

PD-AA-UJ-581

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET		1. TRANSACTION CODE A A = Add C = Change D = Delete	ISN 52707 Amendment Number One	DOCUMENT CODE 3
2. COUNTRY/ENTITY PERU		3. PROJECT NUMBER 527-0240		
4. BUREAU/OFFICE LA		5. PROJECT TITLE (maximum 40 characters) Central Selva Resource Management		
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 06 30 88		7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4) A. Initial FY 82 B. Quarter 4 C. Final FY 82		

8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY 82			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	3,268	15,682	18,950	7,118	15,682	22,800
(Grant)	(950)	(--)	(950)	(4,800)	(--)	(4,800)
(Loan)	(2,318)	(15,682)	(18,000)	(2,318)	(15,682)	(18,000)
Other U.S.						
1.						
2.						
Host Country	--	627	627	--	8,000	8,000
Other Donor(s)						
TOTALS	3,268	16,309	19,577	7,118	23,682	30,800

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) EN	200	090	090	4,000	18,000	800	--	4,800	18,000
(2)									
(3)									
(4)									
TOTALS				4,000	18,000	800	--	4,800	18,000

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) 020						11. SECONDARY PURPOSE CODE			
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)									
A. Code	BR	BF	R/AG	ENV	DEL				
B. Amount									

13. PROJECT PURPOSE (maximum 480 characters)
 To plan and execute a development project for sustained production in the Palcazu Valley, and thereby test and institutionalize a methodology for the long range management of Peru's high jungle and natural resources. At the end of the project a capacity will be established within the GOP to develop and carry out similar regional development projects.

14. SCHEDULED EVALUATIONS						15. SOURCE/ORIGIN OF GOODS AND SERVICES			
Interim	MM YY	MM YY	Final	MM YY	MM YY	<input checked="" type="checkbox"/> 000	<input checked="" type="checkbox"/> 941	<input checked="" type="checkbox"/> Local	<input type="checkbox"/> Other (Specify)
	06 88	06 88		03 88	03 88				

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a 1 page PP Amendment)

17. APPROVED BY	Signature Donor M. Lion			18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION		
	Title Mission Director			Date Signed MM DD YY 08 31 87		

PROJECT AUTHORIZATION

AMENDMENT No. ONE

Name of Country: Peru
Name of Project: Central Selva Resource Management
Number of Project: 527-0240
Number of Loan: 527-T-079

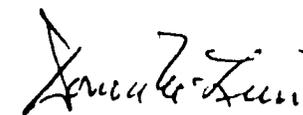
A. Pursuant to Sections 103 and 104 of the Foreign Assistance Act of 1961, as amended, the Central Selva Resource Management Project for Peru was authorized on June 25, 1982. That authorization is hereby amended as follows:

1. Paragraph 1 of the Authorization is deleted in its entirety and the following is substituted in lieu thereof:

"1. Pursuant to Sections 103 and 104 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Central Selva Resource Management Project for Peru involving planned obligations of not to exceed Eighteen Million United States Dollars (US\$18,000,000) in loan funds ("Loan") and Four Million Eight Hundred Thousand United States Dollars (US\$4,800,000) in grant funds ("Grant") over a 62 month-period from date of authorization, subject to the availability of funds in accordance with the OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of the Project is 6 years from date of initial obligation."

B. Except as amended hereby, the authorization remains in full force and effect.

Date: 31 August 1987



Donor M. Lion
Director USAID/Peru

UNITED STATES GOVERNMENT

Memorandum

TO : Action Memorandum
Donor M. Lion, Director

DATE: 08/27/87

FROM : Erhardt Rupprecht ER
Chief, Office of Agriculture and Rural Development.

SUBJECT: Request for Project Authorization, Amendment Number Six for the Central Selva Resource Management Project (527-0240) to extend PACD until June 30, 1988 and increase LOP Grant Funding.

I. Purpose

A nine month extension of the Central Selva Resource Management PACD to June 30, 1988 and an increase in LOP Grant Funding of US\$800,000 for a new grant total of US\$4,800,000 are requested to permit USAID and the GOP to negotiate a subsequent longer term PACD extension to September 31, 1990 and a deob-reob of loan to grant funds in FY 1988.

II. Background

USAID has carried out an intensive internal review of the Central Selva Resource Management Project (527-0240) to: 1) examine the status of project activities and estimated level of Project funds which would be available as of the current PACD September 30, 1987; and 2) determine the activities as well as the minimum level of A.I.D. and GOP resources required to achieve the Project purpose during a proposed three year extension of the current PACD. The analysis will serve as a basis for negotiating with the GOP for an extension of the Project and a proposed Deob-Reob of loan to grant funds in FY 88.

