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TRANSMITTAL NOTE

USAID/PERU FOOD FOR DEVELOPMENT PROGRAM REVIEW DOCUMENT

Food assistance is a fundamental element of USG policy and strategy in Peru.

The attached deals with the PL 480 Title II food assistance program and the Section 416 supplementary feeding program. These activities are described covering the period FY 1982-FY 1987, and FY 1988 activities and issues are discussed. (The PL 480 Title I and the Section 416 Sugar Quota Programs are not treated.) It is USAID/Peru's first comprehensive analytic management review of these programs.

The value of the commodities, together with U.S., GOP and PVO financial contributions, totals almost a quarter of a billion dollars, a major component of U.S. assistance to Peru during these years. (Assistance related to the El Niño disaster came to 12% of the total program.)

This food assistance effort is revealed to be an integrated and critical component of USAID's development strategy, as the activities contribute to and complement objectives and programs in health (Child Survival and nutrition), agriculture, natural resources management, and private sector development and to the Mission's focus on the rural poor. The program brings together food, counterpart from other food programs, other GOP and PVO contributions and U.S. financial grants.

Several major PVOs are involved as well as a number of GOP agencies. The food development program is national in scope. Millions of Peruvians have benefitted.

Comments are welcome.

Donor M. Lion

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Mission Director
USAID/Peru

Lima, Peru
January, 1988

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USAID/PERU FOOD FOR DEVELOPMENT
PROGRAM REVIEW

Prepared for Review
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LIST OF ACRONYMS

ABS	Annual Budget Submission
ADRA/AFASA	Adventist Development and Relief Agency/ Obra Filantrópica y Asistencia Social Adventista
AID/W	Agency for International Development/Washington, D.C.
ARDN	Agriculture, Rural Development and Nutrition
CARE	Cooperativa Americana de Remesas al Exterior (Cooperative for American Relief Everywhere)
CARITAS	CARITAS
CCC	Central de Crédito Cooperativo (Cooperative Credit Center)
CDSS	Country Development Strategy Statement
CENFOR	Centro Forestal y de Fauna (Regional Reforestation Center)
CIPA	Centro de Investigación y Promoción Agropecuaria (Agriculture Research and Promotion Center)
COOPOP	Sistema Nacional de Cooperación Popular (National System of Community Participation)
CORDE	Corporación Departamental de Desarrollo (Departmental Development Corporation)
CRS	Catholic Relief Services
CS	Child Survival
CSA	Child Survival Action Project
CSM	Corn, Soya and Milk
CWS	Church World Services
CY	Calendar Year
DA	Development Assistance
DGFF	Dirección General Forestal y de Fauna (formerly INFOR); (General Administration for Forestry and Fauna)
DRR	Disaster Relief, Rehabilitation and Reconstruction
ENAPU	Empresa Nacional de Puertos (State Port Authority)
ENCI	Empresa Nacional de Comercialización de Insumos (National Commodities Marketing Company)
FFD	Food for Development
FFW	Food for Work
FINCA	Fomento Integral Campesino (Rural Integrated Development)
FSN	Foreign Service National
FY	Fiscal Year
GOP	Government of Peru
HE	Health
HR	Human Resources
IIN	Instituto de Investigación Nutricional (Nutrition Research Institute)
INABIF	Instituto Nacional de Bienestar Familiar (National Institute of Family Welfare)
INFOR	Instituto Forestal y de Fauna (now DGFF); (National Institute for Forestry and Fauna)
INPPARES	Instituto Peruano de Paternidad Responsable (Peruvian Institute for Responsible Parenthood)
IPSS	Instituto Peruano de Seguridad Social (Peruvian Institute of Social Security)
LAC	Bureau for Latin America and the Caribbean (AID)

MCH	Maternal and Child Health
MEF	Ministerio de Economía y Finanzas (Ministry of Economy and Finance)
MOE	Ministerio de Educación (Ministry of Education)
MCH	Ministerio de Salud (Ministry of Health)
MOHC	Ministerio de Vivienda y de la Construcción (Ministry of Housing and Construction)
MT	Metric Tons
MYOP	Multi-Year Operational Plan
NFDM	Non-Fat Dry Milk
CNAA	Oficina Nacional de Apoyo Alimentario (National Office for Food Assistance)
OPG	Operational Program Grant
PAC	Programa de Alimentación Complementaria (MOH Supplementary Feeding Program)
PIBA	Programa de Infraestructura Básica con Apoyo Alimentario (Basic Infrastructure Project)
PRAA	Proyecto de Reforestación con Apoyo Alimentario (Reforestation and Soil Conservation Project)
PRISM	Information, Health, and Medicine Projects, US PVO
PRISMA	Proyectos en Informática, Salud, Medicina y Agricultura (Information, Health, Medicine and Agriculture Projects, local branch of US PVO PRISM)
PROG	AID Program Office
PRODIA	Programa de Desarrollo Integral con Apoyo Alimentario (Integrated Development Program with Food Support)
PVO	Private Voluntary Organization
RFP	Request for Proposals
RIG	Regional Inspector General
SANO	Clínicas del Niño Sano (Well-Baby Clinics)
SENATI	Servicio Nacional de Adiestramiento en Trabajo Industrial (National Technical Training Institute)
SEPAS	Servicio Evangélico Peruano de Acción Social
UDES	Unidad Departamental de Salud (Departmental Health Unit)
UNICEF	United Nations Children's Emergency Fund
US-PSC	U.S. Personal Services Contractor
USDH	U.S. Direct Hire
USG	U.S. Government

PREFACE

USAID/Peru's current Food for Development (FFD) Program consists of four major elements: A) a PL 480 Title II Supplementary Feeding Program and related Title II Monetization Program through private voluntary organizations (PVCs); B) a Section 416 Maternal/Child Health (MCH) Feeding Program with the Ministry of Health (MOH); C) a PL 480 Title I Program; and D) a Section 416 Sugar Quota Program. This report deals with the first two elements of the Mission's Program, which are managed by the FFD Division in the Office of Human Resources (HR). The other two Program elements are managed by the Mission's Program Office.

