

PROJECT AUTHORIZATION

Name of Country: PERU
Name of Project: Strengthening Health Institutions Project
Number of Project: 527-0319

1. Pursuant to Section 104 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Strengthening Health Institutions Project for Peru involving planned obligations of not to exceed Eighteen Million United States Dollars (\$18,000,000) in grant funds over a five year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is sixty three months from the date of initial obligation.

2. The project will improve the health status of Peruvians through greater coverage of quality primary health care (PHC) services, by testing the operational and financial feasibility of different PHC service delivery models. The resulting models will serve to develop and sustain cost recoverable PHC services within marginal income areas, as well as bring about improved collaboration and coordination between private and public sector health care providers.

3. The project consists of one cooperative grant agreement (CA) and one contract for training and technical assistance (T\TA). The CA will be awarded to the U.S. private voluntary organization (PVO) CARE, and the T\TA contract will be awarded following an RFP and Formal Competitive Negotiation to an international contractor firm.

4. Peru is presently under FAA Section 620(q) and Brooke-Alexander Amendment sanctions. These provisions prohibit A.I.D. from obligating funds for services that will directly assist Peru (either its people or its government/private institutions). However, FAA Section 123(e) permits the obligation of funds with a qualified private voluntary organization, for support to the ongoing and continuing program of the PVO. The T\TA contract will be competitively negotiated once these sanctions are lifted. The Mission has reasonable grounds to believe that these conditions will be met by the second quarter of FY92. Under the SHIP project, until such point that sanctions are lifted, there will be no services provided to any GOP institution.

5. The Cooperative Agreement and Contract, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Project shall have their source and origin in Geographic Code 000 and Peru (for local cost financing as set forth in paragraph 6.

below), except as A.I.D. may otherwise agree in writing. The suppliers of commodities or services financed under the Project, including those of ocean shipping services, shall have Geographic Code 000 and Peru as their place of nationality, except as A.I.D. may otherwise agree in writing.

b. Special Provisions

(1) To assist in the implementation of the project cooperative agreement, USAID from time to time will issue cooperative agreement involvement letters furnishing additional information on requirements about matters stated in the Agreement. Such letters shall not modify the terms of the Agreement.

(2) The Parties agree to establish an evaluation program as part of the Project and to carry out joint evaluations of the project. Except as the Parties otherwise agree in writing, the Program will include, during the implementation of the Project and at one or more points thereafter:

- (a) evaluation of progress toward attainment of the objectives of the Project;
- (b) identification and evaluation of problem areas or constraints which may inhibit such attainment;
- (c) assessment of how such information may be used to help overcome such problems; and,
- (d) evaluation, to the degree feasible of the overall development impact of the Project.

c. Waivers

(1) Waiver of 25 Percent Contribution Requirement

A waiver of the 25 percent contribution requirement is effective as of the date of the signature of this Project Authorization. (See attached waiver)

(2) Waiver for Non-competitive Award

A waiver for exception of competitive award procedures for the project's cooperative agreement with the PVO CARE\USA is effective as of the date of the signature of this Project Authorization. (See attached waiver)

(3) Authority for Project Authorization by the Mission Director

Although 620 (q) and Brooke-Alexander Amendment sanctions have prohibited the provision of A.I.D. assistance to the GOP, the intended award of grant assistance will be to CARE\USA for the performance of project activities under project component 1. CARE\USA

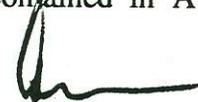
is a PVO registered with A.I.D.\W, eligible under Section 123(e) provisions, and meets the criteria for a sole source award of A.I.D. assistance.

6. Based upon the financial plan, the description of Project activities and implementation arrangements, local cost financing with appropriated funds is hereby authorized for the Project, as necessary to fulfill program objectives and to best promote the objectives of the Foreign Assistance Act. Local cost financing will be in accordance with A.I.D. HB 1B CH 18A, 1c and, pursuant to the Buy America Policy Guidance Cable (90 State 410442), the source, origin and nationality requirements of the Standard Provisions of the Cooperative Agreement and Grant will apply.