Prior to this internal review, USAID had contracted Chemonics consultant R. Albert (Scaff) Brown to analyze the overall Project design and activities, review Project evaluations and assess whether the Project objectives could be achieved by the current PACD. The consultant was also asked to examine several Project extension options and the implications for achieving the Project purpose: 1) termination at the current September 30, 1987 PACD and, 2) a Project extension whose length would be determined by Project progress/status and the time required to achieve the Project purpose. The consultant stressed that the Project was unique because it intended to develop and demonstrate agricultural, livestock and forestry production methodologies as well as important natural resource activities that would permit sustained use of the high jungle in Peru. No other Project or organization in Peru has undertaken such a broad, applied research effort to address a complex natural resource management challenge.



The pace of project implementation had originally been slow due to delays in meeting C.P.'s, the lack of readily available applied production methodologies to deal with the agronomic, climatological and environmental realities of the high jungle; and the need to build a consensus and convince native and colonist beneficiaries, GOP technicians and managers that traditional agricultural/forestry production technologies would lead to rapid adverse ecological and economic consequences. Terminating the Project on the current PACD would negate important progress to date and ignore the necessary pace of implementation dictated by biological realities and the nature of the applied research effort. It would effectively prevent the attainment of the Project's purpose. A three year extension was recommended to allow sufficient time to demonstrate that viable alternatives to traditional, ecologically destructive high jungle development efforts exist. The assessment provided the Mission with an excellent analytical basis on which to determine the need for and length of the proposed extension as well as the activities and level of resources required.

III. Project Status

The Project is developing, testing and implementing sustainable production methodologies and natural resource protection activities. It has established the necessary administrative capability and infrastructure to implement the Project in a difficult logistical environment. The following summarizes Project progress and accomplishments to date:

- Project Administration: A fully staffed administrative/technical field office and four research/extension sites are established in the Palcazu Valley. Institutional agreements exist with GOP entities involved in road maintenance, forestry, agricultural research, and agricultural credit, land use, cooperative development, and primary health care.
- Forestry Production: A unique natural forest management/regeneration system is being implemented on 2,000 has. Forest inventories and management plans are being carried out in new areas, and a sawmill/wood processing facility is being established with the participation of twelve native indian communities which control forested areas in the Valley.
- Livestock/Crop Technologies: An applied on-farm research/extension program is in place and is testing modifications in annual/perennial crops, improved livestock management and forage species.
- Natural Resource Protection: The Yanachaga National Park and San Matias protection forest were established this year and management plans are being implemented on 268,000 has. Biological diversity activity agreements with World Wildlife Fund, The Conservation Foundation, as well as Missouri and New York Botanical Gardens are in place.

- Infrastructure/Communications: A road maintenance unit was established, and is providing road maintenance, as well as access to natural forest management system sites.

-Health/Environmental Sanitation: Health units using native health promoters have been established at the four extension/research Project sites providing health care and immunizations. A revolving medical fund was also established to provide medicines to Valley residents at a price that covers the costs of medicines and health promotor services. This activity has served as an entree for forestry/agricultural extension activities with the native communities and farmers.

- Regional Development Policy Support: A policy support unit was developed and is utilizing a geographic information system containing agronomic, climatological, land tenure/use, and forest inventory data to plan and implement Project activities. Evaluations have been carried out on other high jungle areas projects.

IV. Negotiation Strategy

The Mission reviewed the Project Purpose and activities for a proposed three year extension. The original Project Purpose remains the same: "to plan and execute a development project for sustained production in the Palcazu Valley, and thereby test and institutionalize a methodology for the long range management of Peru's high jungle human and natural resources." Both the Mission and the implementing agency, INADE, have informally determined that three years would be required to achieve this purpose. To achieve the Project Purpose, two interrelated objectives are required: 1) development, testing and institutionalization of systems for the stabilization and management of economic resources for sustained production in the Palcazu Valley and, 2) protection of fragile natural resources and native population groups.

The Mission's strategy is to continue to support activities which can meet these two objectives and permit the GOP to institutionalize this capacity during the three year extension. Under the sustainable production objective, the Project will continue to support activities to: 1) fully implement the Natural Resource Forest Management and production systems incorporating a native indian cooperative in forestry management research and operation of a wood processing facility, and 2) demonstrate the feasibility/transferability of sustainable low input agricultural and livestock production technologies.

During our negotiations with the GOP and during the extension, the Mission will assist the National Development Institute (INADE) to strengthen institutional mechanisms with the National Agricultural and Agroindustrial Research Institute (INIAA) and forestry agencies to permit continuity of the Agricultural/Livestock production and the Natural Resource Forest Management systems after the AID Project resources end.

