustainability of the institution**

2. Here is another case of synergy between graduate training and research. For historical reasons, the U. de la Republica has two economics departments. The reason for this is that all graduate training was, at one point, concentrated in one Institute. When this Institute was later affiliated to a Faculty, it was affiliated to that of Social Sciences. Undergraduate training continues to be done in the Faculty of Economics.

3. Faculty in the Departamento are not very well paid (\$800 - \$900/mo. for a level 4 professor (out of five levels), full time), but the teaching load is relatively light (90-100 hours a year), and there are institutional mechanisms to allow extra teaching to be organized. Basically, the Dept. is like FLACSO, except that the government covers all the infrastructural costs and base salaries. Most income earning activities in the Departamento have been in teaching in the last few years. This raises the teaching load, but allows plenty of time for research. Research takes up over 75% of work time. Funding for research is much scarcer. Most of what is available is for networking type activities (travel, contacts, etc.).

### **Size**

4. There are about 30 professionals in the *Departamento*, about 15-20 of which are present at any point in time, with all the comings and goings. In Trade, there are 7 people (of which 4-5 at a time).

5. Depending on some indicators (e.g. share of papers presented in Central Bank conferences), the *Departamento* accounts for a good share of economic research in Uruguay. The indicators Vaillant cited were 50-75%, but I am not sure how representative those indicators were.

### **External links/networks**

6. The *Departamento* seems to have good links with the outside world, including with other research centres in Uruguay (such as the Central Bank, CINVE or the Economics Faculty), and with research centres outside.

7. Some outside activities:

- a. A project is currently under development with IDRC on environment and economics (Maximo Rossi)

- b. networks with the European Union (3 networks in the context of the project Alpha. For example, Vaillant is involved in a network on trade with Europe
- c. they are collaborating in designing a course on Economic Integration, in Antwerp, which would include EU-MERCOSUR links. The course will begin in 98/99.
- d. they have an agreement with Purdue University (Thomas Hertel). Purdue provides a one month course around the GTAP GE Model (Global Trade Analysis Program). Next year the course will be given here. The cost will be \$80-90,000, but it will be self-financing. The GTAP model has over 70 countries in it. Last year, the group from the *Departamento* incorporated Uruguay into it.

### **Research on regional integration**

8. Vaillant notes that a lot of knowledge has been accumulated about regional integration in the region, but there is no institutional mechanism to support research (except in Brazil). The IDB network has not covered regional integration so far. Of course, INTAL will do so.

9. An important research issue for Vaillant is the problem occasioned by the possibility of reversion (backtracking), the uncertainty which that creates, and the effects of that on investment.

### **Cuba**

10. I did not have the opportunity to meet the Director, Ruben Tanzini, who was away on travel. Carlos Sere had recommended that I talk to him about his contacts with Cuba. They are involved in training Cubans in economics, in some connection with the Goetenberg program. Tanzani has some contacts with Carleton.

Persons met: *Gonzalo Rodriguez Gigea*, ALADI

Object : **About ALADI**

File : ALADI

Date : April 25, 1997

1. ALADI will be an important contact institution is IDRC is to support work on trade and integration issues in Latin America. This visit had two objectives: to learn more about ALADI, and to establish contact for future collaboration in research networks. This note will summarize what I learned about ALADI on this visit.

2. For further information, see ALADI's home page: [www.ALADI.org](http://www.ALADI.org).

### **A short history**

3. ALADI grew out of ALALC, which covers the 11 countries of South America plus Mexico. [Mexico was included to help counterbalance Brazil and Argentina.] So ALADI covers all of the Hemisphere south of the US except Central America (covered by MCCA) and the Caribbean (covered by CARICOM). ALALC goes back to 1960.

4. ALADI was formed in 1980, in response to the failure of multilateral negotiations under ALALC. ALADI allows for all forms of negotiations and agreements among countries, and drops the MFN clause for member countries (e.g. if Mexico concedes a tariff reduction to Chile, it does not have to extend it to all the other member countries, like before). This cleared the way for a change in the negotiation process, away from product-by-product negotiations of little import to trade, toward negotiation by global package between countries.

5. An interesting wrinkle is contained in Article 44. According to this, if a member of ALADI signs an agreement with a developed country, such as Mexico did with NAFTA, it must do so under MFN conditions with the rest of ALADI. Obviously, Mexico could not do that. The way out was the *protocolo interpretativo* whereby Mexico (and others to follow, like Chile), agreed to compensate other countries for any effects of the NAFTA agreement on them.

### **Size and importance**

6. ALADI has 125 staff, and a \$5M/yr budget. It covers MERCOSUR, the G3, the Andean Community, and any number of bilateral agreements. Its importance appears to lie in the support it provides for trade negotiations.

### **Departments**

7. It has the following departments:
  - a. Trade department. Here, all existing agreements are registered and computerized. So is information on technical norms, tariffs, etc.
  - b. The Information Dept. This Dept. has 4 modules:
    - (1) tariffs, according to the common trade classification adopted in 1991

- (2) trade
- (3) non-tariff barriers
- (4) preferences accorded in each of the agreements
- c. the Dept. of sectoral development (*Promoción Sectorial*) (very small)
- d. the Dept. of economic development (*Promoción Económica*) (covering Bolivia, Ecuador and Paraguay)
- e. the Division of Research and Statistics (*Estudios y Estadísticas*).

## Research

8. This last division is new, created just last year, and became necessary as a result of the changing nature of the negotiations, and the need for a larger view, which resulted from that. Rodriguez is the only economist in this unit at this time. He is joined by two statisticians. However, there is a vacancy, and another position may be added. He expects to be there another two years (positions in ALADI are not permanent).

9. Rodriguez's research agenda is to determine how the various agreements currently under ALADI can be harmonized. He will send me a recent paper he is working on regarding the current situation, and the major axes of trade in the region. He has prepared some very interesting graphs showing the various agreements and how the liberalization schedules converge over time. These tables are in the paper he will send me, but I also brought back some photocopies. These show the results of ten agreements in ALADI, and the proportion of intra-ALADI trade which will be free of trade barriers in different years. Already in 1997, the figure reaches 58%. By 2004, this would rise to 74.5% according to existing agreements.