This Program Review document is divided into two parts. The first part presents an overview of the Mission's Food for Development (FFD) Program covering U.S. fiscal years (FYs) 1982 through 1987, followed by a description of each implementing agency and its FY 1988 program plans. The magnitude and nature of the food and financial resources provided to Peru during this seven-year period under the regular PL 480 Title II food-assisted programs and the Section 416 supplementary feeding program as well as the disaster-related programs are explained in detail. The second part of the document presents various program design options and possibilities which the Mission plans to explore during FY 1988 and also discusses the principal problems and issues which the FFD Division will face in FY 1988.

This document is not intended to highlight the accomplishments under the Mission's FFD program. In fact, these have been numerous and are well-documented in audits, evaluations, and a host of other program documents available at USAID/Peru. The report was prepared as part of the Mission's semi-annual portfolio review, and, as such, it focuses largely on the status of implementation activities, plans for handling problems and issues, and recommendations with regard to future programming and staffing.

EXECUTIVE SUMMARY

During FY 1982-1987, A.I.D. donated 315,600 metric tons (MT) of food commodities valued at \$115.2 million to Peru through the PL 480 Title II food assistance program and the Section 416 supplementary feeding program as shown below:

<u>PROGRAM</u> <u>(REGULAR/EMERGENCY)</u>	<u>FOOD COMMODITIES</u> <u>(METRIC TONS)</u>	<u>VALUE</u> <u>(\$ MILLION)</u>	<u>IMPLEMENTING</u> <u>AGENCY</u>
A. <u>REGULAR</u>			
1. Title II Regular	216,200	68.4	PVOs <u>a/</u>
2. Title II Monetization	14,700	1.7	CARE
3. Section 416 Feeding	35,800	27.5	MOH <u>b/</u>
<hr/>			
SUB-TOTAL	266,700	97.6	
B. <u>EMERGENCY</u>			
1. Title II Emergency	48,100	15.1	PVOs
2. Title II Monetization	- <u>c/</u>	1.8	PVOs
3. Section 416 Emergency	800	0.7	CARE
<hr/>			
SUB-TOTAL	48,900	17.6	
<hr/>			
TOTAL	315,600	115.2	

a/ CRS/CARITAS, ADRA/OFASA, CWS/SEPAS, CARE.

b/ Ministry of Health.

c/ See Footnote b/, Table 2, page 6.

When the \$26.5 million in ocean freight costs which were borne by the U.S. Government (USG) during the same period is added, the total value of the Title II and Section 416 food programs in Peru financed by the USG between FY 1982 and FY 1987 amounts to \$141.7 million. Additionally, the Title II and Section 416 food programs received support from other sources, including Mission bilateral development assistance funds in the form of Operational Program Grants (OPGs) and emergency grants, Title I and Section 416 Sugar Quota counterpart funds, PVO cash and in-kind contributions, and Government of Peru (GOP) contributions, bringing the total value of the Mission's FFD program from all sources to \$222.9 million between FY 1982-1987. Of this total amount, \$26.8 million or 12 percent was related to the El Niño disaster of 1983.

The agencies from the PVO community implementing the Title II Program during this period have been Catholic Relief Services and its Peruvian counterpart, CARITAS; the Adventist Development and Relief Agency (ADRA) and

its counterpart ADRA/OFASA; Church World Services and its counterpart SEPAS; and CARE of Peru. These PVOs in turn have coordinated their activities with 15 GOP institutions from FY 1982 through FY 1987, in many cases through formal program agreements, and have programmed activities with 20 public and private sector Peruvian institutions for FY 1988. The implementing agency for the Section 416 supplementary feeding program has been the MCH through its nationwide network of Departmental Health Units (UDESS).

The impact of the Mission FFD Program has been widespread and significant. Since 1982, an annual average of approximately 1.8 million of the most malnourished and impoverished Peruvians from depressed rural and marginal urban areas have directly benefitted from the regular program activities (excluding those beneficiaries under the emergency program). Of the major PL 480 Title II program categories, Food for Work community development projects have reached approximately 419,000 beneficiaries yearly, Maternal Child Health (MCH) activities 126,000, and Other Child Feeding programs such as school lunch programs, 93,000, for a total average of approximately 638,000 beneficiaries reached each year through the combined PVO Title II feeding programs. In response to studies which indicated that the best off of the rural poor are living under conditions worse than the most needy of the urban slums, the PVOs have been retargetting their programs progressively toward the rural poor and have been expanding their activities in the rural areas. In addition, the Section 416 supplementary feeding program has reached an average of 1.2 million beneficiaries annually during the same period. Until 1986, the principal objective of the latter program was to improve the nutritional status of children within the primary school system. As research and experience in Peru began to more clearly identify the nutritionally most vulnerable population groups, the program was refocused to direct resources to pregnant and lactating mothers and children under 6 years of age.

In addition to the regular Title II feeding programs, the participating PVOs are prepared to respond to disasters which require emergency food assistance. Disasters of different kinds and magnitude often afflict Peru, be they earthquakes, floods, landslides or droughts, and periodically one of major proportions creates a demand for massive assistance. Such was the case with the El Niño disaster in 1983, when Peru struggled to recover in the wake of the heaviest rainfalls and flooding of the century in the northern part of the country, and one of the severest droughts in decades in the south. In addition to the regular Title II program, a large-scale emergency program was mounted. The Mission provided PVOs with 48,100 MT of Title II commodities valued at \$15.1 million to meet the urgent food needs of the disaster victims, \$5.2 million in bilateral development assistance funds for thirteen emergency grants, and \$1.8 million in Title II monetization funds through the National Development Institute (INADE) to support fifteen special disaster project activities. Finally, in FY 1984, a Section 416 grant provided CARE with 500 MT of non-fat dry milk and 270 MT of processed cheese valued at \$800,000 to meet the food needs of children of disaster victims in northern Peru. Approximately 2.5 million Peruvians were direct beneficiaries of the emergency food assistance program.

