

PE
352 742
A 265

PS-PAAR-605 40988

UNCLASSIFIED

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

CAPITAL ASSISTANCE PAPER

Proposal and Recommendations
For the Review of the
Development Loan Committee

PERU - FEASIBILITY AND PRE-FEASIBILITY STUDIES

AID-ILC/P-504

UNCLASSIFIED

A.I.D.
Reference Center
Room 1666-PS

PD-AAR-605

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

UNCLASSIFIED

AID-DLC/P-504
February 8, 1967

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Peru - Feasibility and Pre-Feasibility Studies

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed \$3,200,000 to the Government of Peru ("Borrower") to assist in financing the cost of feasibility studies, pre-feasibility studies and related technical assistance and equipment in Peru.

This loan proposal is scheduled for consideration by the Development Loan Staff Committee at a meeting on Tuesday, February 21, 1967.

Rachel C. Rogers
Assistant Secretary
Development Loan Committee

Attachments:
Summary and Recommendations
Project Analysis
ANNEXES I-VI

UNCLASSIFIED

February 8, 1967

PERU-FEASIBILITY AND PRE-FEASIBILITY STUDIES LOAN

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY AND RECOMMENDATIONS	i
SECTION I History and Background	1
A. Past Participation by A.I.D.	1
B. Background of the New Loan Proposal	3
C. Description of IDB Studies Loan and the Fondo	4
SECTION II Place of Loan in the Country Program	7
SECTION III Project Description	8
A. Executing Agencies	8
B. Project Activities	11
SECTION IV Economic Analysis	14
SECTION V Financial Analysis	16
A. Financial Plan	16
B. Repayment Prospects	20
C. Alternate Sources of Financing	20
D. Local Currency Financing	20

UNCLASSIFIED

		<u>Page</u>
SECTION VI	Implementation Plan	21
	A. O.N.E.R.N. Studies	21
	B. I.N.P. Studies	24
SECTION VII	Problems and Issues	25
SECTION VIII	Conditions and Covenants	28
SECTION IX	Impact on U.S. Economy	28

ANNEX I	Framework for A.I.D. Program
ANNEX II	Checklist of Statutory Criteria
ANNEX III	Exhibits
ANNEX IV	Problem of the agricultural sector
ANNEX V	Approval of IRR
ANNEX VI	Loan Authorization

UNCLASSIFIED

February 8, 1967

PERU-FEASIBILITY AND PRE-FEASIBILITY STUDIES LOAN

SUMMARY AND RECOMMENDATIONS

1. Borrower: The Borrower will be the Republic of Peru (GOP). Part of the loan will be administered by the Oficina Nacional de Evaluation de Recursos Naturales (ONERN) and the other part by the Fondo de Financiamiento de Elaboracion de Proysctos de Inversion (FINEPI or FONDO), the latter under the technical guidance of the Instituto Nacional de Planificacion (INP). The Fondo will make sub-loans to entities of the public sector to assist them carry out priority feasibility and pre-feasibility studies. Both ONERN and INP are part of the GOP planning structure.
2. AMOUNT: The AID Loan will be for up to \$3,200,000.
3. LOAN TERMS: The AID loan will have a term of 40 years, including a ten year grace period, with an interest rate of 1% per year during the grace period and 2-1/2% per year thereafter. Most sub-borrowers under the FONDO portion of the loan will repay the sub-loans to the FONDO in local currency over a period of from 3 to 7 years, at an interest rate of from 6% to 9%. There may be certain studies, however, for which AID might wish to allow a longer repayment period.
4. TOTAL COST OF OVERALL PROJECT: The AID loan will be part of a larger GOP scheme to produce a permanent pipeline of economic and technical studies and to increase the technical competence of the GOP planning institutions. The total cost of the GOP program is approximately \$9,800,000 broken down as follows:

A.I.D.	\$1,600,000	\$1,600,000	\$3,200,000
I.D.B.	2,600,000	1,000,000	3,600,000
G.O.P.	-,-	3,000,000	3,000,000
	<u>\$4,200,000</u>	<u>\$5,600,000</u>	<u>\$9,800,000</u>

Note: All conversions of Soles into dollars throughout this paper are calculated at the exchange rate of s/26.8 = \$1.

5. PURPOSE: The primary purpose of the proposed loan is to secure a continuing flow of feasibility and pre-feasibility studies in order to develop projects suitable for AID loans and to strengthen the investment plans of the Peruvian Government. The studies financed with loan proceeds will result in a pipeline of projects which the USAID may propose to finance in the near future as well as in the identification of a limited number of feasibility studies appropriate for international financing. In addition, the loan, through its technical assistance component, will serve to further improve the technical capabilities of ONERN and the INP.

6. LOAN DESCRIPTION: The \$3,200,000 loan will be used by ONERN and the Fondo to cover the costs of the following types of studies and technical assistance:
 - a) area surveys by ONERN for the purpose of establishing the development potential of natural resources in selected priority areas and of preparing the economic feasibility of identified projects;
 - b) feasibility studies of specific projects;
 - c) pre-feasibility studies, the end result of which will be to determine which of various alternate projects should be selected for feasibility studies;
 - d) technical assistance in the form of consultory services and training.

Approximately \$1,800,000 of the loan will be allocated to ONERN to assist in the financing of (a) the cost of imported and locally produced equipment and supplies for field investigations, field support, processing of maps and preparation of reports, (b) the cost of additional local technicians and sub-contractors to work on specific studies and (c) technical assistance to ONERN under a 3-year contract for which consideration will be given to the I.A.G.S. as well as short-term training in project selection, evaluation and implementation techniques for the key staff of ONERN and the INP to be carried out under contract with a private consultant.

Approximately \$1,400,000 is to be used by the Fondo to make sub-loans to entities of the public sector for the financing of contracts with private firms for feasibility and pre-feasibility studies to be mutually agreed upon between the USAID and the Fondo.

7. BACKGROUND: In 1963 AID signed a \$3 million loan (527-L-023) with the GOP to finance a number of feasibility studies. This loan has been fully committed since mid-1964 and the remaining undisbursed balance of \$282,000 will be used prior to the February 28, 1967 terminal disbursement date. Out of 13 contracts a total of 38 studies have been or are being concluded.

To sustain the momentum gained from the first loan, for the purpose of assuring a continuing pipeline of projects and identifiable feasibility studies appropriate for AID and other international financing, the INP requested a further \$3 million in 1964. As AID did not at the time provide the requested amount, the INP began discussions with the IDB. These discussions have resulted in the latter's recent approval of a \$3.6 million study loan. This approval, of course, raises the question as to whether an AID loan is necessary at this time. For reasons stated in Section VII, Issues, of this paper the USAID feels such a loan is essential to assure a supply of projects that fit into the USAID country program and provide the type of information required by AID to make loans.

In addition to the \$3 million feasibility study loan made in 1963, the following year AID also considered a \$7.9 million loan to ONERN for natural resources studies. The latter was designed to study four areas of Peru covering approximately 348,000 Km². The loan did not materialize, however, as AID was not in a position to provide the financing at that time. In considering a second proposal by ONERN the USAID has convinced that institution to narrow the focus of the studies and to relate them more closely to the action plans of the various Ministries of the GOP.

On September 20, 1966 the CAEC considered the IRR for the project and approved it as presented as evidence by the cable communication to USAID of November 12, 1966 (see Annex V).

8. EXIMBANK CLEARANCE: On September 28, 1966 the Export-Import Bank indicated it was not interested in making the loan.
9. VIEWS OF COUNTRY TEAM: The Country team urges favorable action on the proposal in view of the necessity to provide a continuing pipeline of feasibility and other studies related to AID's loan program in Peru.
10. STATUTORY CRITERIA: All statutory criteria have been met.
11. PROBLEMS AND ISSUES:
 - A. Whether an AID loan is needed in view of the IDB's recently approved \$3.6 million loan.
 - B. Whether the AID loan should be incorporated under the FINEPI system.
 - C. Whether the I.A.G.S. should continue to provide technical assistance to ONERN.

These issues are discussed and recommendations made in Section VII of the Paper.

12. RECOMMENDATIONS: Authorization of a loan to the Government of Peru (GOP) in an amount not to exceed \$3,200,000, subject to the following terms and conditions:

- A. Interest and Terms of Repayment

Borrower shall repay the loan to the Agency for International Development (A.I.D.) in United States dollars within forty (40) years from the first disbursement under the loan, including a grace period of not to exceed ten (10) years. Borrower shall pay to AID in United States dollars, on the disbursed balance of the loan, interest of one (1) per cent per annum during the grace period and two and one-half (2-1/2%) per cent per annum thereafter.

B. Other Terms and Conditions

(1) Equipment, materials and services (except marine insurance) financed under the loan shall have their origin in and be procured from the United States or Peru. Marine insurance financed under the loan shall be placed in the United States with a company authorized to do marine insurance business in any state of the United States.

(2) United States dollars utilized under the loan to finance local currency shall be made available to Borrower or its designee through appropriate procedures and shall be identified with procurement in the United States.

(3) Unless AID otherwise agrees in writing, repayments from sub-loans made with AID loan funds will be made to the FINEPI Account, will be subject to the terms and conditions of the FINEPI system, and will be used for purposes approved by A.I.D.

(4) Prior to any disbursement of AID loan funds for ONERN activities arrangements satisfactory to AID shall be made for technical consulting services.

(5) The loan shall be subject to such other terms and conditions as AID may deem advisable.

Project Committee:

Loan Officer	:	R. Bobel	- CAP
Development Officer:		T. Holsoe	- NRE
Economists	:	D. Greene	- AID/ECO
		G. Lamberty	- E/ECO
Legal Counsel	:	G. Flood	- LEG.
Engineer	:	J. Chattey	- CAP

Drafting Officers : R. Bobel/T. Holsoe/G. Lamberty

completed. The Tumbes project was presented at the Consultative Group meeting; there are no present plans to construct the Mo-quegua-Ilo project.

3. Small Hydroelectric Projects

Of the fourteen studies ten were of a pre-feasibility nature. Four proved to be uneconomical at the present time and immediate detailed studies were recommended for the remaining six. Some of these could be financed under the IDB loan. Of the four feasibility studies the Cachi project proved uneconomical while the feasibility of the Chonta project depends on the further study of a related project. Two projects, Yuscay and Culqui, were recommended to the Consultative Group, and the IDB is interested in financing them.

4. Small Irrigation Studies

Eleven small irrigation studies were carried out in the Department of Arequipa. Although all appear to be economically feasible, (the highest benefit-cost ratio was 2.87 to 1 and the lowest 1.48 to 1.) there are no immediate plans for their construction.

5. Pancitos Hydroelectric Study

This study proves the project not to be economically justified.

6. Agricultural Marketing Studies

Two marketing studies were completed under the loan, one for rice and a second for wheat. Additional information has been requested by the INP for the rice study. The Ministry of Agriculture is presently considering the recommendations of these studies with a view to establishing an action program.

7. Transportation Study

The scope of work for this study called for a broad first stage or design for a transportation plan. Subsequently,

UNCLASSIFIED

Previous Page Blank

a highway plan was carried out with World Bank financing, thus substantially reducing interest in continuing the second stage.

8. Sewerage Disposal Study

This study is being used by COSAL, the Lima water and sewerage authority, to firm up its plans for the further improvement of the Lima System. (AID and the Export-Import Bank have provided \$14.5 million for the first stage of this program.)

Experience Derived From the First AID Loan

The experience derived from the first loan shows that a much firmer control and review process is necessary if high quality and desired uniformity of methods for the establishment of project priorities and of content of the studies are to be obtained. The USAID is prepared to work closely with the planning agencies and, through them, with the consultants to raise the standard of the selection and the quality of the studies. (See Section VI - Implementation Plan.) Also, by a careful appraisal of the proposed studies on the basis of the available information and through the use of short-term economic pre-feasibilities, the USAID intends to approve only such studies which present a reasonable prospect of project financing and execution in the near future.

B. Background of the New Loan Proposal

As the entire AID loan was committed in studies by 1964, and in order to assure a continuing pipeline of projects in future years appropriate for AID and other international financing, the INP requested a further \$3 million in that same year. As AID did not provide the requested financing, the INP initiated discussions with the IDB. These discussions have resulted in the latter's recent approval of a \$3.6 million pre-investment study loan (described below under C.) This approval, of course, raises the question as to whether an AID loan is necessary at this time. For reasons stated in Section VI, Issues, of this paper the USAID feels such a loan is essential to assure a supply of projects that fit into the USAID country program.

In addition to the \$3 million feasibility study loan made in 1963, AID also considered a \$7.9 million loan for natural resource studies in 1964. The latter was designed to study four broad areas of Peru covering approximately 384,000 Km². However, that loan did not materialize. In considering a second proposal by ONERN the USAID has convinced that institution to narrow the focus of the studies and to relate them more closely to the action plans of the various GOP Ministries. The USAID has been quite active in coordinating the proposed ONERN studies to future plans of the GOP, for example colonization on the eastern slopes of the Andes.

On September 20 the IRR for the new AID loan was presented to and considered by the CAEC. The intensive review was authorized on November 12, 1966 (see Annex V).

C. Description of IDB Studies Loan and the Fondo

1. The Fondo (F.I.N.E.P.I.)

The Fondo was formally established in September, 1965, through Supreme Decree for the purpose of mobilizing financial and technical resources and channeling them into the execution of preinvestment studies aimed at project preparation through the granting of sub-loans to public and private entities.

The Fondo consists of a Deliberative Council consisting of the Ministers of State, Finance, Development and Public Works, Agriculture, Education, Health and the Chief of the INP's the latter serves as Coordinator. In addition, the Director of Projects of the INP serves as the Executive Secretary of the Council. The functions of the Deliberative Council are to (a) establish the general policies for the use of the Fondo's resources, (b) approve annual study programs and (c) approve the contracts by which the Fund receives resources.

The most significant functions of the Executive Secretary are to (a) review sub-loan requests submitted by public and private entities and present them to the Council for approval, (b) encourage the efficient execution of the decisions of the Council and the implementation of the studies it approves, and (c) assess, in conjunction with Technical Coordinators, the execution of the studies financed with Fondo resources in order to assure that the studies meet the requirements of lending institutions.

Although the general policies for the use of Fondo resources have not as yet been established, they should be sufficiently flexible to permit the AID loan to be channeled through it. The wording of the AID loan agreement will assure this. An official publication of the INP explaining the Fondo states that "all aspects (of the Fondo's operation) will be conditioned by the origin of the resources made available to the Fondo in each case according to the terms of the relevant loan agreement or contract. In principal, some general lines will be established applicable to the majority of the cases but in such a manner so as to permit the negotiation of acceptable

conditions with the sources that provide the Fondo's resources".

The GOP expects that the Fondo, with the technical collaboration of the INP and the sectoral planning offices, (presently established for agriculture, industry, mining, fishing, power, transportation, communications, education, health, labor, housing and tourism) can establish priorities for the preparation of studies in accordance with the national development plan. It has also been considered that such a mechanism as the Fondo will be capable of promoting a continuing program of preinvestment studies.

2. The IDB Loan

The recently approved IDB preinvestment studies loan for \$3.6 million will provide financing to the Fondo for a period of three years beginning with CY 1967. In addition to the IDB funds, the GOP will provide \$1.2 million directly and \$1.2 million will be contributed by entities of the public sub-sector (either through budgetary allocations or revenue from operations) and, perhaps to a very limited extent, by private companies. As presently contemplated, study financing from IDB sources of no more than \$1.2 million a year will be approved in order to assure an evenly functioning program over the three year period.

Prior to the first disbursement from the IDB loan the Fondo will be required to submit, for IDB approval, the following:

- i. Basic criteria, including determination of adequate geographic distribution for the selection and financing of the studies, the contracting of consultants, and the restoration of the resources of the program. (To assist in establishing this criteria three experts would be hired with financing from the IDB loan).
- ii. The first annual program describing the sectoral, subsectoral, regional, and specific studies to be made during the year with indication of their costs and sources of financing.

iii. Certification that during the disbursement period there shall be available to the Fondo an initial GOP contribution equivalent to \$1,200,000.

During the three year loan program the IDB would approve each of the annual plans as well as the contracting of specific project studies whose costs exceeds the equivalent of \$100,000. The Fondo's Deliberative Council could approve, without prior consultation with the IDB, credits of up to \$100,000.

The IDB has agreed with AID in Washington that it will solicit and consider AID and IBRD views on the annual studies program proposed by the GOP before determining its position on the GOP program. The IDB will not seek comment on scopes of work, however.

SECTION II - PLACE OF LOAN IN THE COUNTRY PROGRAM

This loan will assist in achieving two goals of the Country Assistance Program; Goal I, Public Policy and Administration, and Goal II, Agriculture and Rural Development.

A. GOAL I - In the area of Public Policy and Administration, AID's goal is to bring about priority changes which will enable the GOP to achieve the public investment and financial goals desired. The present activity will serve to strengthen the GOP's public investment capacity. It will provide assistance to key Peruvian institutions dealing with national economic planning (the INP) and the evaluation of natural resources (ONERN). (See Section III for an analysis of these organizations and AID's efforts to strengthen them).

B. GOAL II - The vast majority of the studies financed under this loan will be directly related to AID's Agricultural and Rural Development priorities.

The road studies already selected will be in an area of high potential agricultural output on the eastern slopes of the Andes. These studies will assist both the GOP and AID to firm up their investment plans for development of that area as part of a bread-basket for the large Lima market. The agricultural marketing studies to be undertaken will serve to establish means by which certain bottlenecks may be broken in this area.

The ONERN studies will also be related to AID's agricultural goals. Three of the five studies already selected will provide key natural resource information in three zones of the eastern slopes of the Peruvian Andes and serve as a basis for future agricultural development. The two coastal studies will provide information on means to reduce salinity and provide information of a multipurpose nature for the Greater Lima area. Finally, the USAID will continue its discussions with ONERN and ONRA for the purpose of financing colonization studies, the goal of which would be maximization of food production rather than the number of people settled.