10. I also brought back some other papers, which show the sort of work he is doing. As a source of information, this work strikes me as invaluable for anyone working on regional integration in the region. The titles, which are illustratively useful for our purposes here, are as follows:

- a. *El Comercio Intraregional en los Años Noventa: Un Analysis de sus Principales Características* (1996)
- b. *ALADI, Comportamiento des Intercambio Comercial con Estados Unidos (1990-1995)* (avril 1997)
- c. *Situación y Perspectivas de la Liberación Comercial en el Marco de la ALADI* (avril 1997)

11. His idea is to determine how much convergence there is already in the region, and from there to develop a strategy for harmonization.

## Agenda

12. Insofar as there are two competing models for extending the regional integration process in the hemisphere (FTAA led by the US, and the South to North extension of MERCOSUR), it should be obvious where ALADI will come down. Rodriguez is optimistic about the success of the MERCOSUR formula. He says all that is missing now are agreements between Mexico and

MERCOSUR and the Grupo Andino and MERCOSUR. Rodriguez calls this model “*Brazil en la ruta de San Martin*”.

13. However the forces behind FTAA are very strong, including not only the US, but also the Trilateral Committee including OAS, IDB and CEPAL. ALADI is isolated from this process. Watch closely what comes out of the Belo Horizonte meeting in May.

### **Research collaboration**

14. Rodriguez is obviously interested in collaborating with the research community. He could be a very good source of information and analysis, and should be associated as much as possible in what we do. He is very collaborative, and has a good head on him.

Persons met: *Carlos Sere, Mario Torres, Roberto Bazzani, Marcos Lorenzelli (LACRO); Rohinton Medhora*

Object : **Various LACRO meetings**

File : 03330; LACRO

Date : April 25-26, 1997

1. I will group various meetings with collaborators in Montevideo here, under appropriate titles.

### **Mining, Environment and the Community**

2. I briefed Carlos and Roberto on recent developments regarding Mining and the Community. We discussed the Quito meeting with Carlos, and it was decided that Roberto should go to discuss the possibilities of mobilizing IDRC's energies in this area to form a sub-network of MERN. Roberto and I drafted a two page note which we will share with participants of the meeting ahead of time to sound out interest for this sort of initiative.

3. Most of what I might want to say here is in the memo, so there is no need for repetition. However, there are a couple of points worth stressing. One is that this is a very natural area for IDRC to be involved in. As Carlos Sere has repeatedly pointed out, there are probably higher possibilities for co-funding in this area than most others, both from the private sector, and from Natural Resources Canada, for whom a network in this area could be an excellent "announcable" for the Arequipa meeting in Sept. It was suggested that we might take on Ed Dosman as a lobbyist for this.

4. I think we share the reservation that such a network could not succeed if the "health" angle is too forcefully stressed. The reason is that health in isolation is not a natural entry point. The natural entry point is mining in the community, including health.

5. We discussed the possibility of setting up a working group to develop a network project. Possible members - all of whom will be present in the Quito meeting - include the IDRC group, Lourdes Yero, Alyson Warhurst, Gary McMahon, Jim Rader, Jim Cooney, Alberto Pasco-Font, Ed Dosman, and Juan Ossio.

### **Social Policy**

6. Marcos Lorenzelli is working on ASPR-related issues from an economic perspective, on a half-time basis. The rest of his time is spent in CLAEH (Centro Latino Americano de Estudios Humanos). He has Masters degree from New Loeven University (Louvain la Neuve) in Belgium, where he specialised in welfare economics and social policy.

7. We are agreed on the particular importance of social policy issues at this time in Latin America, and the particular interest of social policy reforms in Latin America for the rest of the world. There are important economic issues associated with these reforms at both the micro and macro levels. Mario mentioned the current project which IDB and IDRC are currently funding, under CIDE and ILADES management in Chile. This is a \$1M project, involving 19 studies over the next 18 months. Marcos will prepare a briefing note for me on the content and status of this project.



8. An important feature of work on the economics of social policy is that the main research centres involved are the ones IDRC has traditionally worked with in economics (CEDES, CIEPLAN, FLACSO, GRADE, CINVE, CEPAL...). Research centres such as these typically combine economics with other disciplines. Mario noted that 80-90% of the projects in the IDB/IDRC funded competition were won by economists. I shared some of the information I had on those research centres with Marcos and Mario, and assured them of my interest in collaborating with them in this area. This would constitute an effective use of IDRC manpower, since I am already involved with the research institutions concerned.

9. It was agreed that Marcos should visit some of the research centres concerned and begin work on a concept paper for a network on the economics of social policy reform in Latin America, which could form the subject of a Phase II project with IDB. There was talk of forming a “task force” for this.

### **An economic researcher for LACRO**

10. Carlos is recruiting a research officer for the LACRO office. This will help to complete the current team, consisting of himself, Mario Torres, a new S&T person to replace Charles Davis, a new ALT PO, the Regional Comptroller, and Roberto Bazzani, who is a LEPO. The new person would collaborate with the TEC PI in Latin America, and be available for other tasks in support of the RD.

11. Rohinton and I reviewed the package of applications received for the position and discussed them with Carlos. We identified two candidates of particular interest. One is a candidate currently finishing his PhD at the University of Notre Dame. The other has a Master’s degree from the Sorbonne, and would be immediately available. It was agreed to limit the interview process to these two candidates for the time being. These are highly qualified candidates for a RO position, but we would not discount the possible evolution of the position into a LEPO position.

### **ALT**

12. Carlos is preparing the ALT PI meeting to be held in late May. He raised the issue of how communities in areas of low potential in terms of natural resource exploitation should address issues of alternative livelihood. I think this is an important issue to address head on, and agree with Carlos’ idea regarding the need for a “macro” view of this issue. However, I am not sure how researchable this is. Carlos wanted some suggestions of who might be called upon to address such an issue at the ALT meeting. He suggested Al Berry, but a good regional economist with development experience might be best. Edgardo Lifschitz, who was at the MERCOSUR meeting, might have some ideas to offer. The premise underlying Carlos’ thinking on the subject is that alternative livelihoods should be provided to these communities. Fair enough. However, a broader view should also look at the migration option. This requires that the resource person or people called upon to assist reflection on this issue not be wedded to voluntaristic solutions, in ignorance of long-term and largely irrevocable migration trends.

### **Reflections on my own time allocation**

13. I am currently a member of two Pis: TEC and MIMAP. However, I am not actively involved in MIMAP. Certainly, it would not be a good allocation of my time to become involved with MIMAP in Asia. In Africa, the MIMAP project in Benin and Burkina Faso was developed without input from me.