Financial resources from a variety of sources have been combined and integrated with the food commodities available under both Title II and Section 416 to support the Mission's FFD Program as shown below:

<u>RESOURCE CATEGORY</u>	<u>FY 1982 - FY 1987</u>
	<u>TOTAL</u>
	(In \$ Millions)
A. Donated Food Commodities	
1. For Direct Distribution	111.7
2. For Commercial Sale (Monetization)	<u>3.5</u>
	115.2
B. USG-Financed Ocean Freight Costs	26.5
C. Title I and Section 416 Counterpart	23.0
D. PVO Contributions	10.3
E. Emergency Grants	5.2
F. Regular OPGs	4.6
G. GOP Contributions	<u>38.1</u>
TOTAL	222.9

Six OPGs totalling \$4.6 million have been provided to CARE, CARITAS, ADRA/OFASA and SEPAS since FY 1982. In addition, due principally to the recent reduction in the availability of bilateral development assistance funds for the PVOs, a Title II Monetization Agreement was signed on August 14, 1987 which will provide the PVOs with local currency from the sale of \$1.7 million of Title II whole wheat to meet food logistics and project activity costs of their food assistance programs. Complementing these OPG and Title II Monetization resources between FY 1982 and FY 1987, the equivalent of \$23 million in PL 480 Title I and Section 416 Sugar Quota local currency generations from the sale of commodities was provided to the four PVOs and six of the GOP counterpart agencies working with the PVOs on food-assisted projects. Also, during this same period, PVO cash and in-kind contributions totalled \$10.3 million, and the GOP, in support of the Section 416 program, contributed the equivalent of \$38.1 million.

Consistent with the multi-year operational plan strategy of each cooperating PVO, the food-assisted programs will increase activities and continue to expand coverage to the more neglected rural areas in FY 1988. With new sponsorship for the SEPAS Reforestation and Soil Conservation Project, plus the regular programs of CARITAS, ADRA/OFASA and CARE, the PVOs are expected to implement over 7,000 sub-project activities nationwide and reach an estimated 778,000 beneficiaries in FY 1988. The MOH/MCH feeding program is expected to reach another 700,000 beneficiaries in FY 1988, for a combined estimated total of 1,478,000 beneficiaries under the FFD Program in 1988. In addition, the Mission plans to examine the possibility of converting the current Section 416 MOH/MCH supplementary feeding program to a PL 480 Title II program to be undertaken in conjunction with a specialized health and nutrition PVO. A study to determine the feasibility of a possible Title II or Section 416 monetization program to support a rural credit program for small farmers is also proposed for FY 1988 as is the design of a new Title II monetization program to continue to provide support to the participating PVOs. Additional analytical studies, workshops, and data collection and monitoring activities are planned to strengthen program planning and management. These and other issues are discussed in greater detail in Section II of the document.

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I. The Current Program: FY 1982 - FY 1987, and FY 1988 Program Plans

A. Program Overview

In recent years, the USAID Food for Development (FFD) Program in Peru has attempted to address various critical needs of the Peruvian poor. Major program areas have included: (1) health and nutrition interventions designed to deal with the overwhelming problem of chronic malnutrition; (2) food-for-work activities aimed principally at creating employment opportunities and increasing family incomes; and (3) disaster-related recovery and rehabilitation efforts to mitigate the effects of recurring natural disasters. Program resources have been channeled through private voluntary organizations (PVOs) and Government of Peru (GOP) institutions which have targetted their activities to the lowest income groups of Peruvian society living in impoverished rural areas and depressed sectors of large urban centers.

Financial resources from a variety of sources and food commodities available under both PL 480 Title II and Section 416 have been combined and integrated to support the Mission's FFD Program. The financial resources which have been applied to the Program include: (1) PL 480 Title I and Section 416 Sugar Quota local currency generations from the sale of commodities; (2) local currency generations from the sale of commodities under Title II Monetization Programs; (3) USAID development assistance funds from the agriculture and rural development (ARDN), health (HE) and child survival (CS) accounts through operational program grants (OPGs) and emergency grants to participating PVOs; (4) financial and in-kind contributions of the PVOs; and (5) financial contributions by the GOP to cover the ocean freight costs of the Section 416 Feeding Programs in FY 1983 and FY 1985, the purchase of complementary local foods, inland transportation, and materials/training. Table 1 provides a summary of the total financial and food resources allocated to the Mission's FFD Program from FY 1982 to FY 1987. During this six-year period, these resources totalled \$222.9 million.

B. Food Resources

1. Summary

As shown in Table 2, A.I.D. has provided a total of 315,600 metric tons (MT) of food commodities valued at \$115.2 million (excluding ocean freight costs) to Peru from FY 1982 through FY 1987. The commodities consisted of 230,900 MT of Title II commodities valued at \$70.1 million for the regular program, 36,600 MT of Section 416 commodities valued at \$28.2 million (35,800 MT valued at \$27.5 million for the Ministry of Health's (MOH's) Maternal/Child Health (MCH) supplementary feeding program, and 800 MT valued at \$0.7 million for a CARE emergency feeding program) and, in FY 1983 and FY 1984, a total of 48,100 MT of Title II commodities for Emergency Feeding Programs valued at \$16.9 million. These figures also include two Title II monetization programs: one in FY 1984, involving the sale of 10,600 MT of vegetable oil valued at \$7.9 million to establish a disaster rehabilitation and reconstruction fund managed by the National Development Institute (INADE) which financed a total of 57 sub-projects, of which 15 valued at \$1.8 million were implemented by food-assisted PVOs; and a monetization program in FY 1987 with the PVO, CARE, involving 14,700 MT of wheat valued at \$1.7 million to support the programs of all the PVOs involved in the Title II food distribution program.

