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AGENCY FOR INTERNATIONAL DEVELOPMENT

**PROJECT PAPER FACESHEET**

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2. COUNTRY/ENTITY: PERU

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4. PROJECT NUMBER: 527-15-190-143

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6. ESTIMATED FY OF PROJECT COMPLETION: FY 78

7. PROJECT TITLE - SHORT (stay within brackets): Campesino Para-Technician Training

8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION: a. INITIAL mo. yr. 5 | 76    b. FINAL FY 77

9. ESTIMATED TOTAL COST (\$000 or equivalent, \$1 = 1)

a. FUNDING SOURCE	FIRST YEAR FY 76			ALL YEARS		
	b. FX	c. L/C	d. Total	e. FX	f. L/C	g. Total
AID APPROPRIATED TOTAL		100	100		250	250
(Grant)		100	100		250	250
(Loan)						
Other						
U.S.						
HOST GOVERNMENT		171	171		443	443
OTHER DONOR(S)		42	42		110	110
<b>TOTALS</b>		<b>313</b>	<b>313</b>		<b>803</b>	<b>803</b>

10. ESTIMATED COSTS/AID APPROPRIATED FUNDS (\$000)

a. Appropriation (Alpha Code)	b. Primary Purpose Code	c. Primary Tech. Code	FY 76		FY 77		FY 78		ALL YEARS		
			d. Grant	e. Loan	f. Grant	g. Loan	h. Grant	i. Loan	j. Grant	k. Loan	
FN	150	031	100		150					250	
<b>TOTALS</b>			<b>100</b>		<b>150</b>			<b>80</b>		<b>250</b>	

11. ESTIMATED EXPENDITURES: 50    120    80

12. PROJECT PURPOSE(S) (stay within brackets)  Check if different from PID/PRP

To establish a cadre of campesino para-technicians who will introduce improved management and agricultural production practices and also serve as a channel of communication between the management and small farmer membership of socio-economic groupings known as Associative Enterprises.

13. WERE CHANGES MADE IN BLOCKS 12, 13, 14, or 15 OF THE PID FACESHEET? IF YES, ATTACH CHANGED PID FACESHEET.

N/A     Yes     No

14. ORIGINATING OFFICE CLEARANCE

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Title: Director, USAID/Lima

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SUBJECT: CAMPEÑO PARA-TECHNICIAN TRAINING GRANT PP  
REF: STATE 088907

1. SUBJECT PROJECT IS HEREBY APPROVED AT A LIFE OF PROJECT LEVEL OF 250,000 DOLS; WITH 100,000 DOLS IN FY 76. USAID IS AUTHORIZED TO NEGOTIATE A PROJECT AGREEMENT CONSISTENT WITH THIS APPROVAL. ROBINSON

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## Part 1. SUMMARY AND RECOMMENDATIONS

### a. Recommendations

USAID/Peru recommends AID/W authorization for a total Grant of US\$250,000 (\$100,000 in FY 1976 and \$150,000 in FY 1977) to assist the Government of Peru to develop managerial and technical skills among poor farmers who have been grouped into cooperative-type farming enterprises, known as "Associative Enterprises", under Peru's Agrarian Reform Program.

### b. Description of the Project

Most of the almost 1,000 cooperative farm enterprises (Associative Enterprises) formed to date and comprised of approximately 250,000 small farmers and their families (a total population of approximately 1.5 million), established under Peru's wide-sweeping Agrarian Reform Program, are experiencing formidable problems, as might be expected with the sudden removal of hacienda owner/management and their replacement largely by inexperienced and untrained laborers. The main problem stems from a general lack of managerial/administrative and technical production skills among the Associative Enterprise (AE) members and failures of communication between Government placed AE managers and the AE members. The National Training and Research Center for Agrarian Reform (CENCIRA), the Government of Peru agency charged with training and preparing the AEs to become viable and productive organizations, has been searching for alternative mechanisms to provide AE members with adequate training. The Food and Agriculture Organization of the UN has been providing technical assistance to CENCIRA professionals at the national level. The Dutch Government has been providing limited assistance to CENCIRA for a training center (the CEDESCA Center) for a group of AEs in Peru's northern Department of Lambayeque. (See Attachment A.) AID has also provided some limited assistance to establishing another CENCIRA training center in the northern Peruvian Department of Piura. (See Attachment B) AID technical assistance to CENCIRA is provided thru advisory services of a farm management specialist under the Iowa State University contract, and part-time services of a PSC (Cooperative Advisor).

Recently, CENCIRA received a mandate to accelerate actions to meet the growing and critical manpower training needs of the AEs. To achieve this, CENCIRA will substantially decentralize its activities out of its headquarters in Lima and into the country-side. CENCIRA is committed to its new mandate and is prepared in 1976 to decentralize initially into five of Peru's

eleven proposed administrative zones and to get technical teams underway in these areas. CENCIRA realizes it must select training mechanism which maximize the use of its limited number of technicians to reach the largest number of AE members.

The purpose of the project is to develop technical and managerial skills among farmer AE members and to develop an on-going, self-sustaining process whereby AE members will eventually largely provide the financial and human resources from among their own member ranks to better manage their cooperative farm enterprises. This project being assisted by A.I.D. is considered both experimental and demonstrational in that it will concentrate on a limited, selected number of AE project sites with the intention of being replicated on a national basis. Under the project A.I.D. will provide partial but critical financing to assist CENCIRA in training key farmer members of the pilot project AEs to serve in the capacity of para-technicians for managing and meeting many of the daily technical production problems of their own farm enterprises.

The project will involve 30 selected AEs in 3 zones selected by CENCIRA to initiate its decentralization efforts. There will be roughly an average of 300 members per AE for a total project target population of approximately 9,000 small farmer AE members and their families, (or a total of approximately 54,000 Beneficiarios). To achieve the project purpose, selected AE members will be trained to serve as a core of trained managers/administrators, as well as extension-type field advisers and promoters. The training will be provided by CENCIRA both at a central training facility within the zone and on-farm sites.

CENCIRA will primarily be responsible for drawing up the types of training courses most needed by the particular AE, although AE members will be closely consulted as to the precise nature of their most critical training needs. CENCIRA may also draw upon other Peruvian Government agencies in the area to design and deliver course instruction.

Several AE members from each AE will be trained in a particular critical skill and these "trainees" will later work for the AEs as managers-in-training and other para-technicians, for a period of approximately one year each. A.I.D. will provide for training costs of AE members, as well as partial salaries of those among the "trainees" who will be hired by the AEs as managers/administrators and other field type para-technicians. The AEs will absorb an increasing share of the cost of the training and salaries of

para-technicians during the two year project life, after which they will assume complete cost.

The ultimate objective of this project is to increase the capability of associative enterprises to provide economic and social benefits to their members.

Indications of successful purpose attainment at the end of the 2 year project life include:

(1) Applications for loans to the Agrarian Bank from participating AE's for investment and production will be significantly greater than those of non-participating AE's.

(2) The rate of loans approved by the Agrarian Bank for participating AE's will be significantly greater than those of non-participating AE's.

(3) The accounting records of participating AE's will meet minimum Peruvian legal standards.

(4) Turnover among management and administration Board and staff will be significantly lower than in non-participating AE's.

(5) Participating AE's will assume costs for trainees as planned.

(6) Participating AE's will continue to nominate candidates for remaining years of project.

(7) Attendance by AE members to regular meetings will have increased significantly.

### c. Summary Findings

The elimination of large land holdings and their transfer to former farm workers within collective farming enterprises, known as "Associative Enterprises", has been quite successful to date. (See Annex A for detailed Background on Peru's Agrarian Reform.) Nevertheless, the new Associative Enterprises face serious economic and social problems. Many are on the verge of bankruptcy or are practically decapitalized. Virtually all need management assistance and increased supplies of credit. The speed and broad extent of the expropriated/transfer process has created its own set of problems.

It is generally believed that CENCIRA alone with its limited number of technical personnel cannot serve the needs of the Associative Enterprises with respect to training in cooperative farm

management and improved production techniques. This experimental project is designed to demonstrate that drawing upon local small farmers to serve as para-technicians for meeting the major share of management/technical skill needs of their own Associative Enterprises represents a desirable strategy that will reach the largest number of beneficiaries at a minimum of cost. Significant economies are achievable through the creation of low cost training facilities which make the maximum use of local talent and financial contribution and require relatively little outside support. Only relatively small CENCIRA staff will be required to reach a target group which would otherwise demand substantially more outside assistance and support.

The general lack of communication, and often distrust, between the Government appointed managers and the farmer members has been a serious, chronic problem affecting the performance of many Associative Enterprises. This "communication gap" has resulted in frequent resignations and high management turnover. The project provides a unique opportunity for the rural poor farmers to better their socio/economic status largely through their own efforts. The project seeks to avoid the patronizing traditional authoritarian methods of technology transfer mechanisms and aims at establishing a two-way dialogue that will draw the Associative Enterprises member target group into every phase of the decision-making, planning and implementation cycle of the technology transfer process. This approach is particularly appealing in Peru where the Revolutionary Government places the highest priority on a development strategy in which economic development is linked to the broadest popular participation (especially by the poor) in the country's economic, social and political life.

USAID/Peru and CENCIRA staff have worked closely to develop this project and have also coordinated extensively with FAO and the Dutch Government, both of which are providing assistance to CENCIRA. The project has been determined to be of high priority to the Government of Peru. It directly supports and reinforces the Government's comprehensive Agrarian Reform Program in that it offers a potentially highly significant impact for improving efficiency of production of the newly created Associative Enterprises. It is the Mission's judgement that the A.I.D. assistance being provided to CENCIRA under this project can bring about considerable economic and social benefits to Peru's rural populations, especially once the training approach demonstrated in the project pilot sites is replicated throughout Peru.

GOP funding for the project will be contained in the 1976 and 1977-78 biennial budget of CENCIRA. (Annex F, Grantee's Application for Assistance, indicates CENCIRA's intention to provide resources to replicate this pilot project throughout the country, if the techniques being demonstrated under the project prove effective.) The Mission has determined that the additional funding required of CENCIRA as a result of this project does not impose an excessive burden on its current or future resources. The project meets all applicable statutory criteria, as recorded in the Statutory Criteria Checklist, contained as Annex E to this Project Paper. It is the opinion of USAID/Peru that this project is ready for approval and implementation.

d. Project Issues

(1) Target Group Selection. This experimental training effort will, if expanded according to CENCIRA's mandate, reach only about 25% of the farm population of Peru -- those who have benefitted from Agrarian Reform. It will exclude the remaining 75% of rural families who, for various reasons, are independent of the Associative Enterprises which were formed under the Agrarian Reform Program. This selection of the target group has been made by the Government of Peru which has placed first priority on redistribution of land to formerly landless rural workers and now seeks to ensure the productivity of the AEs it has created.

The issue to be addressed is whether or not this group represents the neediest new numbers of rural society and whether other groups which could be effectively reached may be in greater need or could derive greater benefit from training at a cost similar to the one proposed by this project.

Income within the AEs varies according to the skills and activities of individual members. Financial and economic analysis indicates that a substantial portion of the AEs are being decapitalized -- that they are using up assets apportioned to them by the Agrarian Reform. Thus, while wages and "dividends" are being paid, little real income is being generated. Rather than producing earnings for re-investment, AEs are dissaving and the costs are being transferred to the society at large. This will lead inevitably to a downward trend in incomes of families within AEs.

Why, then, is this the group selected for training? The answer is political, economic, and technical.

Politically the GOP is committed to making the Agrarian Reform work to achieve both equity and production targets. Reduced production in the near term was to be expected and the costs were to be absorbed willingly. However, there is no turning back.

Economically, the AEs must be made productive and profitable. They hold much of the most productive land, as did the large estates that preceded them. But the large estates commanded technical expertise and administrative abilities that disappeared when the AE's were formed. Capital is available; labor is plentiful; the land base is unchanged; the AE's have priority in receiving credit and agricultural inputs; but management and technical skills are lacking and must be replaced at a cost the AEs can afford if they are to be profitable.

Technically and financially, and ideologically, the GOP is not in a position to address the training needs of the remaining 75% of independent farmers, many of which are outside of the market economy. Organization into cooperative groups which are within the market economy makes the AE farmers more manageable and accessible. Moreover, their need is comparatively greater since the complexities of managing large enterprises with numerous owners and workers represent a burden not shouldered by individual farmers.

The other potential mechanism the Mission has identified for building expertise among Peruvian farmers is the "production nucleus concept" now being implemented by the Ministry of Food's Directorate of Production. On paper this organizes all farmers into producer groups to participate in the planning cycle under the guidelines of zonal offices and production offices. Extension-type assistance is to be provided in support of crop production plans. The production nucleus is still in the formative stage and its viability is completely untested. At first blush however, it would seem that this system would tend less to differentiate between the poor and the well-to-do farmer than would CENCIRA. Moreover, it will concentrate strictly on crop production, not on administration, management, farm improvement or agro-industry.

For several reasons the rural people to be assisted by this project are particularly appropriate groups in which to engender participatory actions and attitudes. First, they are in a state of flux, having only recently changed their status from that of basically disenfranchised laborers to owner/operators of farms; they lack the skills, the traditions and the confidence to begin to make independent decisions on their own. Second, they have been led to

expect that their change of status will bring material benefits and so are open to guidance on how to bring this about. Third, they possess a broad range of solid information about their situation which can be articulated and energized only through their own participation. Fourth, only they can be the final arbiters of the kinds of skills they wish to develop and are willing to develop to meet their own needs.

The new status of AE farmers, their need for expertise, their unused productive potential, their political importance, and the high social costs of maintaining them under present conditions have led to the decision to change the situation through training, while recognizing that other groups of poor rural people also require such assistance.

Part 2. PROJECT BACKGROUND AND DETAILED DESCRIPTION

a. Background

One of the major problems plaguing Peru's development is the continuing low growth of agriculture which provides a meager living for millions of the country's rural inhabitants. (About half the country's population -- almost 7.5 million people-- makes a living or at least subsists in the farm sector.) Domestic production of basic food items has chronically lagged behind the high 3.15 per cent population growth rate, giving rise to increased shortages and food stuff imports and persistent inflationary pressures. The situation is exacerbated by the country's limited productive land base and the fact that a large part of food production takes place under subsistence conditions and low technology.

While the agricultural sector currently employs an estimated 47% of Peru's work force, its relative contribution to GDP has been steadily dropping over the last decade. (In 1965 agriculture contributed 18.3% of total GDP; in 1972 this dropped to 14.9%; and for 1974/1975 it is estimated at 13%). Agricultural sector growth rates since 1970 have ranged from "poor" to "unacceptable" in economic terms. The following table gives latest Ministry of Economy and Finance figures on percentage growth rates for overall GNP and key sectors of the economy for the last two years, and clearly indicates the relatively poor performance of the Agricultural Sector.

	<u>1974</u>	<u>1975</u>
GNP	6.6	4.0
Agriculture	2.3	1.0
Fishing	40.9	-18.1
Mining	2.5	-10.4
Industry	8.0	6.0
Construction	19.0	15.0
Others	5.9	5.1

In the last several years Peru has been faced with rapidly increasing and high cost food import bills; these have

been offset by other productive sectors of the economy, and have in recent years added to the strain on the country's deteriorated international reserve position. (In a public televised presentation given on January 12, 1976, Peru's Minister of Economy and Finance noted that the country's international reserves declined by \$543 million in 1975. As of December 31, 1975 reserves stood at an all time low of \$150 million, or approximately two weeks of imports.) Peru's food imports were \$166 million in 1972; they jumped to \$238 million in 1973 and soared to \$395 million in 1975.

Related largely to the country's poor agricultural output, malnutrition contributes to high levels of infant mortality and morbidity and low worker productivity. (See Table I for Population Profile).