Pursuant to HB 5 Delegation of Authority Number 752, I have the authority to approve projects in amounts of up to U.S. Dollars 20 million and with lives-of-projects that do not exceed ten years. The A.I.D./Washington review of the SHIP project recommended Mission approval of the draft SHIP PID and development of the Project Paper for field authorization (reference cable STATE (91)259948, August 8, 1991).

Based on the above justification and that contained in the attached justification for waivers, by signing below I also hereby approve a waiver of 25 percent contribution requirement to the CARE cooperative agreement, as per the justification for and nature of solicited proposals; a waiver for non-competitive award of the cooperative agreement, as contained in A.I.D. Handbook 13, Chapter 2 para. 2 3b; over the five year life-of-project.

Date: September 28, 1991



Craig G. Buck
Director
USAID/Peru

Drafted by:HPN:AJWind:[id] _____
Cleared by: A/HPN:ENecochea:[id] _____
A/HR:HGoldman:[id] _____
A/PDP:EVarillas: cew _____
CONT:PKramer:[id] _____
RLA:JBorns:[id] _____
DD:BCKennedy: BCK _____

ENVIRONMENTAL DETERMINATION

Project Country: Peru
Project Title: Strengthening [Private Sector] Health Institutions Project (SHIP)
Project Number: 527-0319
Funding: FY91 - FY96 \$18.00 Million (CS, HE, POP)

A. Project Description

The Strengthening Health Institutions Project (SHIP) is designed to address some of the principal constraints to increasing the coverage of high quality primary health care services to low income populations in Peru. In particular, the project will help improve maternal/child health status indicators in the regions of Puno and Arequipa in the South, and Chiclayo in the North. The proposed \$19.0 million private sector intervention includes A.I.D. funding of \$18.00 million, and an estimated \$1,000,000 in project counterpart contributions from both the public and private sectors.

Since the project is focused on two separate geographical regions with differing socio-economic conditions (i.e. Puno and Arequipa in the South, and Chiclayo in the North), project components will support the accomplishment of the following objectives in each respective geographic area:

- 1) In the South -- the project will increase the coverage of high quality PHC services and test the potential for sustaining these services within marginal income communities. Long and short term technical assistance will be contracted under a cooperative agreement the U.S. based PVO CARE. The project will establish PHC systems for providing financial, technical and training assistance, as well as the procurement and distribution of pharmaceuticals. The Project's financial mechanism will employ sub-grants and contracts to finance and test various PHC delivery models developed and implemented by local private sector health care providers in Puno and Arequipa (e.g. NGOs, PVOs, private groups and universities). The estimated target population for increasing the coverage of PHC services in the South is 150,000 marginal income people. For this component, SHIP will provide \$5,942,000.
- 2) In the North -- the project will develop a self-sustainable network of health centers for the delivery of high quality PHC services to Peruvians of limited economic resources. Key outputs will include the establishment of a separate, private sector, self-sustainable primary health care organization (PHO). The PHO will incorporate a minimum of 11 health centers in the Chiclayo region. The self-sustainable model will be capable of covering all PHC network operational costs through a fee-for-service and cross-subsidy pricing structure. An international contractor will provide both long and short-term technical assistance in establishing and managing the PHO. The international contractor, in turn, will contract locally the services of a management support unit (MSU) for the development and implementation of systems for social marketing, finance, information dissemination, and the procurement and distribution of

pharmaceuticals. The estimated cost is \$10,158,000. The project's PHC network will provide high quality health care coverage to approximately 300,000 low income people in the northern zone of Chiclayo, and a significant number of employment opportunities for local professional medical personnel and related technical assistance.

A third component of SHIP will fund a series of operational research and other technical studies designed to provide guidance and support for project activities. Studies in the north include baseline data surveys for tracking project results, social marketing and financial analyses, and other technical and applied research activities. Studies for the southern component will be defined once the project's system for reviewing proposals for PHC sub-grant and contracted assistance is fully developed. This component will also fund external project evaluations. Total cost of the project component is \$500,000. Approximately US\$1,400,000 in project funds will also be provided for the services of two USAID PSCs.

