

<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b> <b>PROJECT DATA SHEET</b>	<b>1. TRANSACTION CODE</b> <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number _____	<b>DOCUMENT CODE</b> 3
<b>2. COUNTRY/ENTITY</b> PERU	<b>3. PROJECT NUMBER</b> 527-0293		
<b>4. BUREAU/OFFICE</b> LAC	<b>5. PROJECT TITLE (maximum 40 characters)</b> OPG Technoserve Cooperative Management		
<b>6. PROJECT ASSISTANCE COMPLETION DATE (PACD)</b> MM DD YY 1 2 3 0 8 7	<b>7. ESTIMATED DATE OF OBLIGATION</b> (Under 'B' below, enter 1, 2, 3, or 4) A. Initial FY 8 5      B. Quarter 2      C. Final FY 8 7		

8. COSTS (\$000 OR EQUIVALENT \$1 = )						
A. FUNDING SOURCE	FIRST FY 85			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	163	137	300	388	362	750
(Grant)	( 163 )	( 137 )	( 300 )	( 388 )	( 362 )	( 750 )
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s)	75	35	110	135	125	260
<b>TOTALS</b>	<b>238</b>	<b>172</b>	<b>410</b>	<b>523</b>	<b>487</b>	<b>1,010</b>

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1)	252	031				750	--	750	--
(2)									
(3)									
(4)									
<b>TOTALS</b>						<b>750</b>		<b>750</b>	

<b>10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)</b> 029	<b>11. SECONDARY PURPOSE CODE</b> 240				
<b>12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)</b>					
A. Code	BF	PVOU			
B. Amount	750	750			

**13. PROJECT PURPOSE (maximum 480 characters)**

To carry out a replicable program of technical assistance to selected agrarian cooperative organizations that results in increased productivity and incomes of assisted organizations and their members sufficient to permit profitable use of credit, adequate family consumption and continuous capital formation for re-investment in the enterprise.

<b>14. SCHEDULED EVALUATIONS</b> Interim MM YY MM YY Final MM YY 1 0 8 6      0 8 8 7	<b>15. SOURCE/ORIGIN OF GOODS AND SERVICES</b> <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify) _____
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**16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment.)**

<b>17. APPROVED BY</b>	Signature: <i>John A. Sanbrailo</i> Title: Director USAID/Peru	Date Signed MM DD YY 0 2 2 6 8 5	<b>18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION</b> MM DD YY _____
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AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES AID MISSION TO PERU

C/O AMERICAN EMBASSY

LIMA, 1 PERU

TELEPHONE: 286200

CABLE: USAID/LIMA

February 26, 1985

Mr. Luis Vega Castro  
Operations Manager  
Technoserve, Inc.  
Sinchi Roca 2633  
Lince

Subject: Technoserve OPG: Cooperative  
Management (527-0293)

Dear Mr. Vega:

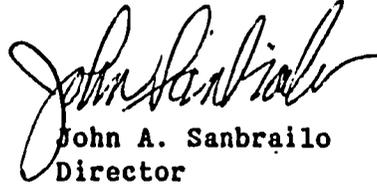
Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby grants to Technoserve, Inc. (hereby referred to as "Technoserve" or "Grantee"), the sum of \$750,000, of which \$300,000 is obligated herein, to support a program of cooperative management as described in the Schedule of this grant, Attachment 1 and Attachment 2, entitled "Program Description."

This grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Grantee in furtherance of program objectives during the period beginning October 1, 1984, and ending September 30, 1987.

This grant is made to Technoserve on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1, entitled the Schedule, Attachment 2, entitled "Program Description," and Attachment 3 entitled "Standard Provisions," which have been agreed to by your organization.

Please sign all six (6) copies of the grant acknowledging your receipt of the grant and return five (5) copies to the USAID Program Office.

Sincerely yours,

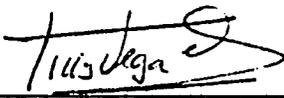
  
John A. Sanbrailo  
Director

**ATTACHMENTS:**

1. Schedule
2. Program Description
3. Standard Provisions AID 1420-52 (2-82)
4. Attachment E to OMB Circular A-110, as amended, entitled "Cost Sharing and Matching"

**ACKNOWLEDGED:**

TECHNOSERVE, INC.