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TABLE 1
TOTAL FINANCIAL AND FOOD RESOURCES ALLOCATED TO THE FFD PROGRAM
IN PERU, FY 1982-FY 1987 a/
 (IN \$MILLIONS)

RESOURCE CATEGORY	FY 1982 - FY 1986				FY 1987			GRAND TOTAL
	PL 480 TITLE II PROGRAMS	SECTION 416 PROGRAMS	EMERGENCY PROGRAM	TOTAL	PL 480 TITLE II PROGRAMS	SECTION 416 PROGRAMS	TOTAL	
A. Donated Food for Distribution	62.2	22.6	15.1	99.9	6.2	5.6	11.8	111.7
B. Title II Monetized Food	-	-	1.8	1.8	1.7	-	1.7	3.5
C. USG-Financed Ocean Freight Costs	18.0	0.1	3.9	22.0	3.9	0.6	4.5	26.5
D. Title I b/ & Section 416 c/ Counterpart	17.9	-	-	17.9	5.1	-	5.1	23.0
E. PVO Contributions	5.6	-	-	5.6	4.7	-	4.7	10.3
F. Emergency Grants	-	-	5.2	5.2	-	-	-	5.2
G. Regular CPGs	4.3	-	-	4.3	0.3	-	0.3	4.6
H. GOP Contribution for	-	32.7	-	32.7	-	5.4	5.4	38.1
Local Food	-	(23.4)	-	(23.4)	-	(4.2)	(4.2)	(27.6)
Ocean Freight	-	(2.8)	-	(2.8)	-	-	-	(2.8)
Inland Transportation	-	(6.3)	-	(6.3)	-	(1.1)	(1.1)	(7.4)
Materials & Training	-	(0.2) d/	-	(0.2)	-	(0.1)	(0.1)	(0.3)
TOTALS	108.0	55.4	26.0	189.4	21.9	11.6	33.5	222.9

a/ In addition, 39,098 MT of Title II food commodities valued at \$6.9 million (excluding ocean freight) have already been approved for FY 1988, and the first shipments (call forwards) are beginning to arrive in Peru.

b/ Includes counterpart contributions both to the participating PVOs and to GOP counterpart agencies working with the PVOs on food-assisted projects.

c/ In FY 1987 and 1988, counterpart contributions have also included funds from Section 416 Sugar Quota.

d/ Estimated figure.

- - -
TABLE 2
TOTAL AMOUNT AND VALUE (EXCLUDING OCEAN FREIGHT) OF FOOD COMMODITIES PROVIDED TO PERU, FY 1982-1987
(MT 000, US\$ MILLIONS)

PROGRAM	FY82		FY83		FY84		FY85		FY86		FY87		Total	
	MT	US\$	MT	US\$										
A. PL 490 Title II														
1. CRS/CARITAS	18.9	8.6	20.4	6.4	21.7	8.1	15.2	5.3	17.4	5.1	18.4	3.5	112.0	37.0
2. ADRA/CFASA	9.4	3.8	12.7	3.8	10.8	3.9	11.6	3.7	14.0	3.6	12.7	2.3	71.2	21.1
3. CARE/Perú	2.9	1.2	4.5	1.2	3.9	1.2	3.0	0.8	3.0	0.9	2.1	0.4	19.4	5.7
4. CWS/SEPAS	2.3	1.0	2.9	0.8	2.1	0.7	3.1	1.2	3.2	0.9	-	-	13.6	4.6
5. CARE Monetization a/	-	-	-	-	-	-	-	-	-	-	14.7	1.7	14.7	1.7
Sub-Total (A)	33.5	14.6	40.5	12.2	38.5	13.9	32.9	11.0	37.6	10.5	47.9	7.9	230.9	70.1
B. Section 41														
1. Ministry of Health	-	-	19.2	14.4	-	-	9.8	7.5	-	-	6.8	5.6	35.8	27.5
2. CARE/Peru	-	-	-	-	0.8	0.7	-	-	-	-	-	-	0.8	0.7
Sub-Total (B)	-	-	19.2	14.4	0.8	0.7	9.8	7.5	-	-	6.8	5.6	36.6	28.2
Total (A & B)	33.5	14.6	59.7	26.6	39.3	14.6	42.7	18.5	37.6	10.5	54.7	13.5	267.5	98.3
C. Emergency														
1. CRS/CARITAS	-	-	12.9	3.9	30.4	10.0	-	-	-	-	-	-	43.3	13.9
2. ADRA/CFASA	-	-	0.9	0.2	1.0	0.3	-	-	-	-	-	-	1.9	0.5
3. CARE Perú	-	-	2.2	0.5	-	-	-	-	-	-	-	-	2.2	0.5
4. CWS/SEPAS	-	-	0.7	0.2	-	-	-	-	-	-	-	-	0.7	0.2
5. PVOs (CRS, CARITAS, ADRA/CFASA, CARE & SEPAS) b/	-	-	-	-	-	1.8	-	-	-	-	-	-	-	1.8
Sub-Total (C)	-	-	16.7	4.8	31.4	12.1	-	-	-	-	-	-	48.1	16.9
GRAND TOTAL (A & B & C)	33.5	14.6	76.4	31.4	70.7	26.7	42.7	18.5	37.6	10.5	54.7	13.5	315.6	115.2
% (MT)	11%	-	24%	-	22%	-	14%	-	12%	-	17%	-	100%	-
% (US\$)	-	13%	-	27%	-	23%	-	16%	-	9%	-	12%	-	100%

a/ Reprogramming of FY 1987 Title II levels by CARE, ADRA/CFASA, and SEPAS and an additional authorization from AID/W made possible the monetization of 14,655 MT of whole wheat valued at \$1.7 million to support PVO feeding programs.

b/ Monetization of 10,600 MT of vegetable oil valued at \$7.9 million established a complementary disaster rehabilitation and reconstruction fund managed by the National Development Institute (INAIDE). Of the 57 projects approved, 15 were with the FFD-assisted PVOs (CARITAS, CARE, ADRA/CFASA, CRS and CWS) for a total of approximately \$1.8 million.

During FY 1987, approximately 33,200 MT of five Title II commodities, namely, non-fat dry milk (NFDM), wheat flour, bulgur, rice and vegetable oil, valued at \$6.2 million (excluding \$2.9 million in ocean freight costs), were received for distribution in Peru by three PVOs, Catholic Relief Services (through its Peruvian counterpart CARITAS), the Adventist Development and Relief Agency (through its Peruvian counterpart ADRA/OFASA), and CARE-Peru. Food stock balances from FY 1986 also enabled Church World Services, through its Peruvian counterpart SEPAS, to continue food distribution activities through part of FY 1987, prior to the liquidation of SEPAS in May 1987. In addition, \$1.3 million of FY 1987 Title II food commodities approved for SEPAS, CARE and ADRA/OFASA were reprogrammed, and with \$0.4 million of additional FY 1987 Title II funding, a monetization program to support the PVOs was authorized. Section 416 commodities were also approved during FY 1987 for the Ministry of Health (MCH) Supplementary Feeding Program, consisting of 5,296 MT of NFDM and 1,470 MT of butteroil, valued at approximately \$5.6 million (excluding \$0.6 million in ocean freight costs).

