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AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES AID MISSION TO PERU

C/O AMERICAN EMBASSY

LIMA, 1 PERU

TELEPHONE: 286200

CABLE: USAID/LIMA

September 27, 1979

Dr. Pedro Almendariz L.
Coordinating Director
Centro de Estudios y Desarrollo Rural
Casilla No. 405
Puno, Peru

Subject: CEDRU OPG - Integrated Development of Campesino
Communities
Project No. 527-0207

Dear Dr. Almendariz:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby grants to the Centro de Estudios y Desarrollo Rural (hereinafter referred to as "CEDRU" or "Grantee") a sum not to exceed Seventy five thousand United States Dollars (\$75,000) to provide support for a program of integrated development of campesino communities in the Department of Puno, as more fully described in the attachment to this Grant entitled "Program Description". Subject to the availability of funds for this purpose, and to the mutual agreement of the parties to proceed, AID will provide additional support of not to exceed in total, the equivalent of \$130,000 in A.I.D. Fiscal Years 1980 and 1981.

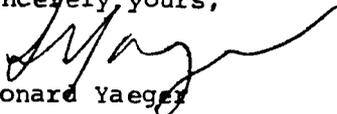
This Grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Grantee in furtherance of program objectives from the date of this letter through September 30, 1980.

This Grant is made to CEDRU on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1 entitled "Program Description", and Attachment 2 entitled "Standard Provisions".

Please sign the original and seven (7) copies of this letter to acknowledge your acceptance of the condition under which these funds have been granted.

Please return the original and six (6) copies of this Grant to the Office of the Grantor.

Sincerely yours,

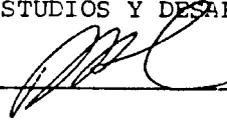

Leonard Yaeger
Director
USAID Mission to Peru

ATTACHMENTS:

1. Program Description
2. Standard Provisions

ACCEPTED:

CENTRO DE ESTUDIOS Y DESARROLLO RURAL

By:  _____

Title: Coordinating Director

Date: September 27, 1979

FISCAL DATA:

Appropriation: 75-1191021
Allotment: 946-50-527-00-69-91
Project: 527-0207
Grant Amount: \$75,000.00

Program Description (For purposes of the Standard Provisions this attachment shall constitute the "Schedule")

A. Purpose of the Grant

The purpose of this Grant is to assist CEDRU implement a project designed to improve the incomes, health and educational status of campesino communities in the province of Carabaya, Puno.

B. Specific Objectives

The specific objectives of this Grant are to support CEDRU's program to alleviate poverty in a remote region of the Sierra, and, through the implementation of that program, to gain insight into the efficacy of the integrated rural development concept which entails the provision of a broad range of services to campesino communities.

The primary objective of this pilot project is to test the economic feasibility of providing the following elements to participating campesino communities: (a) a multi-purpose service center, to provide among other services, agricultural storage and marketing, veterinary services and community health care; (b) production programs to emphasize improved cultivation of crops on communal plots (chacras) and improvement of herds through the establishment of breeding facilities (corrales comunales) and washing facilities (bañaderos); and (c) adult campesino training in technical subjects, as well as in literacy and other social skills.

The project area, Carabaya province, is among the most marginal in Peru. Due to its isolation and because its population lives almost exclusively in very cohesive campesino communities, the government has exempted the province from the agrarian reform process. The campesino communities in the area are extremely poor. Very little good crop land exists in the province; families rely on sheep and alpaca as their source of cash income. Government services are practically non-existent in the area. Project funds will provide greatly needed agricultural production, marketing, health and education services in the area.

OPG funds will be used to partially defray the local salary costs of CEDRU's professional staff, including a project coordinator, administrative assistant, a veterinarian and two trainers, as well as local staff in Carabaya who will be involved in the direct provision of services, e.g. nurse, driver, and an administrator of the multi-communal center. In addition project funds will be used to purchase

equipment and vehicles, build infrastructure and defray local training costs. OPG funds will also be provided to contract the services of an economist to assist in project evaluation. (See Section E, Project Financial Plan).