14. Meanwhile, I have become involved in Mining and the Community issues with the Ecosystem Health PI and I am being called upon to collaborate with ASPR on the economics of social policy. All of this in Latin America. At this stage, the most efficient use of my time would seem to me to be concentration in TEC, including ongoing support for SISERA and RPI in Africa, and collaboration with other PIs in Latin America. I wonder what Caroline, Joaquim and the PITLs would think of this, and will discuss it with them.

Follow-up: discuss time allocation issue with Caroline and Joaquim and concerned PITLs.

Persons met: *Jorge Fernandez-Baca* (CIUP); *Humberto Campodónico* (DESCO); *Javier Escobal* (GRADE); *Francisco Verdera* (IEP); *Adolfo Figueroa* (Católica); *Javier Portocarrero* (Consortio); *Alberto Pasco-Font* (Grade); *Carlos Yuste* (IDRC)

Object : **Mid-term evaluation and Phase III of Peru Consortium**

File : 93-0404

Date : April 28, 1997

1. The principal reason for my visit to Lima was to participate with Carlos in a meeting of the *Comité de Coordinación* of the Peru Consortium. Carlos and I wanted to float some of the ideas we have had regarding what might be envisaged for a third phase. For this, I had two preliminary brainstorming sessions, one with Alberto Pasco-Font and Javier Escobal of GRADE, the other with Carlos Yuste and Javier Portocarrero, the Coordinator of the Consortio. The meeting of the *Comité de Coordinación*, which followed, was also of a brainstorming nature.

2. This note summarizes the current status of thinking on Phase III of the Consortium. Following this are discussed the two other topics dealt with during the meeting of the *Comité*.

### **Phase III of the Consortium**

3. The general message which Carlos and I conveyed to the group is that a third phase of the *Consortium* might be negotiable with IDRC and CIDA (and hopefully other donors) if a different and more sustainable model of the Consortium could be developed. Bob Anderson, who is Teresa Pires' boss in CIDA, had been to Lima not very long ago, and had said much the same.

#### *opportunity and challenge*

4. A mechanism such as the Consortium is something one does not find in other countries, and constitutes an interesting innovation. If the value of the Consortium can be shown to extend beyond the distribution of donor funding among a group of clients, CIDA and IDRC might be interested in supporting its institutionalization.

5. The key questions which have to be answered are the following:
  - a. How to institutionalize the Consortium as a joint mechanism for supporting policy research in Peru?
  - b. What joint services would the Consortium provide?
  - c. How would its financial sustainability be assured?
  - d. How could free entry and exit and competition for research funds be organized?
  - e. How could research be better organized, to allow for a degree of programming and collaboration among research centres which is not possible now?
6. Objectives of the Consortium could include the following:
  - a. to provide joint services in the areas of documentation and publication
  - b. to raise standards of quality and scientific rigour
  - c. to pool forces in mobilizing funding for research
  - d. to pool and disseminate information of interest to the research community

- e. to assist in the mobilization of resources for specific research activities
- f. to facilitate networking and team building across and within individual research centres
- g. to build capacity for teaching and research.

*outline of a model*

7. Proposals of how the Consortium might be defined include the following elements:
  - a. Relatively free entry and exit of membership from the Consortium
  - b. Clear definition of the Consortium's mandate from the start [I was thinking of limiting the Consortium to economic policy oriented research, but when you think about it, this may not make much sense. However, the more you extend the mandate of the Consortium, the less there is to go around for existing members. A solution might be to begin with economics and progressively extend the Consortium to other areas, as the institution becomes established, and there is demand to join.]
  - c. Payment of membership fees by member institutions. Here, there is a need to find the right formula and amount. It was suggested that membership fees should be in two parts. A fixed amount per institution (between \$2000 and \$5000 per year, say) and a variable amount which would be a function of the number of researchers in the institution that are part of the Consortium (between \$500 and \$1000 per year, the among varying according to the level of the researcher). Here, my idea is that the Consortium would be constituted of institutions, but there would be a list of individuals in each institutions of who is a member. These people would receive the Consortium's publications and would be eligible to participate in Consortium-funded projects. Member institutes would be responsible for the full amount, but might ask individual researchers on the list to contribute.
  - d. There would be different mechanisms for supporting research, in order to reach researchers of different levels:
    - (1) a small grants program (\$5000 projects);
    - (2) an annual medium-size grant program of the type which currently exists;
    - (3) funding for much larger projects of a programmatic nature, which could be considered for funding as these come due. Programs of a multi-institutional nature would be particularly well viewed.
  - e. Projects would be reviewed for approval by an independent committee including outside representation. However, the current in-house review which projects receive before coming to the Consortium would continue. Member institutions could not prevent a researcher from submitting a project to the Consortium, but they could support him. The history of the project's evolution in-house before presentation to the Committee would be made explicit. Support from the institution would be a criterion for selection. Capacity building could be among the objectives pursued by a project.
  - f. Institutionalization of the Consortium would make it easier to obtain funds from other sources. Funding agencies could support different modes (for example, funding for small grants from COFIDE, which is a Peruvian development bank) or specific initiatives (such as larger projects of a programmatic nature).
  - g. Capacity building activities, such as project development workshops, would be organized to facilitate access by more junior researchers. Maybe resources could be

provided for the research centres to organize workshops for researchers to improve their proposals prior to submission to the Consortium.

*discussion*

8. I found the group quite open to change of this nature. I was particularly struck by the positive tone of the DESCO representative, who initiated the discussion. Here are some of the key points emerging from the discussion:

- a. We might look at how the IDB organizes competitions around specific themes and see what sort of a model this provides. [However the niche of the *Consortio* would be in medium-term research compared to the IDB's support of short-term research. As many people have caricaturized it in other meetings, the IDB formula is a way for IDB to secure consultancy services more cheaply.]
- b. There was discussion of whether competition for research funds should be fully or partly opened up. Recall that Roger Young's evaluation report is quite conservative on this question. He proposes that only 1/6 of research funding to be made more competitive. However, I tried to discourage thinking in these terms. It is a slippery slope! Besides, it seems to me contradictory to ask research centres to contribute to the financial sustainability of the Consortium if the only way to achieve this is to guarantee to everyone that they will get their money back through a protected mechanism of access to research funds. I would rather see a structure put in place which pursues multiple objectives, including capacity building, and contains a range of support mechanisms. This will require some creativity, and I don't think all of the answers have been found yet. However, members should be confident that their investment in the Consortium would bear fruit. If the risk of net loss is too high, the Consortium will lose members, or fail to attract them. One answer is that collective activities of the Consortium would generate value for the members other than that of access to research funds, and these might be sufficient to justify the payment of membership fees. However, we are unsure how important these benefits will be right now.
- c. A related concern is that the Consortium should generate a cooperative institutional culture. The question arises how competition for funding can be prevented from acting as a divisive issue.
- d. It was noted that there is a lot of competition for funding now, outside the Consortium. If the Consortium existed, could these energies be channelled into seeking funding for the Consortium? This depends on the success of the Consortium as a mechanism. If the Consortium was very popular among donors, research centres would conclude that their best use of fund-raising efforts would be best addressed to the Consortium.
- e. It was suggested that there is a need for better analysis of the roles which the Consortium should play, and whether it would not be preferable to envisage different instruments for the pursuit of different objectives.