By:   
Luis Vega Castro

Title: Operations Manager

Date: 26/FEB/85

**FISCAL DATA:**

Appropriation : 72-1151021  
Budget Plan Code : LDAA-85-25527-AG L3  
Project Number : 527-0293  
Total Estimated Amount: \$750,000  
Total This Obligation : \$300,000

SCHEDULE

A. Purpose of the Grant:

To carry out a replicable program of technical assistance to selected agrarian reform cooperative organizations, principally production and user cooperatives (e.g., CAT's and CAU's) that results in increased productivity and incomes of assisted cooperative organizations and their members sufficient to permit profitable use of credit, adequate family consumption and continuous capital formation for re-investment in the enterprise.

B. Period of the Grant:

1. The effective date of this Grant is the date of its signature. The expiration date of this Grant is September 30, 1987.

2. Funds obligated hereunder are available for program expenditures as shown in the Financial Plan below beginning with the 12 month period October 1, 1984 through the end of the project.

C. Amount of Grant and Payment:

1. The total estimated amount of this Grant for the period shown in B.1 above is \$750,000.

2. A.I.D. hereby obligates the amount of \$300,000 for program expenditures during the period set forth in B.2 above and as shown in the Financial Plan below.

3. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 3 Standard Provision 7A, entitled "Payment Federal Reserve Letter of Credit (FRLC) Advance."

4. Additional funds up to the total amount of the grant shown in C.1 above may be obligated by A.I.D. subject to the availability of funds, and to the requirements of the Standard Provision 6 of the Grant, entitled "Revision of Financial Plans."

D. Financial Plan:

The following is the Financial Plan for this Grant, including local cost financed items. Local cost financing not to exceed \$375,000 during the life of the Grant is hereby authorized. Revisions to this Plan shall be made in accordance with Standard Provision 6 of this Grant, entitled "Revision of Financial Plans."

FINANCIAL PLAN

	<u>Obligated Amount</u> 10/1/84 - 9/30/85 <u>US\$000</u>	<u>Estimated Additional</u> 10/1/85 - 9/30/87 <u>US\$000</u>	<u>Total Estimated</u> 10/1/84-9/30/87 <u>US\$000</u>
<b><u>AID</u></b>			
Tech. Assistance	182	295	477
S/T Contract Services	6	11	17
Operating Costs	16	25	41
Travel Costs	19	33	52
Other Costs	9	15	24
Technoserve US Overhead	43	71	114
SUB TOTAL	275	450	725
Vehicle Costs	25	-	25
TOTAL AID	300	450	750
Estimated Amount US\$	162.5	225	387.5
Estimated Amount "Local Currency"	137.5	225	362.5

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**E. Reporting and Evaluation:**

Financial reporting shall be made as set forth in the Standard Provisions to the Grant.

In addition, Technoserve hereby agrees to provide A.I.D. with copies of the following reports and any other reports as A.I.D. may reasonably deem necessary during program implementation.

1. Semi-annual reports on the implementation of project advisory services and training programs with each participating cooperative organization.

2. On an annual basis, a summary report on implementation progress towards planned objectives, including both narrative and financial summary for each cooperative organization.

3. Copy of each diagnostic, each study and each operational plan as completed. Operational plans will include quantifiable goals and an information system to permit measurement of progress toward achievement of those goals. In addition, grantee will provide an executive summary of not more than 10 pages of each diagnostic and each study.

4. A final report within 90 days following the end of the program that permits determination of the degree of achievement of end of program status specified in Section II C of Program Description (Attachment 2). This report will summarize the economic and operational condition of the cooperative organizations assisted, providing relevant measures of progress during the life of the program in real terms of gross value of production, net worth, net returns to factors and annual capitalization. In addition, the final report will include a cooperative development technical assistance manual that provides a guide to application of the methodology used and examples of its application during the testing period.