C. Project Implementation

This project will be implemented by CEDRU over an approximate three year period, beginning from the date of acceptance of this Grant. CEDRU will assume responsibility for overall administration of the project's implementation and will assume complete responsibility for the utilization of Grant funds.

CEDRU will implement project activities in the following nine campesino communities: Ajoyani, Huarachani, Ayusuma, Pacaje, Catacancha, Anansaya, Esquena, Uchuma and Usicayos, all located in the province of Carabaya. The activities to be implemented during the life of the project are the following: (1) establishment of a Multipurpose Service Center; (2) organization of Productivity Programs; and (3) Campesino Training. A more detailed description of the three activities follows:

1. Multipurpose Service Center

The Center will be located in the communities named above, and will include a store, warehouse, pharmacy, silo, garage, and office installations. Furniture, equipment, and 18-month salary of an administrator will be provided with Grant funds.

a. The Multicommunal Store will sell basic food staples and household supplies, as well as local products. The store will sell these items in Ajoyani and will also provide products at wholesale prices to at least four nearby communities, (Pacaje, Huarachani, Anansaya and Catacancha). Grant funds will finance acquisition of an initial stock of supplies. Administration of the store will be the responsibility of a campesino administrative committee which CEDRU will train and advise on a permanent basis. In addition, CEDRU will establish a basic accounting system and train campesinos to manage it. The multicommunal store will provide credit to the four nearby community stores when the latter provide required infrastructure to store produce and agree to appoint a person to administer the store.

b. The Multicommunal Pharmacy in Ajoyani will buy, sell and distribute basic medicines to similar facilities in four nearby communities. A professional nurse will be contracted with Grant funds for 18 months to serve the project area on a rotating basis. Grant funds will also finance the construction of two new medical posts (Pacaje and Huarachani) and the initial stock of medicines for the entire network. The nurse's salary will be paid from

profits obtained by the multipurpose center in the third year of project activities.

c. The Multicommunal Silo will provide agricultural inputs (fertilizer, seed, insecticides, tools, veterinary products) to the communities and assist in marketing their agricultural produce. Improved seed will be provided on a loan basis to communities for use on communal plots. The seed fund will be gradually increased to benefit communities beyond Ajoyani, where the silo will be located.

Grant funds will be used to partially defray the cost of truck maintenance which will supply the services network (food, medicines, agricultural inputs, veterinary products, construction materials, etc.) and will permit the marketing of produce from the communities involved in the project. The network will be structured by CEDRU to insure the most efficient use of the vehicle. The Grant will cover 18 months of salary for a truck driver and a partial subsidy for gasoline, insurance, maintenance and depreciation of the truck. After three years of AID assistance, the campesino communities must fully maintain the truck. During the third year of operations, CEDRU will legalize the constitution of the Multipurpose center, converting it into a service entity. This entity will then be granted property title to the truck.

Salaries for personnel contracted with Grant funds for an 18 month period (Center administrator, nurse, driver and skilled construction workers) will be paid by the communities and/or other sources upon the termination of the 18 month period.

2. Productivity Programs

In addition to the above services, CEDRU will organize community plots (chacras) and corrals.

a. Six community plots will be established in three districts: Ajoyani, Coaza and Macusani. The service center will provide agricultural inputs and tools for use on the plots, and CEDRU will provide intensive technical assistance. The chacras will total 27 hectares and will be used for cultivation of potatoes, oca, quinoa, cañihua, barley and oats. Agricultural inputs for use in the chacras will be provided with Grant funds; the communities will contribute land and labor while CEDRU will provide technical assistance and administrative leadership. A tractor will be made available on a fee-for-service basis by the community of Pacaje.

b. Two community corrals will be established in the Districts of Coaza and Macusani. Each corral will be initiated with 80 head of Merino Precoz sheep and 80 selected alpacas. During the first three years of operation, the animals produced in the corrals

will be retained there; individual comuneros in the project area will have access to breeding services only. After that period, comuneros will have the option to buy selected breeders. Those breeders not retained in the corrals or sold will be turned over to the Multi-purpose Center for the stocking of corrals in other areas or for commercial sale outside the province. CEDRU will provide veterinary services and technical direction. Grant funds will be used to purchase animals, medicines, and materials to build the corrals.