*plans and calendar for drafting a proposal*

9. I suggested that a drafting committee of four be constituted, including Javier Portocarrero, Adolfo Figueroa, Javier Escobal and IDRC. This was a bit high-handed of me, and there was a voice

of protest from Adolfo, who felt the responsibility should accrue to the Committee as a whole. This is what was agreed, though actual drafting will probably be done by the subcommittee..

10. The deadline for a draft proposal was set for the August annual meeting of the Consortium next August. The draft itself should be ready by July 31. In order to enrich the process through consultation, it was agreed to pursue an iterative approach. Drafts will be produced in Lima, and shared with Carlos and me by E-Mail. The formula envisaged allows for two iterations (end of May, end of June) before the draft is finalized near the end of July. A calendar of meetings was established.

### **Workshop on evaluation by results**

11. A workshop on evaluation by results will be organized on May 22-23. A consultant will be brought in for this, along with someone from CIEPLAN (which has gone through this sort of exercise). It is my hope that the group can profit from this workshop to do a retrospective of the experience of the Consortium to date, as part of what they need to do to prepare the third phase. However, the group was not in a position to propose a mechanism to ensure that this would happen.

12. Although reporting to CIDA is done on a six-monthly basis, I don't easily see how one can properly discuss results and impact on a six-monthly basis. I am also suspicious of all the talk of "indicators". The whole point of Roger Young's critique is that there insufficient qualitative and contextual assessment. While we would all like for a number of quantitative indicators tell us everything there is to know, the real world does not work that way.

### **Canadian partnership**

13. There were some suggestions of how links to Canada could be reinforced, and thinking about this will continue in preparation of the third phase. Carlos suggested that a short mission to Canada could be used to further explore the options. Discussions with the CIEPLAN people was also mentioned.

14. Javier Escobal mentioned the idea of providing some sort of information service for Canadian business. This is an appealing idea, but the Consortium might have some way to go before it could replace the Economist Intelligence Unit in this regard. Unless the Consortium were to become the EIU's respondent for Peru, at some point. Certainly, one could imagine the *Coyuntura* in the Consortium's Boletín becoming the standard for information about how the Peruvian economy is evolving. We could explore how to do this. Javier suggested the Consortium could do sectoral briefs.

15. Other options include making provision for Canadian PhD students to do field work in Peru, in member institutions of the Consortium. I think many students could be interested by such an opportunity, if they had sufficient advance warning.

16. Additionally, staff from the Consortium could go to Canada for short-term training (*pasatillas*) in specific areas, such as Mining Economics (at Queen's) or other areas of specialization, or even economic theory for certain people.

cc. Carlos Yuste; Teresa Pires; Yvan Robert; Javier Portocarrero and other members of the *Comité* if Carlos thinks this is a good idea.

Persons met: *Alan Fairlie Reinoso* (Universidad Católica)

Object : **Discussion of project proposal on regional integration**

File : “Third Country Problem”

Date : April 28, 1997

1. This researcher had submitted a proposal for consideration in the context of the Consortium. However, the proposal did not make the cut at Universidad Católica. This may be due to differences between Fairlie and the Director, but in truth, there are weaknesses in the proposal.
2. Not one easily to take no for an answer, Fairlie wondered if there might be possibilities of support in the context of an IDRC network. As it turns out, the proposal fits very well in the TEC PI's work program and is similar to ones we have received from Ecuador and Cuba. I agreed to an exploratory meeting with Fairlie to explore the options.
3. Carlos Yuste shared with me the evaluation of a previous piece by Fairlie and another researcher, which ILADES had just reviewed. That review is quite critical. While I would not write off Fairlie because of this (especially not without reviewing his work for myself!), some caution seems advised. The proposal itself suggests that the researcher is thoughtful and intelligent, the presentation is not as well structured or argued as it could be, and there are weaknesses in the methodology. There is a tendency not to distinguish between what is researchable and what is not, or between assertion and hypothesis. The background section seems quite detached from the research objectives proposed. One of the critiques made by ILADES is that the authors tend to make unsubstantiated (ideological) claims.
4. Prior discussions with Alberto Pasco-Font identified a second researcher at Católica who also works on trade and integration issues, Jorge Vega. Vega seems better known than Fairlie, so I went into the meeting with Fairlie thinking I would explore the possibility of a joint proposal by both of them.
5. Fairlie says he has worked together with Vega before and he would be happy to produce a joint proposal with him. They have different viewpoints. Vega is evidently more neo-liberal in his approach, and advocates a flat external tariff. Fairlie advocates a more discriminating approach. This strikes me as a perfect combination, as they will be able to “police” each other from making unfounded assertions of the sort ILADES seems to criticize.
6. Fairlie has a master's degree from the Instituto di Tella in Argentina (1988-90), and knows the CEDES people.
7. The aim of Fairlie's proposal would be to contribute to Peru's current negotiations in the context of the Grupo Andino, Mercosur and FTAA by studying the structure of Peru's trade with different groups of countries. His hypothesis is that there are complementary ways to proceed on various fronts, and that research could illustrate this by showing which sectors or product groups are of greatest importance in each case. Fair enough.



8. The trick is to find a way for researchers to make a contribution in a way which is not repeatedly overcome by events, which are moving very quickly on each front. To illustrate, here are some of the events which could condition the research:

- a. Peru just pulled out of the Grupo Andino a couple of weeks ago, over conflicting policies on the common external tariff. The Finance and Economics Ministry of Peru wants a flatter external tariff than the other Andean Group countries are willing to concede - then Fujimori got in the act, and seems to have acted precipitously in a game of brinkmanship with Colombia and Venezuela. At the Sucre ministers' meeting a week ago, it was decided to allow a 60 days cooling-off period before Peru's withdrawal becomes definitive. Peru had already virtually withdrawn from the Grupo Andino in 1992.
- b. Peru is currently engaged in negotiations with MERCOSUR
- c. For FTAA, the Belo Horizonte Ministers' meeting in May could have a large impact on the trade negotiations agenda for all of the Americas.