Project funds will be obligated through a cooperative agreement and a Training/Technical Assistance (T/TA) contract: one CA with the U.S.-based PVO CARE, to be obligated in FY91, and the other T/TA contract to be competitively negotiated in FY92 for the accomplishment of the project activities of in Chiclayo. The procurement of project studies (most likely through buy-ins to centrally funded projects as appropriate), PSCs, and project audits and evaluations, will be carried out by USAID/Peru with funds obligated in FY91 under the first Cooperative Agreement.

B. Project Goal and Purpose

The goal of the proposed project is to improve the health status of Peruvians through greater coverage of quality primary health care (PHC) services. The project purpose is to test the operational and financial feasibility of different PHC service delivery models. The resulting models will serve to develop and sustain cost recoverable PHC services within marginal income areas, as well as bring about improved collaboration and coordination between private and public sector health care providers.

C. Identification and Evaluation of Potential Environmental Effects

The project will have no significant environmental effects. The activities will have no direct effect on the physical environment. The project is for the provision of health care, nutrition, and family planning services. Beyond the effective re-modeling of current MOH health centers and other facilities in urban Chiclayo and Lambayeque, it is likely no new construction will take place. Should however a decision be made that MOH facilities are inadequate, requiring the construction of two centers, an environmental impact examination will be conducted prior to the RFP of the T/TA contract. The assistance to be provided, through one Cooperative Agreement and one principal contract for services, will be primarily used for technical assistance, training, and the provision of primary health care services.

D. Statement for Categorical Exclusion

On the basis of the discussion above, it is the opinion of USAID/Peru that the project does not require an initial environmental examination, because its activities are within the classes of actions described in Section 216.2, Paragraphs c(2)(i) and (viii) cited below. The project is categorically excluded from further environmental review pursuant to 22 CFR 216, as indicated below:

Section 216.2 c(2)(i):

The action does not have an effect on the natural or physical environment.

Section 216.2 c(2)(viii):

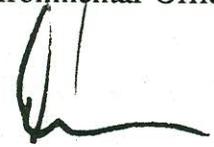
Programs involving nutrition, health care or population and family planning services except to the extent designed to include activities directly affecting the environment (such as construction of facilities, water supply systems, waste water treatment).

Concurrence of the Mission Environmental Officer and the Director:

I have reviewed the above statement and concur in the determination that the "Strengthening Health Institutions Project" qualifies for Categorical Exclusion (A.I.D. 216.2 (c)) and does not require an Initial Environmental Examination.




Dewey Cárdenas
Mission Environmental Officer


Craig G. Buck
Director, USAID/Peru

CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

DATE: September 13, 1991

We wish to inform you of proposed actions in the Agency's programs during Fiscal Year 1991:

- Centrally Funded (Sub-Sahara Africa) - EDESA S.A. Resource Mobilization Guarantee Facility
- Centrally Funded (Tunisia) - Banque Internationale de Arabe de Tunisie (BIAT)
- Peru - Upper Huallaga Area Development
- Centrally Funded (Sub-Sahara Africa) - Private Enterprise Fund for Africa (PEFA) Direct Loan Facility
- Eastern Europe Regional - Independent Media
- Centrally Funded - AlphaGraphics Franchise Guarantee Facility
- Europe & Near East Regional - Palestinian-Israeli Cooperation Program
- Centrally Funded (Costa Rica) - Corporacion Privada de Inversiones de Centroamerica - Direct Loan Facility - Costa Rica
- Centrally Funded (Eastern Europe Region) - Eastern Europe Enterprise Funds
- Centrally Funded (Hungary) - PCI Hungarian Fund
- ROCAF - Central American Development Coordination Commission (CADCC)
- Benin - Children's Learning and Equity Foundations
- Peru - Strengthening Private Sector Health Institutions Project
- Centrally Funded (Poland) - Polish Enterprise Fund
- Bolivia - Child Survival Network II (OPG)
- Dominican Republic TN - Export and Investment Promotion
- Jamaica TN - Health Sector Initiatives
- Centrally Funded TN - Market and Technology Access
- Centrally Funded TN - Environmental and Natural Resources Policy and Training
- Guatemala TN - Rural Electrification
- Philippines TN - Family Planning Assistance
- Philippines TN - Health Finance Development
- Philippines TN - Rural Electrification
- Philippines TN - Private Sector, Investment & Trade Opportunities
- Centrally Funded TN - Energy Technology Resources Asst.
 - Improved Animal Vaccine thru Biotechnology
 - Agricultural Policy Analysis
- American Schools and Hospitals Abroad - Fudan Center for American Studies, Shanghai, China