SECTION III - PROJECT DESCRIPTION

A. Executing Agencies

The agencies responsible for execution of the loan will be the Instituto Nacional de Planificación (INP), serving as the technical coordinator of the Fondo, and the Oficina Nacional para la Evaluación de Recursos Naturales (ONERN).

1. INP

The INP was established pursuant to a decree of October 25, 1962 as an integral part of the National Planning System. (See Annex III, Exhibits 2 and 3 for organizational structure of INP). Its principal objective is to formulate systematic economic and social development plans and to coordinate the activities of the various ministries in order to assure prompt implementation of the plans. The INP staff consists of 195 full-time employees, 55 of whom are professionals distributed as follows: 22 engineers, 13 economists, 8 agronomists, 5 lawyers and 7 other experts.

AID has provided limited technical assistance to the INP over the past few years through the assignment of several economists from Iowa State University under an AID grant contract. These economists have concentrated their efforts in the areas of macro-economics and sectoral studies and have improved techniques for preparing investment plans at both national and regional levels. During FY 1967 and FY 1968 two economists from the Iowa team will continue to work with the INP, the Central Reserve Bank, the Ministries of Agriculture and Development and other institutions concerned with the identification of basic policy needs. In addition to the two economists, an Iowa research associate will continue to work with the INP and other agencies during FY 1967 and FY 1968 on the improvement of procedures for gauging the costs and benefits of major investment projects. Initial attention is being given to "tangible" projects - irrigation, penetration roads, land settlement, etc. Finally, in order to strengthen the planning capabilities of the INP and ONERN, a small portion of the loan funds may be used to arrange a short seminar for INP and ONERN staff covering

methods and techniques for the selection, appraisal and implementation of development projects.

On the project level the INP conducts its activities through its Project Office. The latter consists of three sections; Analysis and Evaluation, Project Inventory and Control, and Standards and Advisory Services. It has a technical staff of eleven professionals, including nine engineers and two economists. The basic responsibilities of the Project Office are the following: identification of the principal public and private projects in execution or preparation which are basic to the attainment of development purposes and programs; promotion of the preparation of priority projects lacking in both the public and private sectors; issuance of the regulations, instructions, and criteria for preparation, analysis and evaluation of specific projects; and coordination of the evaluation and control of execution of specific projects.

In view of AID training efforts with INP, its present organizational structure, the experience gained by the INP under AID's previous \$3 million loan, and the fact that AID will approve all selection of studies, scopes of work and contracts, it is our judgement that the loan funds will be used promptly and efficiently.

2. ONERN

This organization was started as a Servicio under the name of the Servicio Cooperativo Interamericano de Fomento (SCIF). In 1962 it was decided to create the Oficina Nacional de Evaluación de Recursos Naturales (ONERN) as a purely Peruvian entity but with continue AID financial and technical assistance. ONERN became a dependency of the Instituto Nacional de Planificación shortly after the latter was formed. However, in January, 1965 ONERN obtained administrative autonomy constituting itself as an office of the Presidency of the Republic but retaining a close tie with the INP. (See Annex III, Exhibit 4 for organization chart).

ONERN has the central responsibility for collecting, evaluating and disseminating natural resource

information within the GOP. More specifically, it is responsible for the planning and implementation of a national natural resources inventory program designed to provide information necessary for determining the economic feasibility of road construction, colonization, agricultural development and other programs. It has twenty-five professionals representing the specialties of geology, soils, climatology, hydrology, transportation, socio-economics and ecology.

ONERN, with the assistance of three U.S. technicians (Management Agronomist, Soil Scientist and Economist) provided by AID under a PASA arrangement with the Inter-American Geodetic Survey of the Department of the Army (IAGS), has made creditable progress in the last two years and is beginning to develop into a viable institution capable of efficiently executing natural resources studies if provided with sufficient funds. The IAGS technicians have assisted in this development by: (a) the introduction of new survey techniques such as the use of photo-interpretation and a new land-use capability scheme; (b) the introduction of the "Critical Path Method" (PERT) to assist ONERN to better coordinate the work of its eight separate departments by clearly defining the study objectives of each department, and by establishing priorities and time schedules; and (c) the preparation of an Overall Work Scheduling Program which has speeded up work completion and effectively pointed up delays caused by accepting additional work without regard for budgetary and manpower limitations.

These internal organizational improvements have progressed simultaneously with the progress made in making valuable natural resource studies which have directly influenced a number of current agricultural, colonization and road programs. These studies include the following: (See Annex III, Exhibit 5, for additional information on each study).

(a) Evaluation and Integration of the Economic and Social Potential of the Tingo María-Tocache zone.

(b) Evaluation and Inventory of the Natural Resources of the Department of Puno.

(c) Evaluation and Integration of the Economic and Social Potential of the Perene-Satipo-Ene zone.

(d) Evaluation and Inventory of the Natural Resources of the Kcosñipata-Alto Madre de Dios-Manú zone.

(e) Evaluation of the Problems of Salinity and Drainage on the Peruvian Coast.

(f) Inventory, Evaluation and Integration of the Natural Resources of the River Pachitea zone.

(g) Evaluation of the Hydrolic Resources of Perú.

Despite the substantial gains made recently ONERN still needs technical advice and guidance, not only to train personnel of all departments in order to ensure that the newly introduced advanced management systems are carried out effectively, but also to organize and execute the new studies to be undertaken when loan funds are made available. Thus, the USAID has agreed to finance two IAGS specialists (Management Specialist and Economist) with FY 1967 grant funds pending the approval of the AID loan at which technical consultants will be funded under the loan.

Based on the above, it is USAID's opinion that ONERN possesses the necessary technical capacity to carry out the proposed studies.

B. Project Activities

1. ONERN Studies

This portion of the project comprises a number of studies evaluating natural resources in various parts of Peru most suited for immediate development. The studies to be performed by ONERN will form the basis for identifying project alternatives in the areas of irrigation works, agricultural development through colonization, redistribution of land through agrarian reform, feasibility studies for road construction, etc.

These studies are very important at this time in view of the need to identify those areas of Peru having the greatest agricultural potential with relation to market accessibility.

The USAID, ONERN and INP are in agreement that the following five studies should be undertaken (a) Coastal Salinity Study, (b) Marcopomacocha Project, (c) Maranon Inventory, (d) Inambari Inventory and (e) Land Use and Colonization Studies. (See Annex III, Exhibit 6, for sub-project details).

2. INP Studies

a) Roads

The road studies under the proposed loan would all be tied to the USAID's objectives in the agricultural sector. All feasibility studies, described in Annex III, Exhibit 7, will be completed for a 360 kilometer stretch of road running from San Alejandro (approximately the midway point of the Aguaycia-Pucallpa highway) to Palca. All studies are basic to the Mission's breadbasket plan. (See Annex III, Exhibit 7 for a map of the area.)

In view of the agricultural potential of the region, (based on existing natural resource studies completed by ONERN and the feasibility study of the Villa Rica-Puerto Pachitea road recently completed by TAMS) and the proximity of the area to significant amounts of foodstuffs for the Greater Lima area providing proper access is developed. As the present road between Lima and Palca is in relatively good condition and is presently being further improved, no loan conditions regarding further improvements are needed at this time. However, to assure an orderly development of the entire area studies of the following roads are needed:

	<u>Approximate Cost</u>
a. Palca to Puente Paucartambo	\$ 50,000
b. Puente Paucartambo to the confluence of rivers Cacatu and Palcaeu	\$150,000
c. Puerto Pachitea to San Alejandro	\$250,000
d. Contingency for road studies	<u>\$ 50,000</u>
	\$500,000

(A more detailed description of the road studies is given in Annex III, Exhibit 7.)

b) Other INP Studies

In addition to the above-mentioned ONERN and road studies, the USAID is considering financing additional INP studies in priority areas. The studies would be designed primarily to alleviate agricultural marketing, bottlenecks and solve rural development and other problems. No decision has yet been made by the USA as to the specific studies to be financed but the following list is illustrative of the types of studies the USAID is considering for possible financing:

<u>Study</u>	<u>Approximate Cost</u>
1. Small irrigation improvement on the coast	\$200,000
2. Fish extraction and marketing for Lima area market	70,000
3. Food marketing in Lima area	130,000
4. Industrial park for Piura	70,000
5. Selva air cargo	60,000
6. National plan for food storage	220,000
7. Rural electrification in selected areas such as: Callejon de Huaylas, San Lorenzo, Vilca Nota Valley, the Mantaro Valley, and Tacna	<u>150,000</u>
TOTAL	\$900,000

While some of the listed studies are fairly firm, as USAID lending and the implementation of the IDB loan develop over the next six to nine months, some and perhaps a substantial number of the listed studies may be replaced by others and the scope of a number of the listed studies may be considerably altered.

SECTION IV - ECONOMIC ANALYSIS

The feasibility and natural resources studies proposed under this loan are designed to provide information critical to the most rational development of Peru's agricultural potential. It is not sufficiently clear what the optimum distribution of Peruvian and external resources is for the improving of the agricultural sector, especially the increasing of food production. These studies are necessary if intelligent choices are to be made between various alternatives, for example between coastal irrigation and the opening of ceja and selva through road programs; between large scale and small irrigation projects; between development of new water sources and conservation and improved utilization of present sources, and alternative modes of transportation. In addition, these studies will provide vital information about the possibilities for agricultural development and colonization along parts of the contemplated route of the Carretera Marginal, which the Peruvian are determined shall go forward.

These studies are focused on agriculture in which the country is dependent for more than 50% of its employment, at least 15-20% of INP, and about 20% of foreign exchange earnings. Furthermore, as described in Annex IV, the agricultural sector has been a problem for the economy.

Although there is a great deal of enthusiasm by the present Government to develop the Ceja area and road construction and colonization projects are underway, few new projects can begin until additional studies are carried out. The AID studies loan is heavily concentrated on this region and is focused exclusively on the food problem and the most efficient means to both increase production and improve marketing.

The road studies are in an area of the Ceja closest to Lima and which offers good agricultural potential. To assure that maximum food production is attained the USAID will work closely with ONERN and ONRA regarding a rational colonization policy and study. Of the four remaining ONERN studies, two will analyze the natural resource potential in other areas of the Ceja, one will analyze the salinity problem on the Coast and the other the development potential of the sierra region in the Greater Lima area. Thus, all of the ONERN studies also are closely tied to the agricultural problem.

Most of the remaining studies probably will be in the area of food marketing. It appears to the USAID that the GOP is ready to move quickly in this area, in some cases without thinking through the consequences of certain actions. Thus, the studies should serve a very useful role. Improved use of selected existing water resources also may be studied.

SECTION V -- FINANCIAL ANALYSIS

A. Financial Plan

The financial plan for the GOP overall program of feasibility studies is as follows:

	<u>Fx</u>	<u>LC</u>	<u>Total</u>
A.I.D.	\$1,600,000	\$1,600,000	\$3,200,000
I.D.B.	2,600,000	1,000,000	3,600,000
G.O.P. and Private Sector	-0-	3,000,000	3,000,000
	<u>\$4,200,000</u>	<u>\$5,600,000</u>	<u>\$9,800,000</u>

The contribution from the GOP (and the private sector to the limited extent such sub-loans are made) represents approximately 30% of the total cost and 54% of the local currency cost. The USAID feels that such a contribution is quite adequate.

The financial plan can also be properly broken down between the ONERN portion and the Fondo portion.

1. O.N.E.R.N.

The approximate cost breakdown for this phase of the project is as follows:

	<u>FX</u>	<u>LC</u>	<u>Total</u>
A.I.D.	\$ 600,000	\$1,200,000	\$1,800,000
O.N.E.R.N.	- 0 -	600,000	600,000
	<u>\$ 600,000</u>	<u>\$1,800,000</u>	<u>\$2,400,000</u>

The amount of \$1,800,000 to be assigned to ONERN includes \$300,000 for the planned land use and colonization studies which were not projected at the time the IRR was submitted. The details of such studies are presently discussed with both ONERN and the Institute for Agrarian Reform (ONRA).

The following table projects the ONERN costs by specific project studies and year of execution (except for \$300,000 allocated to land use and colonization studies).

STUDIES PROPOSED FOR FINANCING

Project	L o a n C o s t s				ONERN Costs				Grand Total
	1st year	2nd year	3rd year	Total	1st year	2nd year	3rd year	Total	
Salinity	\$220,790	\$153,600	\$165,500	\$ 649,890	\$ 83,462	\$ 94,735	\$ 98,735	\$276,932	\$ 926,822
Marcapomacocha	170,890	109,990	112,290	393,170	35,222	62,041	68,541	165,804	558,974
Inambari	18,680	-.-	118,160	136,840	9,483	-.-	54,094	63,577	201,417
Marañon	18,680	118,160	-.-	136,840	9,483	54,094	-.-	63,577	201,417
Tambo ^x	10,000	-.-	-.-	10,000	20,320	-.-	-.-	20,320	30,320
Contingencies	\$538,040	\$391,750	\$395,950	\$1,326,740	\$157,970	\$210,870	\$221,370	\$590,210	\$1,918,950
				173,260				9,790	181,050
T O T A L				\$1,500,000	^{a/}			\$600,000	\$2,100,000

^x publication costs

^{a/} excluding \$300,000 for land use and colonization studies - details not available.

UNCLASSIFIED

The ONERN contribution is principally the additional administrative costs arising as result of the expanded activities under the AID loan. This is to be reflected in the budgetary allotments to ONERN which will be increased from its CY 1966 level of \$300,000 to \$480,000 in CY 1967 in view of the projected AID loan. Further increases may be expected thereafter. The AID loan will assist in the financing of (a) the cost of imported and locally produced equipment and supplies for field investigations, field support, processing of maps and preparation of reports, (b) the cost of additional local technicians and sub-contractors to work on specific studies and (c) technical assistance in the form of the proposed three-year contract with the IAGS as well as short-term training in project selection, evaluation and implementation techniques for the key staff of ONERN and the INP. This broken down as follows:

	<u>AID Financing</u> ^{1/}	<u>FX</u>	<u>LC</u>	<u>Total</u>
a. Equipment and supplies		296,053	499,191	795,244
b. Local contract cost		-.-	436,400	436,400
c. U.S. Consultants		115,100	82,200	197,300
d. Contingencies		-.-	71,056	71,056
		<u>411,153</u>	<u>1,088,847</u>	<u>1,500,000</u> ^{1/}

(See Annex III, Exhibit 6 for an analysis of the financial requirements of individual studies proposed by ONERN.)

2. F.I.N.E.P.I.

The approximate cost breakdown for this phase of the project is as follows:

	<u>FX</u>	<u>LC</u>	<u>Total</u>
A.I.D.	\$1,000,000	400,000	\$1,400,000
I.D.B.	2,600,000	1,000,000	3,600,000
G.O.P.	-.-	1,200,000	1,200,000
Public and Private Sector	-.-	1,200,000	1,200,000
	<u>\$3,600,000</u>	<u>\$3,800,000</u>	<u>\$7,400,000</u>

^{1/}excluding 1500,000 for land use and colonization studies for which the cost breakdown is not available.

As the I.D.B. loan requires a contribution of \$2,400,000 from Peruvian sources over the three year period it is felt that no additional contribution should be required in connection with the AID loan. It is recognized that arguments can be made on both sides of the question as to whether or not it is reasonable to count the GOP contribution to the Fondo under the IDB loan as part of the project financial plan. It is the best judgment of the USAID, based on the background of the project, that such contribution should be counted. Under the previous AID feasibility study loan (527-L-023) no direct GOP contribution was required. We negotiated for a contribution, when first considering a second loan but that was taken over by the IDB when the AID loan was not made. Thus, based on AID's role in laying the groundwork for a GOP contribution and inasmuch as the IDB loan, the Peruvian contribution, and a portion of the AID loan will form part of the Fondo's resources, we feel it is reasonable to count all Fondo resources as part of the project financial plan.

AID loan money is to be used by the Fondo to make sub-loans to entities of the public sector for the 100 percent financing of contracts for feasibility and pre-feasibility studies to be mutually agreed upon between the USAID and the Fondo. As the Peruvian contribution will be made as part of studies to be financed with IDB funds, the AID loan will finance the full cost of the studies to be carried out.

Sub-loans would be made for a term of from 3 to 7 years at interest rates varying from 6% to 8% under the IDB loan and, in most cases, under the AID loan. We chose these terms in order to conform with the IDB and assist in standardizing Fondo loan terms as much as possible. There may be certain studies, however, for which AID might wish to allow a longer repayment period. In the case of loans to the public sector and independent public sub-sector, repayment to the Fondo would come from annual budgetary contributions and/or other annual revenue.

B. Repayment Prospects

The Republic of Peru will be the Borrower. Based upon the program analysis presented in Annex I, as well as the GOP's outstanding performance in servicing its debt, it is felt that repayment prospects of the AID loan are reasonable.

C. Alternate Sources of Financing

AID/W has contacted both the IBRD and the IDB as alternative sources of financing this project. The IBRD indicated no interest in view of alternative commitments, while the IDB is participating in the overall GOP program and its financing is complementary to the proposed AID loan. Ex-Im Bank indicated it was not interested in this type of project.

D. Local Currency Financing

The justification for the dollar financing of local currency costs in Peru is provided within the Framework for A.I.D. Program in Annex I, page 8.

SECTION VI - IMPLEMENTATION PLAN

It is expected that the loan will be authorized during late January and that the Loan Agreement will be signed within thirty days thereafter. This reduced period between loan authorization and signature should result inasmuch as the draft Loan Agreement is presently being prepared and as the GOP has started to process the required law through Congress.

Prior to initial disbursement of AID loan funds the Borrower, acting through the INP (the operations arm of the Fondo) and ONERN must meet the usual conditions precedent. As all conditions are quite simple it is anticipated that they will be met prior to the end of February.