Table 3 shows the total amounts and value of the food commodities provided to Peru from FY 1982 to FY 1987 including ocean freight costs. The amounts of the food commodities are identical to those provided in Table 2. The financial values shown for the commodities in Table 2, which exclude ocean freight costs, are the actual approved levels used by AID/Washington (AID/W) and the Mission when reporting on the value of the food program in Peru. Table 3 provides figures which represent the actual total costs of the food programs. Ocean freight costs are routinely omitted since they are only estimates and cannot be calculated until after the food levels for each country have been determined and allocated by AID/W and the food has actually been shipped. In Peru, ocean freight costs have been borne by the U.S. Government (USG) for all programs except the Section 416 programs in FY 1983 and FY 1985. The GOP covered the costs of the ocean freight for the Section 416 Programs in FY 1983 and FY 1985, and the USG paid the ocean freight costs under the FY 1984 and FY 1987 Programs. Between FY 1982 and FY 1987, the USG paid \$26.5 million for the ocean freight costs of the commodities provided to Peru. The GOP paid \$2.8 million to cover the ocean freight costs of the Section 416 commodities in FY 1983 and FY 1985. Thus, the actual total value of the food program financed by the USG between FY 1982 and FY 1987 was \$141.7 million, which includes both the costs of the commodities and ocean shipping financed by the USG.

2. Title II Food Programs

a. Food for Work (FFW) Programs

As shown in Table 4, FFW programs constitute the largest Title II food assistance program category in Peru. Of the 33,200 MT of Title II commodities received in FY 1987, 20,900 MT or 63% have been distributed as part of FFW programs. Distribution of the food commodities for FFW programs has generally been through take-home rations. However, it has become more common to use a communal feeding strategy (the "olla común") which serves both to motivate community participation in the FFW projects and to better control the preparation of the food. Usually all members of the family come together for the common meal on such work days.

TABLE 3
TOTAL AMOUNT AND VALUE (INCLUDING OCEAN FREIGHT) OF FOOD COMMODITIES PROVIDED TO PERU, FY 1982-1987
(MP '000, US\$ MILLIONS)

PROGRAM	FY82		FY83		FY84		FY85		FY86		FY87		Total	
	MP	US\$	MP	US\$										
<u>A. PL 389 Title II</u>														
1. CRS/CARITAS	18.9	11.3	30.4	8.3	21.7	9.4	15.2	7.0	17.4	6.8	18.4	5.2	112.0	48.0
2. ADRA/CFASA	9.4	5.1	12.7	4.8	10.8	4.7	11.6	4.8	14.0	5.0	12.7	3.3	71.2	27.7
3. CARE/Perú	2.9	1.7	4.5	1.6	3.9	1.5	3.0	1.1	3.0	1.2	2.1	0.6	19.4	7.7
4. CWS/SEPAS	2.3	1.2	2.9	1.1	2.1	0.9	3.1	1.5	3.2	1.2	-	-	13.6	5.9
5. CARE Monetization <u>a/</u>	-	-	-	-	-	-	-	-	-	-	14.7	2.7	14.7	2.7
Sub-Total (A)	33.5	19.3	40.5	15.8	38.5	16.5	32.9	14.4	37.6	14.2	47.9	11.8	230.9	92.0
<u>B. Section 41:</u>														
1. Ministry of Health	-	-	19.2	16.4	-	-	9.8	8.3	-	-	6.8	6.2	35.8	30.9
2. CARE	-	-	-	-	0.8	0.8	-	-	-	-	-	-	0.8	0.8
Sub-Total (B)	-	-	19.2	16.4	0.8	0.8	9.8	8.3	-	-	6.8	6.2	36.6	31.7
Total (A & B)	33.5	19.3	59.7	32.2	39.3	17.3	42.7	22.7	37.6	14.2	54.7	18.0	267.5	123.7
<u>C. Emergency</u>														
1. CRS/CARITAS	-	-	12.9	4.8	30.4	12.5	-	-	-	-	-	-	43.3	17.3
2. ADRA/CFASA	-	-	0.9	0.3	1.0	0.4	-	-	-	-	-	-	1.9	0.7
3. CARE Perú	-	-	2.2	0.7	-	-	-	-	-	-	-	-	2.2	0.7
4. CWS/SEPAS	-	-	0.7	0.3	-	-	-	-	-	-	-	-	0.7	0.3
5. PVOs (CRS, CARITAS, ADRA/CFASA, CARE & SEPAS) <u>b/</u>	-	-	-	-	-	1.8	-	-	-	-	-	-	-	1.8
Sub-Total (C)	-	-	16.7	6.1	31.4	14.7	-	-	-	-	-	-	48.1	20.8
GRAND TOTAL (A & B & C)	33.5	19.3	76.4	38.3	70.7	32.0	42.7	22.7	37.6	14.2	54.7	18.0	315.6	144.5
* (MP)	11%	-	24%	-	22%	-	14%	-	12%	-	17%	-	100%	-
* (US\$)	-	13%	-	27%	-	22%	-	16%	-	10%	-	12%	-	100%

a/ Reprogramming of FY 1987 Title II levels by CARE, ADRA/CFASA, and SEPAS and an additional allocation from AID/W made possible the monetization of 14,655 MP of whole wheat valued at \$1.7 million to support PVO feeding programs.

b/ Monetization of 10,000 MP of vegetable oil valued at \$7.9 million established a complementary disaster rehabilitation and reconstruction fund managed by the National Development Institute (INAIE). Of the 57 projects approved, 15 were with the FFD-assisted PVOs (CARITAS, CARE, ADRA/CFASA, CRS and CWS) for a total of approximately \$1.8 million.