Centrally Funded TN - Micro-Lending Guaranty Fund Project
Centrally Funded TN - University Development Linkages
- Program Development and Support
- Conservation of Biological Diversity
- Family Planning Service Expansion and
Technical Support
The Gambia - Financial and Private Enterprise (FAPE) Program
Caribbean Regional TN - Caribbean Justice Improvement
- Small Enterprise Assistance
Centrally Funded TN - Health Resource Support
- ORT-HELP
- Maternal & Neonatal Health & Nutrition
- Water and Sanitation for Health III
- Data for Decision Making in the Hea Sec
(DDM)
- Applied Re and Child Surv Serv (ARCSS)
Philippines - Philippine Capital Infrastructure Support Project
Ecuador TN - Ag Sector Reorientation Program

The attached notification was sent to the Hill on
September 13, 1991. Obligation may be incurred on September 28,
1991.

Barbara A. Bennett
Barbara Bennett
Program Presentation Division
Bureau for Legislative Affairs

13 SEP 1991

765

AGENCY FOR INTERNATIONAL DEVELOPMENT
ADVICE OF PROGRAM CHANGE

Date:

Country : Peru
Project Title : Strengthening Private Sector
Health Institutions Project
Project Number : 527-0319
FY 1991 CP Reference : None
Appropriation Category : Population (PN), Health (HE),
and Child Survival (CS)
Life-of-Project Funding : \$15,330,000 (G)
: \$ 3,000,000 (PN)
: \$ 1,000,000 (HE)
: \$11,330,000 (CS)
Intended FY 1991 Obligation : \$ 3,025,000 (CS)

This is to advise that A.I.D. Intends to obligate \$3,025,000 in FY 1991 from the Child Survival Appropriation for the Strengthening Private Sector Health Institutions Project in Peru.

The purpose of the project is to evaluate and identify models of private primary health care services delivery which improve access, coverage, efficiency, and sustainability in two areas of Peru.

This is a new project that was not presented in the FY 1991 Congressional Presentation.

Annex: Activity Data Sheet

ACTIVITY DATA SHEET

PROGRAM: Peru	TITLE: Strengthening Private Sector Health Institutions Project	FUNDING SOURCE: Child Survival, Population, Health	PROPOSED OBLIGATION (in thousands of dollars): 3,025	LIFE OF PROJECT (Months): 15,330
NUMBER: 527-0319	STATUS: <input checked="" type="checkbox"/> LOAN <input type="checkbox"/> NEW <input checked="" type="checkbox"/> CONTINUING <input type="checkbox"/>	PRIOR REFERENCE: None	ESTIMATED FINAL OBLIGATION FY 95: 3,025	ESTIMATED COMPLETION DATE OF PROJECT FY 97: 15,330
INITIAL OBLIGATION FY 91: 0	ESTIMATED FINAL OBLIGATION FY 95: 3,025			

Purpose: To evaluate and identify models of private primary health care services delivery which improve access, coverage, efficiency, and sustainability of services in two areas of Peru.

Project Description: Critical health care priorities are not being addressed by the public sector in Peru. Inadequate budget resources, inefficient management and administration of delivery services, and poor allocation of personnel and other medical resources are some of the key constraints. The SHIP Project is designed to address some of the principal constraints to increasing the coverage of high quality primary health care services to low income populations. In particular, the project will help improve maternal/child health status indicators in the regions of Puno and Arequipa in the South, and Chiclayo in the North. In the South, and under a Cooperative Agreement with CARE, systems will be established for providing financial, technical, and training assistance, as well as the procurement and distribution of pharmaceuticals. A financial mechanism will employ sub-grants and contracts to finance and test various primary health care delivery models developed and implemented by local private sector providers and service organizations, including provider group practices, PVOs, NGOs, cooperatives, and universities. In the North, a private sector contractor will develop a self-sustainable network of health centers capable of generating sufficient revenues to provide quality services to the poor and indigent through a cross-subsidy pricing system.