Under the Revolutionary Government in 1969 Peru initiated a high priority comprehensive Agrarian Reform Program which was designed to bring about a radical change in the structure of the traditional land tenure system under which 83 per cent of the population owned only 5.5 per cent of the land. The target of the Agrarian Reform Program, perhaps the most ambitious undertaken in South America, is to redistribute approximately 10.5 million hectares of farmland among 342,000 beneficiaries\* by the end of 1976. To date, over 7.2 million hectares have been expropriated and 6.0 million hectares of land have been transferred to almost 250,000 families which have been consolidated into almost 1,000 new socio-economic groupings known as "Associative Enterprises" (AEs). (More detailed information on the Agrarian Reform Program, its background, salient points of its legislation, etc. is presented in Annex A.).

In 1970 the Government of Peru established the National Training and Research Center for Agrarian Reform, (CENCIRA), to inform and assist agricultural workers, as well as public officials responsible for its implementation, with the structural changes inherent in the Agrarian Reform Program. CENCIRA's responsibilities included carrying out research needed to develop the models, which were later to be used to organize farmers into various types of cooperative farm enterprises (Associative Enterprises), and to design and execute programs primarily aimed at orienting farmers in cooperative farming.

\*Farmer beneficiaries. Figure does not include their family members.

TABLE I

POPULATION PROFILE

POPULATION

15 million (Estimated 1974)

Rate of Growth: 3.1% (Estimated 1974) .

POPULATION CHARACTERISTICS (1970)

Crude Birth Rate (per 1,000) 42

Crude Death Rate (per 1,000) 11

Infant Mortality (per 1,000 live births) 73

NUTRITION (1968)

Calorie intake as % of requirements 87.6

Per capita protein intake 54.6 grams/day

HEALTH (1970)

Population per physician 1,350

Population per hospital bed 400

To date, CENCIRA has conducted some 1,812 training sessions reaching some 163,000 persons. (See Tables II and III). The bulk of this training effort has been directed to the orientation and training of farmer members of the Associative Enterprises. The main emphasis of the training to date for the AE members has been basic orientation in Agrarian Reform and the ideology behind cooperative farming enterprises. Also in the area of research, CENCIRA has produced numerous socio-economic studies on rural settlements under Agrarian Reform, as well as studies on alternative training methodologies. It has also developed some baseline data on the newly organized AEs and information on their performance to date. Another of CENCIRA's achievements has been the production of simple instructional manuals and audio-visual aids to assist in training AE members in the basic principles of Agrarian Reform and cooperative farmer enterprise management. CENCIRA has also produced several promotional films and documentaries pertaining to Agrarian Reform.

The Associative Enterprises are for the most part 1/ cooperatively owned and managed and the income generated is distributed among the member-workers. The financial and productive status of these new enterprises is generally precarious. Many of the AEs are acutely decapitalized and do not have access to adequate credit for financing required capital replacement or new investments in productive infrastructure. Many show large and growing operating deficits. Many cannot meet end-of-year payrolls without recourse to additional crop loans. Many are wracked by internal dissention between field hand and management and between permanent and seasonal laborers. Although little reliable data exists on yields and productivity per unit of land or per laborer, it is commonly conceded by knowledgeable Government agency field staff that the productive performance of many AEs has been declining since pre-reform years.

Each enterprise and each region faces its own unique set of problems. The solutions to these problems, it is now realized, cannot be created unilaterally by the Government. CENCIRA, the agency entrusted with agrarian reform research and training, rightly admits it does not have a priori solutions for the problems, and that to define the problems, as well as design solutions to them, is a task requiring the active participation of farmers. It is also a task requiring the coordination of human and financial resources of a variety

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1/ See exception in Annex A, page 3, item 10.

TABLE II

TRAINING ACTIVITIES CARRIED OUT BY CENCIRA DURING

1970 - 1975 PERIOD

	<u>N° of Sessions</u>	<u>N° of Participants</u>
Courses for Officials, Technicians and Administrative Personnel	285	10,484
- Application of Agrarian Reform Law		
- Development of Farm Plans		
- The New Law on Standard Accounting		
- Warehouse Administration		
- Financing Agro-Industrial Projects.		
Courses for Rural Promoters	323	24,595
Courses for Rural Leaders	275	9,506
- Role of Technology to increase production		
- Conducting surveys		
- Communications practices		
- Development of simple manuals and audio-visuals		
Seminars and Group Discussions	878	116,761
Courses for Personnel from other Sectors	5	145
- Process of and Legislation on Agrarian Reform		
- Organizational Models for Campesinos		
- legal Requirements for Organization		
- Consolidation of Associative Enterprises		
Courses on Agricultural Credit	40	1,331
Seminars on Agricultural Credit	6	534
- Costing Agricultural Inputs		
- Sources of Credit Available		
- Preparing Applications for Credit		
- Types of Credits Available		
- Structure of interest rates		
- Problems of delinquency		
- Contractual aspects of credit		
Total Training Events and Participants:	<u>1,812</u>	<u>163,356</u>

TABLE III

CENCIRA TRAINING ACTIVITIES 1970-1974

ACTIVITIES	Number of Courses & Events					
	1970	1971	1972	1973	1974	TOTAL
Courses for officers and technicians	11	50	46	54	63	224
Courses for administrative personnel	-	-	30	17	14	61
Courses for farmer promoters	-	-	16	91	216	323
Courses for farmer leaders	7	44	18	39	167	275
Sub-Total (Courses)	18	94	110	201	460	883
Seminars and study groups	1	6	6	24	67	104
Advisory actions and support to development & constitution of farmer enterprises	-	-	28	72	467	567
Conferences and talks	-	41	44	69	53	207
Sub-Total (Events)	1	47	78	165	587	878
Courses for personnel of other sectors	-	-	1	2	2	5
TOTAL (Courses and Events)	19	141	189	368	1049	1766
<u>Agricultural Credit Courses</u>						
- for officers and technicians	-	4	6	5	10	25
- for farmer leaders	-	-	-	5	10	15
Sub-Total (Courses)	-	4	6	10	20	40
<u>Agricultural Credit Seminars</u>						
- Seminars	-	2	2	2	-	6
Sub-Total (Events)	-	2	2	2	-	6
TOTAL (Courses and Events)	-	6	8	12	10	46
GRAND TOTAL	19	147	197	380	1069	1812

13

of Government agencies currently working in the agricultural sector.

CENCIRA has recently been given expanded responsibilities for mobilizing and coordinating Government agency resources, on the one hand, and mobilizing the participation of farmer beneficiaries of agrarian reform on the other. To implement its mandate CENCIRA is decentralizing its administrative structure and professional staff into initially five, and eventually eleven, zonal offices. Each office is to promote a "Plan of Concentrated Action" or PAC. Among the objectives of the PAC are the following:

- (1) To establish facilities for farmer training programs;
- (2) To integrate the functions of research, training and communications, via the use of multi-disciplinary teams of professionals assigned to the field;
- (3) To develop appropriate farmer training methodologies, including local participation in problem definition and design of training program;
- (4) To develop local staff resources for research and training; and
- (5) To create a planning/evaluation system for farmer training which is largely bottom-up (rather than top-down).

The primary mechanism for implementing these objectives at the local level will be the CENCIRA Center for Participant Farmer Research and Training (known as a CENCICAP). As presently envisaged by CENCIRA, each CENCICAP would be located in a rural setting, utilizing existing buildings such as an ex-casa de hacienda where food and lodging accommodations for as many as 40 - 50 farmer trainees at a time could be made.

CENCIRA is currently staffed with 136 technical professionals. Thirteen are dedicated to research and five are specialists in the field of communications. The remaining are comprised of economists, administrators and agronomists who participate in both research and training activities. To carry out its new mandate to decentralize and provide more managerial and technical skills training to the farmer members of the Associative Enterprises, CENCIRA plans to expand its personnel complement to 370 professionals by 1978.

\*Decree Law No. 21295

Since its inception in 1970 CENCIRA has received technical assistance from the UN Food and Agricultural Organization. During the past four years, FAO has maintained a technical advisory staff consisting of six-to-eight professionals. In addition, it has provided mobile audio-visual units and training scholarships to CENCIRA counterpart personnel. FAO proposes to continue to provide support to CENCIRA and a budget estimate of \$1,380,300 has been submitted to the UNDP for approval for the period 1976 - 78. Current UNDP budget constraints may result in some reductions in FAO recommended assistance levels. CENCIRA has also received assistance from the Dutch Government which is providing some financing for a pilot training center for general orientation in Agrarian Reform and cooperative farm enterprises ideology and operations, as well as testing various training methodologies, in Peru's northern Department of Lambayeque. The Dutch plan to continue this support, and other general technical advisory services to CENCIRA, until approximately May, 1977.

b. Detailed Description

This project aims to contribute to the overall Agricultural Sector Goal in Peru, i.e., to increase the capability of Associative Enterprises to provide economic and social benefits to their members. The project is essentially one of demonstration, involving a limited pilot target population. Its impact on the overall sector goal will be relatively small. However, it is intended that the methodologies and techniques employed under the project will be replicated among a substantially larger target group, thereby contributing significantly to the sector goal over time.

The project's specific Purpose is to establish a cadre of para-technicians applying improved practices and serving as a channel of communication between management and AE membership. This is to be achieved through the design and execution of a series of training programs aimed to assist the AE's in overcoming their major constraints to economic and social viability. Further, it is also the Purpose of this project to institutionalize training systems at the local level, which will be eventually managed and operated largely by the AE's themselves to meet their trained manpower needs in cooperative farm management/administration and improved production technologies. As explained in Part 1.b., this project is being operated initially on a pilot basis and will encompass 30 selected AE's (in 3 geographic zones), with a total membership of approximately 9,000 small farmer families or approximately 54,000 beneficiaries. When eventually replicated,

it is expected to serve the needs of more than 1,000 AEs with a total farm family membership of several hundred thousand (and total target beneficiaries numbering more than one million).

The Government of Peru's National Training and Research Center for Agrarian Reform (CENCIRA), will be the primary project implementing agent. In 1976 CENCIRA will make a concerted effort to better reach the small farmer AE members and address their training needs. Toward this end, CENCIRA will decentralize its technical assistance personnel into 5 geographic zones. Four of these zones have been selected for initial project implementation. Each zone will have its own training team composed of 5 technicians and 2 administrative types from among CENCIRA's professional staff. It will be the primary responsibility of these CENCIRA Zonal Technical Teams to identify, in conjunction with the AE members, the most critical training needs, to design the courses and to conduct training sessions.

This pilot demonstration project will focus itself largely on Peru's small Sierra farmers, comprised of mostly poor indian families, who are among the poorest of Peru's rural poor. Participating pilot AEs will be selected from among the following zones: Alto Piura in the Department of Piura for one year (FY-76); Departments of Cajamarca and Cuzco (FY-76/77).

The Departments of Cajamarca, Cuzco and provide good representatives, (yet varying in many aspects from one another) 2/ of Peru's rural poor sierra regions and for this reason have been selected as pilot areas for this project. Alto Piura has been selected for a special reason: CENCIRA's experience at the Piura Training Center (which has received some limited assistance from AID) has been useful in helping to design the Agro-Industrial Manpower Training Project. Work at the Center has demonstrated the positive results of increased farmer participation in training programs, as well as the need to form functional linkages with other official entities in the AEs. In a real sense, the earlier Piura Center project can be considered a precursor of the new proposed AID training project with CENCIRA.

In view of the prior experience in data collection and training relative to the AEs of the Alto Piura Center, (CENCICAP), project financial assistance to the Alto Piura pilot AEs will be extended for only one year (FY-76). After that time the AE will assume complete salary costs of its AE member-trainees employed as para-technicians.

It would be extremely costly and practically impossible for CENCIRA to attempt to reach all of the AE members and to provide continual on-site management/administrative and technological guidance to them. The small farmer AE members become the key to the project's strategy in that they are given active participation in all steps of the project implementation.

The CENCIRA Zonal Office staff will be able to call upon the services of other Government agencies which are operating in the zones and obtain their support and involvement in the project (e.g. for conducting specialized training courses, such as bookkeeping, accounting, pasture improvement, improved irrigation techniques, etc.) 3/ Training courses will be designed and executed to overcome the main obstacles to increased productivity by the AEs and in accordance with sub-project investment opportunities which will also be identified by the CENCIRA Zonal Training Team and the AE member spokesmen.

The CENCIRA Zonal Training Teams will be backstopped by the CENCIRA Zonal Offices staffed with trainers, planners, communications specialists and other administrative personnel. The Zonal Training Team will prepare a work plan for each zone taking into consideration the expressed needs of the local AEs, as well as the availability of resources available from other GOP agencies operating in the zone and presents it through the CENCIRA Zonal Office to CENCIRA headquarters for approval. Once this work plan is approved, the Zonal Training Team is empowered to implement it. It should be pointed out that other GOP agencies operating in the zone will collaborate with the CENCIRA Training Team (and with AE farmer participation) in identifying and selecting major production problems and training needs. Once the training activities to be carried out are clearly defined and approved, the CENCIRA Zonal Training Teams provide technical guidance and training, the farmers provide local facilities, as needed, for training and the other GOP zonal agencies provide any additional human resources required to carry out the training.

#### "Para-Technicians"

The selection of candidates from among the AE members to be trained as para-technicians will be made jointly

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3/ CENCIRA's past experience in securing the collaboration of other Government agencies has been good. A recent law (Decree Law No 21295) which charges CENCIRA with primary responsibility to coordinate all rural development training activities related to Agrarian Reform, will result in continued and strengthened collaborative efforts.

by the CENCIRA Zonal Technical Team and the AE farmer members themselves at the time the initial research is performed to identify the major production problems and training needs faced by the farmer enterprises. Two types of para-technicians, to be called Resident Assistants are to be trained: (1) Resident Assistants for Management, and (2) Field Resident Assistants.

Resident Assistants for Management:

Trainees selected will receive instruction on subjects related to organization of farm enterprises, basic accounting principles, analysis of financial statements, preparation of applications for loans to financial institutions, communication practices, responsibilities of directors, management, and other subjects which would assist them to better understand the management/administrative functions of the enterprise. Their specific functions and schedules will be laid out in a work plan which the CENCICAP technician will prepare jointly with the Board of Directors and management of the AE, upon completion of their training.

As part of their daily work they will also be required to convey the information they have acquired to the farmer members of the AE. In this manner the members will gradually have a more realistic understanding of the financial situation of their own enterprise, develop better awareness to the role of their directors and managers, and be better able to contribute their support and ideas to the solution of any particular problem. It is expected that the Management RA will make a large contribution in reducing the tensions existent between Government appointed management and the AE members as well as contribute to increased ability to prepare more and better projects for financing through the Agrarian Bank.

Field Resident Assistants: Their training will be oriented primarily to address those problems identified by the Socio-Economic Diagnosis in the areas of Marketing and Production. As such, the initial 21 days formal training as well as the ensuing 30 days of intensive on-the-job-training will concentrate on the preparation of farm plans, primary, secondary and agro-industrial transformation, and production techniques related to specific crops. Upon termination of the initial training, the Field Resident Assistants will be assigned to the Production and Marketing Committees of their respective AE's where they will perform both advisory and permanent staff functions. Their work will be laid out in detail by a CENCICAP technician jointly with the Board of Directors of the AE. The CENCICAP technician will also continue to provide from time to time on-site guidance and supervision of Field Resident Assistants for approximately a one-year period. A 15 day refresher course will be given to all trainees at the end of the first year; such training will coincide with the rotation of the RA's employed by the AE's.