9. As Fairlie points out, even if Peru pulls out of the Grupo Andino definitively, there will be a need for bilateral agreements between Peru and others, as was done after 1992. Research should help identify those sectors where agreements would be most desirable. Fairlie says he and Vega have could links with the Ministry of Industry, and the Minister is himself from Católica. I will be looking for discussion of this in any revised proposal we receive.

10. Some of the type of work which Fairlie wants to do is also done by Rodriguez Gigena in ALADI, and I shared the ALADI documents which Gigena had given me with Fairlie. Some very interesting synergies could be envisaged here.

## **Conclusion**

11. Fairlie and Vega will prepare a revised proposal in which the background, objectives and methodology sections are more tightly integrated. From there, I will see what options there are for supporting the project, as part of a package.

12. If the project is sufficiently interesting, it might be possible to organize a small network of similar studies in each of the Andean Pact countries (Bolivia, Peru, Ecuador, Colombia and Venezuela). Such a project could be quite easy to organize, using E-Mail. What I like about it is that the methodology would likely be relatively straightforward. Let's see what Fairlie and Vega come up with first.

13. A proposal should be forthcoming within one month or so.

Persons met: *Alberto Pasco-Font* (GRADE)

Object : **Touching base with GRADE**

File : GRADE

Date : April 28, 1997

1. I report on my meeting with Alberto Pasco-Font separately under the entries for the Mining and the Community project and the Peru Consortium. Here, I just want to take note of a large project which GRADE is developing, that I should be aware of in future.

### **Project on post stabilization**

2. GRADE did a very large project on economic stabilization in 1988-90, in the run-up to presidential elections at the time of Garcia's departure from the scene. There was USAID and WB money for this, for a total of \$700k. It was done for CONFIEP (Confederación de Empresarios...), and was a very politicized project. Brookings was involved. Also Jeff Sachs. But it would have been better for GRADE if Vargas Llosa had won the elections. Evidently, there is less accessibility to the Fujimori government now than GRADE would like.

3. Now, GRADE would like to organize a second project of this sort, for the post-stabilization era. I can see how this might be similar to what CEDES has done in Argentina in Phase I and II of IDRC's current support for them, except that the CEDES project is a comparative one. Anyway, if they get funding for it, this project would start in 1998 and be ready for the year 2000. Javier Escobal and Jaime Saavedra are working on this now.

4. Alberto was not asking for IDRC support at this time, but wanted me to know about this in the context of the CEPAL and Consortium projects. He notes that GRADE involvement in the CEPAL project could have synergies with this initiative.

5. For my part, I wonder if this would not be a good project for the Consortium. I suppose GRADE would not want to share this with the Consortium if they can avoid it, but maybe funding for something like this could be easier for the Consortium. Can't really say at this stage.

6. I'll try to get more on this next time I am in Peru.

### **Documentation**

7. I am bringing back a report on GRADE's activities and staff for 1995.

Persons met: *Lourdes Tavares* (U. of Havana, Vice-Rector, International Relations);  
*Vilma Hidalgo* (Head of Research, Macro-Micro Dept.);  
*Nelida Gancedo* (Head of the Macro-Micro Dept.);  
*Carmen Quintela* (Researcher);  
*Juan Vela* (Rector);  
*Kenneth McGillivray*, (Associate Dean, Carleton University);  
*Juan Carlos Lerda*, (Regional Advisor on Fiscal Policy, CEPAL);  
*Jean-Jacques Bastien*, (Development Advisor, Canadian Embassy);  
*Antonio F. Romero Gomez* (Director, Centro de Investigaciones de Economía  
 International -- CIEI);  
*Nancy Madrigal* (CIEI, Heads their international trade section);  
*Elda Molina Diaz* (CIEI, international finance section)

Object : **Project monitoring and development: “Cuba MA” and “The Challenge of Reintegrating the World Economy for Cuba”**

File : “Cuba MA and pipeline “The Challenge of Reintegrating the World Economy, Cuba”

Date : April 30 - May 2, 1997

### **Economic research and training in the Universidad de Havana**

1. Although it is the most important university in Cuba by far, the Universidad de Havana only has about 8000 students. It is a relatively specialized university, including the social sciences, humanities and the natural sciences. Other faculties have been progressively hived off into separate universities, of which there are now six in Havana.

2. Economic training and research are done out of the Faculty of Economics, the Research Centre for International Economics (CIEI) and the Centre for Research on the Cuban Economy (CEEC). The Universidad de Havana is the “rector” university for all economic training in the country, so it makes sense that we should focus our efforts on them.

3. The basic degree is the licenciatura, which is basically a five-year BA, including a thesis in the last semester. Lengthwise, this sounds a lot like our MA, and the course load is quite heavy. Two degrees are offered, one in “global economics”, the other in enterprise management. There is increased attention to graduate training in economics at this time, and student loads have been reduced drastically at the undergraduate level, from 120/year to about 50 in terms of incoming student loads.

4. Graduate level training includes the Carleton MA (see pamphlet), a parallel MA program offered by the Faculty itself (offered in Spanish; see document that I am bringing back which describes the program) an MA in International Economics offered by CIEI, and a doctorate in International Economics which is just being set up by CIEI in collaboration with the University of Barcelona. The university also offers a doctorate based on thesis work, which I gather must be like the old Doctorat d’État in France. I did not get much information on this.

5. Most research is done in CIEI and CEEC. Staff in these centres have teaching obligations as well, but the course load is reduced: 4-6 hours a week compared to 12-14 in the Faculty. These

research centres enjoy better working conditions, as well. However CEEC does not just do research. They also collaborate with the Ministries on internal studies, and do a considerable amount of consulting work for state enterprise.

6. Economic research in the Faculty is only beginning, expect for the group on social policy, which is about 5 years old. All told there is a group of about 20 academics, most of whom took the Carleton program, wanting to use research as a vehicle for ongoing capacity building. Perhaps there is a longer tradition of research in political economy, since economics as a discipline did not exist in Cuba prior to the initiation of the Carleton program in 1993.

7. The physical infrastructure is good in CIEI and CEEC. Although researchers have access to limited office space (usually 2-5 researchers per room), working conditions are bright and pleasant. These Centres are located in the suburb of Miramar, when a number of related establishments are also located. Oddly enough, most research work is done from home, which and the offices look quite empty. .