Project implementation will be separate for the ONERN and INP portions of the loan.

A. O.N.E.R.N. Studies

Prior to the disbursement of loan funds for each project, ONERN will submit, for the approval of the USAID, the following information:

- (1) Description of project
- (2) Justification of study
- (3) Results of review of existing data
- (4) Objectives of study
- (5) Detailed scope-of-work
- (6) Detailed plan of operations
- (7) Budget, personnel, and equipment requirements
- (8) Schedule of operations using PERT charts (Critical Path Method or CPM) and calendograms.

(Most of this information has already been compiled for four of the studies to be undertaken.)

Under ONERN's normal operating procedures, before any study is undertaken a comprehensive search is made of all available surveys and accounts dealing with the area in question in order to extract all possible information. Furthermore, all available maps of the area are collected. Each division within ONERN is then issued aerial photographs, either contact prints or controlled mosaics, of the area. While these activities are in progress, the Planning Division of ONERN discusses the various phases of the project with the other Divisions and obtains time estimates for each activity. A preliminary PERT chart is drawn, checked and revised after further consultations with each Division. The final PERT chart is then drawn and the critical path determined. The PERT chart and calendogram indicating the time allotment and when activities are on the critical path are then the management tools and guides for the entire project.

Each of the major Divisions within ONERN generally has from thirteen to eighteen different activities to be completed before an entire survey is done. And these activities are related to each other. For instance, the economics section has to wait for certain information from almost all sections before it is possible to make the economic evaluations needed to determine the benefit-cost ratios for proposed projects. Thus the PERT method has proved an invaluable tool to ONERN.

In addition to the already established time PERT charts mentioned above, ONERN is presently working to develop cost-PERT charts for its projects. Although these have not yet been tested, it is considered feasible to establish such cost control with the help of the IAGS team. With both the time and cost PERT system in operation, it will be possible to judge the timely progress of a project and also check documentation of expenditures needed for loan fund disbursement against the total cost of the project and the progress of the work.

The disbursement schedule for the four projects for which most of the details have already been worked out are as specified in the chart in Section V - "Studies Proposed for ONERN." Project execution will closely correspond to the disbursement schedule. The Salinity and Marcapomacocha studies will begin the first year and run a total of three years. The Maranon study will be undertaken and

completed the second year and the Inambari study the third year. First year expenditures for these projects consist of equipment purchases. For administrative ease ONERN desires to purchase all such equipment at once. The Tambo study is presently being completed and will be published during the first year of the loan. Finally, the colonization studies will be carried out once study details have been developed and approved jointly by ONERN, ONRA, and AID. This phase is estimated to take approximately three months. The implementation period of the studies will be approximately one-and-a-half years.

During project execution it will be the responsibility of the USAID's Development Officer (Natural Resources) and the Capital Development Office to monitor the project to assure that:

- (1) ONERN executes each project in accordance with the approved work plans, specifications, and time schedules;
- (2) ONERN submits periodic reports on the progress made and on preliminary findings;
- (3) Loan fund disbursements are based on project requirements and progress as indicated by cost-PERT charts;
- (4) Work progress is satisfactory and there is compliance with specifications, work plans and other conditions of the loan;
- (or other consultant)
- (5) IAGS/ assist ONERN in the proper planning and execution of the projects and provides technical assistance needed to insure that work meets the professional and accuracy standards established in the loan. (Consultant will also monitor progress and technical adequacy of the work.)

Upon completion of the studies the data will be presented in some permanent type report. These reports will be reviewed by the INP and USAID staff for compliance with the scope-of-work. USAID will also discuss with relevant GOP ministries the action plans to be developed as a result of the reports.

B. I.N.P. Studies

Of greatest urgency to the USAID is the commencement of the Puente Paucartambo-Confluence of the Rivers Cacazu and Palcazu feasibility study. In order to assure loan money for the Puente Paucartambo-Puerto Pachitea road by the end of FY 1967, the feasibility study is required by the beginning of May. As the study will take approximately two-and-a-half months it is very important that work begin by mid-February. Thus, the USAID is working very closely with the INP and the Roads Division of the Ministry of Development in the preparation of a draft contract.

It is expected that the balance of the road study contracts, will be negotiated and signed within three months of the Loan Agreement date.

The other studies will be negotiated and signed within nine months from the Loan Agreement date or deobligated.

SECTION VII - PROBLEMS AND ISSUES

As pointed out under the Summary and Recommendations, the following issues have been considered by USAID during intensive review:

A. Whether an AID loan is needed in view of the IDB's recently approved \$3.6 million loan.

This question applies only to the INP or Fondo portion of the loan, that part which is not ear-marked for ONERN.

The intensive review was carried out on the basis of the CAEC approval of the IRR as evidenced by the cable communication to USAID dated November 2, 1966.

The problem is that without this loan, AID will not have an adequate project pipeline. USAID lending plans assume some studies will begin in February, far earlier than is planned with respect to studies under the IDB loan, and chief among these is a study of part of the Villa Rica-Puerto Pachitea road to which President Belaunde attaches so much importance. The IDB loan conditions require first, the hiring of the three experts under the technical assistance portion of the loan, second, the establishment of the basic criteria of the Fondo, and third, the review and approval by the IDB of the first annual program. Moreover, the theoretically desirable conditions of the Fondo which IDB funds will create are likely to create practical problems which will limit in various ways the nature and timing of studies which USAID would think desirable for a high priority lending program. Also, studies commissioned under A.I.D. funds with scopes of work approved by USAID are more likely to result in the kind of finished feasibility reports AID desires. The proposed AID loan provides a very limited amount of resources to provide for studies which USAID regards as desirable and which are basic to the lending program it has in mind.

IDB has been consulted by AID in Washington. In view of the specific nature of the AID loan, the Bank considers it to be complementary to its own financing.

B. Whether the INP portion of the AID loan should be incorporated under the FINEPI system.

The USAID has carefully considered the pros and cons of this question and has decided that this portion of the loan should go through the Fondo unless doing so would unduly delay the commencement of priority studies. It believes that the Peruvian self-help effort to establish a system to maximize, over a period of years, the internal financing of preinvestment studies is commendable and should be supported. After discussions with INP officials it is the USAID's present judgment that, although commitment of funds under the IDB loan are months away due to reasons stated in A. above, the Fondo's regulations are sufficiently flexible to allow the immediate commitment of studies under the AID loan. This is further confirmed by the official publication, previously mentioned, of the INP explaining that "all aspects of the Fondo's operations will be conditioned by the origin of the resources made available to the Fondo in each case according to the terms of the relevant loan agreement or contract."

In the event, however, that the Fondo cannot begin to function immediately or if its initial procedures are so unwieldy so as to unduly delay the studies to be carried out under the AID loan, we would like to have the flexibility to not use the Fondo mechanism. Such a decision would not harm the Fondo or its concept as such financing would clearly be "pre-Fondo" designed to carry out studies needed urgently. INP officials understand our concern and are agreeable to our proposal to use the Fondo insofar as possible but at our discretion to operate outside of it (though still through the INP) if necessary.

C. Whether the IAGS should continue to provide technical assistance to O.N.E.R.N.

Section 621 of the FAA, and PD-33 of August 12, 1966, require that, prior to entering into an interagency agreement for technical services, the advice and recommendations of the Office of Engineering be sought to determine whether no private firm is available which could provide comparable facilities and resources at a reasonable cost.

The I.A.G.S. under grant financing (PASA) has provided for the last two years three technicians to O.N.E.R.N. (Management Agronomist, Soil Scientist and Economist) to assist in the execution of the GOP program for natural resources studies. In the Mission's judgment the IAGS assistance has resulted in a creditable progress and ONERN is beginning to develop into a viable and capable institution. The description of IAGS assistance rendered is provided in Section III - B. The Mission and ONERN intend to retain IAGS for another 3-year contract to be financed from the proceeds of the proposed loan. The special factors

justifying the IAGS retention are the following: a) the IAGS consultants are familiar with the ONERN management and operations; b) they are presently available at site (being temporarily financed under grant) and no time-lag will be involved in the selection of a new consultant and contract negotiations; c) they carry with them a sense of continuity which would be most beneficial to the successful carrying out of the project goals.

The Mission recommends the retention of IAGS and is prepared, if required under the AID policy, to seek the advice of the Office of Engineering.

SECTION VIII - CONDITIONS AND COVENANTS

The conditions and covenants set out below are in addition to the standard conditions and covenants:

A. Repayments from sub-loans made with AID loan funds will be made to the FINEPI account, will be subject to the terms and conditions of the FINEPI system, and will be used for purposes approved by AID.

B. Prior to any disbursement of AID loan funds for ONERN activities arrangements, satisfactory to AID, shall be made for technical consulting services.

SECTION IX - IMPACT ON U.S. ECONOMY

Approximately \$1,600,000 of the AID loan will be used for the procurement of commodities and services in the United States. Furthermore, as U.S. dollars utilized under the loan to finance local currency shall be identified with U.S. procurement, the U.S. balance of payments will not be adversely affected.

The studies to be carried out should result in projects which will offer increased markets for U.S. goods and services.

February 8, 1967

FRAMEWORK FOR A.I.D. PROGRAM

Objectives

U.S. assistance to Peru is properly viewed in the context not only of the traditional inter-American political institutions which bring the two countries together but also in the context of the very close trade and commercial relations that exist. The U.S. is at once Peru's best customer and largest supplier buying about 40 percent of all Peru's exports and selling roughly the same percentage of Peruvian imports. U.S. private investors have on the order of \$500,000,000 invested in this country, and profit remittances abroad from Peru (with the bulk going to the U.S.) currently run to more than \$70 million annually.

Beyond these commercial interests, the U.S. has an important stake in the success of the economic and social modernization process initiated by President Belaunde. Internal stability, economic viability, and political development compatible with U.S. policies and objectives depend to a large degree on the success of that process. Accordingly, the objectives of the A.I.D. program are, first, to support Peru's efforts to create improved economic and social opportunities for the presently disadvantaged half of the population living in a subsistence economy, and secondly, to establish an institutional base--public and private--for sustained economic and social growth in Peru.

The Setting

Peru has many of the essential ingredients for a meaningful attack on the constraints which hold half the population of this nation in poverty even while maintaining the outstanding economic performance chalked up over the past decade. Peru has a democratic, reform-minded government which believes in the goals of the Alliance for Progress and is deeply committed to development and progress.

UNCLASSIFIED

29

Peru is traditionally a private enterprise economy. The private sector has done a remarkable job over the past decade in giving Peru one of the highest aggregate growth rates in Latin America. That growth, however, has been singularly ill-distributed with the urban coastal areas sharing fully in its fruits and the tradition bound peasants of the Andes benefitting little, if at all. The problems which Peru must meet and overcome in the process of bringing the sierra indians into the national economy are complex and massive. Although in many ways the challenge is common to all under-developed countries, the problem here is in certain respects unique. The core of the Peruvian problem is disparity--disparity of income and economic opportunity between the coast and the Sierra, social disparity between the Spanish Peruvians and the Andean Indians, and political disparity among regions. Stemming from this schism is massive migration to the slums of the coastal cities, clamour for more land to correct historic land tenure inequities and intermittent rural violence and defiance of authority coupled with active communist agitation.

With half of his six-year term still before him, President Belaunde is as determined as ever to move forward on a broad developmental front. The Alliance for Progress is viewed, not only as a source of potential external resources, although that is important, but also as a commitment to internal reform and progress. Specific accomplishments so far include the passage of basic agrarian reform legislation, the first municipal elections in over forty years, the initiation of a community development program to strengthen small communities and local governments and increased emphasis on agricultural output by opening new areas and providing capital to small farmers.

Notwithstanding the many favorable factors, however, Peru's economy is not yet sufficiently strong nor adaptable for its government to be able to mobilize the quantity of capital, technical and human resources which will be needed to support the major effort which the size and urgency of the problems require. If, however, Peru can reasonably count on substantial external assistance from the United States, in collaboration with the international lending agencies and possibly some European countries, it should be able to achieve a developmental push on a scale sufficient to put it well along towards the solution of its most urgent problems. The consequent

advantages to the U.S. in terms of political stability, national and continental economic growth, and success of the Alliance for Progress in South America's third largest country, would be considerable.

Growth Pattern

As the 1965 World Bank Appraisal of Peru's Public Investment Program points out, per capita income has increased by more than 40 percent since 1950 and by 25 percent since 1959. The growth performance of the past seven years has on average, then, more than met the basic Alianza target of 2.5 percent per capital per year, even while population was growing by nearly three percent per year--a remarkable performance sustained by very high levels of domestic savings ranging around 20 percent of gross product on the average.

It is in respect to the quality or structure of growth that has been achieved that the Peruvian record is clearly deficient. The growth in the economy has, if anything, increased the regional disparities which lie at the heart of many of Peru's political, social, and economic problems. The expansion in overall output reflected in the national statistics was produced (apart from the mining contribution) almost entirely by the modern export agriculture, fishing, manufacturing, and commerce of the Coast, and the benefits of growth have, in turn, been very largely retained on the Coast.

One of the most significant and basic deficiencies that has become increasingly acute over the years is that in agriculture, food production for domestic consumption appears to have stagnated over the past 15 years. As a result increases in food prices constantly lead upward the general rise in prices while food products are a constantly growing share of Peru's import bill.

It follows from the foregoing that there have been major deficiencies in the structure of the investment that has taken place to date. While investment has been high, it has been heavily concentrated in directly productive and largely export-oriented activities and, to a lesser extent, in urban construction. Investment in basic economic and social infrastructure has, especially outside of the

Coast, been a small part of the total, and very slight indeed in relation to Peru's needs at the present stage in the development process.

The Gaps

The problem of underdevelopment in the past and economic growth in the future--and this applies in particular to increased public sector investment--can be stated analytically in terms of gaps in human and financial resources. On both fronts, the problems in Peru are sizeable.

As it concerns the ability of the Government to effectively mobilize its human resources to implement the public investment program, substantial administrative reforms are envisaged in the key ministries of government including Finance, Development, and Education. To cope with the shortage of skills, a growing amount of resources is being devoted to formal education. Furthermore, the technical assistance programs of A.I.D., the FAO, and other organizations add measurably to the available pool of skills.

On the financial side it is clear that higher investment (public or private) requires larger savings (voluntary or forced). Recognizing the need for more public funds, the Belaunde administration embarked on a series of revenue raising measures after its inauguration. This has included two successive boosts in the transactions tax, bringing the rate to five percent; an across-the-board increase in import tariffs, plus additional duties on certain luxuries imports; and new or higher excises on some domestic products, including notably alcoholic beverages. But the experience of the past three years has demonstrated that Peru's basic tax structure will have to be overhauled. It is impossible to pyramid rates much farther on the present archaic tax structure with its large component of earmarked taxes, heavy reliance on indirect levies, vulnerability to foreign trade fluctuations, profusion of minor levies, general complexity, and inadequate administration.

The inability of the present tax system to capture a proportionate share of the growth in national income has forced the government to turn to domestic borrowing to get the resources to finance its programs as the following table shows.

Public Sector

Revenues, Expenditures, and Savings

Percentage of GNP

	<u>1963</u>	<u>1964</u>	<u>1965</u>
Current Revenues	18.3	17.9	17.1
Current Expenditures	15.8	16.1	15.7
Current Savings	2.5	1.8	1.5
Domestic Borrowing (Including change in cash balances)	-.-	.7	1.3
Public Investment	4.4	5.9	5.8

New tax measures are expected to play a material role in the Government's 1967 budget. A real estate tax and possible increases in highway user taxes through either the device of highway tolls or a higher gasoline tax are likely to receive executive endorsement. Either these proposals or other feasible alternatives will have to be adopted if the Government is to carry forward with a growing investment program in the context of relative domestic price stability.

THE BALANCE OF PAYMENTS

The underlying strength, and it is considerable, in the Peruvian balance of payments lies in an extraordinarily diversified natural resource endowment. The catalog includes semi-tropical fertile (when irrigated) coastal lands, an abundance of rich mineral resources close to cheap ocean-going transport and a unique combination of climate and current which make Peru the leading fishing nation of the world. These assets mixed with significant home-grown entrepreneurship and government policy hospitable to foreign investment have generated a remarkable increase in exports. From 1950 to 1960 exports more than doubled rising from \$198 million to \$440 million and the gain in export value from 1960 to 1965 was equal to

the gain of the preceding decade. After stagnating in 1965 exports rose sharply again in 1966, but imports rose even more rapidly.

It is, however, easy to overstate the strength of Peru's foreign balance. Quite aside from import demand which has generally kept pace with the growth in exports, investment income runs to more than ten percent of the value of Peru's exports. Such outpayments coupled with more than matching outflows for freight and insurance have put the current account of the GOP into deficit in 12 of the last 14 years and five of the past six years.

Indeed, the current account position has deteriorated in each of the past six years, 1964 excepted.

Current Account

Balance of Payments

(millions of dollars)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Exports	510	556	555	685	687	750
Imports	-429	-478	-515	-513	-646	-700
Freight and Insurance	-53	-63	-63	-75	-85	-90
Investment Income	-63	-66	-72	-72	-77	-100
Miscellaneous	27	15	14	-11	-5	-10
Current Account						
Surplus (Deficit)	-8	-36	-81	14	-126	-160

There is no reason to expect the trend in current account to reverse itself over the next few years; on the contrary, the weight of the evidence points to an increasing need for foreign capital, private and especially, public to maintain equilibrium in the balance of payments.

Summary Balance of Payments

(millions of dollars)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1966</u>
Balance-Current Account	-8	-36	-81	14	-126	-160	
Net Public Loan Receipts	-4	20	47	59	63	123	
Private capital, and other non-current items	<u>53</u>	<u>28</u>	<u>64</u>	<u>-38</u>	<u>36</u>	<u>-23</u>	
Surplus (deficit)	<u>41</u>	<u>12</u>	<u>30</u>	<u>35</u>	<u>-27</u>	<u>-50</u>	
of which:							
Central Bank	34	6	18	25	15	-48	
Other Financial Institutions	7	6	12	10	-42	-2	

Public Investment

Total public sector investment has risen over sixty percent during the past three years. Domestic financing has held at roughly two-thirds of the total over that period which must be counted as a considerable performance in view of the weaknesses in the tax system.