Sustainability: Recurring costs of project PHC services in the South beyond the LOP will be addressed primarily through funding and in-kind assistance to be provided by the Regional Government Health Budget from both Puno and Arequipa and by means of the sustainable PHC service models to be developed. The self-sustaining PHC model in the North will generate revenues to cover approximately 80-100% of the operational costs of the network.

Relationship to A.I.D. Country Strategy/Objective: This project responds to the strategic objective of improved health status through access to quality primary health care.

Host Country and Other Donors: Peru continues to be under 620(q) Brooke-Alexander Amendment sanctions, limiting the degree of cooperation with the host country. The proposed project will build on the continuing efforts of the U.S. PVO CARE in the southern area, and provide a framework for policy issues to be

addressed by future non-project assistance. The proposed project will support the vital technical role of the private sector in the provision of services, and is thus complementary to continuing bilateral and multilateral efforts with the public sector.

Beneficiaries: Children under five, pregnant and lactating women, working class and indigent families in the two project areas as well as private primary health care, nutrition, food security and community organizations.

Major Outputs:

- one self-financed not-for-profit private primary health organization established and managing a network of 11 centers.
- grants for extension of primary health care coverage
- mechanism for NGO and public-private health collaboration
- studies and seminars for health policy dialogue

A.I.D. Financed Inputs:

Technical Assistance/Training	4,926
Commodities	1,579
Operational Costs	4,482
Sub-grants	2,240
Facilities Renovation	1,157
Policy Development/Dialogue/Studies	946
Total	15,330

U.S. FINANCING (in thousands of dollars)		Commitments	Expenses	Unexpended
Through September 30, 1989	0	0	0	0
Estimated Fiscal Year 1990	0	0	0	0
Estimated Through September 30, 1990	0	0	0	0
Proposed Fiscal Year 1991	3,025	12,305	15,330	15,330

PRINCIPAL CONTRACTORS OR AGENCIES	
1. CARE (for the South)	
2. Competitively Selected private sector contractor (for the North)	

memorandum

DATE: 9/26/91

REPLY TO
ATTN OF:

Dewey Cárdenas

Thru:

Rudolfo R. Griego, Chief OPA

SUBJECT:

Strengthening [Private Sector] Health Institutions Project (SHIP)
527-0319

TO: Alonso Wind, HPN

After reviewing the PID and in accordance with my conversation with Howard Clark (REA), I describe the following:

1. The different actions of the SHIP Project on the three components:

a) In the south, Puno and Arequipa, will increase the coverage of high quality PHC services and test the potential for sustaining these services within marginal income communities.

b) In the north, Chiclayo, will develop a self-sustainable network of health centers for the delivery of high quality PHC Services to Peruvians of limited economic resources.

c) A third component to provide guidance and support for project activities.

They do not have an effect on the natural or physical environment. These activities are health programs.

2. The SHIP does not include new construction.

For that reason, I recommend that the SHIP qualifies for categorical exclusion (AID 216.2 (c)) and does not require an IEE.

(3201M)

HPN

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON, D.C. 20523

LAC-IEE-90-99

ENVIRONMENTAL THRESHOLD DECISION

- Project Location : Peru
- Project Title : Strengthening (Private Sector) Health Institutions Project (SHIP)
- Project Number : (527-0319)
- Funding : FY91 - FY96 \$18.00 Million (CS, HE, POP)
- Life of Project : 5 Years
- IEE Prepared by : Alonzo Wind
USAID/PERU/HPN
- Recommended Threshold Decision : Categorical Exclusion
- Bureau Threshold Decision : Concur with Recommendation
- Comments : None
- Copy to : Craig Buck, Director
USAID/Peru
- Copy to : Alonzo Wind, USAID/Peru
- Copy to : Howard Clark, USAID/Ecuador
- Copy to : Carrie Thompson, LAC/DR/SA
- Copy to : IEE File