Under this Project AID will finance the training of six candidates per AE. (To the extent that participating AE's are willing and able to finance the per diem costs of trainees, they will be allowed to train up to three more candidates). Three will be employed per year to serve the AE in their new role. The remaining three trainees will be assigned to the Education Committee of the AE where they will be utilized as discussion leaders and advisors. After approximately one year the Resident Assistants will be rotated to serve in the Educational Committee and the other trainees will replace them for an equal period. Over time it is expected that the Resident Assistants for Management would become the trainers, administrative, managerial and technical core of the AE's.

It is estimated that during the two year period of this project a minimum of 130 farmer AE members will receive para-technician training financed by AID, up to an additional 90 may receive training financed by the AE's.

Attachment E, shows detailed breakdown of trainees financed by AID per year and their related costs.

All AE farmer members selected for employment as Resident Assistants (RA) will continue to devote approximately 25% of their time to regular farming duties. This measure is intended to assure that farmers being trained and employed will maintain their contact with workers and not become isolated (or begrudged) by their fellow AE farm workers as often happens with "external" technicians and managers. The duration of a RA assignment would be 12 months. At the end of this period the first RA would be replaced by the remaining candidates trained for the job. In the event of unsatisfactory performance, a RA could be replaced by his trained colleagues. Both the determination of unsatisfactory performance as well as the substitution would be left to the discretion of the Associative Enterprise membership. The above provisions have a double purpose. First, they are designed to keep RA posts as apolitical as possible by providing for rotation of candidates. Rotation also spreads the training opportunity more broadly. Second, expectations and pressure for satisfactory performance of RA duties.

Financing: (See Budget, Annex B.)

During the first year, AID will finance the following expenses:

1. Initial and refresher training: Allowances to cover food, lodging, training materials and related costs.
2. Once RA's are employed, 75% of their regular wages. (The remaining 25% will continue to be paid by the AEs.)
3. Minimal office, communications and field equipment.

During the second year:

1. Same expenses as listed under 1, above.
2. Fifty percent of the regular wages of farmers employed as RAs. (The remaining 50% will continue to be paid by the AEs.)

After the end of the project, it is expected that the AEs will absorb 100% of the salaries of all Resident Assistants employed. The cost of salaries of the Resident Assistants should pose no burden on the AEs since the farmers selected for these positions now receive a regular wage, as do all AE farmer members, for their farm work. AID partial financing of salaries of the RAs is as explained above, only temporary during the period

of this experimental project. In addition to AID financing the costs of training and supporting farmers as para-technicians, limited amounts of equipment to support the field outreach activities of both professionals and para-technicians will also be provided.

There are several assumptions which are made with respect to achievement of overall project purpose (see Logical Framework, Annex C). The most critical, however, are:

(1) That trained farmers will stay in their cooperative farm enterprises, thus ameliorating over the long-term, the problems of high technician turnover.

(2) That the Agrarian Bank will meet its commitments to finance sub-project investment schemes to be developed by the AEs with the help of their newly employed para-technicians. The Agrarian Bank has been directed by the Government to assign priority to the credit needs of the AEs in order to improve and increase their productivity. CENCIRA will be responsible for coordination between the AEs and the Agrarian Bank with respect to the production investment credit needs of the AEs.

(3) Once the project has demonstrated its worth (i.e. that better management and a core of field technical advisors results in more profits to the AEs), the AEs will be motivated to pick up all salary costs.

### Part 3. PROJECT ANALYSES

#### a. Technical Analysis

This experimental pilot project will attempt to demonstrate that, by relying heavily on local participation, access to a large target population can be attained at reasonably low cost. The project will test the validity of the following hypotheses:

(1) That rural poor farmers who are already familiar with basic production techniques and who have a limited education can be trained at relatively little expense to become para-technicians;

(2) That once trained the AEs will be both willing and capable of assuming costs of the para-technicians, on an increased basis during the project life and totally thereafter.

The technology contemplated by this project lies primarily in the field of social engineering in that it deals with the procedures and mechanisms that help people identify and overcome problems in their own environment by progressively developing and using more of their own skills and resources. This "social technology" is based on the concept of local action whereby farmers, who live in a reasonably homogenous micro-region and who have similar experiences and problems, are brought together to identify these problems and to be trained to deal with them. At the outset it is understood that the project involves less and less outside support and more and more local participation and resources as time goes on; eventually, (and the sooner the better), the effort becomes largely a local responsibility.

Local action is thus the key to success in the design of this project. A series of local projects will build on experience and decision in the micro-region for the purpose of strengthening progressively the capacity for local initiative and creating a vehicle for replicating results and improving upon them. In this sense the project is intended as a catalyst that will stimulate the process of local development.

The selection of local participation as the vehicle for development within the agrarian reform is both ideological and programmatic. Agrarian reform has had enormous impact in Peru. Hundreds of thousands of families have been affected and now look to the Government for guidance. One all pervasive goal of the Government is to increase the level of participation of

the masses in social and economic processes as a means of consolidating gains in equity and increasing productivity. However, the administrative resources needed to guide local participation by millions of farm people simply do not exist. The Government of Peru is faced, therefore, with devising a procedure which will maximize its impact on production and efficiency in several micro-regions in a short period of time, achieve self-sustaining levels of local participation, and allow it to move its cadres on to other regions to repeat the methodology, using experience gained in the process.

The project is replicable both within and between zones. The local cooperative farm enterprises (AEs) will become the focal point for training and planning expertise; local people will undertake training of others in their area. Experience gained in designing and executing development projects at the local level will be spread throughout the zone to other AEs. At the same time, CENCIRA in collaboration with the Government coordinators will build the skills necessary to duplicate and improve operations in subsequent micro-regions. CENCIRA has indicated that, if the para-technicians technique being tested under the project proves successful, it is prepared to provide funds from CENCIRA's budget to initiate the project in other AEs throughout the country. (See Annex F, Grantee's Application for Assistance).

Interwoven in this project approach are several cost-reducing factors. First, the intention is to use existing facilities -- in most cases vacant hacienda complexes -- as physical training facilities, thus avoiding major construction expenditures. Second, the Project will draw upon various Government personnel for expertise in specific fields as the need is defined. Agronomists, engineers, accountants, irrigation specialists and other professional personnel from different Government agencies operating in a micro-region will be available to assist the project at little additional cost. (They will be requested by the head of the CENCIRA Zonal Office who is charged to do so.) Third, farmers will be prepared to eventually assume major responsibility for training under auspices of the regional cooperative confederation (Central), so that CENCIRA will not have to maintain permanent training cadres in each micro-region.

The conclusion that CENCIRA will be able to (1) garner technical expertise for initial training activities, and (2) leave behind a viable on-going training activity and facilities (CENCICAP) is bolstered by the recent trend to decentralize. Decentralization is a goal which has gained strength and momentum in the Government over the last several years. Both the Ministry of Agriculture

and the Ministry of Food have placed much responsibility and authority for planning and budgeting at regional and sub-regional levels and have reinforced field staffs accordingly, thus increasing the number of professionals in the field. Training to consolidate and strengthen the AEs organized by the Agrarian Reform has the highest priority as an action program, and it is expected that the project will have no difficulty in tapping these staffs for special training needs not available from among the CENCIRA Zonal Technical Team staff.

Through the strengthening of local organizations this project will demonstrate that training activities can be sustained without substantial, permanent CENCIRA cadres. Moreover, it would not be possible to translate training into action programs in the absence of local organizations capable of executing them. However, with decentralization and strengthened cooperative organizations, CENCIRA can accomplish the purposes of this project with a minimum of resources and can sustain the effort in the long run by playing a supportive, rather than a direct role.

USAID/Peru firmly believes CENCIRA's own objectives would be better served through a strategy of selecting, training, and then having the AEs hire as para-technicians as many qualified farmers as possible to serve as problem-solvers, decision-makers, educators, and organizers in the cooperative farm enterprises to which they belong. Providing salary support for professionals only would possibly result in CENCIRA monopolizing the role of change agents. On the other hand, providing rural enterprises with salary support to hire several of their own members as full-time change agents -- responsible to their own enterprise, not CENCIRA -- will help to create the conditions whereby farmers can participate in a process and be able to influence it directly.

#### b. Financial Analysis and Plan

The Project Description (Part 2.b.) described those project expenses which AID will support. The Project Budget, Annex B, details AID's input and contributions of other donors which impact either directly or indirectly on the project. It is important to denote that this project is a concerted effort of CENCIRA (as the governmental entity responsible for training of poor farmers), F.A.O. and the Dutch Government (as the providers of significant technical assistance to CENCIRA), the farmer enterprises (AE's) (as the ultimate beneficiaries and perpetuators of the training), and A.I.D. (as an interested party and significant contributor).

While the brunt of project support in the first two years falls to CENCIRA, (i.e. salaries of Zonal Technical

Teams and Zonal Office backstop) it is the farmer enterprises (AEs) to be benefitted by the project who must gradually absorb and ultimately defray training and salary costs of the para-technician trainees.

In the first year the AE's contribution is 103,565. (In kind labor and facilities, and partial salaries of RA's employed.) versus AID's first year contribution of \$100,000. In the second year, their contribution is increased to 187,006., making a total contribution of 290,571. It is expected that the total costs of para-technician training for the third year, which are estimated at 136,857., will be absorbed in their entirety by the participating AE's. As indicated in Annex F, Grantee's Application for Assistance, CENCIRA will provide the funding required to extend the project to additional AEs; once the methodology has been proven successful.

In assessing the capability of the AE's to absorb project costs gradually, it should be borne in mind that their initial contribution consists primarily of the in-kind lodging and training facilities already largely existent, their rehabilitation which requires primarily labor inputs, limited operational costs and 25% of the training allowances (salaries) for the Resident Assistants who are eventually employed to work as para-technicians in the AEs. Since the RA's are workers already employed by the farmer enterprises, the 75% wage costs in the first year and 50% in the second year, which AID is defraying, represents a temporary relief to the AEs, as well as an incentive for them to participate in this experimental demonstration.

FAO's and the Dutch Government's direct contributions to the Project (excluding indirect technical assistance provided to the CENCIRA central office and/or other CENCIRA activities) is \$110,992. or 12%. Although there is some uncertainty at the moment regarding FAO's contribution for 1976 in view of UNDP budget problems, FAO will continue to actively support CENCIRA in the production of audio-visual materials through their recently established Production Center (CEPAC). Their contribution is for vehicles, audio-visual materials and operating expenses of technicians attached to CENCIRA's Zonal and Central Offices.

TABLE I

F.A.O AND DUTCH GOVERNMENT CONTRIBUTIONS TO CENCIBA

	F. A. O.				Dutch	
	Totals \$ US 1971 - 76	1976	1977*	1978*	August 1976	May 1977
Technical Experts	1,074,369	210,000	350,000	399,000	165,780	
Auxiliary Local Personnel	95,318	29,600	65,000	65,000	-.-	
Scholarships	62,559	1,450	25,000	25,000	27,630	
Equipment	419,891	5,250	50,000	50,000	71,838	
Other Expenses	<u>44,392</u>	<u>5,000</u>	<u>15,000</u>	<u>15,000</u>	<u>111,060</u>	
TOTAL	1,697,069	251,300	505,000	554,000		
Reserve for Contingency	120,750	70,000	-.-	-.-	38,682	
GRAND TOTAL:	<u>1,817,819**</u>	<u>321,300**</u>	<u>505,000**</u>	<u>554,000**</u>	<u>315,000**</u>	

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\* Budgets for 1977-78 submitted to FAO headquarters for approval.

\*\*Direct contributions to project shown in Annex B, are included above totals.

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Whether the project is continued or not in the project pilot AEs beyond the two years for which AID is providing support will hinge primarily on the pay-off which the AE's can see from the training received. (The same will largely apply to replicating the project among additional AEs, although CENCIRA and/or other donor funds will also be required to initiate the project in new locations.) FAO and the Dutch Government are both committed to continue to support CENCIRA.

CENCIRA has already reprogrammed its 1976 budget to accelerate its decentralization to five zones. Despite the austere fiscal measures being adopted by the GOP in 1976, including an across-the-board cut of 5% for ministerial operating costs, CENCIRA has a 30% increase in its budget. This evidences the priority accorded to its program. For the 1977-78 biennium, CENCIRA is requesting an 80% increase. By deploying its staff to Zonal Offices (decentralizing), CENCIRA's capabilities for executing the project and providing timely inputs, are greatly enhanced. Furthermore, the new law assigning CENCIRA responsibilities for coordinating all training activities in the rural areas, provides it with the unique opportunity of tapping the resources of the Zonal Offices of the Ministry of Agriculture, Food, SINAMOS, and the Agrarian Bank. All these agencies are committed by law to support CENCIRA's training activities. CENCIRA's indirect support by its Zonal and Central Offices to the project amount to \$1,634,159 over the two-year project funding period, (FY 76 and FY 77).

AID's contribution will pay for the following items:

Training Allowances (includes RA salaries)	\$ 173,085	=	69%
Equipment and Materials	\$ 31,816	=	13%
Technical Assistance & Evaluation*	\$ 45,099	=	18%

c. Social Analysis

The social impact of this project is potentially great, as it will directly affect approximately 9,000 farmers and their families from selected Associative Enterprises participating in this experiment. These small farmers will benefit not only through the training directly provided under this project, but also from the sub-project investment schemes expected to be presented for financing to the Agrarian Bank as a result of overall project efforts.

\* Mission provides full-time Farm Management Advisor, to CENCIRA under Agricultural Institutional Operations and the part-time services of a PSC Cooperative Advisor.

Initially the project beneficiaries will encompass the members of 40 Associative Enterprises (with approximately 300 members per AE) selected as pilot sites for this experimental/demonstration project. If the project demonstrates itself to be successful, it is expected to be replicated and could eventually reach Peru's more than 1,000 Associative Enterprises with a farmer membership of several hundred thousand.

The majority of the members of the Associative Enterprises to be selected as pilot sites under the project belong to the universe of the Peruvian rural poor, small-scale farmer and their families, living in Peru's highly-populated, economically depressed sierra region. <sup>5/</sup> This farmer depends almost exclusively on low-level agricultural production for his meager income and limited employment opportunities. Today's sierra population of about 7.6 million (approximately half of the country's total population) are, with a few exceptions, the poorest of Peru's poor. Although data on income is not easily available, poverty is rather evenly spread in the sierra with per capita incomes ranging below \$100 - \$250, well below the national per capita level. Infant mortality is high and life expectancy low. Educational and medical facilities are few and concentrated in small population and commercial centers, which are often distant and inaccessible for many of the rural farmers.

While a limited land base in the face of a large and rapidly accelerating population represents a constraint to development in the sierra, low production techniques and poor technological and managerial/administrative skills among the sierra farmers are also formidable impediments to improved economic well-being. (There are indications that with pasture improvement, fertilizer use, small irrigation schemes, etc., overall production can be improved.)

In the past, much lip-service was paid to the sierra rural populations which subsist under precarious conditions. The political base of the country has traditionally been concentrated

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<sup>5/</sup> The AEs of Alto Piura are not geographically-speaking a part of Peru's Sierra. However, in almost all other respects the farmer members of these AEs are similar to the Sierra AE farmers.

in the coastal cities, and to some extent, in the workers on the large plantations. Down on the scale remained the millions of sierra people, mostly Indians. Although the Revolutionary Government which came to power in 1968 has also had to reckon with the coastal populations, a significant effort is being made to mobilize the rural sierra masses to greater aspirations as to their political and economic status. The expropriation and redistribution of lands and the groupings of small farmers into Associative Enterprises which has taken place to date under Peru's aggressive Agrarian Reform program is a critical first step in this direction. However, the majority of these small farmers are semi-literate at best, and lack modern production techniques and general managerial skills to turn their Associative Enterprises into viable cooperative farming concerns. This project, with its heavy emphasis on self-help, and owner-member participation in management of farming enterprises is designed to provide the next essential step toward the realization of aspirations for a greater role by the rural poor "little man" in improving his own social/ economic status.