Approximately 24 months after beginning of program, Technoserve will collaborate with A.I.D. in carrying out a mid-term evaluation to measure progress. A final evaluation will take place at least 60 days prior to the end of the program unless otherwise agreed by A.I.D.

**F. Special Provision:**

1. Standard Provisions for U.S. Grantees and U.S. Subgrantees - Non-Profit Organization - Other than Educational Institutions - Form A.I.D. 1420-52 (2-82) are modified as follows: delete provisions 5A, 7B, 7C, 10B, 13B and 13C.

2. To assist in the implementation of the program, A.I.D., from time to time, will issue Implementation Letters furnishing additional information about matters or requirements stated in this Letter of Agreement.

G. Overhead Rates

The current provisional indirect cost rate negotiated with the Grantee is 18.7 percent of total cost input.

F. Title to Property:

Title to any property purchased under this Grant will be vested in the Grantee, in accordance with Standard Provisions 13A of Attachment 3, Standard Provisions.

PROGRAM DESCRIPTION

I. Purpose of the Grant

To carry out a replicable program of technical assistance to selected agrarian reform cooperative organizations, principally production and user cooperatives (e.g., CAT's and CAU's) that results in increased productivity and incomes of assisted cooperative organizations and their members sufficient to permit profitable use of credit, adequate family consumption and continuous capital formation for re-investment in the enterprise.

II. Goal, Objectives and End of Program Status

A. Goal:

To improve returns to factors of production of coastal agrarian reform beneficiaries.

B. Objectives:

1. To assist selected agricultural cooperative organizations to become economically viable, self-sustaining organizations, directly benefiting some 8,700 members and employees. This will result from achievement of the following sub-objectives:

a. establish and put into operation in assisted cooperative organizations planning and production control programs, as well as rolling departmental budgets and cash flow systems, as adapted to the particular circumstances of each organization.

b. increase crop production and labor productivity of assisted cooperative organizations at a rate greater than the average for the area determined by official government sources,

c. prepare cooperative development plans, addressing immediate short-term needs as well as long-term development, for each cooperative organization assisted,

d. provide short-term action training in various fields for selected managers, employees, directors and other members of the cooperative organizations assisted.

2. To prepare, as a part of the final report, a manual of cooperative development technical assistance which can be made available to interested institutions and cooperative organizations for replication and that provides a guide to application of the methodology tested and examples of its application during the testing period.

**C. End of Program Status:**

At the end of this three-year program, the assisted cooperative organizations will have evolved from a situation of management-induced less than optimum productivity and economic use of factors of production to one of improving productivity and efficiency of use of factors of production, with clear perspectives for net incomes adequate to generate significant recapitalization and to achieve continued long-term economic viability and growth.

1. Cooperative organizations assisted in the program will show positive improvements in real terms of gross value of production, net worth, net returns to factors, annual capitalization, productivity and long-term viability and growth at a significantly improved rate as compared to the pre-project period analyzed in the various diagnostic studies.

2. A new concept and system of production and financial planning and utilization of supervised credit from the Agrarian Bank (BAP) to the assisted cooperative organizations will be in place and functioning. This system includes utilization by the cooperative organizations of administrative and economic targets and goals as management tools associated with credit flows, and lending by the BAP for appropriate technical assistance as a necessary and profit-enhancing input.

3. Assisted cooperative organizations' directors and managers will possess and be applying modern business management skills based on practical experience. They will be efficiently applying production decision-making techniques, as well as tested production and financial planning and analysis systems.

4. Cooperative organization members and employees will have thorough knowledge and comprehension of the socioeconomic role of cooperative organizations and be effectively and efficiently carrying out their respective responsibilities within the cooperative organizations assisted.

5. Private and public institutions responsible for cooperative development, especially the Agrarian Bank, as well as other agricultural cooperative organizations, will be interested in expanding application of the methodology applied by Technoserve to development of the assisted cooperative organizations, to the extent that they have become aware of the methodology.

**III. Program Implementation and Responsibilities of the Grantee and Participating Entities**

Technoserve will implement the program over a period of approximately three years beginning October 1, 1984. During this period, Technoserve will assume responsibility for overall program implementation, utilization of Grant funds and coordination of all technical aspects of program implementation.