James S. Hester Date SEP 30 1991
 James S. Hester
 Chief Environmental Officer
 Bureau for Latin America
 and the Caribbean

USAID / ECUADOR
c/o American Embassy

U.S. MAIL ADDRESS: USAID Quito - APO Miami, FL 34039-3420
FAX NUMBER: 593-2-561-228 PHONE NUMBER: 593-2-521-100

FAX COVER SHEET

DATE: September 16, 1991

PRIORITY: Routine X Urgent

FAX No. 5114- 337034

PLEASE DELIVER TO: Alonzo Wind, HPN
USAID/Lima

FROM: Jeffrey Borns, RLA

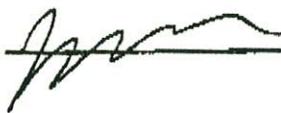
OFFICE: RLA PHONE OR EXTENSION: 211

Number of pages including this cover sheet: 1

Subject: RLA clearance of SHIP Project Authorization

Message:

Based on your September 13, 1991 fax (14 pages), RLA provides final clearance for the SHIP Project.

Office Chief signature 

ACTION MEMORANDUM FOR THE MISSION DIRECTOR

DATE: September 13, 1991
FROM: Alonzo Wind, HPN
THRU: Edgar Necochea, A/HPN
Heather W. Goldman, A/HR



Strengthening Private Sector Health Institutions
Project (SHIP) 527-0319

SUBJECT: Strengthening Health Institutions Project
(SHIP: 527-0319): Approval of Project Paper and Project
Authorization Document

I. PURPOSE

The purpose of this Action Memorandum is to submit the following documents for your approval:

- A. Subject Project Paper
- B. Authorization Document

II. DISCUSSION

The Strengthening Health Institutions Project Identification Document was reviewed by the Bureau for Latin America and the Caribbean on June 27, 1991, at a meeting chaired by LAC/DR Deputy Director Elena Brineman. The review recommended Mission approval of the SHIP PID and proceed with the development of a Project Paper for field authorization. The PID was approved by the Mission on July 25, 1991.

Drawing on the approved PID, and based on a series of intensive field-based analyses, the subject Project Paper was developed by a large team that included Alonzo Wind and Laura Altobelli from USAID/Peru, Carol Dabbs of LAC/DR/HPN, Michael Lofstrom of International Development Assistance, Rolf Stern of Stern & Compañía, Dr. Frederick Hartman of the New England Family Health Association, Rose Schneider and Dr. Eugenio Morice from the regional Health and Nutrition Sustainability (HNS) Project, Loren Finnell from the Resource Foundation, representatives from CARE/Peru and CARE/Bolivia, and Dr. Martin Makinen from the Health Financing and Sustainability (HFS) Project. Technical support was also provided by Gerardo Arabe and the Controller's Office through Paul Kramer, Jerry Martin, Kenneth Frith, and Max Patrucco.

The PP was reviewed in several draft versions during the month of August by the Project Committee. It was presented and discussed with the Regional Contracting Officer September 3-6. The document has also been reviewed in Quito by the Regional Legal Adviser. It was presented to the Project Committee and Senior Mission Management in final draft form for review on September 6, 1991, and was recommended for approval at a meeting on September 12. All recommendations and suggestions have been addressed and/or incorporated into the PP document.

Implementing Agency:

The project contains four principal components. Three components, including two that will provide USAID monitoring and technical support, will be implemented through a Cooperative Agreement with the U.S. based PVO CARE. The fourth component, comprised of a Training and Technical Assistance (T/TA) Institutional Contract with an international firm, will be awarded following an RFP and formal competitive negotiations, once USG sanctions are lifted.

USAID/Peru will make available assistance to CARE using the authority contained in the 123(e) Determination signed by the Acting Administrator on September 19, 1989 and Notifications sent to the Speaker of the House and to the Chairman of the Senate Foreign Relations Committee on September 10, 1991, which allows continued support for programs of PVOs already being supported prior to the date that prohibitions such as those contained in FAA Section 620(q) and the Brooke-Alexander Amendment last became applicable. CARE has been receiving support from A.I.D. without interruption since before August 2, 1989 and September 1, 1989, the dates on which the above sanctions entered into effect.