Associative Enterprise members will all actively participate in selecting those among their memberships who will receive specialized training and later to serve as their managers/administrator, and technical advisors. The members collectively will also share in the identification and priority ranking of production and other problems affecting their farm enterprise. The ultimate test as to the degree of participation and interest shown in the project will be the assumption of project costs by the Associative Enterprises. The AEs will pick up 1/3 of the costs of training plus 25% the first year and 50% the second year of the salaries of members selected from among the trainees to serve as para-technicians for the Associative Enterprises. Of course, the willingness of the Associative Enterprises to assume project costs will depend on tangible proof that the technique being experimented here, i.e., training of farm level types as para - technician to meet the management and production/technical needs of the AE, is successful, success being measured in terms of improvement in communications within the AE, as well as in coverall economic viability of the AE.

#### Role of Women in the Project

The role of the sierra "campesino" women is considerably more significant than the credit she receives. In the traditional sierra farm-family, she is responsible for the nutrition, health, and education of her family. She also shares in the planning, planting, cultivation and harvesting process, and often also shares responsibility for the post-harvesting, grain selecting, storage and marketing aspects of the agricultural cycle.

Her role is especially strong as advisor to the family in decision-making on such matters as distribution of the family budget, investments, obtaining credit, and other political and socio-economic issues affecting the family. Despite her active role at the family level, rural "campesino" women have been discriminated against with respect to socio-political participation at the community level, an area traditionally reserved for men.

The creation of Associative Enterprises provides a promising vehicle to allow more active participation of the "campesino" woman. As a part of the member families of the Associative Enterprises, women in the Sierra have already started to unite themselves, (albeit on a limited scale), forming women committees which are making demands for improvements in education, employment opportunities and their well-being in general. There are several instances known to USAID/Peru where women family members within the Associative Enterprises have banded together to establish small cottage-type agro-industries and "talleres", often receiving material support from the Associative Enterprises themselves.

Women will be given equal opportunity as men to participate in the project. Attachment A indicates what training specifically directed at women in the AEs has been offered at the CENCIRA Center for Farmer Development in Lambayeque (CEDESCA). This training continues to be offered and is expanding

Soundly organized and managed Associative Enterprises can continue to increasingly provide the means to channel and unify the aspirations of Peru's rural women.

#### d. Economic Analysis

The proposed Project does not lend itself to traditional quantifiable economic analysis for the following reasons: (1) many of the expected near-term benefits are strictly qualitative in nature, and monetary values of such benefits as improved communications between farm managers and AE members or increased participation on the part of member farmers simply cannot be calculated within any reasonable degree of accuracy; (2) base line statistical data at the level of the AEs is currently deficient -- thus while we can say that in the case of a particular AE that "it is expected that corn production will increase as a result of improved on-farm training and management improvement", we frequently cannot quantify production increases, since existing production data is not available; and (3) the many imponderables inherent in this Project, where several different types of training will be undertaken using different target groups of varying sizes in dissimilar geographic areas make for imprecise ex-ante predictions of economic returns.

The difficulty of quantifying expected benefits results, in large part, from the very organizational problem at the level of the AE which the Project hopes to remedy, and in many ways embodies the acute problems which the Agrarian Reform process is facing at the present. The Agrarian Reform in Peru has, from its inception, sought to, first of all, effect an equitable policy of land distribution among Peru's poorest majority, and second, to increase production on the newly created AE units and create of them prosperous economic units. That is, there have been two distinct goals within the Agrarian Reform -- the first a social goal, and the second an economic goal -- and experience over the past several years has shown that in many cases there are not necessarily compatible, at least in the short-run. In general, the social goals of the Agrarian Reform have met with the most success; a total of 7.2 million hectares have been expropriated to date, and transferred to approximately 250,000 previously landless families. The economic goals sought by Agrarian Reform have, however, proved much more elusive, and the GOP is increasingly aware of the necessity to improve the economic situation of the AE's, or be faced with the prospect of losing the social momentum it has gained. In fact, if it is unable to turn the bulk of the AE's into economically viable ventures, the ensuing social consequences at the enterprise level could be disastrous for the overall development of the agricultural sector. Members of the AE's have been, in effect, promised future economic rewards which in 1976 still appear distant. In the early years of the Agrarian Reform, promotion of equity in the rural sector has dampened, and in some cases reduced, productivity through inevitable disruptions and loss of managerial talent. The new owners of the AE's were untrained in farm management practices, accounting, marketing techniques, and were unprepared to make basic decisions affecting the long-run prosperity of the enterprises, such as whether to reinvest or distribute year-end profits.

If the agricultural sector is to become a driving force in the economic development of the country, it needs new infusions of technical and managerial skills. Training within the context of action programs at the farm level-- such as that proposed in the present Project -- is undoubtedly the most efficient way to meet that requirement, given the political environment.

While we are unable to quantify the estimates of economic benefits, for reasons given above, we can justify on an a priori basis the various components of the Project. Basically the training will emphasize the following: (1) organizational and managerial improvement of Associative Enterprises; (2) technical training related to productivity through the use of improved inputs and practices; and (3) improving the financial viability of Associative Enterprises by adding value to agricultural products and rationalizing marketing practices. Each of these three components has

intrinsic, if non-quantifiable, benefit.

1. Organizational and managerial improvement deal with the ability of the enterprises to plan their activities, evaluate probable outcomes and employ physical and human resources more efficiently. This training element will help eliminate the drag on production that now stems from the wide-spread practice of the AEs to wait for outside assistance or direction in planning productive activities, in effect purposely breaking the dependence on Government Agencies which can inhibit and delay action and production. There are simply not enough Government farm planners to go around.

2. Technical training.- One important variable is the type training in technical skills which will be identified as required by the farmers. The training will include dealing with weeds, diseases and pests, managing irrigation systems and a full range of production and harvesting activities. This training will increase production and reduce unit costs within the constraints of the physical environment, just as organizational and management training will reduce the cost of administrative overhead. Beyond enhancing the financial viability of the affected enterprises, such training can be expected to return benefits to the economy at large in terms of more predictable supplies of basic food crops with concomitant reduced import requirements.

3. Agro-Industrial training.- The development of agro-industrial activities in the rural areas through training and planning at the farm enterprises level is intended to provide additional employment opportunities in the rural areas by adding value to agricultural products, thus tending to raise rural incomes which lag significantly behind the economy at large and to some degree helping to slow the flow of the rural poor to urban areas.

Considered that the likely areas of training and action programs could spread ultimately to as much as one-third of the productive agricultural sector (i.e. all Associative Enterprises) there are obvious benefits to the general economy. The investment in this training is justifiable especially given the relatively small amount involved over the life of the project. Its full impact will probably not be felt during the life of the project, but will be reflected in employment, production and price data some years hence, in combination with other development investments from which it cannot be separated.

CENCIRA Experience in Piura

Although detailed base line<sup>data</sup> will be developed on the AE's that will benefit by the project, it may be illustrative to examine the experience of CENCIRA in the Department of Piura to produce an idea of productive potentials that can be tapped to yield higher rates of return and greater benefits, both to the farmer and to the society at large. The thrust of training at the Piura Training Center (CENCICAP) is being aimed toward more productive activities in agriculture and agro-industry, to produce higher profits for AE members through some or all of the following areas:

- (1) Full use of agricultural land base
- (2) More efficient water resource use
- (3) Reduced on-farm losses
- (4) More efficient use of inputs
- (5) Improved farm planning and budgeting
- (6) Adding value through on-farm handling, packaging, etc.
- (7) Seeking most profitable times and places for sale of goods.

It will be noted that only one of the foregoing examples-- added value -- involves opportunity costs. The remainder deal with the same level of resources and labor that is now employed (the marginal value of labor is assumed to be zero, since adding a unit of labor to Peruvian agriculture under present conditions will not produce more goods).

In the case of Piura it was noted that for various reasons full use was not being made of the cultivable land available to the AE's of the zone. The average AE used only 48.6% of its land and all but one used less than 62%, despite formal plans to use more than 90%.

The reasons for the poor usage rate are not entirely clear; one important factor appears to have been the delapidated irrigation works in the area and the concomitant inability to deliver needed irrigation water.

CENCIRA's preliminary evaluation of the AE's in the Piura Zone shows that only 48% of the wells for irrigation were functioning and that if the remainder were brought into service, they could produce enough water to raise the land use level to 71%, or 23% more than the current level. More importantly, this source of water could provide the basis for multiple cropping in some areas since it is not linked to riverine sources which are subject to seasonal fluctuations. Solving the water problem alone could thus increase production significantly and increase person days of employment by nearly 50% in the Piura AE's. Training in maintenance and repair of irrigation wells and systems could thus have a direct payoff for farmer groups in terms of gross returns to fixed capital. Economic returns to the society from investment in such training would take the form of greater supplies of staple commodities, reduced import requirements and more employment opportunities.

At present only one of the AE's is obtaining nearly full value from its pastures, its cattle/land ratio is 1.4/79 while the remainder show ratios in excess of 1/9 and five of the 11 AE's have ratios greater than 1/30. Two have more than 90 hectares of pasture for each head of cattle. The average number of hectares of pasture for each head of cattle is 40 -- perhaps 9 times more than required. Stated differently, the AE's could grossly increase cattle populations with corresponding increases in profits, if full use were made of pasture lands, and if the AE's had the management skills needed to develop and execute bankable livestock expansion plans.

Such expansion is, of course, impossible to achieve in a period as short as two or three years, since cattle population grow slowly and Peru appears to have consumed much of its breeding stock. Nevertheless, given the decline in beef production from 111,000 MT in 1970 to 84,000 MT in 1974, and the substantial imports that have been necessary, meat and milk prices are likely to remain high enough to encourage investments in their production.

Based on this preliminary sketch, it is obvious that the Piura AE's are not operating at full capacity or efficiency. With improved management of the type to be provided by this project and with minimal, non-preferential bank credit, the Piura AE's could conceivably achieve some or all of the following:

(1) Increased crop production from 48 to 71 percent of potential during the main crop season -- an increase of 23% -- by rehabilitating wells.

(2) Introduce double cropping on up to 71% of its cultivable land -- doubling crop productivity.

(3) Drill new wells to bring the remaining 29% of arable land into production, adding up to another 58% to present production through double cropping.

(4) Build reservoirs to permit irrigation of pasture lands to more fully utilize the full carrying capacity of pasture lands.

The Piura AE's may represent an extreme in that few other AE groups may be able to double, triple or quadruple production with existing resources; some others may have current healthier financial positions.

However, based on USAID experience in other possible Project areas -- Cajamarca, Ayacucho, and Cuzco -- we can tentatively project a target of a 10 - 15% increase in productivity in areas to be served by the present Project.

Cajamarca.- USAID, in conjunction with the General Directorate of Waters (DGA), recently developed a loan for Improved Water and Land Use in the Sierra, in which the Cajamarca valley will be a pilot project area. The following conditions were found to characterize the Cajamarca agricultural sector:

1. Extremely low levels of farm technology, with little if any, use of fertilizers, pesticides and improved seeds.

2. Insufficient extension services on the part of the Ministry of Agriculture or Agrarian Bank to disseminate new agricultural techniques.

3. Unwillingness on the part of the small farmers to experiment with new cash crops (such as fruit trees, which have been shown to be profitable in similar climatological conditions), preferring to grow traditional home-consumption staples.

Yields per hectare are lower, in the case of all crops, than the national average, and incomes are generally correspondingly depressed.

Ayacucho.- The Rural Enterprises Development Fund, established by the Industrial Bank of Peru under Loan 527-L-057, selected Ayacucho as one of four implementation sites. One of the reasons for its selection was the concern to increase the value added to agricultural production in the area, by providing concessionary credits for agro-industrial enterprises. To date, Ayacucho has been able to use very little of the Fund resources, and according to the Industrial Bank Fund promotor, one of the principal reasons for 057 inactivity in the Ayacucho region is

that agricultural sector is not producing sufficient volumes of potentially industrializable crops to warrant investments, even on a small scale. This has been attributed mainly to a lack of trained technical assistance within the newly formed Associative Enterprises.

Cuzco.- The agricultural land of the Urubamba and La Convención valleys in the Department of Cuzco have been classified as among the most potentially productive of Peru. Studies carried out on actual agricultural production in La Convencion have shown that this potential is not being met, given transportation and marketing inefficiencies, and that the majority of fruit production spoils before it is able to be transported to the major markets in Cuzco.

In each of the above three areas, training of the type envisioned under the present Project is likely to have a positive impact on the economic well-being of the area. In all three areas, the newly formed Associative Enterprises lack managerial talent and technical training related to productivity.

#### Part 4. IMPLEMENTATION PLANNING

##### a. Administrative Arrangements

##### 1. Government of Peru:

There are threemajor Government of Peru organizations involved in various phases of this Project. Their administrative capabilities, roles and inter-relationships are described below:

##### A. CENCIRA

As the project's main implementor, CENCIRA has the primary administrative and technical responsibility for getting activities underway and for providing technical and financial support for training until the farmer enterprises (AEs) eventually take over.

Once the AEs are willing and able to assume much of the responsibility for operating and financing their own training programs, CENCIRA will assume a primarily normative role, providing occasional guidance and technical assistance on an as needed/requested basis. At all stages CENCIRA's responsibilities will be discharged primarily through its Zonal Offices. The administrative capacity of these offices is being strengthened through the decentralization effort which will provide appropriate technical/administrative personnel and adequate financing. CENCIRA's budget from inception in 1970 to the present, as well as future year projections are contained in Attachment C. Attachment D contains a detailed breakdown of CENCIRA's 1976 Budget, including personnel staffing.

Resources provided CENCIRA by FAO and the Dutch Government are directly administered by FAO. AID has provided some local technical and logistical support to CENCIRA for its pilot project training center (CENCICAP) in Piura, (see Attachment B). For this project CENCIRA will assume responsibilities for administrative services, directly and/or through local contractors.

##### B. Ministry of Agriculture

The Directorate General of Support to Campesino Enterprises (DGAEC) is the Ministry of Agriculture's arm responsible for providing technical support to CENCIRA in the fields of organization and consolidation of farmer enterprises. The DGAEC discharges its responsibilities through its Zonal Agricultural Agencies (AZs).

These units have considerable freedom of action and delegated authority for formulating as well as executing plans and programs. They operate in each of Peru's 11 Agrarian Zones. The AZs are divided into an average of four agricultural offices, each with its assigned area. Close and continued working relationships between the AZs and their agricultural offices and CENCIRA will be required throughout the period of execution of this project. Initially, these contacts will assist CENCIRA and the AEs to define the areas of training which should be stressed. Progressively, the working relationships should result in providing CENCIRA with most of the additional manpower resources required for project implementation. Because of the high priority placed on its activities as an action arm of the Ministry of Agriculture, CENCIRA enjoys high priority among the AZs, and therefore, does not anticipate difficulty in securing special technical expertise, as needed, to augment its own Zonal Technical Teams in conducting training courses to be offered the AE members.

### C. Ministry of Food

The Zonal Food Offices, which are now in process of being established under the Ministry of Food, are also responsible for providing the technical support which farmer enterprises will require to increase food productivity. This is one of the Government's areas of highest priority, due to constant food shortages and increasing food imports. In this project, the Zonal Food Offices will assist CENCIRA and the AEs to define those technologies and fields of production which the training should emphasize to achieve increased and sustained productivity. As the Zonal Food Offices are organized, it is expected that they will become the main source from which CENCIRA can draw production specialists for its training programs.

### 2. Cooperative Federations (Centrales)

The Federations of Cooperatives (Centrales) operating in the micro-regions selected for project implementation will share initial responsibility with CENCIRA for: (1) providing the information required to determine the need and practicality of establishing training programs; (2) selecting the subject matter for the training curriculum; (3) providing or rehabilitating physical facilities for training; and (4) assisting in selecting personnel to be trained. As training progresses, the procedures, courses, etc. will eventually become institutionalized and will in many cases be operated out of the Centrales headquarters.