Estimated Public Investment and Its Financing

(billions of soles)

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Public Investment	3.5	5.6	6.6	8.4
Domestic Financing	2.3	4.0	4.4	5.0
Domestic Financing as percent of investment	66	71	66	60

Available estimates of investment by sector in the pre-Belaunde year of 1962, and in his first full year in office 1964, show that outlays in agriculture and school construction doubled; that hospital and rural medical centers expenditures tripled; and that transportation (highway construction) investments reached a peak of almost one billion soles, equal to 5% of public sector current revenues. Looking to the future, public investment will

35

continue to rise with the larger share of the increase programmed for the same sectors--agriculture, highway, and education.

Even as the Government continues to invest in bricks and mortar, it is conscious of the need for sustained inputs into human resources. The President's principal vehicle for effecting social change in its many facets--education, local government, personal motivations, and expectations--is Cooperación Popular. Increasingly, with the help of A.I.D., the Government will become even more fully engaged in probably the most difficult and intractable task--that of integrating the landless, uneducated, Quechua speaking, subsistence "campesinos" of the Sierra into the national market economy.

Local Currency Financing

Lending for local currency can be justified on grounds of a current account deficit in the balance of payments only when the local government is itself making an adequate contribution of its own resources. In the Mission's "Preliminary Report" it was explained that the U.S. program is keyed to important self-help efforts in increasing revenues. On the balance of payments side the "Preliminary Report" sets out that the foreign resources so provided will be required by the economy to an increasing extent in the coming years.

Given the scale of the investment program and the increase in local resources to be devoted to that program, we consider the amount of local currency financing to be done by A.I.D. to be a function of the kinds of activities A.I.D. chooses to promote. Our program goals of social change, reduced disparities through rural habilitation, increased inputs into domestic agriculture, and broadened economic opportunity through education can only be effectively met if A.I.D. is able to judiciously finance some share of local costs. To forego priority projects that are in the long-term U.S. interest because they involve a local currency cost component would make an anomaly of the program.

Loan Terms

The disbursed portion of foreign public sector debt has risen from \$161 million at the end of 1960 to \$293 million at the

end of 1964 and to an estimated \$424 million at the end of 1965. Projected annual debt service requirements for 1966 point to a burden of roughly 11 percent of projected exports. There is every expectation that the debt burden will rise rapidly in the next few years. Indeed, the World Bank estimates that even if Peru takes on new debt on terms in use by the international lenders the debt service will still rise to more than \$120 million by 1970 or more than 15 percent of projected export volume. If A.I.D. and other agencies loan on terms significantly shorter than their minimum, there is a real prospect that debt service by 1970 could reach some \$150 million, approaching 20 percent of prospective export volume.

Most of the projects included in the Peruvian investment program will yield substantial returns, but in many cases only over a long payout period. Further, the infrastructure investments which will receive deserved priority--education, agriculture, roads--often yield a significant part of their benefits in the form of so-called external economies (by way, for example, of expanded opportunity or greater efficiency for the general public) or in a form (improved health) which cannot be directly translated into income. It is administratively difficult to levy user charges to pay off such investments and in addition the social objectives which the public investment serves deserve strong support.

For a combination of reasons, then, balance of payments, the type of public investment envisioned and the end which it serves, the Mission believes that minimum loan terms are fully warranted for Peru.

February 8, 1967

UNCLASSIFIED
AID-DLC/P-504
ANNEX II, Page 1 of 15
Exhibit 1, Page 1 of 12

PERU

FEASIBILITY AND PRE-FEASIBILITY STUDIES LOAN

CHECK LIST OF STATUTORY CRITERIA (Alliance for Progress)

1. FAA s.102. Precautions that have been or are being taken to assure that loan proceeds are not diverted to short-term emergency purposes (such as budgetary, balance of payments, or military purposes) or any other purpose not essential to the country's long-range economic development.

Adequate control will be exercised to assure that loan proceeds are not diverted to short-term emergency purposes (such as budgetary, balance of payments, or military purposes) or any other purpose not essential to the country's long-range economic development. The USAID Capital Development and Natural Resources Advisors shall approve all requests for AID disbursements and make certifications as to the timely and full contributions of the GOP.

2. FAA s.102. Information on measures taken to utilize U.S. Government excess personal property in lieu of procurement of new items.

The Borrower shall take measures to utilize USG excess personal property in lieu of the procurement of new items wherever possible.

3. FAA s.102. Information whether the country permits or fails to take adequate measures to prevent the damage or destruction by mob action of U.S. property.

The Government of Peru does not permit, and takes adequate measures to prevent, the damage or destruction by mob action of U.S. property.

UNCLASSIFIED

753

UNCLASSIFIED

ANNEX II, Page 2 of 15

Exhibit 1, Page 2 of 12

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

The proposed loan is consistent with the laws of Peru and the United States and the terms are considered reasonable by both the Borrower and A.I.D.

5. FAA s.251(a). Manner in which loan will promote country's economic development and contribute to the welfare of its people.

This loan will promote Peru's economic development and contribute to the welfare of its people (See Section III and Section IV).

6. FAA s.251(b)(1). Extent to which country is adhering to the principles of the Act of Bogota and Charter of Punta del Este and is showing a responsiveness to the vital economic, political and social concerns of its people, and extent to which country has demonstrated a clear determination to take effective self-help measures.

Account has been taken of the Borrower's adherence to the principles of the Act of Bogotá and the Charter of Punta del Este, and the Borrower's responsiveness to the vital economic, political and social concerns of its people. Contributions by the Borrower to various programs including agrarian reform, low and medium cost housing, civic action, education and community development are demonstrations of effective self-help measures.

7. FAA s.251(b)(2). Information and conclusion on activity's economic and technical soundness.

This activity has been found economically and technically sound (Sections III and IV)

UNCLASSIFIED

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

This activity has a basic significance for Borrower's development activities, and will play an essential part in the realization of long range objectives. (Summary and Recommendations)

9. FAA s.251(b)(4). Information and conclusion on possible effects on U.S. economy, with special reference to areas of substantial labor surplus.

This activity will have no significant direct effect on the U.S. economy or areas of substantial labor surplus in the U.S. economy.

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

Financing for this activity is not available from other free world sources, including private sources within the United States on reasonable terms. (Section V)

11. FAA s.25.(b). Information and conclusion on capacity of the country to repay the loan.

It appears reasonably certain that the Borrower will be capable of repaying the loan. (Section V)

12. FAA s.251(b). Information and conclusion on country's efforts to repatriate capital invested in other countries by its own citizens.

It appears that the Borrower is attempting to repatriate capital invested in other countries by its own citizens through its free exchange policy and strong endorsement of private enterprise.

13. FAA s.251(b). Information and conclusion on reasonable prospects of repayment.

It appears reasonably certain that the Borrower will be willing and able to repay the loan. (Section V)

14. FAA s.251(e). Information and conclusion on availability of an application together with sufficient information and assurance to indicate reasonably that funds will be used in an economically and technically sound manner.

The Borrower has made a formal application for loan-funded assistance in this activity, and A.I.D. has received sufficient information and assurance to indicate reasonably that funds will be used in an economically and technically sound manner.

15. FAA s.251(g). Information and conclusion on use of loan to assist in promoting the cooperative movement in Latin America,

NOT APPLICABLE.

16. FAA s.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 procurement from private sources.

Of the total amount of money loaned approximately \$1.7 million is being used to finance imports (goods and services) from private sources; and \$3.3 million is being used to finance procurement from private sources.

17. FAA s.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 co-operatives, 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.

This project will encourage efforts of the Borrower in relation to e above. See Sections II, III, and IV.

18. FAA s.601(b). Information and conclusion of 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).

A number of contracts will be made with private U.S. consulting firms to carry out project studies. (Summary and Recommendations)

19. FAA s.601(d). Conclusion and supporting information on compliance with the Congressional policy that engineering and professional services of U.S. firms and their affiliates are to be used in connection with capital projects to the maximum extent consistent with the national interest.

Engineering and professional services of U.S. firms and their affiliates are to be used to the maximum extent consistent with the national interest. (Summary and Recommendations)

20. FAA s.602. Information and conclusions whether loan will permit American small business to participate equitably in the furnishing of goods and services financed by it.

All U.S. commodity procurement financed by the loan will be advertised pursuant to A.I.D. Small Business Requirements thus permitting American Small Business to participate equitably in the furnishing of goods and services.

21. FAA s.604(a); Apps.s.108. Compliance with restriction of commodity procurement to U.S. except as otherwise determined by the President and subject to statutory reporting requirements.

Materials and service financed under the loan shall be procured from the United States or Peru. U.S. dollars utilized under the loan to finance local currency costs shall be made available to Borrower or its designee through appropriate procedures, and shall be identified with procurement in the United States.

22. FAA s.604(b). Compliance with bulk commodity procurement restriction to price no higher than the market price prevailing in the U.S. at time of purchase.

Any commodities financed by the loan and purchased in bulk will be purchased at prices no higher than prevailing U.S. market prices.

23. FAA s.604(d). Compliance with requirement that marine insurance be purchased on commodities if the host country discriminates, and that such insurance be placed in the U.S. This section will be complied with.

24. FAA s.611(a)(1). Information and conclusion on availability of engineering, financial, and other plans necessary to carry out the assistance and of a reasonably firm estimate of the cost of the assistance to the United States.

Necessary technical and financial plans have been completed, and a reasonably firm estimate of the cost to the United States of the activity to be financed has been attained. (Sections III and V)

25. FAA s.611(a)(2). Necessary legislative action required within recipient country and basis for reasonable anticipation such action will be completed in time to permit orderly accomplishment of purposes of loan.

Congress must pass a law to give the executive lending authority for the loan. The law is presently being discussed in Congress and passage is imminent.

26. FAA s.611(b); App. s.101. If water or water related land resource construction project or program, information and conclusion on benefit-cost computation.

NOT APPLICABLE.

27. FAA s.611(c). Compliance with requirement that contracts for construction be let on competitive basis to maximum extent practicable.

NOT APPLICABLE.

28. FAA s.612(b) and 636(h). Appropriate steps that have been 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 U.S. are utilized to meet the cost of contractual and other services.

Appropriate steps have been taken to assure that, to the maximum extent possible, the Host Country will contribute local currency. Foreign currencies owned by the U.S. are not available for financing this activity. If these become available during the course of disbursements, they will be substituted for U.S. dollars.

29. FAA s.619. Compliance with requirement that assistance to newly independent countries be furnished through multi-lateral organizations to maximum extent appropriate.

NOT APPLICABLE.

30. FAA s.620(a); App.s.107(a). Compliance with prohibitions against assistance to Cuba and any country (a) which furnished assistance to Cuba or failed to take appropriate

steps by February 14, 1964, to prevent ships or aircraft under its registry from carrying equipment, materials, or supplies from or to Cuba; or (b) which sells, furnishes, or permits any ships under its registry from carrying items of primary strategic significance, or items of economic assistance to Cuba.

No assistance will be furnished under this loan to the present government of Cuba, nor does the Borrower furnish assistance to the present government of Cuba. The Borrower has taken appropriate steps to prevent ships or aircraft under its registry from engaging in any Cuba trade.

31. FAA s.620(b). If assistance to the government of a country, existence of determination it is not controlled by the international Communist government,

The Secretary of State has determined that the Borrower is not controlled by the international communist movement.

32. FAA s.620(c). If assistance to the government of a country, existence of indebtedness to a U.S. citizen for goods or services furnished or ordered where such citizen has exhausted available legal remedies or where the debt is not denied or contested by such government or the indebtedness arises under an unconditional guaranty given by such government,

The Borrower is not known to be indebted to any U.S. citizen for goods or services furnished or ordered where such a citizen has exhausted available legal remedies or where the debt is not denied or contested by the Borrower or the indebtedness arises under an unconditional guaranty of payment by the Borrower.

33. FAA s.620(d). If assistance for any productive enterprise which will compete in the U.S. enterprise, existence of agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan.

NOT APPLICABLE.

34. FAA s.620(e)(1). If assistance to the government of a country extent to which it (including government agencies or subdivisions) has, after January 1, 1962, taken steps to repudiate or nullify contracts or 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 appropriate steps to discharge its obligations.

The Borrower (including Government Agencies or Subdivisions) is not known to have taken steps since January 1, 1962 to repudiate or nullify contracts or 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 appropriate steps to discharge its obligations as specified in this section.

35. FAA s.620(f); App. s.109. Compliance with prohibitions against assistance to any Communist country.

Assistance provided under this loan will not be furnished to any Communist country.

36. FAA s.620(g). Compliance with prohibition against use of assistance to compensate owners for expropriated or nationalized property.

Assistance provided by this loan will not be used to compensate for expropriated or nationalized property.

37. FAA s.620(h). Compliance with regulations and procedures adopted to insure against use of assistance in a manner which, contrary to the best interests of the U.S., promotes or assists the foreign aid projects or activities of the Communist-bloc countries.

Assistance provided by this loan will not be used in a manner which, contrary to the best interests of the U.S., promotes or assists the foreign aid projects or activities of the Communist-bloc countries.

UNCLASSIFIED

38. FAA s.620(i). Existence of determination that the country is engaging in or preparing for aggressive military efforts.

The President has not determined that the Borrower is engaging in or preparing for aggressive military efforts.

39. FAA s.620(k). If construction of productive enterprise where aggregate value of assistance to be furnished by U.S. will exceed \$100 million, identification of statutory authority.

NOT APPLICABLE.

40. FAA s.620(l). Compliance with prohibition against assistance after December 31, 1966, for the government of a country which fails to institute investment guaranty program.

Investment guaranty agreement presently under negotiation.

41. FAA s.620(n); App. 107(b). Compliance with prohibition against assistance to countries which traffic or permit trafficking with North Vietnam.

The Host Country does not traffic or knowingly permit trafficking with North Vietnam.

42. FAA s.620(c). 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, information on the consideration which has been given to excluding the country from assistance.

The Host Country's seizure of U.S. tuna clippers has been considered. It has been determined that the incidents do not, at this time, warrant withholding of U.S. assistance.

43. FAA s.621. Information and conclusion on how the loan in providing technical assistance will utilize to the fullest extent practicable 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 whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs.

With the exception of the ONERN portion the loan financed studies to be carried out will be provided by private firms on a contract basis.

The LAGS will provide technical assistance in view of its past and continuing relationship with ONERN.

44. App. s. (unnumbered). Use of funds to carry out FAA s.205, which pertains to IDA.

NOT APPLICABLE.

45. App. s.102. Compliance with requirement that payments in excess \$25,000 for architectural and engineering services on any one project be reported to Congress.

Payments in excess of \$25,000 for engineering services on this project will be reported to Congress pursuant to the requirement of this section.

46. App. s.104. Compliance with bar against funds to pay pensions, etc. for military personnel.

Funds obligated by the loan and local currency generated thereby will not be used to pay pensions, annuities, etc. as prohibited in this Section.

47. App. s.106. If country attempts to create distinctions because of their race or religion among Americans in granting personal or commercial access or other rights otherwise available to U.S. citizens generally, application will be made in negotiations of contrary principles as expressed by Congress.

No attempts by the Host Government to create distinctions because of race or religion among Americans in granting personal or commercial access or other rights otherwise available to U.S. citizens generally are known. If the Host Government attempts to create such distinctions, application will be made in negotiations of contrary principles as expressed by Congress.

48. App. s.111. Compliance with existing requirements for security clearance of personnel.

This requirement will be enforced.

49. App. s.112. Compliance with requirement for approval of contractors and contract terms for capital projects.

Firms which provide engineering and other professional services financed by the loan for the project, and the terms of their contracts, shall be approved by A.I.D.

50. App. s.114. Compliance with bar against use of funds to pay assessments, etc., of U.N. member.

Loan funds will not be used to make any payment to a U.N. member.

51. App. s.115. Compliance with regulations on employment of U.S. and local personnel for funds obligated after April 30, 1964. (Regulation 7)

NOT APPLICABLE.

52. App. s.401. Compliance with bar against use of funds for publicity or propaganda purposes within U.S. not heretofore authorized by Congress.

Loan funds will not be used for publicity or propaganda purposes within the United States.

ADDENDUM
to
CHECK LIST OF STATUTORY CRITERIA

PERU-FEASIBILITY AND PRE-FEASIBILITY STUDIES

1. FAA Section 251(b) (5). Information and conclusion on the degree to which the country is making progress toward respect for the rules of law, freedom of expression and of the press, and recognition of the importance of individual freedom, initiative, and private enterprise.

Peru has a democratic reform-minded government which believes in the goals of the Alliance for Progress and is deeply committed in the development and process. Efforts to improve economic and social opportunities for the presently disadvantaged half of the population living in a subsistence economy and to establish an institutional base--public and private--for sustained economy and social growth in Peru or examples of movement in this direction.

2. FAA s. 251(b) (6). Information and conclusion on the degree to which the country is taking steps to improve its climate for private investment.

Peru's economy is strongly orientated toward private enterprise. The private sector provides 80% of the GNP. The Government of Peru issued an industrial promotion law in November 1929 to encourage foreign and domestic private investments in Peru's industrial sector. Several private investment banks have been established in Peru in the past five years.

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

See "Purpose" in Summary and Recommendations section of Loan Paper.

UNCLASSIFIED

ANNEX II, Page 14 of 15

Exhibit 2, Page 2 of 3

4. FAA s. 251(b) (8). Information and conclusion on the extent to which the activity will contribute to the economic and political integration of Latin America.