3. Campesino Training

Short term adult courses will be provided to approximately 400 people during the project period. Simple pamphlets will be designed and utilized by CEDRU in the educational program. Grant funds will be used for the production of educational materials and to pay for the meals of participants in the training program. Training curricula will provide technical instruction in the areas of productivity, administration, and social training. CEDRU will coordinate closely with both the Instituto Peruano de Fomento Educativo (IPFE) and CENCIRA to avoid duplication in the production of materials. Grant funds will be used by CEDRU to contract the services of two trainers to implement training activities.

D. Evaluations and Reports

In order to determine the economic feasibility of this project to consider its future replication, the importance of the evaluation process is critical. In addition to the evaluation procedures discussed below, project funds will be used to contract the services of an economist to establish an evaluation system and provide ongoing advice and analysis to CEDRU and AID as the project is implemented. The contract economist will work on a full time basis with CEDRU during the initial months of project activities, and at agreed upon intervals thereafter.

CEDRU will conduct jointly with USAID an intensive review of project progress at the end of each year's activities. These evaluations will utilize a project logical framework, to be developed by CEDRU and USAID, as a primary reference and will include the following items:

1. Evaluation of the timely provision of project inputs;
2. Measurement of progress towards attainment of project outputs and purpose; if they have not been achieved, an explanation of the causal factors is required;
3. Identification and analysis of problem areas or constraints which may inhibit such attainment, as well as recommendations of remedial measures;

4. A final evaluation of the overall development impact of the project and an assessment of the potential for replicability of the integrated rural development concept for implementation with campesino communities in other regions.

In addition, CEDRU will provide USAID with copies of the following reports:

1. Evaluation reports of the Economist contracted with project funds, to be specified in the Economist's contract with CEDRU.

2. Quarterly progress reports on the implementation of project activities, i.e. establishment of the Multipurpose Service Center, Productivity Programs and Training. These reports will be used to monitor project performance against targets to be established in annual Implementation Plans and in Section C, Project Implementation, of this Grant.

3. Quarterly financial reports stating amounts of funds received, spent and liquidated in accordance with the main items in the Budget, Section E.

E. Project Budget and Release of Funds

Release of Grant funds under this Agreement shall be in accordance with Section G of this Attachment and in accordance with the following budget breakdown. Shifts of more than 20% among AID financed budget items cannot be made without amendments to this Agreement.

Illustrative Project Budget

I. AID OPG Grant Contribution

*Indicates US Dollar cost

	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>TOTAL</u>
1. <u>Personnel</u>				
A. <u>CEDRU: Professional Staff at Puno</u>				
- Coordinator	4,200	4,200	4,200	12,600
- Administrative Assistant	2,500	2,500	2,500	7,500
- Veterinarian	1,800	3,600	3,600	9,000
- Trainers (2)	4,500	5,400	5,400	15,300
B. <u>Local Staff at Carabaya</u>				
- Nurse	-	2,400	1,200	3,600
- Administrator, Multi-purpose Center	600	1,200	-	1,800
- Driver, truck	600	1,200	-	1,800
- Masons (2)	2,640	1,320	-	3,960
- Miscellaneous services	1,200	1,200	1,200	3,600
	<u>18,040</u>	<u>23,020</u>	<u>18,100</u>	<u>59,160</u>
2. <u>Training Programs</u>				
A. Production of materials	2,250	14,404	-	16,654
B. Meals for Campesinos while in training	-	4,000	3,000	7,000
	<u>2,250</u>	<u>18,404</u>	<u>3,000</u>	<u>23,654</u>
3. <u>Infraestructure and Equipment</u>				
A. Furniture and implementation of the Multipurpose Center, Silo and Community Stores	5,317	3,317	-	8,634
B. Construction of Two Medical posts	6,732	5,732	-	12,464
C. Equipment, medicines, groceries and commodities to implement the service	3,461	5,462	-	8,923