### 3. Cooperative Farm Enterprises (Associative Enterprises)

The pilot Associative Enterprises (AEs) participating in this demonstration project will actively share in project implementation through: (1) selection of its members to be trained (and later employed by the AE as para-technicians; (2) providing in-kind facilities for training, and (3) paying an increasing portion of para-technician salary, eventually assuming the entire salary cost.

### 4. A.I.D.

Training costs for the AE member trainees and partial salaries of the para-technicians will be provided by A.I.D. Financing arrangements are described in Section 2.b. A precise breakdown is provided in Annex B. A.I.D. will also provide funds for limited instructional aides and materials, as well as for a contract for evaluating project performance.

Project monitoring is to be provided primarily through on-site visits and joint evaluation by CENCIRA and U.S. A.I.D. technicians. Monitoring will not require additional AID personnel and will be handled with staff already on board in the Mission.

### b. Implementation Plan

Following is a listing of major steps involved in the successful initiation and implementation of the project. (Tables I and II provide PERT and Performance Tracking Network Charts.)

#### PERT - Project for Establishing CENCICAPs

##### Major Events

1. Selection of locations for CENCICAPs by CENCIRA's Zonal Offices in coordination with DGAEC completed.
2. CENCIRA's Zonal Offices, staffed with personnel and in operation.
3. Project Agreement CENCIRA/AID signed.
4. Work-Plan for CENCICAP completed by CENCIRA Professional Team.
5. Work-Plan for CENCICAP approved by AID.

6. CENCIRA trainer teams on board and ready to implement work plan.
7. Selection of trainees completed.
8. Initial training for Resident Assistants completed.
9. On-site training sessions of Associative Enterprise level started.
10. Regular training sessions of RAs started.
11. Resident Assistants assigned additional duties.
12. End of year training Session for Resident Assistants completed.
13. Resident training sessions - completed.
14. On-site training cycle completed.
15. Decision to support CENCICAP thru 100% assumption-of RA salaries made by Associative Enterprises.
16. CENCICAP established and operating.

PERT - Project for Establishing CENCICAPs

List of Activities (Specifications) for PERT Chart (Table I)

- 1-2 - This is the key step in CENCIRA's decentralization. It calls for relocating technicians from CENCIRA's Central Office in Lima to each of the Zonal Offices selected for implementation.

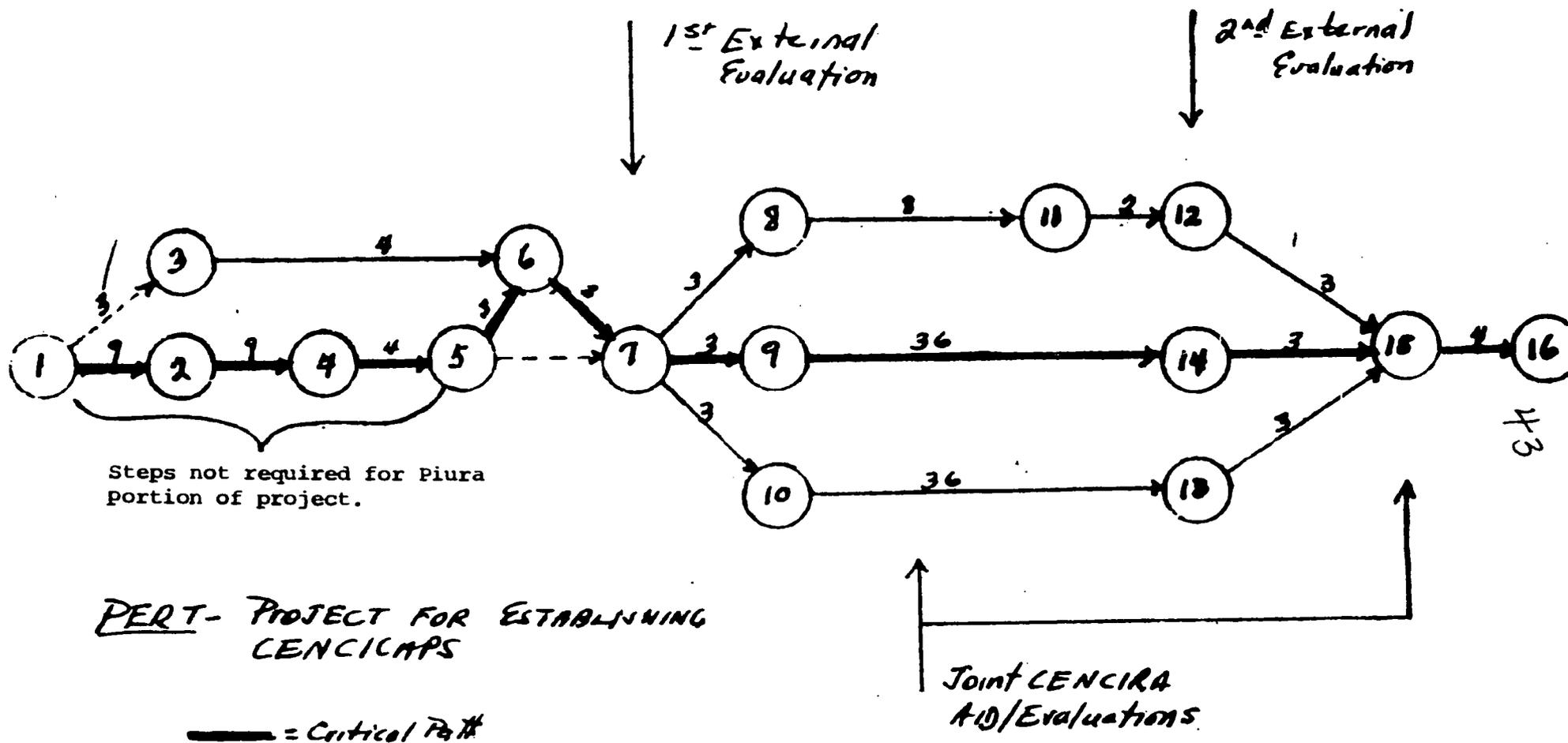
Involves the following activities:

- Preparation of CENCIRA's 1976 Budget and Operating Plan.
- Development of linkages between CENCIRA's Zonal Offices and the GOP Zonal dependencies.
- Making contacts with Associative Enterprises to be served by a CENCICAP.

- Selection of potential site for the CENCICAPs.
  - Making the Inventory of available resources required by a CENCICAP.
  - Conducting initial research jointly with farmer enterprises to identify common problems and design training curricula.
  - Analyzing information collected to determine need, practicality, scope and resource requirements for establishing a CENCICAP.
  - Activities cannot be initiated until Event No. 1 is completed.
  - These activities set the stage for the development of the Work Plan for CENCICAP.
- 
- 1-3 - Dummy. Establishment of CENCIRA's Zonal Agencies not a prerequisite to signature of ProAg with AID. Draft ProAg reviewed already by CENCIRA. Routing thru Technical Assistance Channels may cause abnormal delay.
  - 2-4 - Involves the definition of how a specific CENCICAP in a Zone will operate. This will include the development of a Work Plan which will contain an operational budget and a work calendar. This Work Plan is submitted to AID for approval.
  - 4-5 - Involves analysis by AID of the documentation submitted by CENCIRA, approval of the Work Plan by AID's Project Committee. Approval permits CENCIRA to start drawing funds authorized under the ProAg.
  - 3-6 - Involves the screening, selection, orientation and employment of technicians who will conduct activities in the CENCICAP, and making the necessary lodging and feeding arrangements for trainers. Activity depends substantially on requirements established by Work Plan. (Event No. 5)
  - 5-6 - Transmittal by AID of approved Work Plan to CENCIRA and processing of initial request for disbursement of funds. Emergency disbursement procedures can be used if necessary.
  - 5-7 - Dummy.

- 6-7 - Involves establishment of criteria for selection of trainees and coordinating work schedules and training schedules with farmer enterprises for the various types of training to be conducted RA's, on site training and regular courses.
- 7-8 - These three activities involved all arrangements required to
- 7-9 - start training of RA's, on site and resident courses, such
- 7-10 - as development of curricula, training schedules, lodging and board arrangements where necessary, production of didactic material, etc. Three separate events and activities are shown to highlight the relationship existent between the three types of training, two of which may be conducted simultaneously.
- 8-11 - Arrange final work schedules for RA's, payment arrangements, schedule of visits by CENCIRA professionals.
- 11-12 - Involves selection of additional number of candidates to receive RA training for 2nd year, convening reserve RA's, making necessary training preparations and arrangements. This activity will complete the first full training cycle for RA's within a CENCICAP.
- 7-9 - Initiate on site training activities at the associative enterprise level. These will be continuous.
- 9-14 - Involves the whole range of on site training activities to be laid out in detail on the Work Plan for a particular CENCICAP.
- 10-13 - Involves the scheduling and arrangement of resident courses to be held outside of the associative enterprise. These will be laid out in detail by the CENCICAP Work Plan.
- 12-15 - This is the culminating activity of the Project.
- 14-15 - RA's who have been employed for a year, those who have been
- 13-15 - in reserve, now trainees on site and regular trainees, and the Directors of the Associative Enterprises decide, based on their experience, to pick up and finance a CENCICAP permanently.
- 15-16 - At this stage, financing and training arrangements are formalized for the next annual training cycle. Permanent facilities are established.

TABLE I. PERT NET- Time units expressed in weeks



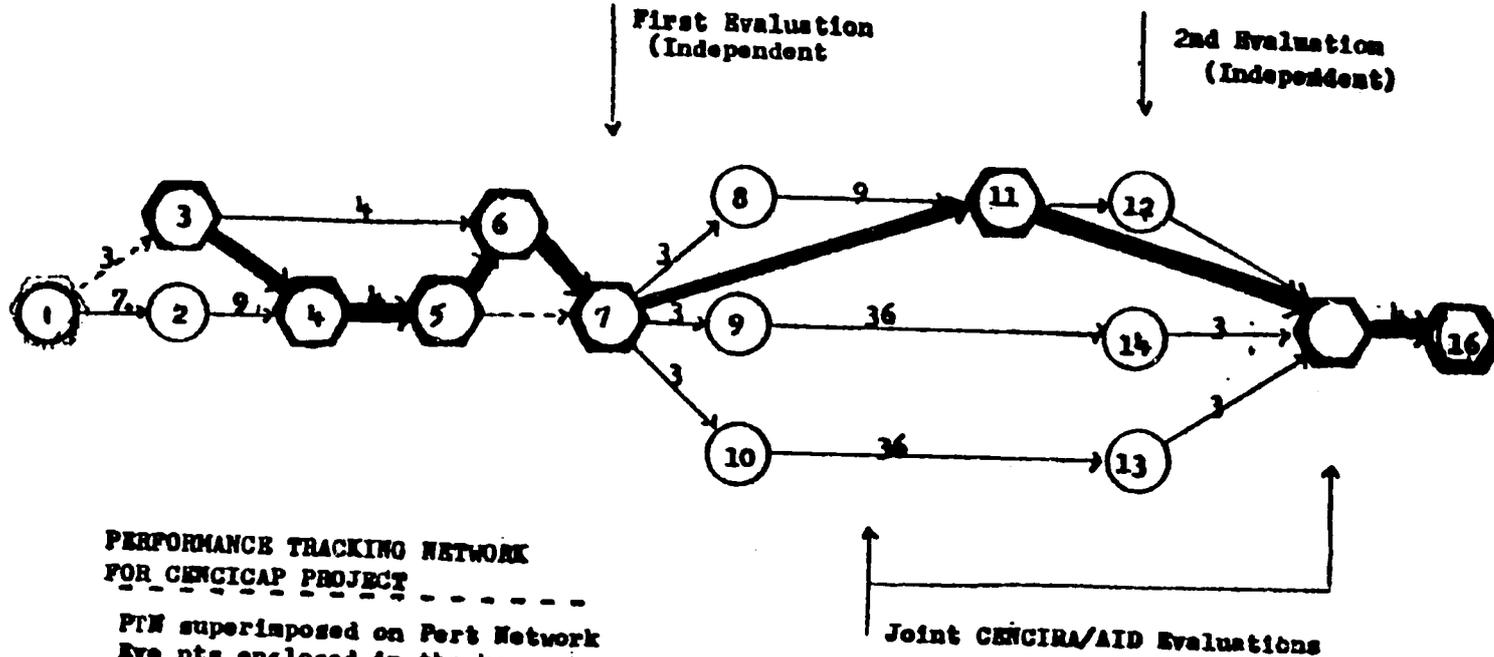
13

TABLE II

PERFORMANCE TRACKING NETWORK

(Time Unit - Weeks)

ANNEX D-



77

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c. Evaluation

The overall project strategy must be considered as experimental. It represents an attempt to involve reform sector farmers in the decision-making process by which their problems are defined and attempted solutions offered. The concept of substantial farmer member participation emerges from CENCIRA's experience with its training center in Piura. (See Attachment B). However, the extensive degree to which farmer participation is to be utilized under this project has never been attempted in Peru, not even in Piura. It is therefore imperative that the project be subjected to continuous monitoring and evaluation. We propose both "internal" monitoring/evaluation by farmer-participants, CENCIRA Zonal Office Staff, CENCIRA National Office Staff and USAID as well as "external" monitoring/evaluation by a Peruvian and/or North American consulting firm.

The "external" monitoring/evaluation system for the program remains to be designed. CENCIRA wishes to have outside technical assistance in the design of such a system. Portions of an AID-financed system already developed for ORDEZA (GOP agency for development of the area struck by the 1970 earthquake) could prove helpful in developing appropriate data collection instruments, although extensive refinement to CENCIRA needs will be required. The design of a tailored system will entail considerable investment in research and development. USAID will look to TAB/AID/W to provide some of the R&D expertise and financing.

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AGRARIAN REFORM

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## AGRARIAN REFORM

### A. The New Agrarian Legislation

#### Background

1. In 1959 the first Agrarian Reform and Settlement Agency was created. The first concrete land reform actions were ad hoc measures taken in 1963 in response to peasant land invasions in La Convención and Lare Valleys north of Cuzco and in the Junin and Pasco departments of the Central Sierra. Peru's first general land reform bill was signed in May, 1964. This bill's provisions were so complex, the exclusions and exceptions so numerous, and the compensation to land-owners so generous that it was extremely difficult and costly to implement. Other obstacles to the land reform process included the low priority given to land reform by high-level government officials, inadequate financing and personnel for the Reform Agency, centralization of the land reform bureaucracy and its control by officials sympathetic to landowners, and an aggressive counter-reform campaign launched by opponents of the reform. The result was inaction. Very little land was redistributed.

#### Main Elements of the New Legislation

2. The announcement of land reform law (No. 17716) on June 24, 1969, marked the beginning of a new phase in the Peruvian land reform process. The new law is more radical than the 1964 bill in many respects, and it is far more easy to implement. Execution of the reform has been given highest priority by the Government and is considered the strategic first step in creating a new agrarian structure which will contribute to social and economic development and spread the benefits of development more widely among the population.

3. Three fundamental innovations introduced by the 1969 law are the following: First, the law created a specialized branch of the judiciary ("El Fuero Agrario") which deals with legal questions related to the land reform process. Second, the new law prohibits all forms of land rental, and requires that all land-owners reside on and work their properties directly. Third, the law requires that all agricultural workers participate in the profits and management of the enterprises for which they work. The 1969 land reform law has been complemented with a new water law, a new set of bylaws for agricultural cooperatives and quasi-cooperatives and numerous other pieces of agrarian related legislation.