Under the protection of fragile resources and population groups objective the Project will support activities to: 1) operationalize the management of the Yanachaga National Park and San Matías Protection Forest by providing resources for infrastructure, training of native forest rangers and for establishing a continuing biological diversity research capability, at the Project site, by Peruvian and foreign scientists; and 2) maintain and institutionalize the activities of the Regional Development Policy Support Group (APODESA) within an institution such as the National Natural Resources Evaluation Office (ONERN) which can more closely tie the APODESA analytical capability into the GOP development planning structure.

As a result of the Mission's analysis, estimated minimum AID financing requirements were determined to achieve the Project Purpose and carry out the negotiating strategy described above.

The original Project Agreement specified US\$18.0 million in loan and US\$4.0 million in grant for a total AID contribution of US\$22.0 million. As of the current PACD, September 30, 1987, all of the grant funds and an estimated US\$6.7 million in loan funds will have been expended, leaving a balance of approximately US\$11.3 million in loan funds.

An estimated US\$5.3 million will be required for a three year extension, consisting of US\$2.6 million in grant funds to support critical technical assistance/training and US\$2.7 million in loan for infrastructure, materials, equipment and operational costs. Therefore, of the estimated US\$11.3 million of loan funds available at the current PACD, US\$2.7 million would be used to finance loan costs during three year extension and US\$8.6 million in loan funds would be available for deobligation.

The intent is to seek approval to deobligate US\$8.6 million loan and reobligate them as grant funds as follows: US\$2.6 million in grant to cover the estimated technical/training costs of a three year CSRM extension and US\$6.0 million in grant for the Agricultural Technology Transformation (ATT) Project. Project needs and the GOP reluctance to finance technical assistance with loan funds and its current debt situation were considered in this decision.

V. Justification:

The Mission had intended to proceed with proposed deob-reob scenario described above during FY87. However, the Mission was concerned about the steps and time required to reach a decision to effect a loan-to-grant deob-reob of the CSRM US\$8.6 million. In addition, recent changes have occurred in GOP leadership in the National Planning Institute (INP) and Ministry of Economy and Finance (MEF) which would be involved in reprogramming and funding level decisions regarding both CSRM and ATT Projects.

Therefore, the Mission and the GOP have discussed an interim nine month project extension to June 30, 1988. The interim project extension would not represent a change in the Project Purpose, but would permit the Mission to negotiate the full CSRSM extension to September 30, 1990, and proceed with the deob-reob procedures. A Congressional Notification (Ref Lima 07156) was submitted to carry out this scenario and provide US\$800,000 grant to cover critical technical assistance activities during the CSRSM nine month extension. Cable State 229061 reports that the CN expired on July 27, 1987. This amount was programmed by utilizing US\$800,000 from the Mission's FY 87 OYB that would have been obligated for the new ATT Project. This US\$800,000 will be subtracted from the US\$2.6 million for technical assistance estimated for a three year PACD extension and will be obligated to the ATT Project in FY 88. In effect, this is a temporary funding adjustment measure to insure that needed technical assistance grant funds will be available during the interim CSRSM extension.

Attached are: 1) the summary of estimated outputs to be achieved by June 30, 1988 by Project Component; 2) a summary of requested technical assistance services; 3) approximate technical assistance budget for the nine month extension; 4) Amendment No. Six to the Project Agreement; and 5) Project Authorization Amendment No. One.

VI. Authority

Delegation of Authority No. 754 states that AID Missions may extend PACDs for a cumulative total of two years if the total LOP does not exceed ten years. Extensions beyond two years must be approved by the Assistant Administrator provided this action does not extend the Project beyond ten years. The requested extension will result in a total LOP of six years.

Also, Delegation of Authority No. 753 states that AID Missions may amend project authorizations if the amendment does not result in a total LOP funding of more than US\$30 million, does not present significant policy issues, and does not require issuance of waivers that may only be approved by the Administrator or Assistant Administrator or if such waivers are required they are approved by them prior to such authorizations.

VII. Recommendation

1. That pursuant to Delegations of Authority Nos. 753 and 754, you sign the attached Project Authorization Amendment One and PP Data Sheet Amendment Six for the Central Selva Resource Management Project (527-0240) authorizing an extension of the Project Assistance Completion Date by nine months to June 30, 1988 and an increase in grant funding by US\$800,000 for a LOP grant funding of US\$4,800,000.

2. That you sign the attached Project Agreement Amendment No. Six approving the obligation of US\$800,000 in FY 87 to fund an additional grant increment for the Project.

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