D.	Construction of two corrals	2,955	1,755	-	4,710
	Construction of cattle dip	3,355	-	-	3,355
	Cattle to implement community corrals		12,732	-	12,732
E.	Agricultural inputs for community farms	-	9,393	-	9,393
		<u>21,820</u>	<u>38,391</u>	<u>-</u>	<u>60,211</u>
4.	<u>Transportation</u>				
A.	Jeep	*12,000	-	-	12,000
	Gas, maintenance, spare parts	3,600	3,600	3,600	10,800
	Insurance	850	850	850	2,550
B.	Truck - Body (carrocería) and transport to Puno	1,800	-	-	1,800
	Gas, maintenance, spare parts	5,889	3,680	1,840	11,409
	Insurance	2,056	2,056	-	4,112
C.	Generator for garage	-	2,473	-	2,473
		<u>26,195</u>	<u>12,659</u>	<u>6,290</u>	<u>45,144</u>
5.	<u>Evaluation Services (Economist)</u>	3,000	3,000	2,000	8,000
6.	<u>Contingency</u>	<u>3,695</u>	<u>4,526</u>	<u>610</u>	<u>8,831</u>
	TOTAL AID GRANT CONTRIBUTION	<u>75,000</u>	<u>100,000</u>	<u>30,000</u>	<u>205,000</u>

II. CEDRU Contribution

1.	<u>Office</u>				
	Office space	1,116	1,116	1,116	3,348
	Office furniture	924	924	924	2,772
	Office supplies, postage, tel.	1,250	1,250	1,250	3,750
		<u>3,290</u>	<u>3,290</u>	<u>3,290</u>	<u>9,870</u>
2.	<u>Training</u>				
	1 Bilingual Education trainer	-	3,000	3,000	6,000
	Teaching materials	-	3,100	3,100	6,200
	Audio-Visual equipment	-	10,236	-	10,236
		<u>-</u>	<u>16,336</u>	<u>6,100</u>	<u>22,436</u>
3.	<u>Vehicles</u>				
	1 Toyota Van	6,154	-	-	6,154
	1 Dodge Truck	27,000	-	-	27,000
		<u>33,154</u>	<u>-</u>	<u>-</u>	<u>33,154</u>
	TOTAL CEDRU CONTRIBUTION	<u>36,444</u>	<u>19,626</u>	<u>9,300</u>	<u>65,460</u>

F. Required Accounting Records

CEDRU hereby agrees to keep accounting records for the funds of this Grant, separate and apart from records kept by CEDRU for any other funds held for similar projects or for other purposes.

G. Fiscal Provisions

CEDRU will administer the Grant funds according to the budget in Section E to defray costs incurred in carrying out the project and within the maximum limitations set forth within this Agreement,

Detailed disbursement procedures will be mutually agreed upon and set forth in a subsequent implementation letter.

H. Conditions and Covenants

1. CEDRU will submit for USAID approval a detailed Implementation Plan for each year of project activities, the first to be submitted within sixty days upon the signing of this Agreement.

2. CEDRU will submit for USAID approval the name and academic/professional background of the Economist to be contracted with Grant funds for evaluation.

3. Prior to the disbursement of Grant funds for contracts of project personnel, CEDRU will submit for USAID approval a list of personnel requirements, names and backgrounds of individuals to be contracted, as well as a description of the responsibilities to be undertaken by each individual.

I. Procurement of Commodities

All commodities required for the project will be identified by CEDRU. Procurement of commodities in Peru financed with Grant funds will be performed by CEDRU or USAID in accordance with good management practices, approved by AID, and the Standard Provisions, Attachment 2, Item 10. All procurement outside of Peru shall be performed by USAID,

J. Special Provisions

1. Implementation Letters

To assist in the implementation of the project, AID, from time to time, will issue Project Implementation Letters, furnishing additional information or requirements about matters stated in this

Agreement. Project Implementation Letters will not be used to amend the text of the Agreement but can be used to record revisions, exceptions or understandings permitted by the Agreement including revisions of the Project Description contained in this Attachment.