B. New Enterprise Forms

4. The central element in Peru's new agrarian structure is the "Associative Enterprise" characterized by joint ownership and self-management. The most important of these are: Agrarian Production Cooperatives (Cooperativas Agrarias de Producción -- CAPs), Agrarian Social Interest Societies (Sociedades Agrícolas de Interés Social -- SAIS), and Farmers' Groups. (Propiedad Social (Social Property) recently introduced in Peru can also be considered an important type of self-management enterprise. However, its effect will likely be felt more in the industrial and commercial sectors.)

The CAP -(Agrarian Production Cooperative)

5. The large-scale production cooperative (CAP) is seen by many government theoreticians as the ideal production unit, combining the technical-economic advantages of productive efficiency with the social-political advantages of self-management. Legally, the CAP is an indivisible production unit in which the ownership and usufruct of all productive assets -- land, livestock, crops, equipment, and installations -- is collective. Some 30% of the families that benefitted from the agrarian reform are members of these cooperatives which include the sugar estates and other large-scale production units of the Coast. Traditional peasant communities are also to be restructured so as to function as production cooperatives.

6. Any profit shown by the annual balance sheet, after all the overhead expenses (including salaries), provisions for redemption, depreciation and social benefits have been deducted, are distributed in the following order:

- (a) not less than 10% to the Reserve Fund
- (b) not less than 5% to the Education Fund
- (c) not less than 10% to the Social Welfare Fund
- (d) not less than 15% to the Investment Fund
- (e) not less than 5% to the Cooperative Development Fund
- (f) installments of interest on fully paid-up "certificates of contribution", the rate of interest not to exceed 2% per annum
- (g) the balance to the members according to the number of days worked.

7. The officially recommended minimum size of a CAP is 15 times the officially endorsed Agricultural Family Unit (3.5 hectares in the Coast, 10 hectares in the Sierra). But the most common size of the CAPs, other than those engaged in sugar and livestock, is 400 to 800 hectares comprising 100 to 200 families.

### THE SAIS - (Agrarian Social Interest Societies)

8. The SAIS is a special, complex, cooperative-like enterprise established in cases where estates in the Sierra are surrounded by peasant communities. The principal objective in establishing SAIS is to preserve the administrative and physical unity of efficient livestock production units expropriated under the agrarian reform and to distribute profits among neighboring peasant communities in order to reduce tensions and threats of land invasion and to promote the communities' social and economic development. Each SAIS is owned and managed by a service cooperative, made up of the workers of the expropriated estate, and by a number of peasant communities which have been designated as agrarian reform beneficiaries. Members of the peasant communities participate in management and profits of the central production unit but not in work.

### Federations of Cooperatives (Centrales)

9. Until the end of 1973 the Ministry of Agriculture had given top priority to the establishment and consolidation of base-level reform enterprises -- CAPs and SAISEs. However, more recently, increasing emphasis has been placed on the creation of cooperative federations (Centrales). These second-level units, which are owned and operated cooperatively by the base-level enterprises, are to play a strategic role in the implementation of the government's future agricultural policies. By law, each CAP and SAIS must join cooperative federations when these are established. To date, 26 Centrales have been organized covering 308 farmer enterprises.

### Campesino Groups which include Smallholder Cooperatives and Peasant Communities

10. Under the new legislation, smallholders who are not members of peasant communities may form two types of agricultural cooperatives: Agrarian Service Cooperatives (CAS) and Land Consolidation Cooperatives. In the former type, peasants who operate farms of less than three times the legally defined "family-sized unit" organize to provide themselves with input supplies, credit, machinery, storage, transport, processing, marketing, infrastructure, or other services, cooperatively; agricultural production per se remains organized on an individual basis. In the second type, smallholders cede land ownership or usufruct rights to the cooperative, and farm these lands jointly. Neither of these types of smallholder cooperatives has been actively promoted by the Government primarily because highest priority has been placed on the formation and consolidation of CAPs and SAIS. Peasant communities are being encouraged to adopt cooperative systems of production in order to benefit from the agrarian reform.

C. The Land Redistribution Process

Targets and Achievements

11. To date, 7,268,290 (72%) hectares have been expropriated. Of these 6,076,072 have been transferred to small farmers grouped in a wide variety of "Associative Enterprises". To date there are already 998 enterprises covering 5,851,725 hectares. Upon completion of the process, these enterprises will control Peru's agricultural production by holding not only the larger but also the most productive portions of land. Small farmers totalling approximately 300,000 will still continue to exist but their production as a whole is not expected to be significant.

12. The pace of expropriation has been most rapid in those sectors of the Coast and Highlands where Peru's largest estates existed -- the North Coast, Junin-Pasco, and Puno. Much less progress had been made on the Central and Southern Coast and in those areas within the Highlands where small - and medium-sized estates predominate.

Institutional Aspects

13. The Ministry of Agriculture

Following issue of the Organic Law of the Agricultural Ministry, two basic divisions are assigned primary responsibility for execution of agrarian reform. The Directorate General of Agrarian Reform and Rural Settlement is responsible for completion of the first phase of the program, i.e., expropriation and transfer. The Directorate General of Support to Farmer Enterprises is responsible for the Second Phase, i.e. consolidation of farmer enterprises.

14. National System of Support for Social Mobilization (SINAMOS)

SINAMOS, a semi-political organization designed to transform the country's traditional power structure by instituting participatory forms of social and economic organization, was established in 1972. SINAMOS took over several functions of the Ministry of Agriculture, including those of the directorates for rural communities and cooperative development. Apart from its activities in non-rural matters (e.g. urban slums), its function included (i) ensuring that peasants participate in agrarian reform, and (ii) supervising the work of executive bodies responsible for implementing the reform, to prevent deviation from the broad lines of revolutionary policy. The agency is under reorganization at present.

15. National Training and Research Center for Agrarian Reform  
(CENCIRA)

CENCIRA is a public agency subordinate to the Ministry of Agriculture. Its duties are to carry out research on technical, economic and social aspects of the agrarian reform and to train public officials and beneficiaries. To date, CENCIRA's emphasis has been on training of officials and technical experts of the Government, and managers and technicians of the production units. CENCIRA is undergoing a major effort to decentralize out of its Lima headquarters and into the rural departments as a result of the promulgation of D.L. 21295 on October 28, 1975. This law now assigns CENCIRA responsibility for training of farmers and directs its decentralization to the rural areas to carry out programs to support the consolidation of farmer enterprises.

16. Employment

It is estimated that by the end of 1976 Peru will have 1.5 to 1.6 million agricultural families, of which about 350,000 will have benefitted from the agrarian reform; but this does not mean that 350,000 more families will be employed than would have been without the reform. The purpose of the Peruvian Agrarian Reform is not to create new jobs, but to transfer ownership of land to the workers, improve their living standards, and reduce the level of underemployment. 1/ Underemployment is widespread and estimated to affect two-thirds of the agriculture labor force. There are, however, some provisions related to the agrarian reform that may increase the number of jobs, either in the sector itself or elsewhere in the countryside:

- (a) The setting aside of part of the surpluses of the CAPs and SAISes for productive investments,
- (b) the use of bonds of the agrarian debt to create employment in public and private industrial centers.

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1/ A person is considered "adequately employed" when he earns more than the minimum annual wage and works more than 35 hours a week.

INSTRUCTIONS: THIS IS AN OPTIONAL FORM WHICH CAN BE USED AS AN ADD TO ORGANIZING DATA FOR THE PAF REPORT. (IT NEED NOT BE RETAINED OR SUBMITTED.)

From FY \_\_\_\_\_ to FY \_\_\_\_\_  
 Total U.S. Funding \_\_\_\_\_  
 Date Prepared: \_\_\_\_\_

Project Title & Number: \_\_\_\_\_

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS		MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes: (A-1)	Measures of Goal Achievement: (A-2)	(A-3)		Assumptions for achieving goal targets: (A-4)
<p>Increase the capability of Associative Enterprises to provide economic and social benefits to their members.</p>	<p>Income increases for Associative Enterprises.</p>	<p>AE records.</p>		<p>-- Political stability and continued GOP emphasis on Agrarian Reform</p> <p>-- Training programs will be replicated in AE's not participating in pilot project.</p>

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**PROJECT DESIGN SUMMARY  
 LOGICAL FRAMEWORK**

(INSTRUCTION: THIS IS AN OPTIONAL FORM WHICH CAN BE USED AS AN AID TO ORGANIZE DATA FOR THE PAR REPORT. IT NEED NOT BE RETURNED OR SUBMITTED.)

Life of Project \_\_\_\_\_  
 From FY \_\_\_\_\_ to FY \_\_\_\_\_  
 Total U. S. Funding \_\_\_\_\_  
 Date Prepared: \_\_\_\_\_

Project Title & Number: \_\_\_\_\_

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Secty Goal: The broader objective to which this project contributes: (A-1)</p> <p><u>Sub-Goal:</u></p> <p>To enhance the viability of participating Associative Enterprises.</p>	<p>Measures of Goal Achievement: (A-2)</p> <ol style="list-style-type: none"> <li>1. Increase in yields of animals and/or crops per ha.</li> <li>2. Increase in land area under production.</li> <li>3. Requests from non-participating AE's to participate in the program.</li> </ol>	<p>(A-3)</p> <ul style="list-style-type: none"> <li>- Comparison with baseline data collected at the outset of the project.</li> <li>- Cencira's records.</li> </ul>	<p>Assumptions for achieving goal targets: (A-4)</p> <ul style="list-style-type: none"> <li>- Cencira will disseminate information on program to other AE's.</li> <li>- Dependable input supply.</li> <li>- Prices for basic foods will remain or be supported at incentive levels.</li> </ul>

**BEST AVAILABLE DOCUMENT**

Project Title & Number: \_\_\_\_\_

**NARRATIVE SUMMARY**

Project Purpose: (B-1)

To establish a cadre of para-technicians:

- a. applying improved practices and
- b. serving as a channel of communication between management and AE membership.

**OBJECTIVELY VERIFIABLE INDICATORS**

Conditions that will indicate purpose has been achieved: End-of-Project status. (B-2)

a.

1. Participating AE applications for loans to Agrarian Bank are significantly greater than those of non-participating AE's.
2. Agrarian Bank rate of loan approval of loans to participating AE's significantly greater than to non-participating AE's.
3. Accounting records meet minimum legal standards.

b.

1. Management and Administration Board

Staff turnover significantly lower than non-participating AE's.

2. Succession of trainees within AE's as per plan.
3. Participating AE's assume costs for trainees as per plan.

4. Significant increase in attendance at regular membership meetings.

**MEANS OF VERIFICATION**

(B-3)

a.

- Agrarian Bank loan records
- Annual audits
- Agrarian Bank and Cencira zonal office records.
- AE records of Board meetings
- Cencira and Ministry of Agriculture reports
- AE records maintained by Educational Committees
- AE accounting records.

**IMPORTANT ASSUMPTIONS**

Assumptions for achieving purpose: (B-4)

- Trainees selected by AE's able to absorb and apply training skills
- Trainees remain in AE's
- Cencira will continue to refine training methodologies
- GOP will continue to enforce standard accounting requirements for all AE's
- Timely credit will be made available to AE's
- AE's will have the necessary resources during the life of the project.
- Participating AE's continue to nominate candidates for remaining years of project.

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Annex C-4

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project  
From FY \_\_\_\_\_ to FY \_\_\_\_\_  
Total U.S. Funding \_\_\_\_\_  
Date Prepared \_\_\_\_\_

APP 1000-20 11-78  
REF ID: A100020

Project Title & Number: \_\_\_\_\_

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS				MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
	Magnitude of Output (C-2)			PROJECT LIFE (C-3)		
Project Outputs: (C-1)	FY-'76	FY-'77	FY-'78	TOTAL		Assumptions for achieving outputs: (C-4)
Zonal Training Plans Developed	2	1	-	3	- CENCIRA and AE Educational Committee Records	-CENCIRA technical teams will be available to carry out PAC's and surveys.
Concentrated Action Plans (PAC's) for each micro-region selected for establishment of a CENCICAP prepared	2	1	-	3	-- Joint CENCIRA/USAID evaluation	-Other GOP agencies in project area will provide supplementary technical support.
Sub-Zonal Coordination Council established and operating	2	1	-	3		-CENCIRA has capability to conduct -- and continue to refine --appropriate training program.
CENCICAPs established and operating	2	1	-	3		-Personnel suitable for training are available in AE's.
Initial Diagnosis of Micro Regions	2	1	-	3		-AE's will select suitable candidates for training.
Updated Diagnosis of Micro Regions (every six months).	3	6	-	9		
Core of para-technicians selected from among AE members trained in administration and technical skills.	120*	60*	30**	180*		
Surveys of Participating AE's	20	10	-	30		
Project proposals and/or applications for project financing prepared.	5	8	-	13		
Formal Training courses and on site training events.	30	50	-	80		

\* AID funded.  
\*\* Funded by AE's.

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AID 100-00 (1-76)  
SUPPLEMENT 1

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

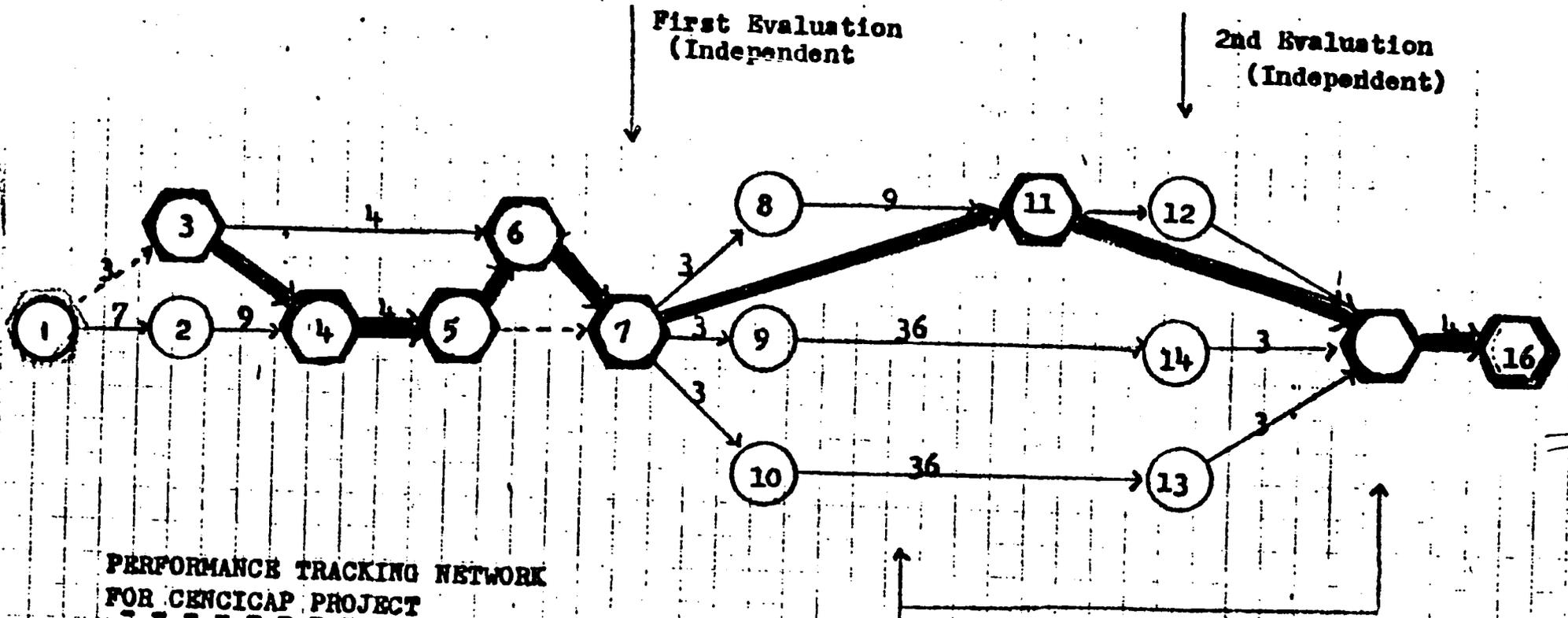
Life of Project: \_\_\_\_\_  
From FY \_\_\_\_\_ to FY \_\_\_\_\_  
Total U.S. Funding \_\_\_\_\_  
Date Prepared: \_\_\_\_\_