**A. Technoserve will:**

1. Provide the required advisory services for each cooperative organization program, either from its own staff or through third party contracts as necessary.

2. Coordinate with (a) the Agrarian Bank of Peru to assure appropriate supervision of credit provided by the Bank, and (b) the appropriate public agricultural sector institution to provide access to appropriate technologies and technical backstopping available from appropriate publically-funded research and extension activities.

3. Provide from non-A.I.D. sources at least 25 percent of project costs. Such contribution shall meet all requirements of Attachment 4 entitled "Cost Sharing and Matching" of OMB Circular A-110 as amended (Attachment E).

4. Present to A.I.D. copies of feasibility studies and implementation plans as produced under agreements with cooperative organizations.

**IV. Program Budget and Release of Funds**

The proposed program budget calls for Grant financing over a period of three years not to exceed \$750,000 with an initial obligation of \$300,000. Grant funds will be used to pay for salaries of advisory services and short term contract consultants, operational and travel costs, and for the purchase of vehicles. See Section D of the Schedule, Attachment I, for an illustrative budget and an estimate of the U.S. dollar costs.

Release of Grant funds under this Agreement shall be in accordance with Article 7A of Attachment III, Standard Provisions. Shifts of more than 20% among USAID financed budget line items cannot be made without the prior written authorization of USAID.

**V. Conditions and Covenants**

**A. Source and Origin of Commodities, Nationality of Services:**

Commodities financed by A.I.D. under the Grant shall have their source and origin in Peru or the United States (except for vehicles, which must be of U.S. source and origin), except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Peru or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the program shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

**B. Condition Precedent to First Disbursement:**

The FRLC financing instrument specified in Standard Provisions Section 7A will not be opened until the Grantee has furnished to A.I.D. a schedule of expenses for the funding period.

**C. Covenants:**

1. Technoserve covenants that it will seek the Agrarian Bank of Peru's agreement with project precepts and commitment to participate in project activities as outlined in the grant proposal as well as evidence that Technoserve is acceptable to the Agrarian Bank as a technical assistance entity eligible to receive payments from cooperative organizations participating in the Agrarian Bank's credit program.

2. Technoserve covenants that it will seek agreement by the appropriate level of the Government of Peru agriculture sector (e.g., Instituto de Investigación y Promoción Agropecuaria) with project purpose and approach, and commitment to providing ancillary public services consistent with the program limits of the public agricultural sector as required to assure project success.

3. Technoserve covenants that it will seek to hire the agricultural economist to work on the projects supported by this grant within six months of the first disbursement.

4. Technoserve covenants that it will seek to charge the highest possible percentage contribution of the cooperative organizations towards the cost of the technical assistance to be provided by Technoserve, with the expectation that this percentage will increase with each successive stage of assistance.

5. Technoserve covenants that, in its agreements with assisted cooperative organizations and the Agrarian Bank of Peru (BAP), it will seek to assure that credit provided by the BAP for financing any programs resulting from assistance provided under this Grant will include funds to pay costs of Technoserve technical assistance in accord with approved BAP regulations.

6. Technoserve covenants that, except as A.I.D. may otherwise agree in writing, it will provide, on a timely basis, the reports called for under Section E of "Schedule" (Attachment 1) hereto.

ACTION MEMORANDUM

TO : John A. Sanbrailo, USAID Director

THRU : Robert J. Maushammer <sup>for</sup> Program Officer

FROM : David Bathrick, Chief, <sup>QARD</sup> OARD

SUBJECT : Proposed Technoserve Operational Program Grant (OPG) 527-0293  
Cooperative Management

Attached for your review and approval is a proposal submitted by Technoserve which requests \$998,500 in grant funds to implement a three-year continuation and expansion of its agricultural cooperative improvement activities.

Technoserve provides technical assistance to agricultural cooperative organizations in production, marketing, management, effective credit utilization and related fields. The proposed Cooperative Management OPG, with the cooperation of the Agrarian Bank of Peru and the Ministry of Agriculture, will permit Technoserve to further develop and test an effective methodology for strengthening agricultural cooperative organizations in Peru.