8. The two centres share a library, which is fully computerized. Like elsewhere in Cuba, holdings are limited to what can be obtained free of charge. This includes considerable documentation from CEPAL, and whatever else they can obtain on a grant basis.

9. The Faculty is housed in a dilapidated building downtown, which looks like a bomb hit it. Offices and classrooms corresponding to the MA program are located on the twelfth floor, and the elevator has been out of operation for some time. This is as bad as anything I have seen in Africa. However, the facilities for the MA program itself are not so bad, thanks to outside resources, which have allowed the purchase of furniture and computer equipment. There is a library in the Faculty, which appears to be of limited use (I did not visit it), and a separate collection of some substance in the Macro-Micro department, purchased using Canadian funds or which they have been able to scrounge from various sources.

10. Access to computers is relatively limited, the average being about one computer for each 5 researchers, including some 386's, and at least one fossilized dinosaur from the XT/AT generation.

11. One thing I did not insist upon was to see what publications different centres have produced. That will have to be for next time.

## **MA program**

12. Teaching in the economics Faculty covers management as well as economics. There are five departments in all: Statistics and Computing, Marketing, Enterprise Management, Development Economics and Micro-Macro. Development Economics appears to include everything from the old school and I did not have any contact with them. The Department of Micro-Macro emerged at the same time as the Carleton MA in 1993. Before that, the focus was on the economics and management of the firm.

13. The change in orientation is required due to the growth of the “emergent” sector in Cuba, and the growing responsiveness of state enterprises to market forces.

14. I saw in Lourdes’ last report that Patricio Meller did some sort of evaluation of the program. I’ve never seen this, and asked Lourdes about it. We did not have the opportunity to dig it out while I was there, so I’ll try to find it in the file in Ottawa, and get back to Lourdes or Patricio if I can’t find it.

15. The first Cuban group to take the Carleton MA (class of 94/95) found it very difficult. They had difficulties with the language as well as the theory. Out of 32, only 7 passed without having to take any courses over. Fifteen passed in the end. Beginning with the second round, the involvement of Cuban counterparts who could teach in Spanish proved to be a great help, as did the introduction of preparatory courses taught by the Cubans. Most of the teething pains have passed now, and the fourth round gets underway in June. As Patricio Meller pointed out to me in Santiago, the Cubans did not have the background to take full advantage of MA level courses. He thinks it would have been better to organize a separate MA program separate to their needs.

16. There are now a large number of CEPAL and other Latin American economists teaching in the program (5 + 4 out of 19; see report that I am bringing back for the file). Lourdes had to fight for this, because CIDA would not accept it in the project design and Cuba at one point said they would rather not have any funding than do the MA on CIDA’s conditions. Generally, Lourdes is finding dealing with CIDA very difficult and time-consuming. She thought the delays for finalizing the project and contract procedures excessive, and points out that CIDA money has still not arrived. This is for a program which began last July or so.

17. Those from CEPAL do not charge for their time, and there is a reduction of costs to Carleton as a result (salaries plus associated overhead). Part of that saving may be allocated to development of teaching in public administration, and there are discussions going on in this regard among Kenneth McGillivray, Juan Vela and the CIDA representative in Havana, Jean-Jacques Bastien. Lourdes mentioned that the plan is to create a *cátedra* in public administration.

18. The other area where there may be potential savings is with the elimination of plans to send Cubans to Carleton for PhD training. There seems to be a general consensus that this would not be a good use of funds, for all the usual reasons. I suggested that they should consider shorter stays in Canada for Cubans (3-6 months) the way we have been doing in the RPI project. This idea was well received. I will follow-up on this in an ongoing way to ensure that appropriate synergies with the department’s research program are built into these *estancias*.

### **Research group in Micro-Macro**

19. Lourdes reiterated that it would not be appropriate to create a new research centre at this time. The opportunity may arise as part of general restructuring in the university. It is obvious to me that creation of a new research centre in parallel to CIEI and CEEC would be viewed with great suspicion. However, researchers trained in “non-orthodox” economics through the Carleton MA program have organized themselves into a group of sorts. Over time, it is their wish to create a

research centre. There are 20 members now, and they developed a two-year research program beginning in March 1986. There are four sub-groups covering macroeconomics, institutions, social policies, and international economics.

20. I have a background document which explains what they are trying to achieve through this program. As I understand it, one could say they are trying to establish a modern research culture, by undertaking modest research programs, and seeing how research is undertaken in other countries. They described this as capacity building in virgin territory. So far, 7 people have gone abroad (see report that I am bringing back), including 2 that went to IPEA in Brazil, without need of IDRC funding. They meet once a week to discuss their research proposals and progress, and organized a two-day workshop of about 30 people in January. I saw the papers from that workshop, and did not find them particularly impressive, but efforts are being made under difficult research conditions. They described their needs as follows:

- a. access to bibliographical materials
- b. "training" (contact) with counterparts working in similar areas in other countries - preferably for longer periods of 2-3 months
- c. workshops
- d. office materials - like paper (although this should not be a problem once the CIDA project comes on stream).

21. Five people are planning to go abroad soon. These include the two going to Bolivia (see letter), for which arrangements need to be made as soon as I get back, two more going to IPEA (no funding needs for this), and one going to CEDES in Argentina.

22. Vilma would like to take this program through the full two year cycle, and asked if IDRC resources and a second extension to July 1998 could be provided for this. Very little money is required, perhaps \$25,000 US, and I thought we could probably do this. I asked them to prepare an official request, and I will discuss it with Rohinton. I think it is important to build upon the achievements of the Carleton program, and that this constitutes an inexpensive way for IDRC to keep things moving. However, this will not prevent us from supporting more programmatic research in the TEC PI, as discussed below.

23. Access to information in Cuba is a problem, because so much of what they might need to do research is "classified". Vilma says they can sometimes access classified data, but cannot reproduce it in their research results. I expect a part of this situation may be transitory, since the problem seems to be less acute in CIEI and CEEC. The group claims to have good links in the Ministries. They were at pains to point out that they are being involved in certain courses as part of a special program to pave the way toward the creation of a Central Bank. The group considered that this was an important step toward recognition for them. [I think their role is quite marginal, and Bastien said the key people are coming from abroad, but I agree this is a step in the right direction.]