The feasibility studies to be financed will include studies of certain sections of the proposed highway linking Bolivia, Peru, and Colombia.

5. FAA s. 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 review of national development activities.

This activity is consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress. In its Sept. 66 annual review, the CIAP staff specifically communicated the need for a continued series of feasibility studies to provide for international financing in Peru.

6. FAA s. 281. 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 developing countries, through the encouragement of democratic private and local governmental institutions.

The over-all program providing for the participation in feasibility studies of Government agencies, local governments, and private enterprise, will assure maximum participation.

7. FAA s. 611(a) (1). Information and conclusion on availability of engineering, financial, and other plans necessary to carry out the assistance and of a reasonably firm estimate of the cost of the assistance to the United States.

Not applicable.

UNCLASSIFIED

51

UNCLASSIFIED

ANNEX II, Page 15 of 15

Exhibit 2, Page 3 of 3

8. FAA s. 620 (i). Information on representation of the country at any international conference when that representation includes the planning of activities involving insurrection or subversion against the U.S. or countries receiving U.S. assistance.

There has been no official representation of Peru at any international conferences which included the planning of activities involving insurrection or subversion against the United States or countries receiving U.S. assistance.

52

UNCLASSIFIED
AID-DLC/P-504
ANNEX III
February 8, 1967

TABLE OF CONTENTS

	<u>Page</u>
Exhibit 1 Project Studies - Loan No. 527-L-023	1
Exhibit 2 Organization Chart - National Planning Institute (I.N.P.)	4
Exhibit 3 Organization Chart - National Planning System	5
Exhibit 4 Organization Chart - O.N.E.R.N.	6
Exhibit 5 Studies Made by ONERN, Their Cost and Use	7
Exhibit 6A Proposed Studies by O.N.E.R.N.	11
Exhibit 6B Sub-Project Study Descriptions	15
Exhibit 7A Proposed Studies by I.N.P.	27
Exhibit 7B Map of San Alejandro-Palca Route	29
Exhibit 7C Map of Puente Paucartambo-Cacazu Rio Palcazu	30

UNCLASSIFIED

53

PROJECT STUDIES - LOAN 527-L-023

CONTRACT N°	CONTRACTOR	PROJECT STUDY	AMOUNT CONTRACT	
			Total in US \$	Breakdown US \$ S/.
527-L-023-1	Hydrotechnic Corporation	Tumbes Irrigation-Hydroelectric	\$ 176,346.27	\$75,600.00 S/. 2,700,000.00
527-L-023-2	Hydrotechnic Corporation	14 Hydroelectric Power Projects	\$ 383,388.05	\$186,000.00 S/. 5,290,000.00
527-L-023-3	International Engineering Company, Inc.	Piura Irrigation-Hydroelectric	\$ 439,000.00	\$210,365.00 S/. 6,127,418.00
527-L-023-4	International Engineering Company, Inc.	Ica Irrigation-Hydroelectric	\$ 395,000.00	\$226,000.00 S/. 4,529,200.00
527-L-023-5	Greeley and Hansen Engineers	Lima Sewage Disposal	\$ 40,000.00	\$40,000.00 S/. --
527-L-023-7	McCreary-Koretsky Engineers	Moquegua-Ilo Irrigation-Hydroelectric	\$ 220,000.00	\$120,000.00 S/. 2,680,000.00

UNCLASSIFIED
AND-DEC/P-504
ANNEX II, page 1 of 30
Exhibit 1, page 1 of 3

February 6, 1967

57

PROJECT STUDIES - LOAN 527-L-023

CONTRACT N°	CONTRACTOR	PROJECT STUDY	AMOUNT CONTRACT	
			Total in US \$	Breakdown US \$ S/.
527-L-023-8	Parsons, Brinckerhoff y Cía, S.A.	National Transportation	\$ 120,000.00	\$120,000.00 S/. --
527-L-023-9a	Agri Research Inc.	Rice Marketing in Perú	\$ 23,850.00	\$23,850.00 S/. --
527-L-023-9b	Ernest Keller & Associates, S.A.	Wheat Marketing in Perú	\$ 48,500.00	\$48,500.00 S/. --
527-L-023-10	Hydrotechnic Corporation, S.A. - Olazábal & León, S.A.	Small Irrigation Projects in Arequipa	\$ 216,544.77	\$38,000.00 S/. 4,785,000.00
527-L-023-11	J. G. White Engineering Corporation - Piazza & Valdez Engineers, S.A.	Pancitos Hydroelectric	\$ 143,100.00	\$69,480.00 S/. 1,973,016.00

UNCLASSIFIED
ANNEX III, Page 2 of 30
Exhibit 1, Page 2 of 3

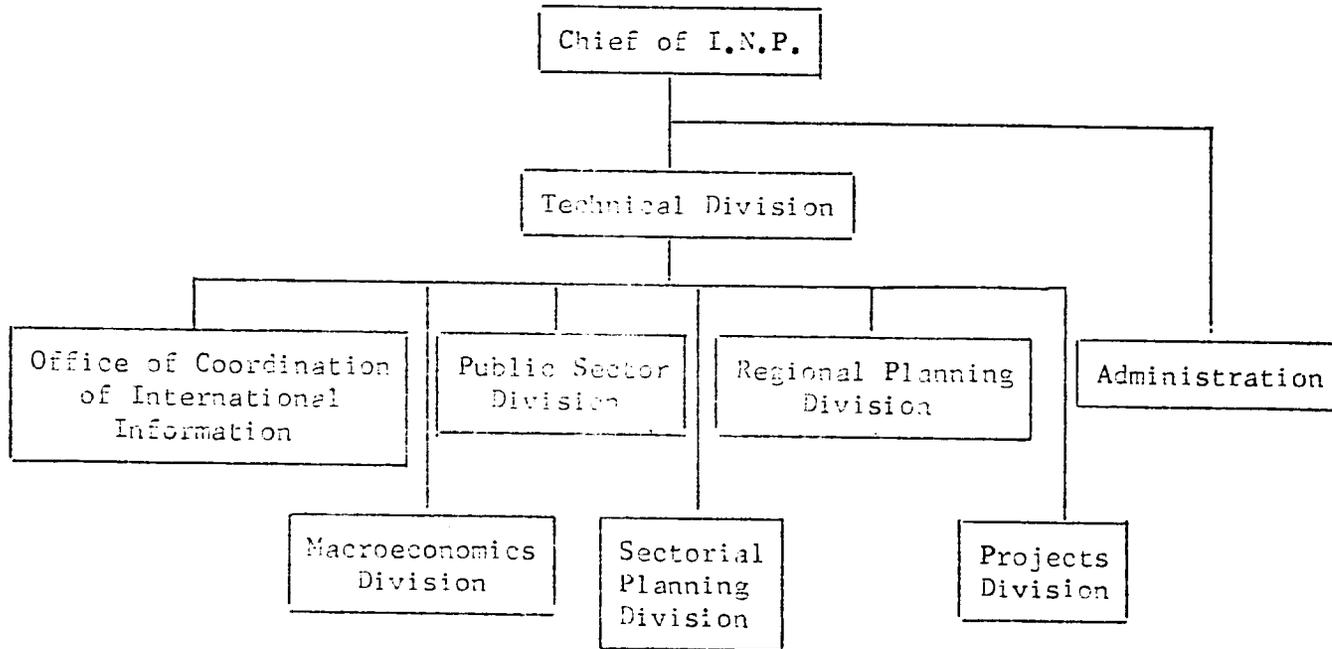
5

PROJECT STUDIES - LOAN 527-L-023

CONTRACT N°	CONTRACTOR	PROJECT STUDY	AMOUNT CONTRACT	
			Total in US \$	Breakdown US \$ S/.
527-L-023-12	Brown & Root Overseas Inc.	Tarapoto-Juanjui, La Morada-Tocache, and Teresita-Quimpiri Roads	\$ 520,000.00	\$520,000.00 S/. --
527-L-023-13	TAMS American Corporation	Villa Rica-Puerto Pachitea Road	\$ 274,000.00	\$170,000.00 S/. 2,787,200.00
T O T A L			\$2,999,729.09	

of

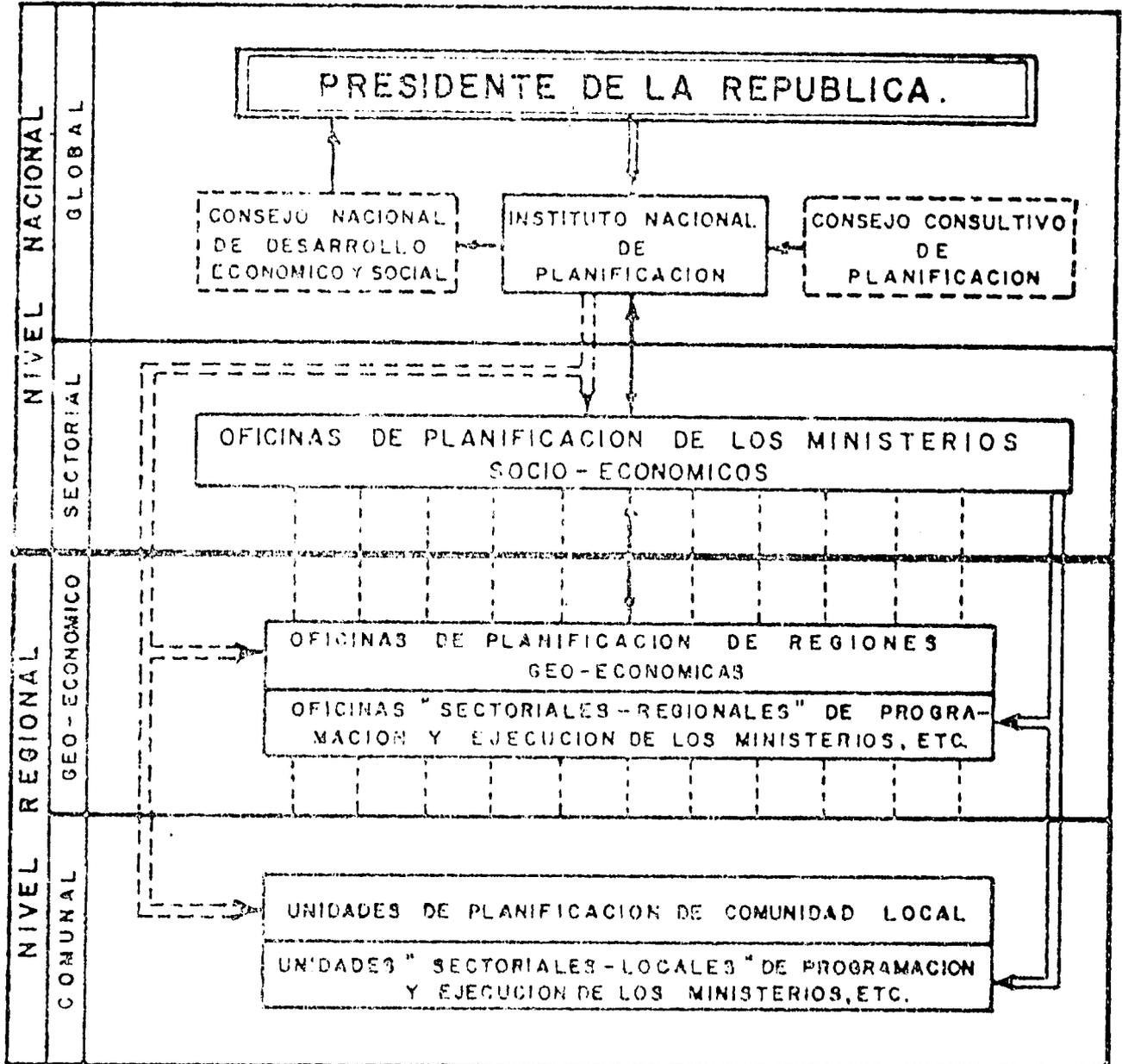
ORGANIZATION CHART - NATIONAL PLANNING INSTITUTE (I.N.P.)



51

INSTITUTO NACIONAL DE PLANIFICACION
SISTEMA NACIONAL DE PLANIFICACION

LEYENDA: LEY. Nº 14220



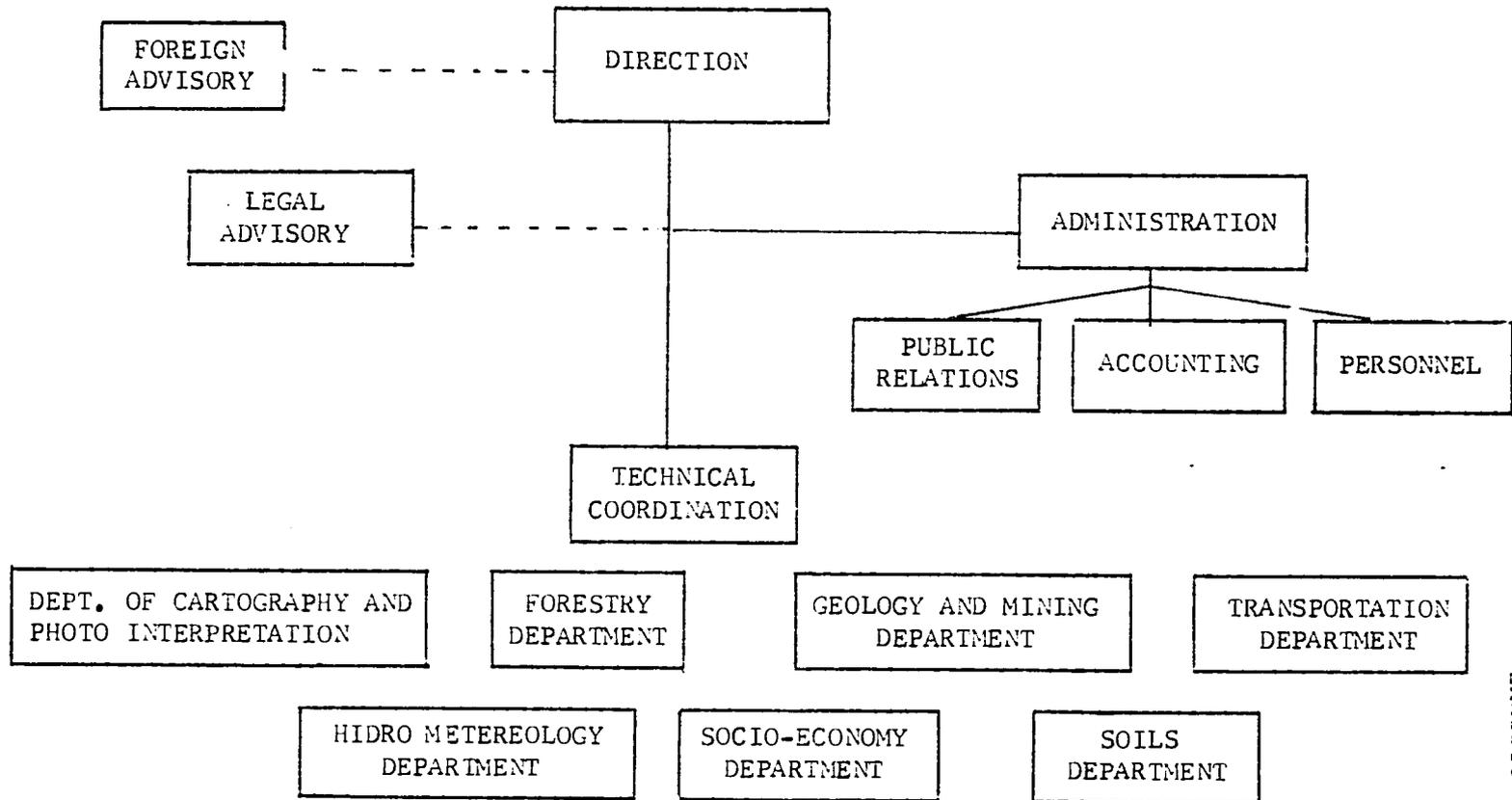
LEYENDA:

- ASESORAMIENTO
- COORDINACION Y SUPERVISION
- DEPENDENCIA JERARQUICA

DR. R. ESCOBAR, M.

OFICINA NACIONAL DE EVALUACION DE RECURSOS NATURALES

O N E R N



59

STUDIES MADE BY ONERN. THEIR COST AND USE

- 1.- Evaluación e Integración del Potencial Económico y Social de la Zona Tingo María - Tocache
 - (a) Location.- This project is located in the "high jungle" on the upper reaches of the Río Huallaga in the department of Huánuco and San Martín.
 - (b) Extent.- An area of some 113,000 Has. were studied of which 96,000 Has. were selected for agricultural development.
 - (c) Cost.- This study was made at a cost of about \$153,000.
 - (d) Use.- From information based on this study the GOP has secured financial aid in the form of loans from AID, the Exim Bank and BID for the construction of a segment of the Marginal Highway from Tingo María to Tocache.

- 2.- Programa de Inventario y Evaluación de Recursos Naturales del Departamento de Puno
 - (a) Location.- This project is located in the department of Puno in the southern Sierra of Perú.
 - (b) Extent.- The extent of the project covers an area of 1,388,200 has.
 - (c) Cost.- The cost of this study was about \$319,408.
 - (d) The results of this study are being used to implement the agricultural Development Plan of the area that was formulated by Corporación de Fomento y Promoción Social y Económica del Departamento de Puno (CORPUNO). Also information from this study is being used by Oficina Nacional de Reforma Agraria (ONRA) to implement the agrarian reform.

3.- Evaluación e Integración del Potencial Económico y Social de la Zona Perené - Satipo - Ene

- (a) Location.- The project is located in the Department of Junin in the high jungle area.
- (b) Extent.- The study covers an area of 182,200 has.
- (c) Cost.- This study was accomplished at a cost of \$203,360.
- (d) Use.- As a result of this study the World Bank has provided a donation of \$300,000 for a feasibility study of a road 110 Km. in length from Chanchamayo to Satipo. Also the Civic Action is building roads in the area and spontaneous colonization is taking place. The original study indicates that there is sufficient land to support 200,000 colonists.