Technoserve has been advised that life-of-program funding available for this OPG will be limited to \$750,000 in light of probable funding availability from now through FY 1987 and as a stimulus to Technoserve to expand program resources by charging higher fees for its services to local cooperative organizations.

I. BACKGROUND

Technoserve was organized in New York as a non-profit organization in 1969, with the primary objective of providing technical and administrative assistance to community-based businesses and/or cooperatives that benefit low-income populations. Since its establishment, Technoserve has provided services to more than 150 businesses and institutions in 15 countries in Latin America and Africa.

Technoserve has been working in Peru since January, 1982. They received a portion of their financing during 1982-1984 under a Matching Grant from AID. The proposal requests direct USAID support to enable Technoserve to provide assistance to a larger number of agricultural cooperative organizations in the Huaral/Cañete area and, through this processes, establish and demonstrate the effectiveness of their methodology for making such cooperative organizations productive, profit-making organizations.

Historical Perspective of Agricultural Cooperative Problems in Peru

A number of worker-owned agricultural production cooperatives were formed by the Velasco Government in the early 1970's to take ownership of

agricultural properties expropriated under the agrarian reform. Two hundred fifty thousand campesino families depend on incomes generated by these agricultural production cooperatives.

The agrarian reform process focussed almost exclusively on property transfer, while virtually ignoring production technology, financial and farm business management. This, combined with consumer oriented policies that impacted negatively on production incentives, resulted in reduced output and yields on reform lands, which led to reduced incomes, a lack of cooperative capitalization from operations, and social instability, especially in rural areas.

A 1982 law permitted the members of the production cooperatives to voluntarily "parcelize" their land into individual units. Since then, many production cooperatives have parcelized their land and, in those cases, the original production cooperatives have evolved into service cooperatives to the "parcelized" individual farmers.

Technoserve believes that selective provision of technical assistance in both technical aspects of agriculture production (i.e., irrigation and water management, appropriate utilization of fertilizer, livestock management, etc.) and in management/administration of the organization itself (accounting, marketing, etc.) can turn historically non-productive cooperatives into profit-making organizations. In collaboration with the Agrarian Bank, supervised use of credit will also lead to improved management practices. Cooperatives selected to participate in the program are expected to pay at least 10 percent of the cost of the technical assistance, although Technoserve will covenant to seek to increase this proportion as the cooperatives assisted under the project show increased ability to contribute.

A decree (DS No. 068-84-AG) published in July 1984 authorizes the Agrarian Bank to include in producer loans amounts for paying technical assistance provided by private consulting organizations. The precise procedures for implementing the decree still are under study by the Agrarian Bank. Technoserve will attempt to incorporate themselves formally into this system.

#### Technoserve Program

Technoserve has developed a multi-step process of selecting cooperative organizations to participate in the program and for providing appropriate technical assistance:

##### A. Selection

Technoserve undertakes a preliminary investigation of an organization's history, current liabilities and assets, production,

organizational structure, etc. If a technical assistance program appears to be feasible, they proceed to the second step.

B. Diagnosis

Technoserve and the participating cooperative organization explore and analyze in greater depth problems and possible solutions. The "diagnosis" provides both baseline data against which project accomplishment can be measured and a basis for formulating an operational plan.

C. Study and Plan

Complete feasibility studies are finalized at this point, and serve as one basis for seeking financing for the planned program. Benchmarks to be used in future evaluations are determined, and an operational plan is established.

D. Implementation

This phase is carried out under the terms of a detailed contract between Technoserve and the cooperative organization which clearly establishes the type of technical assistance to be provided and the actions expected from the recipient. Technical assistance generally covers management/administration of both production and the cooperative organization as a business (including finances, marketing, etc.).

E. Follow up and Evaluation

At this stage, the cooperative organization has become generally self-sufficient, with occasional, targeted technical assistance. Finally, an evaluation is conducted based on benchmarks established in the operational plan.

While the length of an individual project activity varies depending upon the initial circumstances of a given cooperative organization, the average duration of each program is expected to be approximately 24 months.