24. Another aspect of research is the very low level of salaries, which are around 400 pesos per month. What this signifies in dollars depends on the exchange rate which goes from 1 to 1 officially to 20 to one on the parallel market. Cubans have access to free health and education and very inexpensive accommodation. Then they have rations (the *libreta*), which gives them access to basic

needs at very low prices. However, a salary of 400 pesos a month still translates into poverty. It is estimated that 600 pesos are required per person to purchase the basic necessities of life (i.e. food). Getting out of the country for a few weeks at a time, and the per diems that this represents, thus plays a very important role, unofficially, in supplementing researchers' incomes, just as they have done for years in AERC. Considering that CIDA is spending millions to train these people, some effort to keep them in the profession seems like a good investment.

### National research programs

25. Current research in Cuba is organized around 12 national research programs. I have a pamphlet which describes these. The ones in the social sciences, using abridged titles, are the following:

- a. Global Trends in International Relations. This is headed by Antonio Romero, though not as director of CIEI. These programs are multi-institutional. The program has 28 projects, of which 4 are under CIEI.
- b. The Cuban Economy. Headed by Oswaldo Martinez, Director of the *Centro de Investigación de la Economía Mundial*, which is tied to the *Consejo de Estado*. Martinez is president of *Comisión de Asuntos Económicos* of the Cuban Parliament.
- c. Cuban Society.
- d. Tourism.

### About CIEI

26. As noted earlier, CIEI is involved in training as well as research. It has its own MA and PhD programs in international economics and participates in 5 other MA programs on campus, as well as undergraduate training in various disciplines. The MA program supports about 20 students full time (for two years) in addition to part time students.

27. CIEI has 24 staff working in three groups:
- a. Global trends (8)
  - b. International economics and integration (7)
  - c. International Money and Finance (5).

[The numbers don't add up to 24 because there is also the head of training and the Director, plus 2 people who are abroad right now.]

28. CIEI projects are indicated below by program. I indicate with an asterisk those that constitute priorities in the national program of the Global Economy mentioned earlier.

29. Nancy Madrigal Rodriguez heads the group on International Economics and Integration. There are five projects:

- a. Challenges of the WTO for Cuba
- b. Hemispheric integration
- c. Caribbean integration
- d. links with the European Union
- e. \*NAFTA

30. The international banking and finance group is headed by Mercedes Ruiz. There are two projects:

- a. \*FDI in LA in the 1990s - lessons for Cuba
- b. FDI in the Cuba/Mexico/Canada interface (if I understood right). Carola Salas is looking at this in ITAM Mexico, where she is doing a post master's thesis

31. The global trends network has three projects:

- a. \*Transitions in China, Vietnam, Eastern Europe and Russia
- b. The new technological paradigm
- c. \*long term trends in capitalism.

32. I am bringing back some information on the PhD program they are setting up with Barcelona. I am sure Arch Ritter and Kenneth McGillivray will be interested in seeing this. This program will be for staff of CIEL, who will take courses in blocks of limited duration, in Cuba itself, so they don't have to abandon their other duties entirely.

### About CEEC

33. CEEC has 21 researchers, divided into two groups. Eight people work on global, sectoral or structural issues; Thirteen work at the enterprise level, providing technical support for state enterprises. My interest was in the former group. Juan Triana, the Director, mentioned the following projects or project ideas, keeping in mind IDRC's PIs.

- a. a good part of their work involves cooperation in working groups in the Ministries, for example in industrial policy, the agro-livestock sector, and industrial restructuring; they do some things in conjunction with the *Instituto Nacional de Investigación Económica* in the Ministry of Economics and Planning [INIE is a government think tank with about 20 people. Good people, and do publish a trimestrial journal, so their work does get out. They do economic forecasting and modelling. CIDA works with them. However, I did not get a chance to visit them this time around.]
- b. Industrial economics, including issues of competitiveness.
- c. \*Employment issues, particularly as regards the new sector of the self-employed. There are possibilities for collaboration with the U. of Toronto here, in follow-up to Gustavo Indart's mission to Cuba.
- d. Social Policy
- e. Ongoing work on the Agricultural and Livestock sector, including attention to environmental issues.
- f. \*Sectoral implications of foreign investment in Cuba.
- g. Purchasing power estimation of Cuban national income in comparison to other countries
- h. Potential for setting up free trade zones in Cuba.

\*Refers to projects falling under the national "Cuban Economy" program of the Ministry of Science and Technology.



34. Contrary to the situation for researchers in the Faculty, it seems CEEC does not have any particular problems of access to data. They also do some of their own survey work, as required. Their needs are for computer equipment and training in research methodology (survey methods, for instance).

### **The CIEI project on Cuban Trade with Canada after NAFTA**

35. Cuba's isolation from current regional integration schemes means that the challenge for Cuba lies in its bilateral trade with other countries, notably Canada, Mexico and the European Union. IDRC has been discussing the idea of a collaborative project between CDAS and CIEI for some time, and I had offered comments on a previous draft before leaving on travel. Antonio Romero handed me the revised draft when we first met in Cuba.

[Tony Romero and Nancy Madrigal Rodriguez were in Canada for two weeks working with CDAS. They left a synthesis of the talks they gave in McGill, Focal/NSI, U. of Montreal and U. of T. with Rosalind Boyd. I look forward to seeing it.]

36. The idea of an important project to identify areas of trade and investment potential between Cuba and Canada is appealing, and could in principle constitute a very good investment. However, after reviewing the project, I was disappointed to see how weak the project remained, in terms of the hypotheses presented as well as methodologically. What this says to me is that the partnership with CDAS is not drawing as large dividends as I had hoped. They have done a good job in terms of process (identifying the parts of the project for budgetary purposes), but do not seem to have contributed much methodologically. Now that I have the CV of Frankman, the CDAS economist working on the project, I see that he probably does not have much expertise in this sort of very practical type of research. His work is more political-economic-North-Southish in orientation.

37. In terms of hypotheses, the project continues to be justified in terms of trade and investment creation and deviation. However, there is no reason in my mind to believe that this should be the major preoccupation for Cuba, because Cuban exports to Canada, as listed in the Kirk McMahon report are mainly primary goods, and probably not subject to very much in the way of protection in Canada in the first place. The hypothesis of possible positive benefits for Cuba as a defensive move by Canadian investors losing protected markets does not seem to me particularly tenable either.

38. In terms of methodology, the emphasis of the proposal on past and current Cuba-Canada trade and investment flows seems misplaced. If the intent is to identify areas for possible trade expansion, the past will tell us little. What we should be looking at are the dynamic sectors of the import trade in Canada from other countries, Cuba's productive structure and possible comparative advantage, and the nature of what Canada has to offer Cuba. Hardly a word is said of these things in the proposal. All this suggests the need for caution.