Of the implementing agencies, CARE and, until recently SEPAS, have dedicated their program activities almost exclusively to FFW. In FY 1987, approximately 73% of OFASA's and 54% of CARITAS' activities also were FFW programs. The types of projects that have been carried out include: the construction of schoolrooms, health posts, community centers, irrigation canals, drainage ditches, wells, dikes, dams and river defenses for flood control, road repair and construction, and reforestation. In addition, both training in and the actual implementation of productive income-generating projects in handicrafts and small industrial enterprises have received FFW support. These FFW projects aim to increase agricultural production, improve the general economic level of beneficiaries in both urban and rural settings, and provide opportunities for constructive employment, job creation, and income generation.

TABLE 4
TITLE II PROGRAM: ALLOCATION OF FOOD COMMODITIES AND NUMBERS
OF BENEFICIARIES BY PROGRAM CATEGORIES IN FISCAL YEAR 1987

PROGRAM CATEGORY a/	COMMODITY (IN MT 000)						NO. OF BENEFICIARIES c/
	TOTAL b/	WHEAT FLOUR	BULGUR	NFDM	VEG OIL	RICE	
FFW	20.9	8.3	7.1	3.0	0.7	1.8	411,850
MCH	7.4	2.6	1.7	2.8	0.3	-	145,000
OCF	4.9	2.7	0.5	1.2	0.5	-	98,750
Total	33.2	13.6	9.3	7.0	1.5	1.8	655,600

a/ FFW = Food for Work

MCH = Maternal/Child Health

OCF = Other Child Feeding

b/ Reflects total reprogramming of SEPAS FY 1987 allocation and partial reprogramming of CARE and ADRA/OFASA allocations to permit monetization program. Original FY 1987 approved level was 38,000 MT.

c/ Includes only beneficiary levels which correspond to food commodities approved and allocated for FY 1987; does not include SEPAS/PRAA beneficiaries who received food in FY 1987 from stock balances available at end of FY 1986.

b. Maternal and Child Health (MCH) Programs

Title II foods have supported PVO MCH programs, involving both prepared rations at community feeding centers and the distribution of dry rations to individual families. In addition to the provision of Title II foods, mothers receive courses in child care, home economics, hygiene, nutrition, community organization, and complementary family food production and food preservation. The overall objective of these programs is the improvement of the nutritional status of women of child-bearing age and children under six years old. Both CRS/CARITAS and ADRA/OFASA have significant portions of their Title II programs devoted to MCH activities. CARE began MCH and Child Survival (CS) interventions in FY 1986 as part of its multi-year operational plan strategy and plans to expand activities in this area in FY 1988.

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c. Other Child Feeding (OCF) Programs

CRS/CARITAS has a significant pre-school feeding program, largely focused in the rural southern sierra region. CARITAS and ADRA/OFASA are also engaged in institutional feeding of orphans and abandoned/infirm children. These programs represented approximately 15% of the PVOs' total programs in FY 1987 and provide important supplements to many children's diets which are extremely limited in such institutions.

d. Disaster Relief and Rehabilitation

In addition to the regular Title II PVO food assistance programs mentioned above, FFD continues to request a yearly 5% operating reserve level for each PVO, due to Peru's frequent natural disasters. During FY 1987, PVO activities related to the severe 1983/84 disasters in northern and southern Peru were concluded. For those disasters, the Mission provided PVOs with 48,100 MT of Title II commodities (valued at \$16.9 million plus \$3.9 million in ocean freight costs) as well as \$1.8 million in Title II monetization funds to meet the urgent food needs of the disaster victims, particularly the rural poor of the southern sierra region, and to support special disaster project activities. Food support for subsequent disasters of less magnitude during FY 1985, 1986 and 1987 was provided through the approved reserves of the regular PVO food programs.

3. Section 416 Food Programs

a. Section 416 Bilateral Program

Since 1983, the GOP has received three grants (one each in FY 1983, FY 1985, and FY 1987) of Section 416 fortified NFDM and butteroil, totalling 35,800 MT and valued at \$27.5 million (plus \$3.4 million for ocean freight costs). Under the FY 1983 grant, approximately 96 percent of the commodities were used for school feeding and 4 percent for MCH activities. Under the FY 1985 grant, school feeding was reduced to 87 percent and preschool/MCH increased to 13 percent. While the FY 1987 Section 416 grant of fortified NFDM and butteroil has been totally programmed for distribution to the most high risk groups of pregnant and lactating mothers and children 0-6 years of age, this shift is not expected to be fully implemented until FY 1989. In addition, the Ministry of Health uses GOP Public Treasury funds to purchase local cereals and other local high protein foods to complement the donated Section 416 commodities.

Prior to the shift to the most vulnerable population groups, major portions of Section 416 donated NFDM and butteroil supported massive primary school feeding programs nationally. Under the FY 1983 grant alone, 19,200 MT of NFDM and butteroil were combined with locally produced foods to provide daily rations for almost 3.1 million primary school children. Because of the higher priority nutritional needs of child-bearing women and children 0-6, the Section 416 school feeding program is being phased out.

b. Other Section 416 Child Feeding

Under the FY 1984 Section 416 grant, 500 MT of NFDM and 270 MT of processed cheese (valued at \$0.7 million plus \$0.1 million in ocean freight costs) were distributed by CARE through child feeding centers in Piura, Tumbes and Lambayeque as part of the emergency program in northern Peru. Approximately 123,000 children, victims of the "El Niño" disaster, benefited from this feeding program.

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C. Other Program Resources

1. Operational Program Grants (OPGs) and Emergency Grants

Six OPGs totalling \$4.6 million have been provided to CARE (2), CARITAS (2), OFASA (1) and SEPAS (1) since FY 1982 to complement the food assistance program by strengthening the PVOs' organizational capacity to undertake planning, targetting, implementation, supervision and evaluation of their FFW, MCH and OCF activities. In some cases, OPG funds have been used in addition to finance the inland transportation, warehousing and distribution of the Title II commodities. These grant funds also allow the PVOs to purchase necessary materials for community development and income-generation projects, training, and nutrition education and health services activities. In addition, the same PVOs received a total of \$5.2 million in 13 Emergency Grants (CARE (4), CARITAS (3), CRS (3), OFASA (2), and SEPAS (1)) in FY 1983 and FY 1984 to implement food assistance programs in response to the "El Niño" disaster in northern Peru and the prolonged drought in the south.