Project Title & Number: \_\_\_\_\_

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS																								
<del>Project Description</del>	Implementation Target (Type and Quantity) (D-2)	(C-3)	Assumptions for achieving outputs: (C-4)																								
Project Inputs: (D-1)	<table border="1"> <tr> <td></td> <td></td> <td></td> <td>Total Project life</td> </tr> <tr> <td>FY- 76</td> <td>FY- 77</td> <td>FY- 78</td> <td></td> </tr> <tr> <td>61,884</td> <td>65,723</td> <td>45,478</td> <td>173,085</td> </tr> <tr> <td>15,908</td> <td>15,908</td> <td></td> <td>31,816</td> </tr> <tr> <td>22,208</td> <td>16,000</td> <td>6,891</td> <td>45,099</td> </tr> <tr> <td><b>Totals:</b></td> <td><b>97,631</b></td> <td><b>52,369</b></td> <td><b>250,000</b></td> </tr> </table>				Total Project life	FY- 76	FY- 77	FY- 78		61,884	65,723	45,478	173,085	15,908	15,908		31,816	22,208	16,000	6,891	45,099	<b>Totals:</b>	<b>97,631</b>	<b>52,369</b>	<b>250,000</b>	Project Monitor On-site inspections Joint CENCIRA/AID evaluation	<ul style="list-style-type: none"> <li>- Availability of A.I.D. resources beyond first year of project</li> <li>- FAO will continue to provide technical assistance to CENCIRA</li> <li>- Government of Holland assistance to CENCIRA will continue.</li> </ul>
			Total Project life																								
FY- 76	FY- 77	FY- 78																									
61,884	65,723	45,478	173,085																								
15,908	15,908		31,816																								
22,208	16,000	6,891	45,099																								
<b>Totals:</b>	<b>97,631</b>	<b>52,369</b>	<b>250,000</b>																								
AID Training Allowances Equipment and Materials Technical Assistance & Evaluation Totals:	<table border="1"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>442,830</td> </tr> <tr> <td></td> <td></td> <td></td> <td>110,992</td> </tr> <tr> <td></td> <td></td> <td></td> <td>290,511</td> </tr> </table>								442,830				110,992				290,511										
			442,830																								
			110,992																								
			290,511																								
CENCIRA FAO/Dutch AE's																											

10

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First Evaluation  
(Independent)

2nd Evaluation  
(Independent)

**PERFORMANCE TRACKING NETWORK  
FOR CENCICAP PROJECT**

PTN superimposed on Pert Network  
Events enclosed in the hexagon  
represent Critical Events

Joint CENCIRA/AID Evaluations

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CHECKLIST OF STATUTORY CRITERIA

(Alliance for Progress)

In the right-hand margin, for each item, write answer or, as appropriate, a summary of required discussion. As necessary, reference section(s) of the Capital Assistance Paper, or other clearly identified and available document, in which the matter is further discussed. This form may be made a part of the Capital Assistance Paper.

Following abbreviations are used:

- Foreign Assistance Act of 1961, as amended.
- 1973 - Foreign Assistance Act of 1973.
- Foreign Assistance and Related Programs Appropriation Act, 1974.
- Merchant Marine Act of 1936, as amended.

AUTHORITY

Answer or Discussion

FAA § 103; § 104; § 105;  
§ 106; § 107. Is loan being made

for agriculture, rural development or nutrition;

For agriculture and rural development

for population planning or health;

for education, public administration, or human resources development;

to solve economic and social development problems in fields such as transportation, power, industry, urban development, and export development;

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e. in support of the general economy of the recipient country or for development programs conducted by private or international organizations.

COUNTRY PERFORMANCE

Progress Towards Country Goals

FAA § 208; §.251(b).

A. Describe extent to which country is:

(1) Making appropriate efforts to increase food production and improve means for food storage and distribution.

The GOP has an active policy to increase food production, including extensive credit programs. A top priority activity is the Agrarian Reform program which among other things is consolidating and redistributing land holdings in an attempt to bring additional lands under cultivation. A new Ministry of Food has been established with responsibility for technical assistance in production and marketing of food crops.

(2) Creating a favorable climate for foreign and domestic private enterprise and investment.

In the context of its industrial reform program (Industrial Law) and its balance of payment management, the GOP is seeking foreign and domestic private investment in areas identified as being essential to growth. Also see Item No. 4.

840-2 (6-74)

(3) *Increasing the public's role in the developmental process.*

Programs in industry (Industrial Law), fishing (Fishing Law), mining (Mining Law), Agrarian Reform, and Social Property are especially designed to achieve this objective, as are efforts to mobilize rural population.

(4) (a) *Allocating available budgetary resources to development.*

Sizeable portion of the GOP national budget are being allocated to the top priority programs of educational, agricultural and industrial reform (18%, 10% and 5% respectively).

(b) *Diverting such resources for unnecessary military expenditure (See also Item No. 20) and intervention in affairs of other free and independent nations.) (See also Item No. 11)*

"See item N°19".

(5) *Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.*

In recent years, tax collections have improved, the rule of law continues to be respected, and land reform has received top priority. Since the recent change of Government, deportees have been invited to return and previously closed newsmagazines been permitted to reopen.

(6) *Adhering to the principles of the Act of Bogota and Charter of Punta del Este.*

Sound monetary and fiscal policies leading to real growth in GNP, and relatively stable prices, coupled with significant economic and social reforms designed to restructure the Peruvian society along more equitable lines, indicate Peru's compliance with Alliance for Progress goals.

40-2 (5-74)

(7) Attempting to repatriate capital invested in other countries by its own citizens.

Recent decrees requiring full repatriation of foreign capital of Peruvians have had an important impact on the balance of payments and make available resources for investments in Peru.

(8) Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.

The GOF appears to be responding to the economic, political and social concerns of its people, particularly the poor, and has intensified self-help efforts as indicated above.

Are above factors taken into account in the furnishing of the subject assistance?

Yes.

ment of U.S. Citizens by Recipient Country

AA § 620(c). If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?

No known instance.

AA § 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

The Government of Peru is fully aware of USG requirement for prompt, adequate and effective compensation regarding expropriation of U.S. investments. To date there have been several expropriation claims which have been settled to the satisfaction of GOP and the USG. The only outstanding expropriation claim is that of the U.S. Marcona Mining company which is still subject to further negotiations.

2240-2 (5/74)

FAA § 620(o); Fishermen's Protective Act. § 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters,

1. has any deduction required by Fishermen's Protective Act been made?

No deduction has been required.

2. has complete denial of assistance been considered by I.D. Administrator?

The Administrator has taken into consideration prior seizure of U.S. fishing vessels by the GOP in his determination to continue to furnish assistance to Peru. There have been no such seizures or sanctions since the 1972-73 fishing season.

Relations with U.S. Government and Nations

FAA § 620(a). Does recipient country furnish assistance to Cuba or fail to take appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba?

No longer applicable.

2240-E (5-74)

FAA § 620(b). If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement?

Yes.

FAA § 620(d). If assistance is for any productive enterprise which will compete in the United States with United States enterprise, is there an agreement by the recipient country to prevent export to the United States of more than 20% of the enterprise's annual production during the life of the loan?

Any production increases resulting from efforts under this project will be consumed or marketed within Peru.

FAA § 620(f). Is recipient country a Communist country? No.

FAA § 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression? No.

FAA § 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property? No.

240-2 (8-74)

FAA § 620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, in convertibility or confiscation, has the A.I.D. administration within the past year considered denying assistance to such government for this reason?

The Administrator has taken Peru's limited guaranty program into consideration in determining to continue to furnish assistance to Peru.

FAA § 620(n). Does recipient country furnish goods to North Viet-Nam or permit ships or aircraft under its flag to carry cargoes to or from North Viet-Nam?

No longer applicable.

FAA § 620(q). Is the government of the recipient country in default on interest or principal of any A.I.D. loan to the country?

No.

FAA § 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No.

FAA § 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget?

According to data available in Peru, Peru is current on all U.N. payments, except for small amounts to be contributed to specialized agencies. These amounts were scheduled for payment in CY's 74-75.

2240-2 (5-74)

FAA § 481. Has the government of recipient country failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?

No. The GOP has taken such measures as are within its capacity to control narcotics traffic and is cooperating with U.S. efforts to eliminate production and trade in narcotics.

FAA, 1973 § 29. If (a) military base is located in recipient country, and was constructed or is being maintained or operated with funds furnished by U.S., and (b) U.S. personnel carry out military operations from such base, has the President determined that the government of recipient country has authorized regular access to U.S. correspondents to such base?

Not applicable.

### Military Expenditures

FAA § 620(a). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points is to be coordinated with the Bureau for Program and Policy Coordination, Regional Coordinators and Military Assistance Staff (PPC/RC).)

Approximately 15% of the 1975-76 GOP budget was allocated to military expenditures. The widely publicized GOP policy is to seek limitation of armaments throughout Latin America.

2240-2 (5-74)

CONDITIONS OF THE LOAN

General Soundness

FAA § 201(d). Information and conclusion on reasonableness and legality (under laws of country and the United States) of lending and relending terms of the loan.

Not applicable.

FAA § 251(b)(2); § 251(e).

Information and conclusion on activity's economic and technical soundness. If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to A.I.D. an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?

For the reason given in the Project Paper the project is considered economically and technically sound.

FAA § 251(b). Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects.

Not applicable.

FAA § 251(b). - Information and conclusion on availability of financing from other free-world sources, including private sources within the United States.

The participation of other donors was considered when calculating the amount of AID's contribution to the project.

2240-2 (5-74)

FAA § 611(a)(1). Prior to signing of loan will there be  
(a) engineering, financial, and other plans necessary to carry out the assistance and  
(b) a reasonably firm estimate of the cost to the United States of the assistance?

Yes.

FAA § 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of loan?

No such legislative action expected to be necessary.

FAA § 611(e). If loan is for Capital Assistance, and all U.S. assistance to project now exceeds \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?

Not applicable.

man's Relationship to Achievement  
Country and Regional Goals

FAA § 207; § 251(a); § 113.  
Extent to which assistance reflects appropriate emphasis on: (a) encouraging development of democratic, economic, political, and social institutions; (b) self-help in meeting the country's food needs; (c) improving availability of trained manpower in the country; (d) programs designed to meet the country's health needs;

Project activities are uniquely designed to meet the objectives of (a), (b) and (c). Improved health (d), should result from increased food consumption of increased food production. The project is designed to assist members of organized groups of agricultural producers. As such, the activity will assist Peru in overall agricultural development program and will provide significant on-the-job training. The integration of women into the country's national economy should be aided by the stimulation of rural agricultural production in which Peruvian women are already active.

FD 2240-2 (6-74)

(e) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws; or  
(f) integrating women into the recipient country's national economy.

FAA § 209. Is project susceptible of execution as part of regional project? If so why is project not so executed?

Not susceptible.

FAA § 251(b)(3). Information and conclusion on activity's relationship to, and consistency with, other development activities, and its contribution to realizable long-range objectives.

The project will be consistent with other GOP development activities, will contribute to development of the rural sector, and is consistent with A.I.D. activities and goals.

FAA § 251(b)(7). Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth.

The promotion and assistance of CENCICAPs will contribute significantly to long-term self-sustaining growth.

FAA § 209; § 251(b)(8). Information and conclusion whether assistance will encourage regional development programs, and contribute to the economic and political integration of Latin America.

The relatively small assistance to this project is not expected to have a significant impact on the economic and political integration of Latin America.

ID 1240-2 (874)

2. FAA § 251(g); § 251. *Information and conclusion on use of loan to assist in promoting the cooperative movement in Latin America.*

Technical assistance will be made available to cooperative type associations of rural producers and thus contribute to promotion of the cooperative movement.
  
3. FAA § 251(h). *Information and conclusion on whether the activity is consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress in its annual review of national development activities.*

The IBRD Consultive Group Meeting on Peru emphasized the justifiable need of international financial and technical assistance to Peru's development program.
  
4. FAA § 281(a). *Describe extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the country, through the encouragement of democratic, private, and local governmental institutions.*

The project is designed to assist cooperative-type associations or small farmers and thus encourage maximum participation at the local level in economic development.
  
5. FAA § 281(b). *Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.*

The project contemplates significant involvement and contribution at the small farmer cooperative or association level and therefore strengthens democratic processes at the grass-roots level.

AID 1240-2 (5-74)

60. FAA § 601(a). Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

The project is designed to specifically strengthen development and foster initiative of small farmer cooperatives-type associations. It will contribute to improved efficiency of agricultural production and marketing practices.

7. FAA § 619. If assistance is for newly independent country; is it furnished through multilateral organizations or plans to the maximum extent appropriate?

Not applicable.

Loan's Effect on U.S. and A.I.D. Program

9. FAA § 251(b)(4); § 102. Information and conclusion on possible effects of loan on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving the U.S. balance of payments position.

In addition to some purchases of U.S. goods and services, grant funds are also provided for local costs. These local costs will have negligible effect on U.S. economy and insignificant adverse effect on U.S. balance of payments.

10. FAA § 252(a). - Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources.

There will be some procurement of supplies and equipment from U.S. and local Peruvian private sources.

D 1240-2 (E-74)

FAA § 601(b). Information and conclusion on how the loan will encourage U.S. private trade and investment abroad and how it will encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

"See item No. 38"

FAA § 601(d). If a capital project, are engineering and professional services of U.S. firms and their affiliates used to the maximum extent consistent with the national interest?

Not a capital project.

FAA § 602. Information and conclusion whether U.S. small business will participate equitably in the furnishing of goods and services financed by the loan.

Information for or about small business as will be made available in accordance with A.I.D. policies.

FAA § 620(h). Will the loan promote or assist the foreign aid projects or activities of the Communist-Bloc countries?

No.

FAA § 621. If Technical Assistance is financed by the loan, information and conclusion whether such assistance will be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on

All U.S. goods and services will be procured from the private sector. No utilization of other USG agencies is anticipated.

1240-2 (6-74)

whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs.

Loan's Compliance with Specific Requirements

FAA § 110(a); § 208(e). Has the recipient country provided assurances that it will provide at least 25% of the costs of the program, project, or activity with respect to which the loan is to be made? Yes.

FAA § 112. Will loan be used to finance police training or related program in recipient country? No.

FAA § 114. Will loan be used to pay for performance of abortions or to motivate or coerce persons to practice abortions? No.

FAA § 201(d). Is interest rate of loan at least 2% per annum during grace period and at least 3% per annum thereafter? Not applicable.

2. FAA § 604(a). Will all commodity procurement financed under the loan be from the United States except as otherwise determined by the President? Procurement will be in accordance with A.I.D. grant procurement regulations.

0. FAA § 604(b). What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U.S. market price? - Not applicable.

ID 1240-2 (E-74)

1. FAA § 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will loan agreement require that marine insurance be placed in the United States on commodities financed by the loan? Not applicable.
  
2. FAA § 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? Not applicable.
  
3. FAA § 604(f). If loan finances a commodity import program, will arrangements be made for supplier certification to A.I.D. and A.I.D. approval of commodity as eligible and suitable? Not applicable.
  
4. FAA § 608(a). Information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items. Consideration of excess availabilities will be given at time of procurement.
  
5. FAA § 611(b); App. § 101. If loan finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962? Not applicable.

U. 1240-2 (5-74)

6. FAA § 611(c). If contracts for construction are to be financed, what provision will be made that they be let on a competitive basis to maximum extent practicable? Not applicable.