39. I discussed this with Jean-Jacques Bastien, and he pointed us toward the Trade Facilitation Office in Ottawa, which is funded by CIDA to help countries such as CIDA penetrate the Canadian market (!). He says he worked with them a lot when he was based in Eastern Europe. The office has developed programs in 12 countries of Eastern Europe. Their offices are on Sparks Street.

40. The project budget is for 192k, much of this going to pay for the CDAS contribution. One has to ask whether such a large investment is worthwhile, and whether the CDAS contribution is worth that much. Even from the Cuban side, one should ask if the research activities identified justify as much work as the budget indicates (one person full time for two years).

41. I asked Romero: "If IDRC offered you 192k, and asked you how you would like to spend it, would you allocate it in this way?". The answer is no. The project was conceived the way it was because a Canadian link was thought to be necessary, and because it was thought necessary to focus resources on a single project. Freed from these constraints, CIEI could support a whole program of research for three years with this much money, under the general heading of "The Challenge of Cuba's Reinsertion in the World Economy". However, Romero thought this would not constitute a fundable proposal. Well, why not?

42. We left it that CIEI would try to reformulate the project in these terms. An effort will be made to tap the project to help reinforce CIEI in an institutional capacity through purchase of books for the library and computer equipment. Subprojects will be on International Finance, WTO issues and "NAFTA". Hopefully the treatment of NAFTA will be enriched by our discussions concerning hypotheses and methodology the next time around. Later, I would discuss this with Lourdes, and expand the research program still further. See below.

43. A particularity of the CIEI project is that there is an amount for salary for Ignacio Vera. Vera is an intern, for now, and as such he only receives 180 pesos per month. The problem is that if IDRC accepts to cover his salary, we have to exchange dollars at an exchange rate of one to one. A better deal would be had if Ignacio travels to Canada and brings dollars back to Cuba to change (legally) on the parallel market.

### **Extending the CIEI project**

44. A particularity of CIEI is that they tend to look only outside the country. As Lourdes put it, that is not sufficient to allow them even to answer the limited questions about comparative advantage that they are asking themselves regarding trade to Canada. Cooperation with CEEC would be a useful complement to their view of the world. Similarly, cooperation with the Micro-macro group would encourage a closer look at policy issues, such as the exchange rate, which impinge on Cuba's success in promoting exports.

45. There are a number of reasons for believing that the best way for IDRC to support research in Cuba is by supporting a program of research involving not just CIEI but also CEEC and the Micro-Macro group. First, it is one of TEC's objectives to encourage research into the coherence of the policy package which impinges on trade; secondly, we do want to support research in the Micro-macro group as well, for projects of longer duration and specificity than the ones mentioned earlier; thirdly, there could be important synergies from collaboration among the various research groups; finally, there are quite a few project ideas in the pipeline, including Carmen Quintela's project on the exchange rate, Lourdes' project on tourism, and the project on FDI in CEEC.

46. Interestingly, there seems to be little resistance to this sort of collaboration in Cuba. My meeting with Lourdes was the last one of the day, so I was not able to get back to Antonio Romero before leaving, but let's see what the Cubans come up with. A selling point for CIEI is that collaboration with the micro-macro group gives them stronger access to CIDA funding. The CIDA project includes 80k for two major seminars/conferences, and 164k for research over five years (28k for textbook development and documentation; 83k for research capacitation; 38k for publications; and 26k for computers). Lourdes will work this CIDA contribution into the proposal to IDRC as a local contribution. We spoke of a 200k project over 3 years, though I suppose that might be negotiable up or down.

47. We agreed that a first draft proposal would be produced over the next month or two, in time for Lourdes and I to discuss it when she comes to Ottawa near the end of June. Each subproject should have a couple of pages explaining the research problem and the researchers' needs for support.

48. By sometime in the summer, the major diagnostic study which CEPAL is doing should be ready, and this may have some influence on the final configuration of the project. However, this does not prevent us from moving ahead with drafting at this stage. Lourdes is aware that we may have to go through several iterations. Too bad they don't have E-Mail. There is a major E-Mail component in the CIDA project, but all of the infrastructure (cables and such) is not likely to be up and running until December 1997 or so.

### **Misc. Networking**

49. Juan Carlos Lerda is an old hand on the MA Program and obviously very dedicated to it. He teaches in the area of fiscal policy, and advises the Ministry of Finance in Cuba. In CEPAL, he is responsible for fiscal issues for the next inter-governmental meeting of CEPAL.

50. He suggests that IDRC could contribute by bringing Cuban researchers together with others who have worked on dollarized economies. He pointed to a workshop on this in Santiago in 1993, which was published in ILADES's journal. Guillermo Calvo had presented something for Argentina. A good contact on this topic is a Mr. Savatana, a Uruguayan economist, who is now with the IMF. He has done a piece on 4 countries, including Uruguay, Bolivia, Argentina and one other.

Persons met: *Jean-Jacques Bastien* (Canadian Embassy)

Object : **Exchange with CIDA on aid to CUBA**

File : "Cuba"

Date : May 2, 1997

1. Bastien gave me a three page note on CIDA's program in Cuba, so I don't have to get into that here.
2. To summarize very quickly, the major elements are as follows:
  - a. first of all the tier one/tier two programs with Canadian universities: University of New Brunswick (700k over 5 years in oceanography); Carleton with 5M for the MA program in economics and other activities (English training, biotechnology, gender studies, business administration, communications); Simon Fraser and McGill with smaller projects on tourism.
  - b. a big project with the Ministry of Finance and Prices on the Cuban side and Revenue Canada (\$5M over 4 years)
  - c. A project on monetary policy involving the National Bank (about to become the Central Bank) (\$800k to 900k)
  - d. Support for the Ministry of Economics and Planning in the preparation for the 98/99 plan. This involves training in public administration, and as in all these cases, a large component for equipment. In all, 200 workstations, established in a networked mode, will be set up.
3. As can be seen from the above, CIDA's support involves each of the three major economic agents in the Cuban government. Bastien describes Canada's approach in terms of concern for governance issues, but says we are not being heavy-handed about it. The expectation is that we will have an impact over time, through contact. He contrasts this with the approach of the new Spanish government (conservative), which came in forcefully, and met with severe resistance. It seems the new Spanish ambassador has not been allowed to take up his functions. Canada has the second largest aid program in Cuba (6M/yr) after the Spanish.