4.- Inventario y Evaluación de los Recursos Naturales de la zona Kcosñipata - Alto Madre de Dios - Manú

- (a) Location.- This study is located in the Department of Madre de Dios in the moderately low jungle.
- (b) Extent.- The study area covers some 181,000 hectares.
- (c) Cost.- This project was done at a cost of \$123,800.
- (d) This study resulted in changing the course of a road being constructed by the Civic Action from poor land to an area where it would serve good land, also 20,000 hectares were found to be suitable for agricultural exploitation. Plans are being formulated for colonization.

5.- Evaluación de los Problemas de Salinidad y Drenaje en la Costa Peruana

- (a) Location.- This project is a systematic study of the

UNCLASSIFIED

ANNEX III, Page 9 of 30

Exhibit 5, Page 3 of 4

irrigated valley of the arid coast of Peru. The study began in Tacna the southern most valley and is progress northward.

- (b) Extent.- Since its inception in 1963, 16,000 hectares distributed over 15 valley have been covered.
- (c) Cost.- The cost of making the study is approximately \$99,600.
- (d) Use.- This study has shown the 91% of the cultivated land in the 15 valleys covered are affected to some degree by salinity, alkalinity and/or poor drainage. In view of the seriousness of this problem the GOP has the desire to make more detailed studies leading to improvement of these important lands.

6.- Inventario, Evaluación e Integración de los Recursos Naturales de la Zona del Río Pachitea

- (a) Location.- This study is located in the Department of Huánuco and encompasses the valley of the Pachitea River.
- (b) Extent.- This project covers an area of 962,000 hectares of which 533,000 were found suitable for agricultural use.
- (c) Cost.- The cost of this study including publication of the report amounted to \$216,400.
- (d) Use.- This study has just published. AID has already shown interest in making a loan for a feasibility study of a section of the Marginal highway in this area due to the Pachitea report.

UNCLASSIFIED

62

7.- Evaluación de los Recursos Hidráulicos del Perú

- (a) This is a study and compilation of the hydrologic data on ten rivers of coast and sierra of Peru done in cooperation with CEPAL
- (b) Cost.- This project cost was about \$117,200.
- (c) Use.- The GOP is forming plans for the development of hydroelectric and irrigation projects based on this study.

8.- Other basic Natural Resource Studies made by ONERN

- (a) Inventario de Estudios de Suelos del Perú (Primera Aproximación)
- (b) Proyecto de Inventario y Evaluación de los Recursos Naturales del Perú.
- (c) Inventario de los Estudios y Disponibilidades de los Recursos Forestales del Perú.
- (d) Inventario de los Estudios Geológicos del Perú.
- (e) Inventario de los Recursos Naturales de la zona Ollaehua-San Gabán-Inambari.
- (f) Reconocimiento de los Recursos Naturales del Curso Medio del Río Urubamba.

A. PROPOSED STUDIES BY ONERN

a. Costal Salinity Study

The salinity study is a three-year project which will be coordinated and executed by ONERN. Extensive cooperation by other agencies will be required if duplication of effort is to be avoided. The study will cover the valleys and existing irrigation projects, approximately 7,000 Km² of the Pacific coastal area. The objective is to assemble basic data on a physical and economic nature which has a bearing on salinity and related problems and is needed for implementation of programs or projects which will minimize their detrimental effects upon the productivity of the land. This objective will be accomplished through compilation and review of existing data, analysis of projects and programs related to salinity problems and collection of new data needed to meet minimum data requirements. Activities to meet this objective will be undertaken in two phases. The initial phase is for one year and will cover many coastal valleys and irrigation projects. It will consist of compiling existing data and collecting selected new data at a reconnaissance level. Based on this information a selection will be made of those areas which offer the maximum economic return for investment inputs. The second phase is for two years and will consist of field investigation and data collecting activities in the selected areas for detailed definition of salinity or related problems and their solution. Additional benefits of this project will be the identification of a number of other problems which have an important bearing upon the economic development of the coastal area and development of extensive cooperation between ONERN and agencies working in the area.

b. Marcapomacocha Project

The Marcapomacocha project covers the watersheds of the Rimac, Lurin, Chillan and upper Mantaro rivers and includes the Greater Lima area, which is the focal point for the potential development. The study to be financed through loan funds involves the natural resources portion of a large multi-purpose project concerned with hydro-electric power production, utilization of potable water and water for irrigation, land use changes and urban planning. ONERN will evaluate the mineral and hydrological resources on 14,000 km² hectares and make a soil survey on 100,000 hectares to determine land capability and suitability for agricultural purposes. The study will take two years and is of importance to determine water resource potential for expanded agricultural activities for food production within the Greater Lima Area.

c. Maranon Inventory

The Maranon Inventory is a one year project, covering approximately 8,000 km², which will be coordinated and executed by ONERN. It is located in the eastern Andean slopes of Northern Peru along the margins of the Santiago and Maranon rivers. This area will be opened by a penetration road now under construction and is an alternate route for the marginal jungle road. The objective is to make a preliminary determination of the economic development potential of the area. This will include determining suitability of the area for settlement and agricultural development, determination of resources which may be utilized and the practicability of constructing roads within the area. The forestry and farmland potential appear to be high. ONERN will make integrated reconnaissance reconnaissance resource studies involving forestry, soils, geology and hydrology surveys. It will supplement this data with social and economic studies of human and economic resources.

d. Inambari Inventory

The Inambari Inventory is a one year project covering approximately 10,000 km², which will be coordinated and executed by ONERN. It is located on the eastern Andean slopes of

UNCLASSIFIED

ANNEX III, Page 13 of 30

Exhibit 6A, Page 3 of 5

Southern Peru along the margins of the Marcapata, Inambari and Madre de Dios rivers. This area has been opened by a penetration road. The objective is to make a preliminary determination of the economic development potential with special reference to cattle raisins and other agricultural potentials. This will involve determination of economic size farm units within the area with recommendations for integrated farm crops to produce cash food crops which can be marketed in Puno and Arequipa. ONERN will make an integrated reconnaissance inventory of resources involving studies in geology, soils, forestry and hydrology.

e. Land Use and Colonization Studies

In the Villa Rica-Puerto Pachites area and other sections within the bread basket area for Lima, ONERN will make detailed land use classification maps in a scale of 1:40,000 of all areas within the sphere of influence of proposed road construction and which will fall within the land use classifications I to VI which are suitable for agricultural uses. Based on the above end studies to determine the economical farm unit size, which will also be made by ONERN, the latter then will locate on the land use map, family size and larger farm lots to be occupied by colonizers. The above studies and implementation maps will be used by ONRA (Peruvian Land Reform Office) towards settling, in an orderly fashion colonists who will have sufficient agricultural land to produce cash food crops to be marketed in Lima and other areas.

Four of the studies, excluding the Land Use and Colonization Studies will have a total cost of approximately \$2,100,000 of which the AID loan would finance approximately \$1,500,000. AID loan financing of the Land Use and Colonization Studies would amount to approximately \$300,000. However, project details have not yet been fully defined.

Depending on the individual scopes-of work, each of the studies will provide some or all of the following information:

UNCLASSIFIED

UNCLASSIFIED

ANNEX III, Page 14 of 30

Exhibit 6A, Page 4 of 5

Geology will locate and describe rock units, stratigraphy and formations, their origin, texture and composition, as well as tectolinear patterns, lava flows, and intrusions. Geomorphology will identify landforms resulting from erosion such as terraces, flood plains, dissected drainage patterns, etc. Mineral resources potential production, employment, and economic data for geologic resources will be collected.

Hydrology and Climatology will map watershed areas, include maps of all stream gauge and weather stations, collect and prepare, as appropriate, all climatological and hydrological data. They will show hydroelectric project locations, location of water sample and analysis.

Soils will make pedologic and/or other soil classifications and studies consistent with the objectives of each project. The scale intensity will depend upon the requirements of each project. This information will be secured by utilizing existing data whenever possible, but will include substantial field study. The data will include land Capability Classification, Pedologic Classification, Utilitarian Classification and provide data on soil fertility, erosiveness, physical and chemical laboratory analysis, productivity, adaptability of crops to soil conditions, etc.

Transportation will make pre-feasibility road analysis to map and evaluate existing, proposed or potential roads and road routes, road requirements, road specifications, transportation costs and charges, traffic load, etc., as specified by each project.

Socio-Economics will inventory and evaluate the appropriate human resources. It will collect costs, production and economic impact data on the agricultural and industrial sector, collect and evaluate production costs, yield, marketing, land use and other data as specified.

Forestry and Vegetation studies will provide data classified by species and will determined the extent, location and production volume of each unit of classification. Data will also be collected on the reserves, present employment, value and economic impact where appropriate.

UNCLASSIFIED

67

Land Use Studies will provide information on actual land use and if appropriate on past land use patterns to determine use change trends.

Miscellaneous Studies of special nature will be made when considered appropriate when financial and time limitations permit and when they can be adequately justified as necessary to meet the objectives of the project.

UNCLASSIFIED

SUB-PROJECT STUDY DESCRIPTIONS

MARAÑÓN

I. INTRODUCTION:

This comprises approximately 800,000 hectares along both margins of the rios Marañón and Santiago and some of their tributaries in the upper jungle of northern Peru. An increased interest has been manifested in the area because it has been proposed as an alternate route of the Carretera Marginal and because Civic Action is now constructing a road into the area which should be completed within two to three years. This is apt to lead to spontaneous colonization with the subsequent destruction of a vast forestry resource. The area appears to have a significant agricultural potential. Its untapped forestry resources appear to be extremely rich. This inventory is to make a preliminary survey of the resources and to direct attention to their best probable use. ONERN has the capability for making this type of study and has in fact made several similar studies.

II. OBJECTIVES:

1. Investigate the water resources of the Santiago, Marañón, and their tributaries that are within the study area.
2. Investigate the geologic resources.
3. Investigate the forestry resources.
4. Investigate the soils.
5. Investigate the present human resources.
6. Make a preliminary determination of the colonization potential.
7. Make a preliminary evaluation of the desirability of routing the Carretera Marginal through the area.
8. Make a preliminary determination of the agricultural potential.

UNCLASSIFIED

III. SCOPE OF WORK

1. Review, compile and evaluate all existing data pertaining to natural resources and their use.
2. Prepare suitable base maps or mosaics.
3. Photo-interpret pertinent data such as: land forms, geographic features, slopes.
4. Study the geology of the area and prepare a geology and a mineral potential map.
5. Make a soil survey of the area and suitable soil interpretations of such data.
6. Through sample surveys make an inventory of the human resources.
7. Identify possible development projects.
8. Identify the economic activities that might relate to economic development of the area.
9. Inventory the hydrologic resources of the area.

IV. EXECUTION OF THE PROJECT

This project is programmed for the second year of the loan and will require two years from its start until the report is published. Some disciplines will not require this much time and will lend needed support to other projects. The work will be programmed using the PERT (Critical Path Method) and calendogram charts.

This area is remote and inaccessible to terrestrial vehicles. Motor boat travel will be necessary. Precaution must be taken so that data sampling isn't confined to proximity areas along watercourses. The field work will require two months in which the group representing seven or eight different disciplines will be in the field.

Time must be allowed to permit non-existent photo coverage to be flown.

V. PROFESSIONAL PERSONNEL REQUIREMENTS IN MAN MONTHS

Item	No of men	Grand Total months	Loan Contract				ONERN Cost			
			1st year	2nd year	3rd year	Total	1st year	2nd year	3rd year	Total
Cartography	4	48	-	-	36	36	-	-	12	12
Geology	2	24	-	-	12	12	-	-	12	12
Soils	2	24	-	-	12	12	-	-	12	12
Hydrology	2	24	-	-	12	12	-	-	12	12
Economics	2	24	-	-	12	12	-	-	12	12
Forestry	4	48	-	-	36	36	-	-	12	12
Transportation	1	12	-	-	12	12	-	-	-	-

VI. BUDGET REQUIREMENTS IN DOLLARS

UNCLASSIFIED

Item	Loan Costs				ONERN Costs			
	1st year	2nd year	3rd year	Total	1st year	2nd year	3rd year	Total
Salaries technical	-	-	41,600	41,600	-	-	27,000	27,000
Field support	-	-	12,900	12,900	-	-	-	-
Transportation	-	-	2,000	2,000	-	-	-	-
Maps and photos	-	-	35,000	35,000	-	-	-	-
Field equipment	3,750	-	-	3,750	-	-	-	-
Administrative equip	6,130	-	-	6,130	-	-	-	-
Camp equip	630	-	-	630	-	-	-	-
Exploratory survey	3,500	-	-	3,500	-	-	-	-
Cartographic supply	-	-	3,660	3,660	-	-	-	-
Cartographic equip.	5,670	-	-	5,670	-	-	-	-
Technical assistance	-	-	22,000	22,000	-	-	-	-
Salaries administration	-	-	-	-	-	-	18,695	25,238
Public services	-	-	-	-	6,543	-	271	365
Materials various	-	-	-	-	94	-	2,710	3,658
Equipment various	-	-	-	-	663	-	1,896	2,559
Maintenance & repairs	-	-	-	-	760	-	2,167	2,927
Social Security	-	-	-	-	475	-	1,355	1,830
	19,680	-	118,160	136,840	9,483	-	54,094	63,577

UNCLASSIFIED
ANNEX III, Page 18 of 30
Exhibit 6B, Page 3 of 11

11

MARCAPOMACOCIA

I. INTRODUCTION

This project covers the watershed of the Rimac, Lurin, Chillón and upper Mantaro rivers. It is located on the central coastal area with Lima as the focal point. This study consists of the natural resources portion of a much larger multipurpose project concerned with hydroelectric power production, water utilization, agricultural capability, land use changes, urban planning and a multitude of urban improvement. The project entails an evaluation of the mineral and hydrologic resources on 1,400,000 hectares and a semi-detailed soil survey on 100,000 hectares to determine land capability and suitability for irrigation.

This data is urgently needed to develop long and short term plans for urban, agricultural and hydropower projects. Expenditures for these type of projects are expected to run into the billions of dollars. Urban, hydropower, industrial and agricultural interests are anticipating increased expenditures which will increase area development. They are expressing a keen interest in basing these expenditures on adequate information. Several government and private institutions are carrying out studies. Close cooperation and coordination will be needed to avoid duplicity of work and to maximize prompt effective use of the data.

II. OBJECTIVES

1. To investigate the water resources of the Rimac, Lurin, Chillón and upper Mantaro river watersheds.
2. To investigate the collection of hydrologic and water data pertinent to this project.
3. To investigate the present agricultural water distribution system and needs of same.
4. To investigate land and water use.
5. To investigate the geologic resources

6. To investigate the suitability of the soils for agricultural use.
7. To coordinate and cooperate closely in the collection of data with the many agencies involved in various aspects of this multipurpose project.

III. SCOPE OF WORK

1. Prepare suitable base maps at scales of 1:10,000, 1:50,000.
2. Review, compile and evaluate the available geologic and soils data.
3. Review, compile and evaluate the adequacy of the available data on the hydrologic resources of the Lurin, Rimac, Chillen and upper Mantaro river watersheds.
4. Determine the adequacy of the present hydrologic and weather data collection system. Make specific proposals for overcoming any deficiencies such as the kind, number and location of stations required.
5. Inventory the agricultural water distribution system and its present day requirements.
6. Determine present land use and also land use trends.
7. Determine water consumption for potable, agricultural and industrial uses.
8. Make a semidetalled soil survey on approximately 100,000 hectares.
9. Make a geologic and mineral potential survey.
10. Install a primary stream gauge and weather station system for increasing this kind of data needed in portion of the watersheds concerned.

IV. EXECUTION OF THE PROJECT

These studies will be done during the second and third year of the loan. Some disciplines will require less than two years to complete their assignment. Scheduling will utilize the critical path method and calendogram charts to more efficiently schedule and utilize ONERN's capability. The soils and hydrologic studies are time consuming and must be initiated within the first year of the loan period. Procurement of adequate aerial photography coverage, mosaics and base maps will cause some initial delay because it is anticipated that some new photography will be required.

V. PROFESSIONAL PERSONNEL REQUIREMENTS IN MAN MONTHS

	N° of men	Grand Total	LOAN CONTRACT				ONERN			
			1st year	2nd year	3rd year	Total	1st year	2nd year	3rd year	Total
Cartography	4	96	-	36	36	72	-	12	12	24
Geology	3	72	-	24	24	48	-	12	12	24
Soils	3	72	-	24	24	48	-	12	12	24
Hydrology	3	72	-	24	24	48	-	12	12	24
Economics	0.5	--	-	--	--	--	-	--	0.5	0.5
TOTAL	13.5	302	-	108	108	216	-	48	48.5	96.5

14

VI. BUDGET REQUIREMENTS IN DOLLARS

Item	Loan Costs				ONERN Costs			
	1st year	2nd year	3rd year	Total	1st year	2nd year	3rd year	Total
Salaries technical	-	35,000	41,500	76,500	-	21,400	27,900	49,300
Field support	-	23,800	22,800	46,600	-	-	-	-
Transportation	-	19,700	17,000	36,700	-	-	-	-
Field equipment	29,780	-	-	29,780	-	-	-	-
Maps and photos	40,000	-	-	40,000	-	-	-	-
Meteorologic and stream gauge stations	62,000	-	-	62,000	-	-	-	-
Administrative equip	18,390	-	-	18,390	-	-	-	-
Exploratory survey	-	3,000	2,500	5,500	-	-	-	-
Camp equipment	3,700	-	-	3,700	-	-	-	-
Cartographic supplies	-	5,490	5,490	10,980	-	-	-	-
Cartographic equipment	17,000	-	-	17,000	-	-	-	-
Technical assistance	-	23,000	23,000	46,000	-	-	-	-
Salaries administration	-	-	-	-	24,303	28,042	28,042	80,387
Public services	-	-	-	-	352	406	406	1,164
Materials various	-	-	-	-	3,522	4,064	4,064	11,650
Equipment various	-	-	-	-	2,465	2,845	2,845	8,155
Maintenance & repairs	-	-	-	-	2,818	3,251	3,251	9,320
Social security	-	-	-	-	1,762	2,033	2,033	5,828
	170,870	109,990	112,290	393,150	35,222	62,041	68,541	165,804

UNCLASSIFIED

UNCLASSIFIED
ANNEX III, page 22 of 30
Exhibit 6B, page 7 of 11

15

INAMBARI

I. INTRODUCTION

This area comprises approximately 1,000,000 Ha. along the margins of the rios Inambari and Madre de Dios. There is interest in this area because of its proximity to the over populated Puno area and its possibilities for colonization. The area appears to have agricultural possibilities and could be a means of alleviating some of the sociological pressures in the department of Puno. This inventory will make a preliminary survey of the resources and recommendations will be made for their best use.