II. PROGRAM DESCRIPTION

A. Program Goal and Purpose

1. Goal

To improve returns to factors of production of coastal land reform cooperative organizations.

## 2. Purpose

To carry out a replicable program of technical assistance to selected agrarian reform cooperative organizations, principally production and user cooperatives (e.g., CAT's and CAU's) that results in increased productivity and incomes of assisted cooperative organizations and their members sufficient to permit profitable use of credit, adequate family consumption and continuous capital formation for re-investment in the enterprise.

### B. End of Program Status

At the end of this three-year program, the assisted cooperative organizations will have evolved from a situation of management-induced less than optimum productivity and economic use of factors of production to one of improving productivity and efficiency of use of factors of production, with clear perspectives for net incomes adequate to generate significant recapitalization and to achieve continued long-term economic viability and growth.

1. Cooperative organizations assisted in the program will show positive improvements in real terms of gross value of production, net worth, net returns to factors, annual capitalization, productivity and long-term viability and growth at a significantly improved rate as compared to the pre-project period analyzed in the various diagnostic studies.

2. A new concept and system of production and financial planning and utilization of supervised credit from the Agrarian Bank (BAP) to the assisted cooperative organizations will be in place and functioning. This system includes utilization by the cooperative organizations of administrative and economic targets and goals as management tools associated with credit flows, and lending by the BAP for appropriate technical assistance as a necessary and profit-enhancing input.

3. Assisted cooperative organizations' directors and managers will possess and be applying modern business management skills based on practical experience. They will be efficiently applying production decision-making techniques, as well as tested production and financial planning and analysis systems.

4. Cooperative organization members and employees will have thorough knowledge and comprehension of the socioeconomic role of cooperative organizations and be effectively and efficiently carrying out their respective responsibilities within the cooperative organizations assisted.

5. Private and public institutions responsible for cooperative development, especially the Agrarian Bank, as well as well as other

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agricultural cooperative organizations, will be interested in expanding application of the methodology applied by Technoserve to development of the assisted cooperative organizations, to the extent that they have become aware of the methodology.

C. Project Beneficiaries

The direct beneficiaries of the program will be the estimated 8,700 members and employees of the cooperative organizations to be assisted. Peruvian consumers, especially those in lower income brackets, will benefit indirectly from the long-term impact of improved food production efficiency.

D. Evaluation

A mid-term evaluation will be undertaken approximately 24 months after the program starts. The final evaluation will take place 60 days prior to the end of the program.

E. Government of Peru Interest

Technoserve has indicated that it has received expressions of interest in its cooperative management program from the GOP. As a condition precedent to disbursements after six months of the date of the first disbursement, Technoserve will be required to provide written evidence that both the Agrarian Bank of Peru and the appropriate level of the Ministry of Agriculture are in agreement with the project purpose and have agreed to participate and/or provide ancillary services as described in the program proposal.

F. Program Inputs

1. AID will finance:

- Technical Assistance (Technoserve staff)	US\$ 477,000
- ST Contract services	17,000
- Operating costs (Office space, staff, salaries, etc.)	41,000
- Travel costs	52,000
- Other costs	24,000
- Project vehicles	25,000
- Technoserve U.S. overhead	114,000

SUB-TOTAL US\$ 750,000

2. Technoserve will finance approximately  
25% of total project costs 260,000

TOTAL US\$1,010,000

### G. Program Outputs

1. Cooperative organizations assisted under the project will have become economically viable, self-sustaining organizations, directly benefitting some 8,700 members and employees. This will result from achievement of the following objectives:

a. Establishment in assisted cooperative organizations of planning and production control programs, as well as rolling departmental budgets and cash flows systems, as adapted to the particular circumstances of each organization.

b. Increased crop production and labor productivity by assisted cooperative organizations at a rate greater than the average for the area determined by official government sources.

c. Preparation of cooperative development plans, addressing immediate short-term needs as well as long-term development, for each cooperative organization assisted.

d. Provision of short-term action training in various fields for selected managers, employees, directors and other members of the cooperative organizations assisted.