Table 5 shows the dates of authorization and amounts for all 19 grants. Table 6 shows the dates of obligation and amounts for the same 19 grants. Of the 19 grants, only 3 are currently active. Also, there are additional expenses to be reimbursed under the SEPAS grant which expired on May 31, 1987. The summary financial status of the three active grants and the SEPAS grant is shown in Table 7.

2. Other USAID/Peru Resources

Since early 1985, the Nutrition Research Institute (IIN), under a Private Sector Nutrition Grant financed under A.I.D. Project 527-0219 and a separate Mission-funded Specific Support Grant, has carried out activities (some jointly funded) with CARE, CARITAS, ADRA/OFASA and SEPAS, and the MOH Supplementary Feeding Program (PAC). Through these activities, IIN has provided to the PVOs and the MCH: a) training in nutrition and child survival interventions for the nutritionists who are in charge of the feeding programs; b) teaching materials and portable weighing scales to support growth monitoring and nutrition education activities; and c) technical assistance to regional level personnel in organizing and carrying out feeding programs with child survival interventions.

3. Title I and Section 416 Sugar Quota Counterpart

Between 1982 and 1987, the equivalent of \$23.0 million in Title I and Section 416 Sugar Quota counterpart funds was provided to four food-assisted PVOs and six GOP counterpart agencies working with the PVOs on food-assisted projects. Table 8 shows the CY 1987 approved Title I and, in FY 1987, Section 416 Sugar Quota counterpart allocations provided to the four PVOs and three of their GOP counterpart agencies to support the food program. These funds are used for a variety of purposes including budget support, operating expenses and program support costs.

4. Title II Monetization

The first Title II Monetization Agreement in Peru was signed September 22, 1983 and was intended to complement the \$60.2 million bilateral Disaster Relief, Rehabilitation and Reconstruction (DRR) Project in response to the "El Niño" destruction in northern Peru and the effects of the drought in the central and southern Sierra. Due to the severe shortage of vegetable

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TABLE 5
PVO OPERATIONAL PROGRAM GRANTS (OPGS) AND EMERGENCY GRANTS: DATES OF AUTHORIZATION AND AMOUNTS (In US\$000)

A. OPG 527-	TOTAL	1982		1983		1984		1985		1986		1987		PACT
		DATE	AMT	DATE	AMT	DATE	AMT	DATE	AMT	DATE	AMT	DATE	AMT	
1. 0261 (CARE)	975					06/18	600			06/23	300	06/24	75	03/31/88
2. 0166 (CARE)	20					12/18	20							05/30/85
3. 0190 (CARITAS)	275	a/		08/26	125									07/31/84
4. 0248 (CARITAS)	650					08/24	350			06/23	300	08/31	100	03/31/88
5. 0247 (CFASA)	1,445			01/31	720					06/23	575	06/24	150	03/31/88
6. 0131 (SEPAS)	1,300	05/27	750			12/22	300			06/23	350			07/31/87
SUB-TOTAL (A)	4,671		750		845		1,175		-		1,425		325	
B. EMERGENCY (CFIA, PDAS, G, OPG 527-														
1. 0277.04 (CARE)	727			08/31	710	03/05	17							06/30/84
2. 0277.07 (CARE)	500					12/28	500							03/27/87
3. 0277.08 (CARE)	300					12/28	300							07/20/86
4. 0167 (CARE)	210								08/06	210				06/30/87
5. 0277.A (CARITAS)	6			08/17	6									09/30/83
6. 0277.03 (CARITAS)	665			08/31	625									02/28/84
				10/17	40									
7. 0277.05 (CARITAS)	675					04/27	375							12/31/85
						08/02	100							
						12/21	200							
8. 02/7.B (CRS)	75			07/01	75									10/31/83
9. 0277.C (CRS)	90			09/30	90									03/31/84
10. 0277.06 (CRS)	1,130			11/16	400	08/02	400							07/20/86
						12/27	330							
11. 0227.02 (CFASA)	100			08/31	100									02/28/84
12. 0227.09 (CFASA)	383					04/27	85							12/31/85
						08/02	198							
						12/27	100							
13. 0277.01 (SEPAS)	320			08/31	100	08/02	150							10/01/85
						12/20	70							
SUB-TOTAL (B)	5,181		-		2,146		2,825		-		210		-	
TOTAL (A & B)	9,852		750		2,991		4,001		-		1,635		325	

a/ Of this amount, \$150,000 was authorized on 9/24/80.

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TABLE A
PVO OPERATIONAL PROGRAM GRANTS (OPG) AND EMERGENCY GRANTS: DATES OF OBLIGATION AND AMOUNTS (In US\$000)