II. OBJECTIVES

1. Investigate the water resources of the Santiago, Marañon and their tributaries that are within the study area.
2. Investigate the geologic resources.
3. Investigate the forest resources.
4. Investigate the soils
5. Investigate the present human resources.
6. Make a preliminary determination of the colonization potential.
7. Make a preliminary evaluation of the desirability of constructing the Ollacchea-San Gabán-Inambari road.
8. Make a preliminary determination of the agricultural potential.

III. SCOPE OF WORK

1. Review, compile and evaluate all existing data pertaining to natural resources and their use.
2. Prepare suitable base maps or mosaics.
3. Photo-interpret pertinent data such as: land forms, geographic features, slopes.
4. Study the geology of the area and prepare a geology and a mineral potential map.
5. Make a soil survey of the area and suitable soil interpretations of such data.
6. Through sample surveys make an inventory of the human resources.
7. Identify possible development projects.
8. Inventory the hydrological resources of the area.
9. Identify the economic activities that might relate to economic development of the area.

IV. EXECUTION OF THE PROJECT

This project is programmed for the third year of the loan. Some disciplines will not require this much time and will lend needed support to other projects. The work will be programmed using PERT (Critical Path Method) and calendogram charts.

This area is remote and inaccessible to terrestrial vehicles. Motor boat travel will be necessary. Precaution must be taken so that data sampling isn't confined to proximity areas along watercourses. The field work will require two months during which the group representing seven of eight different disciplines will be in the field.

Time must be allowed to permit non-existent photo coverage to be flown.

V. PROFESSIONAL PERSONNEL REQUIREMENTS IN MAN MONTHS

Item	N° of men	Grand Total months	Loan Contract				ONERN Cost			
			1st year	2nd year	3rd year	Total	1st year	2nd year	3rd year	Total
Cartography	4	48	-	-	36	36	-	-	12	12
Geology	2	24	-	-	12	12	-	-	12	12
Soils	2	24	-	-	12	12	-	-	12	12
Hydrology	2	24	-	-	12	12	-	-	12	12
Economics	2	24	-	-	12	12	-	-	12	12
Forestry	4	48	-	-	36	36	-	-	12	12
Transportation	1	12	-	-	12	12	-	-	-	-

VI. BUDGET REQUIREMENTS IN DOLLARS

	Loan Costs				ONERN Costs			
	1st year	2nd year	3rd year	Total	1st year	2nd year	3rd year	Total
Salaries technical	-	-	41,600	41,600	-	-	27,000	27,000
Field support	-	-	12,900	12,900	-	-	-	-
Transportation	-	-	2,000	2,000	-	-	-	-
Maps and photos	-	-	25,000	25,000	-	-	-	-
Field equipment	3,750	-	-	3,750	-	-	-	-
Administrative equip.	6,130	-	-	6,130	-	-	-	-
Camp equipment	630	-	-	630	-	-	-	-
Exploratory survey	3,500	-	-	3,500	-	-	-	-
Cartographic supply	-	-	3,660	3,660	-	-	-	-
Cartographic equip.	5,670	-	-	5,670	-	-	-	-
Technical assistance	-	-	22,000	22,000	-	-	-	-
Salaries administration	-	-	-	-	6,543	-	18,695	25,238
Public services	-	-	-	-	94	-	271	365
Materials various	-	-	-	-	948	-	2,710	3,658
Equipment various	-	-	-	-	663	-	1,896	2,559
Maintenance & repairs	-	-	-	-	760	-	2,167	2,927
Social Security	-	-	-	-	475	-	1,355	1,830
	19,680	-	118,160	136,840	9,483	-	54,094	63,577

79

UNCLASSIFIED

ANNEX III, Page 27 of 30

Exhibit 7A, Page 1 of 2

PROPOSED STUDIES BY I.N.P.

a. Palca to Puente Paucartambo

Although a road presently exists between these points, it could not begin to bear the additional traffic that would emanate from either the Puente Paucartambo-Puerto Pachitea section or the Via Central Satipo section (final design of the latter is presently being financed by the World Bank), let alone from the eventual connection to San Alejandro.

The first eleven Kilometers outside of Palca are treacherous for even the present traffic flow of 300 vehicles a day. This portion of the road drops 5,000 feet and consists of a series of one lane switch-backs with intermittent spots for passing. The next thirty kilometers to San Ramon are also of poor quality with a number of half-tunnels and numerous stretches of only one lane. The road is two-lane between San Ramon and Puente Paucartambo but is generally washboard and, during the dry season, extremely dusty.

In order to determine basic economic feasibility, USAID plans to require a pre-feasibility study which will fully consider the economic benefits of the road improvement as well as a general range of its construction cost. The approximate cost of the pre-feasibility study is \$50,000.

b. Puente Paucartambo to the Confluence of the Rivers Cacazu and Palcazu

This feasibility study is necessary to complement the study of the Villa Rica-Puerto Pachitea road financed under loan 527-L-023 (see attached map of this area). The scope-of-work of that study called for work to begin at Villa Rica and to follow an existing feeder road for a distance of 39 kilometers. However, based on a recent field review of the area and discussions with the TAMS personnel in charge of the study, the USAID has come to the conclusion that the study should be revised and begin at Puente Paucartambo following the best route to the confluence of the Cacazu and Palcazu rivers. This is necessary because of the primitive nature of the connection between Puente Paucartambo and Villa Rica and because an alternate route will probably reduce construction costs and raise the economic benefits. The approximate cost of this study is \$150,000.

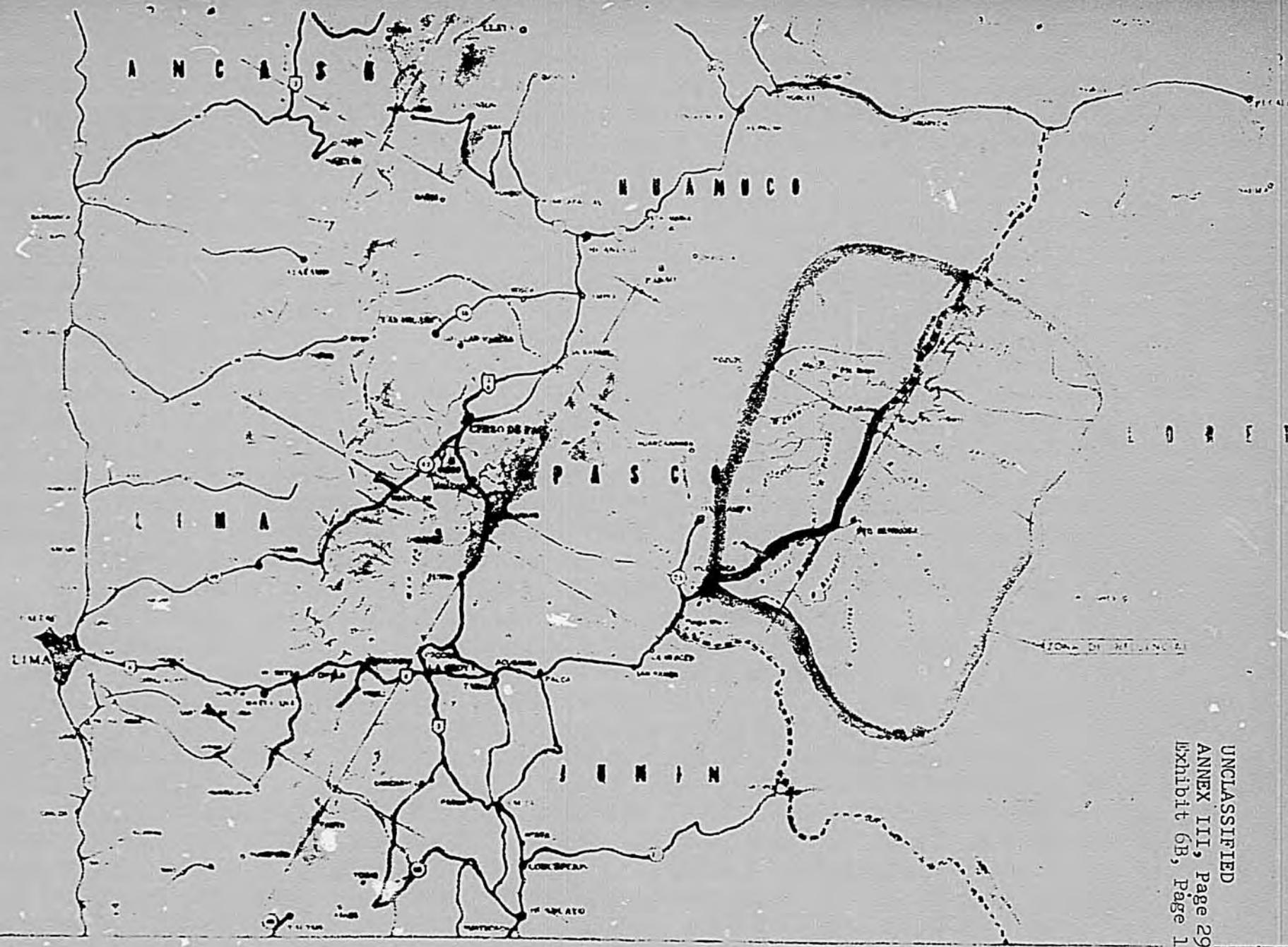
UNCLASSIFIED

40

c. Puerto Pachitea to San Alejandro

This study would determine the feasibility of extending the Palca-Puente Paucartambo-Puerto Pachitea road to a connection with the Aguaytia-Pucallpa highway. This road, as well as the large part of the Puerto Pachitea-Puente Paucartambo road, would form part of the Marginal Jungle Highway already under construction in the north of Peru. Besides opening an additional 250,000 hectares of good agricultural land (as determined by ONERN studies) this road would divert the Pucallpa-Lima traffic from its present Sierra route (providing all sections between Puerto Pachitea and Palca are also completed) as the terrain is less rugged and as the distance to Lima is cut by approximately 100 kilometers. The cost of this study is estimated at approximately \$250,000.

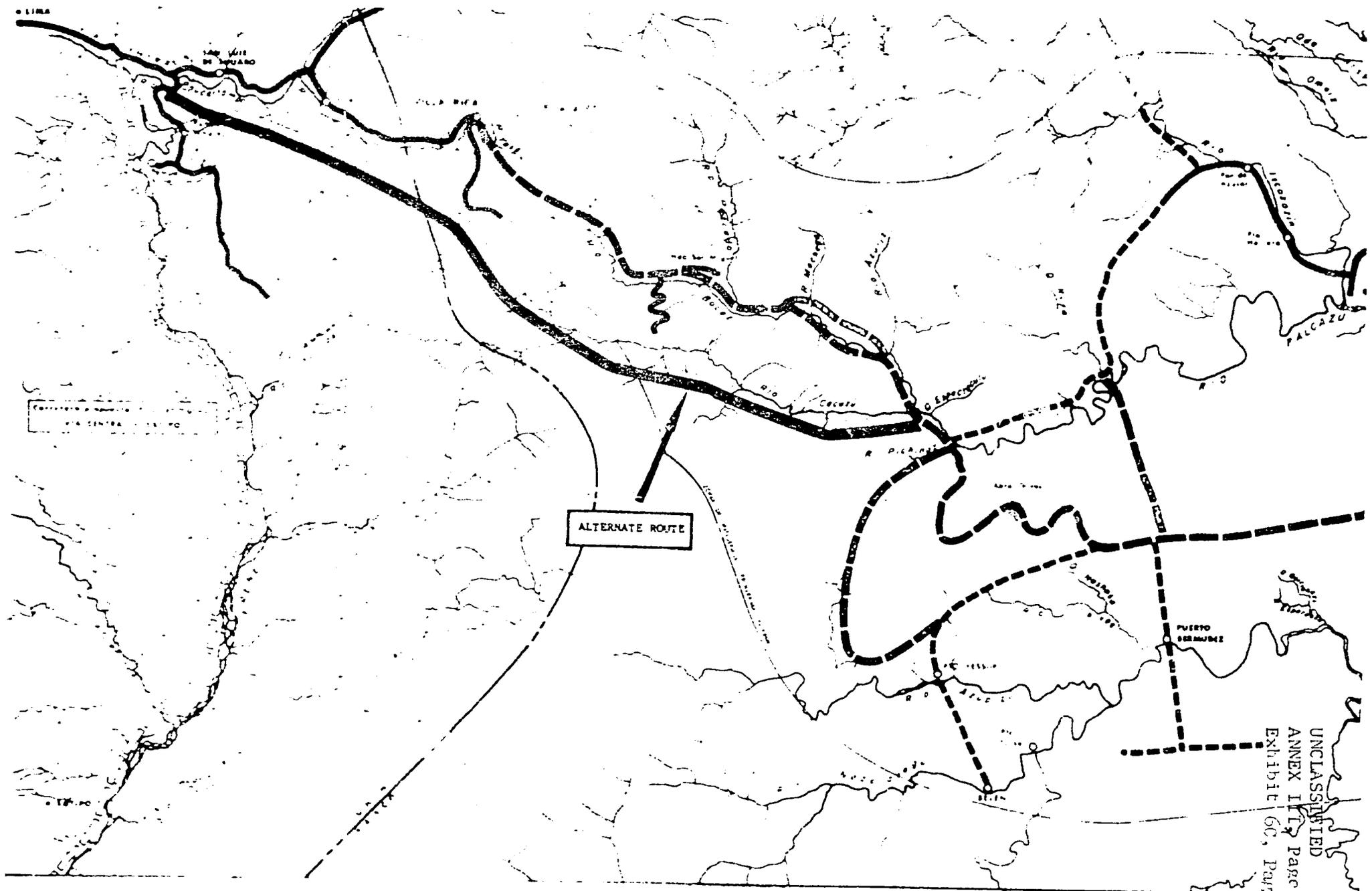
Scopes of work for the proposed studies will be prepared according to the guidelines established in AIDTO CIRCULAR LA-95.



VILLA RICA-PUERTO PACHITA ROAD - LINE OF INFLUENCE

UNCLASSIFIED
ANNEX III, Page 29 of 30
Exhibit 6B, Page 1 of 1

24



VIA CENTRAL - 1950

ALTERNATE ROUTE

UNCLASSIFIED
ANNEX I (L) Page 30 of 30
Exhibit 60, Page 1 of 1

ALTERNATE ROUTE: PUENTE PAUCARTANCO-CORPUS

Best Available Document

0 20 40 60 80 100
MILES

PROBLEM OF THE AGRICULTURAL SECTOR

a. Nature of Problem

During the 1960-1966 period agricultural production has fallen slightly behind the population growth of three percent a year, and agriculture's share of GNP has declined from 21% to 17%. Agricultural imports increased from \$60.2 million in 1960 to \$139.3 million in 1965, and are expected to be about \$140.0 million in 1966. Since 1960 agricultural exports have climbed only slightly from the \$150 million level attained that year and agriculture's share of total exports have declined from 35% to an estimated 22% in 1966. The composition of Peru's agricultural imports and exports over the 1960-66 period detailed in the following tables:

UNCLASSIFIED

41

PERU'S AGRICULTURAL EXPORTS

1960 - 1966

(In Millions of Dollars)

	1960	1961	1962	1963	1964	1965 ^{1/}	1966 ^{2/}
Cotton	73.2	79.6	97.2	93.0	91.3	87.4	73.0
Sugar	47.4	63.9	53.8	63.1	63.4	37.3	44.0
Coffee	18.5	22.8	24.2	25.6	37.0	29.0	27.0
Wool	7.0	7.3	8.8	11.7	11.6	9.0	8.0
Others	5.6	6.0	7.9	7.7	6.6	6.8	7.0
Total Agricultural Exports	151.7	179.6	191.9	201.1	209.9	169.5	164.0

1/ Preliminary

2/ Forecast

SOURCE: Ministry of Finance & Commerce data and Embassy Estimates

AP

PERU'S AGRICULTURAL IMPORTS

1960 - 1966

(In Millions of Dollars)

	1960	1961	1962	1963	1964	1965 ^{1/}	1966 ^{2/}
Wheat and Flour	27.0	33.1	31.9	28.5	34.3	37.8	35.0
Rice	3.5	1.1	0.2	0.2	7.3	13.5	13.5
Corn	0.1	1.2	0.5	0.3	1.0	0.4	0.3
Barley	0.3	1.1	1.1	1.3	1.6	1.2	1.2
butter	3.3	2.5	3.3	3.8	6.1	6.7	7.5
Powdered and Canned Milk	1.1	1.2	2.7	3.3	5.0	5.1	5.6
Other Dairy Products	0.7	0.9	1.1	1.2	1.5	2.1	2.5
Livestock and Meat Products	3.0	7.3	15.7	24.7	13.1	19.7	25.3
Fats and Oils	7.2	11.8	9.8	4.6	9.2	11.6	12.5
Cigarrets and Tobacco	1.8	2.5	2.6	4.4	3.1	3.6	4.0
Vegetables	1.7	2.0	2.4	2.6	2.9	1.4	1.5
Apples	0.3	0.6	0.7	1.0	1.4	2.4	3.0
Other Agricultural Imports	10.2	9.9	10.3	12.2	11.8	24.8	27.1
Total Agricultural Imports	60.2	75.2	82.3	88.1	98.3	130.3	140.0

1/ Preliminary

2/ Forecast

SOURCE: Ministry of Finance & Commerce data and Embassy estimates.