2. As part of the final report, which can be made available to interested institutions and cooperative organizations for replication, Technoserve will prepare a manual of cooperative development technical assistance that provides a guide to application of the methodology tested and examples of its application during the testing period.

### III. PROGRAM MANAGEMENT

This program will be managed by the Office of Agriculture and Rural Development, with the support of other USAID offices.

### IV. RECOMMENDATIONS

Technoserve's request for assistance meets the requirements for OPG programs. The Agrarian Bank of Peru and the Ministry of Agriculture have agreed to cooperate with the program. Technoserve is registered as an eligible U.S. PVO. The waiting period on the Congressional Notification expired on December 27, 1984. Budget allowance has been received by the Mission for the initial increment of \$300,000 for FY 1985.

Therefore, it is recommended that:

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1. You sign the attached Project Authorization and Project Paper Data Sheet signifying your approval of this request and authorizing up to \$750,000 for an OPG to support the Technoserve Cooperative Management program.

2. You sign the attached Letter of Agreement which describes the Program and obligates \$300,000 of FY 1985 funds to fund the first increment of the Grant.

Attachments:

- I. Project Authorization
- II. Project Data sheet
- III. Technoserve OPG Letter of Agreement
- IV. Technoserve OPG Program Grant Proposal

## PROJECT AUTHORIZATION

Name of Country: PERU

Name of Project: OPG--Technoserve  
Cooperative Management

Number of Project: 527-0293

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Operational Program Grant--Technoserve Cooperative Management involving planned obligations of not to exceed \$750,000 in grant funds over a three-year period subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is three years from October 1, 1984.

2. The project consists of support to expand Technoserve's cooperative management improvement program through the financing of staff salaries, contract services and administrative, operating, travel, commodities and overhead costs.

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

a. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Grant shall have their source and origin in Peru or the United States (except for vehicles, which must be of U.S. source and origin), except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Peru or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

b. Condition Precedent to First Disbursement

The FRLC financing instrument specified in Standard Provisions Section 7A will not be opened until the Grantee has furnished to A.I.D. a schedule of expenses for the funding period.

c. Covenants

(1) Technoserve covenants that it will seek the Agrarian Bank of Peru's agreement with project precepts and commitment to participate in project activities as outlined in the grant proposal, as well as evidence that Technoserve is acceptable to the Agrarian Bank as a technical assistance

entity eligible to receive payments from cooperative organizations participating in the Agrarian Bank's credit program.

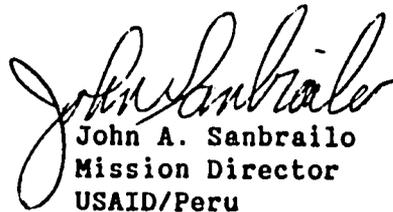
(2) Technoserve covenants that it will seek agreement by the appropriate level of the Government of Peru agriculture sector (e.g., Instituto de Investigación y Promoción Agropecuaria) with project purpose and approach, and commitment to providing ancillary public services consistent with the program limits of the public agricultural sector as required to assure project success.

(3) Technoserve covenants that it will seek to hire the agricultural economist to work on the projects supported by this grant within six months of the first disbursement.

(4) Technoserve covenants that it will seek to charge the highest possible percentage contribution of the cooperative organizations towards the cost of the technical assistance to be provided by Technoserve, with the expectation that this percentage will increase with each successive stage of assistance.

(5) Technoserve covenants that, in its agreements with assisted cooperative organizations and the Agrarian Bank of Peru (BAP), it will seek to assure that credit provided by the BAP for financing any programs resulting from assistance provided under this Grant will include funds to pay costs of Technoserve technical assistance, in accord with approved BAP regulations.

(6) Technoserve covenants that, except as A.I.D. may otherwise agree in writing, it will provide, on a timely basis, the reports called for under Section E of "Schedule" (Attachment 1) hereto.

  
John A. Sanbrailo  
Mission Director  
USAID/Peru

PROG:LDouris:rcc

Clearances:

PROG:RJMaushammer: (draft)

OARD:DBathrick: (draft)

DD:GAHill: (draft)