7. FAA § 612(b); § 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local-currencies to meet the cost of contractual and other services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services. No excess U.S. owned foreign currencies are available in Peru. About 25% of direct project costs will be borne by the GOP.

8. App. § 113. Will any of loan funds be used to acquire currency of recipient country from non-U.S. Treasury sources when excess currency of that country is on deposit in U.S. Treasury? No. Peru is neither an excess nor a near excess currency country.

9. FAA § 615(d). Does the United States own excess foreign currency and, if so, what arrangements have been made for its release? No U.S. owned excess foreign currencies available.

10. FAA § 620(g). What provision is there against use of subject assistance to compensate owners for expropriated or nationalized property? No such financing contemplated.

1240-2 (5-74)

FAA § 620(k). If construction of productive enterprise, will aggregate value of assistance to be furnished by the United States exceed \$100 million?

No.

FAA § 636(i). Will any loan funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction?

No.

App. § 103. Will any loan funds be used to pay pensions, etc., for military personnel?

No.

App. # 105. If loan is for capital project, is there provision for A.I.D. approval of all contractors and contract terms?

Any contracts financed by project funds will be subject to AID approval.

App. § 107. Will any loan funds be used to pay UN assessments?

Not applicable.

App. § 109. Compliance with regulations on employment of U.S. and local personnel. (A.I.D. Regulation 7).

Not applicable.

D 1240-2 (5-74)

App. § 110. Will any of loan funds be used to carry out provisions of FAA §§ 209(d) and 251(h)?

No.

App. § 114. Describe how the Committee on Appropriations of the Senate and House have been or will be notified concerning the activity, program, project, country, or other operation to be financed by the Loan.

This project was included in the FY 1976 Congressional Presentation.

App. § 601. Will any loan funds be used for publicity or propaganda purposes within the United States not authorized by the Congress?

No.

0. MMA § 901.b; FAA § 640C.

(a) Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed with funds made available under this loan shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.

Not applicable.

(b) Will grant be made to Loan recipient to pay all or any portion of such differential as may exist between U.S. and foreign-flag vessel rates?

ANNEX F

Lima, April 26, 1976

Oficio No. 385-CENCIRA-PE-OP

Mr. Donald R. Finberg  
Director  
Agency for International Development  
Lima

Subject: Technical Assistance Project

We are pleased to refer to the Technical Assistance Project to CENCIRA which was presented to A.I.D. by the Government of Peru.

To those effects and in confirmation of our conversations, we would like to inform you that CENCIRA's Budget for 1976 is in the order of S/.48,000,000 in which amount CENCIRA's counterpart contribution to said project is included.

Counterpart funds for the three CENCICAPs under the Project will amount to S/.19,800,000. Also the estimated Budget for the 1977-78 biennium is in the order of S/.150,000,000.

If the in-service training methodology to be tried out in the three CENCICAPs with AID financing proves successful, CENCIRA will take the necessary financial measures to continue them once AID assistance terminates.

Sincerely yours,

Col. Max Velarde Bellina  
Executive President - CENCIRA



**MINISTERIO DE AGRICULTURA**  
**CENTRO NACIONAL DE CAPACITACION**  
**INVESTIGACION PARA LA REFORMA AGRARIA**  
**CENCIRA**  
VIER PRADO (OESTE) No. 1338 - SAN ISIDRO  
APARTADO POSTAL 11205

*Recd*  
Lima, 26 de Abril de 1976

USAID/LIMA  
MAIL ROOM  
129 ABR. 1976  
**RECEIVED**

Oficio N° 385 CENCIRA-PE-OP

**SEÑOR** Donald R. Finberg  
Director de la Agencia Internacional  
para el Desarrollo

**ASUNTO** : Proyecto de Cooperación Técnica de la  
Agencia Internacional para el Desarrollo

Tengo el agrado de dirigirme a usted, en relación al Proyecto de Cooperación Técnica de la Agencia Internacional para el Desarrollo al CENCIRA, que fuera oportunamente presentado por el Gobierno Peruano a la A.I.D.

Al respecto y de acuerdo a lo conversado con usted, pongo en su conocimiento que el Presupuesto de CENCIRA para el año 1976 es del orden de los S/. 48'000,000.00 (Cuarentiocho Millones de Soles Oro), en el cual están incluidas las contrapartidas de CENCIRA para el mencionado Proyecto.

Los fondos de contraparte para los tres CENCICAP'S materia del Convenio alcanzaría la suma de S/.19'800,000.00 (Diecinueve Millones Ochocientos Mil Soles Oro). Asimismo el Presupuesto estimado para el Bienio 1977-78 es del orden de los S/.150'000,000.00 (Ciento Cincuenta Millones de Soles Oro).

De resultar exitosa la metodología de capacitación en servicio a experimentarse en los tres CENCICAP'S con financiamiento de la AID, CENCIRA tomará las medidas financieras necesarias para continuar con la misma, una vez concluida la cooperación de la AID.

Dios guarde a usted,

ACTION: *APIL*  
Date: *APR 29*  
*J*  
*EC*



*Max Velarde*  
Max Velarde Bellina  
Teniente Coronel EP  
Presidente Ejecutivo del CENCIRA

*Des. Let. 5/5*

Actio:	
N. A. N.	
Date	Initials
4/29/76	<i>ECM</i>

## ANNEX G

### DRAFT OF PROJECT DESCRIPTION TO BE USED IN PROJECT AGREEMENT

With the first phase of land redistribution under Peru's comprehensive Agrarian Reform Program virtually completed, including the organization of farmer beneficiaries into collective production enterprises known as Associative Enterprises, (A.E.), Peru's Agrarian Reform is now entering the consolidation stage. This stage will focus on improving the financial and productive status of the AEs. Many of these do not have access to adequate credit for financing required capital replacement or new investments in productive infrastructure. Many show substantial operating deficits as productivity remains substantially below planned levels.

While each AE and each region faces their own unique problems they almost all share one major problem which seriously affects productivity and viability - that is a scarcity of managerial/administrative and production skills among the AE farmer members. CENCIRA realizes that solution to these problems is a task requiring more active participation of farmers. It is also a task requiring the coordination of human and financial resources of a variety of Government Agencies currently working in the agricultural sector, i.e. Ministries of Agriculture and Food, SINAMOS, etc.

CENCIRA, under Decree Law N° 21295, has recently been given expanded responsibilities for mobilizing and coordinating Government agency resources for campesino training on the one hand, and mobilizing the participation of farmers benefitted by Agrarian Reform, on the other. To implement its mandate CENCIRA is decentralizing its administrative structure and professional staff into initially five, and eventually seven, zonal offices throughout Peru.

The purpose of this project is to establish a cadre of campesino para-technicians who will introduce improved management and agricultural production practices and also serve as a channel of communication between the management and small farmer membership of the Associative Enterprises. This is to be accomplished through a strategy of selecting, training, and then hiring as para-technicians qualified farmers to serve as problem-solvers, advisors, educators and transmitters of improved technologies and organizers within their respective areas.

The primary mechanism for implementing the project at the local level will be the CENCIRA Center for Participant Farmer Research and Training, or CENCICAP. As presently envisaged, each CENCICAP will be located in a rural setting, utilizing existing buildings such as an ag-casa de hacienda, where food and lodging accommodations for as many as 30-40 farmer-trainees can be made. Each CENCICAP will be assisted by 6-8 CENCIRA professionals from out of the CENCIRA Zonal

ATTACHMENT A

CEDESCA (CENTER FOR FARMER DEVELOPMENT)

I. GENERAL

CEDESCA was established in March 1973 as a result of an agreement between FAO and CENCIRA. It is located in Chepen, Department of Lambayeque on the Northern coast of Peru.

The Center's training efforts are aimed at some 11,000 small farmer families in the valleys of Chancay, La Leche, Zaña and Jequetepeque, located in the departments of La Libertad and Lambayeque. These farmers are grouped into some 50 small-to-medium sized production and service cooperatives ranging in size from 30 to 200 families.

CENCIRA provides technical guidance and administrative support for the Center. CEDESCA's activities are directed by a Zonal Training Committee composed of representatives of the various Governmental agencies operating in the Ministry of Agriculture's Zone II and delegates selected by the farmer enterprises served by it.

The Center's Director and Chief advisor has been a technician appointed by FAO but financed by a private Dutch organization. He is now being replaced by a Peruvian counterpart financed by CENCIRA. The Center's expenses are defrayed by contributions from several Peruvian Governmental zonal agencies, farmer organizations served by the Center and CENCIRA. The Center's annual operating budget is approximately \$27,600.\* Food for training participants is provided by the farmer enterprises.

CEDESCA's initial activities aimed primarily at the training of farmer leaders and rural youth in its zone of influence in farm management and administration techniques, production technology and livestock management. Training was gradually expanded to cover cooperative members, office workers, field hands and women. Courses have been added in social communications.

Training in 1975 was subdivided as follows:

<u>Formal Course</u>	<u>Training days</u>	<u>% of Total</u>
Farmer leaders	1,740	8%
Promoters	1,950	9%
Specialized office workers	1,440	6%

\*Exclusive of salaries

<u>Formal Course</u>	<u>Training days</u>	<u>% of Total</u>
Field Workers	1,150	5%
Extension Agents	360	2%
Women	360	2%
 <u>On Site Training</u>		
All Farmers	15,000	68%

## II. TRAINING AREAS

Preparation of training curricula and course programming is based on the suggestions made by the Educational Committees of the farmer enterprises using CEDESCA's facilities. These Committees also sponsor jointly-financed training sessions and often recommend trainees for courses. Training courses fall under four major categories: Cooperativism, Production Techniques, Farm Management and Administration and Social Communication.

### TRAINING COURSES - 1975

<u>Type</u>	<u>Number of Courses</u>	<u>Number of Participants</u>	<u>Number of days</u>
<u>Cooperatives</u>			
Introduction to Coops	2	40	4
Administration	4	40	4
Integration	2	40	3
 <u>Production</u>			
Livestock	2	25	5
Mechanization	3	25	10
Field Supervision	2	25	3
 <u>Administration and Management</u>			
Introduction to Agriculture			
Economy	2	30	4
Accounting	4	30	10
Development Plans	2	30	4
Labor Relations	2	30	5

Type	Number of Courses	Number of Participants	Number of days
<u>Social Communications</u>			
Setting up Educational Centers	4	30	10
Role of Women	4	30	3
Reading and Writing	1	30	25
Communications for Extension Agents	1	30	12

Both formal and on-site training is conducted. Formal courses are financed by the CENTER while the farmer enterprises pay for the food.

#### Staff

CEDESCA has a permanent staff of six trainers for its formal courses, eight promoters on field assistance for on-site training, plus four administrative personnel. In 1975 it conducted 35 formal courses with an average duration of 7 days and an average attendance of 30 persons. Fifty on-site training sessions averaging ten days each were held for groups averaging 40 in number. These same levels will be maintained in 1976.

#### Methodology

Its principal characteristic has been to involve trainees so that the traditional teacher-pupil relationship is replaced by one of exchange of experiences and knowledge. Training sessions usually result in the production of a manual, a training syllabus, a radio program, a poster, a movie script, etc., which can then be used in subsequent training programs. Practical training is stressed over theoretical concepts. Groups conduct their own evaluation.

## ATTACHMENT B

### PIURA TRAINING CENTER

The Alto Piura area of Peru's northern coastal Department of Piura was selected as a pilot zone for CENCIRA to test its new approach to provide more practical training for farmer members of the Associative Enterprises (AEs). The new approach consists of simultaneous research, training and communications activities to solve specific problems within an AE with maximum farmer participation. Work began in late July 1975 with the formation of a multidisciplinary CENCIRA training team and the gathering and analysis of data. The team was fielded in August and held its first training course in September, and after a series of consultative sessions with farm groups, outlined an action program for further training.

For CENCIRA, the Piura Training Center (CENCICAP) is providing an experience radically different from that prevailing through 1974, until which time CENCIRA "training" consisted almost exclusively of explaining and promoting land redistribution policy. The new model of training being applied in the Piura Training Center AE's represents the initiation of CENCIRA's "second phase" of training in that it has been more practically oriented toward specific micro-regional problems surfaced by research among the farmer/trainees themselves and results in action plans. An aspect of the Piura Training Center effort that has influenced the design of the new proposed AID assisted project for Agro-Industrial Manpower Training is the difficulty of obtaining real farmer participation in large, generalized training groups, and the near impossibility of retaining technicians in the AE's for extended periods of time so that they can effectively transfer their technology to the farmers. In the very first stages of the Piura experience CENCIRA's personnel retained the lecture technique to address groups of 50 - 100 and evoked little participatory response. This has now led to more specificity in trainee and subject matter selection and greater efforts to obtain farmer participation. CENCIRA's early work in Piura demonstrated the need to form functional linkages with other official entities in the AE's to secure subject matter specialists for training and to confront daily production problems as well as to support action projects.

ATTACHMENT C

CENCIRA HISTORICAL AND PROJECTED BUDGET

<u>Year</u>	<u>Peruvian Soles</u>	<u>US\$ Equivalent</u>
1970-71 (Actual)	S/. 16,253,672	\$ 374,681
1972 (Actual)	18,781,287	431,565
1973 (Actual)	22,388,463	516,101
1974 (Actual)	29,712,468	684,935
1975 (Actual)	31,949,200	736,496
1976 (Actual)	48,350,000	1,074,444*
1977-78 (Projected)	150,000,000	3,333,333*

\* Does not include possible transfers from other Government of Peru agencies.

ATTACHMENT D

CENCIRA'S BUDGET AND STAFFING - 1976

\$1,074,444

1. Personnel - Central Office	<u>\$350,000</u>
- 56 professionals	
- 25 administrative	
2. Personnel - Zonal Offices	<u>\$524,444</u>
- 80 professionals	
- 45 administrative	
3. Expendable Goods	<u>\$ 88,889</u>
4. Equipment	<u>\$ 66,667</u>
5. Services	<u>\$ 44,444</u>

ATTACHMENT E \*\*

ESTIMATED TRAINING AND EMPLOYMENT OF RESIDENT ASSISTANTS FINANCED BY AID \*\*

<u>Location and Year</u>	<u>Number of Trainees</u>	<u>Average cost per trainee</u>	<u>Total cost</u>	<u>N°TA's employed</u>	<u>Average cost per RA</u>	<u>Total cost Employment</u>	<u>Total costs</u>
<u>ALTO PIURA</u>							<u>44,669</u>
Initial training - July '76	60	149.33	8,960				8,960
Employment - RA's - July '76/June '77				30	976.96	29,309	29,309
Refresher - RA's - July '77	<60>*	106.67	6,400				6,400
<u>CAJAMARCA</u>							<u>64,208</u>
Initial training - July '76	60	149.33	8,960				8,960
Employment 1st year RA's Jul.'76/June.'77				30	976.96	29,309	29,309
Refresher training - July '77	<60>*	10,667	6,400				6,400
Employment 2nd year RA's Jul.'77/June.'78				30*	651.31	19,539	19,539
<u>TUZCO</u>							<u>64,208</u>
Initial training - Jan. '77	60	149.33	8,960				8,960
Employment 1st year-RA's Jan/Dec.'77				30	976.96	29,309	29,309
Refresher training - Jan.'78	<60>*	106,67	6,400				6,400
Employment -RA's -2nd year Jan.'78/Dec.'79				30*	651.31	19,539	19,539
<b>Total Trainees</b>	<b>180***</b>			<b>150</b>			

\* Rotation of trained RA's.

\*\* Precise number of trainees will be indicated in the Work Plan for each CENCICAP to be approved by AID prior to disbursement of funds.

\*\* AE's will be allowed to finance training of 90 additional candidates.