On the more positive side, Peru's agricultural exports are still larger than its agricultural imports and the agricultural component of total imports is expected to be the same in 1966 as it was in 1960, i.e. 16%. Nevertheless, Peru's agricultural sector clearly should be playing a more dynamic role in the country's fast moving economy.

A major reason a large share of Peru's needs for additional agricultural products has been met by imports rather than increased domestic production is that the country has relatively few restraints on the importation of agricultural goods and its government is very responsive to consumer complaints about rising prices of food items. Therefore, it has not opted for the course of attaining agricultural self-sufficiency through keeping out imports and permitting consumer prices to rise. Thus far it has also been unwilling to keep consumer prices low while increasing prices to producers through subsidies borne by the government's budget. Peru should be encouraged to try to solve its agricultural problem without having recourse to restricting imports or budgetary subsidies. The country's agricultural resources seem adequate to permit it to mount an effective attack on the problems of agriculture without using devices which solve one economic problem by creating others.

B. Role of Coast and Sierra

In 1964 Peru had some 652,000 hectares of crop land under irrigation in its coastal zone. Because of the almost complete lack of rainfall on Peru's coast, it is impossible to grow anything without irrigation and irrigated land has expanded very little on the coast since 1960.

The land producing sugar, rice, cotton and to an increasing extent corn, is being fairly effectively utilized, and per hectare outputs for these crops compare very favorably with those obtained in the world's most advanced agricultural countries. A good portion of the agricultural land on the coast is not used very efficiently, but this is mainly because it is held in very small parcels and/or is at the margin of irrigated areas where it does not always get.

enough water to permit maximum production. However, efforts by extension agents and supervised credit dispensers are bringing about some improvement in the efficiency of a number of these marginal producers. It is hoped that the salinity study to be financed with loan funds can provide some effective short-range solutions for further increasing coastal production. Over the longer range one must, of course, consider the large irrigation schemes presently being studied.

The estimated 1.1 million hectares of crop land in the sierra is generally of low quality, is not used very efficiently and is largely held in units too small to permit economic management or by backward-looking latifundistas. Some progress can be made over the long run to improve the productivity of sierra farmers, but this will involve a long process of upgrading the human resources of the small farmers of that area and getting the tradition-bound latifundistas to use their holdings more productively.

c. Role of Eastern Slopes of Andes (ceja)

The experience of the last six years shows that great agriculture progress has been made in the Ceja with relatively little assistance from Peruvian institutions. Wherever reasonably adequate transport facilities have existed and settlers have had the fortitude to remain in the Ceja through the difficult first years, fairly prosperous communities have been developed, based on the production of commodities such as coffee, bananas, yuca, and citrus fruits which could bear the transport costs or which are readily marketable in the more populated parts of Peru.

The Peruvian government, prior to President Belaunde, limited its assistance to occasional spurts of road building and to promises of grandiose assistance efforts for the Ceja, which promises were almost never fully carried out. A large part of the reason the Ceja has not received full support from the government is that most Peruvians, official and private, are coast-oriented and look upon the Ceja as a very unpleasant place to live which is too far removed from Peru's more modern and comfortable coastal area.

Nevertheless a number of Ceja communities have been moving forward quite rapidly. An evidence of this is that in recent years commercial bank lending in the Ceja and Selva has been increasing at a rate of 40 to 50 percent a year and currently outstanding credit from these banks totals over 10 million dollars, 6 million of which is outside the commercial center of Iquitos.

If one looks at the list of Peruvian agricultural imports it is clear that the Ceja can play a major role in increasing domestic production of most of the items which Peru can hope to become self-sufficient. If wheat is eliminated as a target for import replacement, the Ceja would be able to produce efficiently almost all of the remaining agricultural products now imported in sizeable quantities. The major exceptions would be dairy products and certain non-tropical fruits such as apples. With proper incentives, but no subsidies or excessive tariff protection, the Ceja could make Peru self-sufficient in rice, corn, cattle, fats and oils and tobacco as well as other minor products. This would enable Peru to save some \$55 to 60 million which it is now spending annually to import these items. No other area of Peru could produce these items in the required quantities without displacing other crops currently being produced for either local or foreign markets.

It appears that for both the short and longer run the Ceja offers great potential for agricultural development. In many parts of the Ceja tracts of land of economic size and with access to fairly adequate transportation facilities are not being fully utilized and perhaps have not been fully cleared. In other areas, technically well qualified farmers have title to Ceja lands which they have not decided to utilize yet because of the uncertainties and hardships of Ceja life.

However, one must consider the economic alternatives between the large coastal irrigation schemes already mentioned and building additional penetration roads to the Ceja and Selva. Previous road studies in this section of the country indicate that the latter may offer the most economical means to increase agricultural production in the long run.

APPROVAL OF IRR

The approval of IRR and the AID/W directives for the intensive review were communicated to the USAID/Peru by cable dated November 2, 1966, with the following text:

"At meeting held Sept. 20, CAEC approved up to \$1.5 million for ONERN portion of proposed project and deferred other \$1.5 million for INP portion pending Washington coordination with proposed IDB loan.

IDB agreed at Sept. 22 meeting that there was room for separate AID loan since IDB loan was not designed to accommodate project studies for AID Fy 67/68 program.

Subsequently, Deputy Coordinator approved IRR as presented for up to \$3 million on basis such funds are needed for execution current USAID program.

The IRR approval was subject to following directives for intensive review:

- 1) Only specific priority studies to be included in both sectors of proposed loan.
- 2) ONERN role and its participation in INP loan portion are to be clearly determined.
- 3) USAID must approve all consultants, scopes of work and drafts final contracts.
- 4) IAGS function to be reexamined and clearly determined.

In view apparent urgency this financing CAPaper should be submitted ASAP."

LOAN AUTHORIZATION

Provided From: Alliance for Progress Funds
PERU: Feasibility & Pre-Feasibility Studies

Pursuant to the authority vested in the Deputy U.S. Coordinator, Alliance for Progress, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title VI, Alliance for Progress to the Government of Peru ("Borrower") of not to exceed three million two hundred thousand United States dollars (\$3,200,000) to assist in financing the cost of feasibility studies, pre-feasibility studies and related technical assistance and equipment in Peru; this loan to be subject to the following terms and conditions:

1. Interest and Terms of Repayment. Borrower shall repay the loan to the Agency for International Development ("A.I.D.") in United States dollars within forty (40) years from the first disbursement under the loan, including a grace period of not to exceed ten (10) years. The Borrower shall pay to A.I.D. in United States dollars on the disbursed balance on the loan interest of one (1) percent per annum during the grace period and two and one-half (2½) percent per annum thereafter.
2. Other Terms and Conditions:
 - (a) Equipment, materials and services (except marine insurance) financed under the loan shall have their origin in and be procured from the United States of America or Peru. Marine insurance financed under the loan shall be placed in the United States of America with a company authorized to do marine insurance business in any state of the United States of America.
 - (b) United States dollars utilized under the loan to finance local costs shall be made available to the borrower or its designee through appropriate procedures and shall be used only for procurement in the United States.
 - (c) Unless A.I.D. otherwise agrees in writing, repayments from sub-loans made with A.I.D. loan funds will be made to the FINEPI Account, will be subject to the terms and conditions of the FINEPI system and such repayments will be used for purposes approved by A.I.D.

- (d) Prior to any disbursement of A.I.D. loan funds for ONERN activities, arrangements satisfactory to A.I.D. shall be made for technical consulting services.
- (e) The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

Deputy U.S. Coordinator

Date

DEPARTMENT OF STATE
AGENCY FOR
INTERNATIONAL DEVELOPMENT

PERU

CP/O/T

PROJECT IMPLEMENTATION
ORDER/TECHNICAL
SERVICES

Project No. 527-133-2 6570177

Original or Amendment No. FOUR

Project/Activity No. and Title
FEASIBILITY AND PRE-FEASIBILITY STUDIES
(Loan Funded)
Loan 527-L-048(a)

DISTRIBUTION

5. Appropriation Symbol
72-11X4111

6.A. Allocation Symbol and Charge
389-65-527-00-78-55

6.B. Funds Allotted to:
 A.I.D./W Mission

7. Obligation Status Work Order

8. Funding Period (Date, Day, Yr.)
From 7/1/73 To 10/31/73

9.A. Services to Start (Date, Day, Yr.)
Between Service Continuing

9.B. Completion Date of Services (Date, Day, Yr.)
October 31, 1973

10.A. Type of Action
 A.I.D. Contract Cooperating Country Contract Participating Agency Service Agreement Other LA(DC) 06-68

10.B. Authorized Agent
AID/W through Department of Army Inter American Geodetic Survey

Estimated Financing		(1)	(2)	(3)	(4)
		Previous Total	Increase	Decrease	Total to Date
\$1,000-					
11.					
Maximum A.I.D. Financing	A. Dollars				
	B. U.S.-Owned Local Currency				
12. Cooperating Country Contributions	A. Counterpart				
	B. Other	276,746.52	14,666.00		291,412.52

13. Mission Reference

14. Instructions to Authorized Agent:
It is requested that the existing PASA with IAGS (LA(DC)06-68) which expires July 1, 1973, be extended through October 31, 1973. It is also requested that funds be provided as stated in this P/O/T, to cover the expenses of Mr. Gomez technical assistance for the period of July 1-October 31, 1973. P/O/T No. 527-000-2-30841 provides additional USAID/Lima program funds to cover the period of November 1 - November 30, 1973. No further extension to the PASA, nor additional funding for this project are anticipated at this time.

The continuing services of Mr. Gomez are considered necessary to assist UNERN in the termination of the AID-financed studies, and to offer further technical assistance during the crucial transition period from AID financed studies to those financed by the GOP.

15. Clearances - Show Office Symbol, Signature and Date for all necessary clearances.

A. The specifications in the scope of work are technically adequate
ENG *[Signature]*

B. Funds for the services requested are available
CON *[Signature]* 4/16/73

C. The scope of work lies within the purview of the initiating and approved Agency Program
PRM *[Signature]*

D. *[Signature]* 4/16/73

E. EXO *[Signature]* 4/12/73

F. *[Signature]*

16. For the cooperating country: The terms and conditions set forth herein are hereby agreed to.

17. For the Agency for International Development

18. Date of Signature

Signature and date: *[Signature]* 5/17/73

Signature: Charles Weinberg

Title: Director General, UNERN

Title: Assist. Director for Operations

May 16, 1973

PERU

527-133-2-6570177

PIQ/Y

Project/Activity No. and Title

FEASIBILITY AND PRE-FEASIBILITY STUDIES

SCOPE OF WORK

19. Steps of Technical Services

A. Objectives for which the Technical Services are to be Used

To continue assistance to the Peruvian Office of Natural Resources Evaluation (ONERN) in the Pre-Feasibility Studies made under AID Loan N° 527-L-048(a) and to provide
(Continues on Page 6)

B. Description

No changes from Amendment No. 3.

C. Technicians

(1) (a) Number	(b) Specialized Field	(c) Grade and/or Salary	(d) Duration of Assignment (Months)	(e) Pos. No.
1	Natural Resources Advisor	GS-14/2 R. Gomez	4	305
1-2	Part time secretarial and clerical help			

(2) Duty Post and Duration of Technicians' Services

Base to be in Lima, with travel through Peru as required.

Duration of services as noted in 19-C.

(3) Language requirements

Bilingual

(4) Access to Classified Information

Secret clearance is required for Natural Resources Advisor (Chief of Party)

(5) Dependents

 Will Will Not

No Dependents to Accompany Technicians

D. Financing of Technical Services

(1) By AID - 3

(2) By Cooperating Country - 14,666

AID 1350-1 (9-70)	Cooperating Country PERU	PIO/T No. 527-133-2-6570177	Page 3 of 6 Pages
PIO/T	Project/Activity No. and Title FEASIBILITY AND PRE-FEASIBILITY STUDIES		

20. Equipment and Supplies (Related to the services described in Block 19 and to be procured outside the Cooperating Country by the supplier of these services)

A. (1) Quantity (2) Description	(3) Estimated Cost	(4) Special Instructions
As required		

B. Financing of Equipment and Supplies
 (1) By AID -- (2) By Cooperating Country --

21. Special Provisions
- A. This PIO/T is subject to AID (contracting) (PASA Implementation) regulations.
 - B. Except as specifically authorized by AID, or when local hire is authorized under the terms of a contract with a U.S. Supplier, services authorized under this PIO/T must be obtained from U.S. sources.
 - C. Except as specifically authorized by AID/W, the purchase of commodities authorized under this PIO/T will be limited to the U.S. under Geographic Code 000.
 - D. Other (specify):

PIO/T

Project/Activity No. and Title

FEASIBILITY AND PRE-FEASIBILITY STUDIES

22. Reports by Contractor or Participating Agency (indicate type, contents and format of reports completed, including languages to be used if other than English, frequency or timing of reports, and any special requirements)

No change from original.

23. Background information (Additional information useful to Architectural Agency and Prospective Contractors or Participating Agency; if necessary cross reference Block 19-C(4) above.)

No change from original.

24. Relationship of Contractor or Participating Agency to Cooperating Country and to AID

A. Relationships and Responsibilities

No change from original

B. Cooperating Country Liaison Official

No change from original

C. AID Liaison Official

Coordination and Liaison functions will be performed by the USAID Engineering Office.

AID 1350-1 (9-70)	Cooperating Country PERU	PIO/T No. 527-133-2-6570177	Page 5 of 6 Pages
PIO/T	Project/Activity No. and Title FEASIBILITY AND PRE-FEASIBILITY STUDIES		

LOGISTIC SUPPORT

25. Provisions for Logistic Support	In Kind Supplied By		From Local Currency Supplied By	
	AID	Cooperating Country	AID	Cooperating Country
A. Specific Items (insert "X" in applicable column as right. If entry needs qualification, insert asterisk and explain below in C. "Comments")				
(1) Office Space				
(2) Office Equipment				
(3) Housing and Utilities				
(4) Furniture				
(5) Household Equipment (Stoves, Refrig., etc.)				
(6) Transportation in Cooperating Country				
(7) Interpreter Services				
(8)				
(9) No change from original				
(10)				
(11)				
(12)				
(13)				
(14)				
(15)				

B. Additional Facilities Available From Other Sources:

No changes from original

C. Comments

DEPARTMENT OF STATE
AGENCY FOR

Worksheet

Issuance

CONTINUATION
SHEET

INTERNATIONAL DEVELOPMENT

1. Cooperating Country
FERU

2.a. Code No.
527-133-2-6570177

FORM SYMBOL

TITLE OF FORM

2.b. Effective Date

2.c. Original OR Amendment
OR Revision

3. Project/Activity No. and Title

PIO/T

FEASIBILITY AND PRE-FEASIBILITY STUDIES

Indicate block
numbers.

Use this form to complete the information required in any block of a PIO or PA/PR form.

Continued Block 19-A

general technical assistance and training to ONERN personnel. Financing is provided for in this loan agreement.

The estimated ONERN contribution to these activities is in excess of \$1,500,000.

DEPARTMENT OF STATE
AGENCY FOR
INTERNATIONAL DEVELOPMENT

1. Cooperating Country
PERU

PIO/T

PROJECT IMPLEMENTATION
ORDER/TECHNICAL
SERVICES

2. PIO/T No.
527-133-2-6570177

3. Original or
Amendment No. **Five**

4. Project Activity No. and Title
**FEASIBILITY AND PRE-FEASIBILITY STUDIES
(Loan Funded)
Loan 527-L-048(a)**

DISTRIBUTION

5. Appropriation Symbol
72-11X/111

6.A. Allotment Symbol and Charge
389-65-527-00-78-43

6.B. Funds Allotted to:
 A.I.D./w Mission

7. Obligation Status Work Order

8. Funding Period (Mo., Day, Yr.)

Administrative Reservation Subobligation

From **7/1/73** to **11/30/73**

9.A. Service to Start (Mo., Day, Yr.)

9.B. Completion date of Services
Mo., Day, Yr.
October 31, 1973

Forecast _____ and _____

10.A. Type of Action: A.I.D. Contract Cooperating Country Contract Participating Agency Service Agreement Other

10.B. Authorized Agent

Estimated Financing		(1)	(2)	(3)	(4)
		Previous Total	Increase	Decrease	Total to Date
13. Maximum A.I.D. Financing	A. Dollars				
	B. U.S.-Demed. Local Currency				
13. Cooperating Country Contributions	A. Counterpart				
	B. Other	291,412.52		8,534.03	282,878.49

13. Mission Reference

14. Instructions to Authorized Agent

ONERN letter
N°87-74 dtd.
3/12/74

The purpose of this amendment is to reduce the amount, provided for the PASA with TAGS (IA(EG) 06-68), by \$8,534.03 in order to remove surplus funds and to extend the funding period through November 30, 1973.

All other provisions of the original remain unchanged.

15. Clearances - Show Office Symbol, Signature and Date for all Necessary Clearances.

A. The specified is in the scope of work and technically adequate

B. Funds for the services requested are available

ENG

CON

C. The scope of work is within the purview of the initiating office and approved Agency Programs

D.

PRM

ADD

E.

F.

EXO

CAP

16. For the cooperating country. The terms and conditions set forth herein are hereby agreed to

17. For the Agency for International Development

18. Date of issuance

Signature and date:

Signature:

5/13/74

Title:

José Lizarraga Reyes
Director General-ONERN

Title:

Donald Finberg
Director