Justification of the Selection of CARE as Recipient:

The Regional Contracting Officer has determined and the GC/LAC has concurred (via fax dated August 1, 1991) that a noncompetitive Cooperative Agreement to CARE is justified on the grounds of predominant capability based on experience and program in Peru.

Justification for Waiver of 25 Percent Contribution Requirement:

It is the policy of A.I.D. that a 25 percent contribution to total life-of-project costs from non-Federal funds is required for operational program grants (OPGs) and operational program cooperative agreements (OPCAs) to PVOs. Although it is not mandated by legislation, A.I.D. has administratively determined to establish this requirement. This non-Federal contribution may include cash and in-kind contributions from PVOs, local collaborators and other non-governmental donors as well as from host governments, other governments and international organizations.

The Mission considers that a waiver of the 25 percent contribution requirement to the CARE Cooperative Agreement is justified on the grounds that this is not a typical PVO project in which A.I.D. receives a proposal from the PVO requesting A.I.D. assistance in carrying out one of their programs. Rather, in this case A.I.D. has selected CARE to be the implementing agency of component 1 (MAXSERV) of the Strengthening Health Institutions Project (SHIP). The Mission has a fundamental interest in the SHIP Project because it is a crucial element in the Mission Health Strategy and Country Development Strategy Statement.

For these reasons, it is inappropriate to require CARE to be responsible for project implementation of the MAXSERV Component of the SHIP Project and at the same time be required to comply with A.I.D.'s 25 percent contribution criteria. Nevertheless, the Project Paper prescribes a substantial effort to be made by CARE and the sub-grant recipients of the MAXSERV Component to achieve cost recovery and the sustainability of activities and outputs.

This waiver is not necessarily applied to the LOP funding of the SHIP project, given that the Mission expects a substantial in-kind contribution from the Regional Government of Nor-Oriental del Marañon for the district health centers, calculated at \$1,000,000. In addition, USAID considers it probable that anticipated revenues from service fees will exceed the 25 percent contribution criteria. Nonetheless the Project Paper budget reflects only the Regional Government in-kind contribution.

Congressional Notification:

Congressional Notification No. 765 dated September 13, 1991 will expire on September 27, 1991.

Funding:

Budget allowance in the amount of \$3,025,000 (OYB) has been received via STATE 060775 para 4, dated February 26, 1991.

Environmental Determination:

The Mission Environmental Officer recommended that this project qualifies for a categorical exclusion under Section 216 of Regulation 16 (Appendix 2D to Chapter 2 of A.I.D. Handbook 3) and does not require an initial environmental examination. Specifically this project falls under Section 216.2(c) of A.I.D.'s environmental procedures, which exclude the requirement of an initial environmental examination or any environmental documentation for:

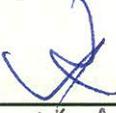
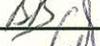
- "educational, technical assistance, or training programs"
- "analyses, studies, academic or research workshops and meetings", and
- "programs involving nutrition, health care or population and for planning services except to the extent designed to include activities directly affecting the environment".

The Regional Environmental Advisor and the Mission Environmental Officer approved the recommendation for categorical exclusion from any project environmental examination on September 25, 1991. A copy of the LAC\DR\E Environmental Threshold Decision will be pouched to the Mission for inclusion in the Project files.

III. RECOMMENDATION

Per HB 5, Delegation of Authority No. 752 you are redelegated the authority to authorize the Project Paper in the field. The project committee thus recommends that you sign the attached documents on the basis that all appropriate analyses and A.I.D. requirements have been adequately addressed.

Attachments: **Project Authorization**
 Project Data Sheet
 Project Paper

Clearances: **PSDI:RSalinas:** 
 PRC:BBlotte: 
 FFD:GBaldino: 
 A/PDP:EVarillas: 
 CONT:PKramer: 
 DD:BCKennedy: 