2. The Standard Provisions (Attachment 2) are modified as follows:

- a. Paragraph 4 is deleted
- b. Paragraph 5 is deleted
- c. Paragraph 7 is deleted in its entirety



AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES AID MISSION TO PERU

C/O AMERICAN EMBASSY

LIMA, 1 PERU

TELEPHONE: 286200

CABLE: USAID/LIMA

December 5, 1979

Mr. Pedro Almendariz
Director Coordinator
C.E.D.R.U.
P. O. Box 405
Puno

Dear Mr. Almendariz:

Subject: CEDRU OPG "Integrated Development of Campesino
Communities"
Project No. 527-0207
Implementation Letter No. 1

Reference is made to your letters dated October 12 and November 8, 1979 in which you submit the documentation to meet the Conditions Precedent prior to disbursement stipulated by Article H, paragraphs 1 and 3 of subject OPG dated September 27, 1979. We have reviewed the documentation and are pleased to inform you that the Conditions Precedent have been met. Disbursement may now be made against the Project Agreement as outlined in the Annex A, Procedure for Disbursement of Funds, attached. As per your recently detailed financial implementation plan, \$70,000 has been committed under the Agreement to cover local currency costs in the first year of activity of this project. It is understood that project funds will be used to purchase goods and services for project activities only; the regular activities of CEDRU are ineligible.

Please show the subject project number in all project correspondence and reports.

Please accept the assurances of my highest consideration.

Sincerely,

Leonard Yaeger
Director

ANNEX A TO IMPLEMENTATION LETTER NO. 1

Fund Disbursement Procedures

The following are the project disbursement procedures:

For the initial disbursement CEDRU will submit a written request for an advance of funds on the basis of the project's estimated cash needs for the initial ninety day period.

"The Advance and Cash Needs" Statement in Exhibit A attached, will be used to prepare the project cash needs estimate. The summary data provided for this statement is to be backed up by detailed data.

The request for the initial advance will be presented on Public Voucher Form 1034, accompanied by the appropriate certification statement(s) as shown in Exhibit B attached, items 1-3. Thereafter, two 1034 forms will be prepared each month, the first to liquidate project expenses covered by previous advances, and the second to request the cash advance for the subsequent 90-day period.

The requirement for subsequent fund advances are to be the same as those given above for the initial advance.

The 1034 form used to liquidate the outstanding advance will be a No-Pay Voucher, and is to be accompanied by: (a) a certification of the eligibility of the expenses under the Project Agreement, as shown in Exhibit B, item 4, attached; (b) a detailed list of expenditures, and (c) the originals of expense bills, which will be returned to CEDRU to be kept available as supporting evidence of project costs.

The project's accounting system is to keep separate records and report for all project costs and assets.

INTEGRATED DEVELOPMENT OF CAMPESINO COMMUNITIES -ORU-527-0207
 ADVANCES AND CASH NEEDS STATEMENT TO

Exhibit A

 Date

Inputs in Local Currency

Personnel Costs	Training	Constructions & Installations	Furniture & Goods	Agri- cultural Inputs	Other Support Costs	Evalu- ation	Total
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1. Balance of advance received at the beginning period. Plus:
2. Advances received during the period Minus:
3. Liquidation of expenses during the period (as per attached list) Plus:
4. New advance requested. Equal:
5. Need of funds for the next 90 days (as per attached list).

CEDRU

Project 527-0207

Integrated Development of Campesino Communities

Serial No. _____

Pursuant to Project 527-0207 dated _____, CEDRU as implementing Agency hereby requests and certifies the following:

1. CEDRU requests AID to disburse _____ Soles Oro (S/. _____), for project implementation, as an advance to cover the cash needs for a 90-day period for purposes described by the Grant Agreement, and on the basis of such disbursement to make a dollar charge against Grant 527-0207. This request for advance of funds is supported by AID Public Voucher Form 1034.
2. CEDRU certifies that its receipt of such disbursement will be in Soles and its use will be in compliance with the terms of the Grant Agreement.
3. CEDRU certifies that the level of the advance requested has been realistically determined to cover the money requirements for a 90-day period.
4. CEDRU requests AID to liquidate the previous advance of funds in the amount of _____ Soles as supported by the list of eligible expenditures and original expense vouchers attached.

Lima, _____

For CEDRU:

Title: _____
Authorized Representative