A. OPG 527-	TOTAL	1982		1983		1984		1985		1986		1987		PACT
		DATE	AMT	DATE	AMT	DATE	AMT	DATE	AMT	DATE	AMT	DATE	AMT	
1. 0201 (CARE)	975					06/18	300			06/23	300	06/24	75	03/31/88
2. 0166 (CARE)	26					12/28	400							
3. 0106 (CARITAS)	241	06/25	150	08/26	125	12/23	3							05/30/85
4. 0248 (CARITAS)	650					08/24	175	a/						07/31/84
5. 0247 (OFASA)	1,445			01/31	250	01/17	250	04/02	100	06/23	275	08/31	100	03/31/88
6. 0131 (SEPAS)	1,300	05/27	300	02/15	250	01/17	200			06/23	575	06/24	150	03/31/88
						12/28	220							
						12/28	200			06/23	350			05/31/87
SUB-TOTAL (A)	4,637		450		625		1,637		100		1,500		325	
B. EMERGENCY (OFDA, PD&S, G, OPG) 527-														
1. 0277.04 (CARE)	727			08/31	175	03/05	17							06/30/86
				11/18	53									
2. 0277.07 (CARE)	500					12/28	500							03/27/87
3. 0277.08 (CARE)	300					12/28	300							07/20/86
4. 0166 (CARE)	210									08/06	210			06/30/87
5. 0277.A (CARITAS)	6					08/17	6							09/30/84
6. 0277.03 (CARITAS)	665			08/31	625									02/28/84
				10/17	40									
7. 0277.05 (CARITAS)	675					04/17	375							12/31/85
						08/02	100							
						12/21	200							
8. 0277.B (CRS)	75			07/01	75									10/31/83
9. 0277.C (CRS)	90			09/30	90									03/31/84
10. 0277.06 (CRS)	1,130			11/16	400	08/02	400							07/20/86
						12/27	330							
11. 0227.02 (OFASA)	100			08/31	100									02/28/84
12. 0227.09 (OFASA)	383					04/27	85							12/31/85
						08/02	198							
						12/27	100							
13. 0277.01 (SEPAS)	320			08/31	100	08/02	150							10/01/85
						12/20	70							
SUB-TOTAL (B)	5,181		-		2,145		2,825		-		210		-	
TOTAL (A & B)	9,818		600		2,771		4,462		100		1,710		325	

a/ After the agreement terminated, \$34,000 was left unspent and deobligated.

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TABLE 7

SUMMARY FINANCIAL STATUS OF ACTIVE FFD CPs WITH PVOs AS OF SEPTEMBER 30, 1987
(In US\$000)

CPG	527- PVO	DATE OF INITIAL		OBLIGATIONS	DISBURSEMENTS	PIPELINE	PIPELINE AS
		OBLIGATION	PACD				% OF OBLIGATION
1.	0231 SEPAS	05/27/82	05/31/87	1,300	1,091	209	16.1
2.	0247 OFASA	01/31/83	03/31/88	1,445	1,094	351	24.3
3.	0261 CARE	06/18/84	03/31/88	975	828	147	15.1
4.	0248 CARITAS	08/24/84	03/31/88	650	148	502	77.2
TOTAL				4,370	3,161	1,209	27.7

oil in Peru in 1983, 10,600 MT of the commodity were donated to Peru and sold by the GOP National Commodities Marketing Company (ENCI). Proceeds from the sale were placed in an interest-bearing account, in an attempt to maintain their dollar value in local currency, and the National Development Institute (INADE) was given the responsibility of managing the funds. The equivalent of approximately \$6.7 million in local currency was made available for programming during the life of the project from the sale of the 10,600 MT of vegetable oil valued at \$7.9 million. The loss in real value is principally a reflection of the economic situation in Peru during the period (1984-1986) the Title II monetization projects were carried out. Even though the funds were deposited in an account paying the highest interest rate permitted by law, devaluation exceeded that rate. An additional factor which exacerbated the loss was the length of the implementation period of the fund. The 57 projects approved and financed were implemented over a span of approximately two years, quite efficient from a programmatic perspective, but ample time for periodic devaluations to have severe negative effects on the local currency deposits.

The Title II Monetization Program Agreement called for priority consideration to PVO disaster response initiatives. In addition to the funding of a number of Peruvian PVO projects, 15 of the 57 projects approved under the Agreement were with the food-assisted PVOs, CARE, CRS, ADRA/OFASA, CARITAS and SEPAS. Funds approved for the 15 projects totalled \$1.8 million or approximately 27% of the total amount. Much of this support was used to transport food from ports to distribution points. Other activities were also funded, such as river flood defenses, canal construction and the purchase and distribution of 350 MT of seed potato in drought-stricken Puno.

A second Title II Monetization Agreement was signed on August 14, 1987. In early October, 1987, a total of 14,655 MT of whole wheat valued at \$1.7 million and donated through CARE, was received in Peru and sold by ENCI on regular credit terms. This Agreement was created by the reprogramming of the unused FY 1987 SEPAS Title II food allocation (\$610,000), and agreed upon reductions of CARE and ADRA/OFASA's approved FY 1987 levels (\$260,000 and \$430,000, respectively) totalling \$1.3 million. This reprogramming and an additional allocation of \$400,000 from AID/W made possible the \$1.7 million grant of whole wheat.

TABLE 3
ALLOCATION OF TITLE I AND SECTION 415 SUGAR QUOTA COUNTERPART FUNDS
IN CY 1987 FOR THE FFD PROGRAM

PROGRAM	DESCRIPTION	AGENCY	PURPOSE	I/.000	US\$ <u>a/</u>
PIBA	Basic Infrastructure Program-Community Feeding Centers	INFOR	River flood defenses by reforestation	2,111	151,652
		ONAA	Food logistics support	5,000	359,195
		COOPOP	Various communal infrastructure works; flood defenses	13,300	955,460
		COOPOP	Income-generating, self-sustaining community and feeding centers	13,300	955,460
PRAA	Reforestation with Food Support	INFOR	Establishment of nurseries; communal and family tree planting and maintenance; soil conservation	4,200	301,725
		ONAA	Food logistics support; nutritional education	5,100	366,379
Feeding Program OPG 527-0247		ADRA/OFASA	Support MCH, FFW and OCF activities	10,000	718,391
Feeding Program OPG 527-0248		CARITAS	Support MCH, FFW and OCF activities	16,000	1,149,425
Feeding Program OPG 527-0231		SEPAS	Support principally FFW and limited MCH and OCF activities	1,836	131,896
TOTAL				I/. 70,847	5,089,583

a/ Exchange Rate: 1/.13.92 = US\$1.00

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The purpose of the Monetization Agreement is to offset the sharp decrease in bilateral development assistance (DA) funds available to support the PVO food assistance programs. A total of \$400,000 of DA funds is programmed for FY 1988, and \$500,000 is projected for FY 1989. These funds are substantially below the \$800,000 average for the six-year period from FY 1982 to FY 1987 (\$4.6 million in regular OPG grants during the six-year period).

In accordance with the agreement reached between ENCI and USAID/Peru, ENCI will deposit from the sales proceeds of the 14,665 MT of whole wheat, the equivalent in local currency of \$125 per MT at the fixed rate of U.S. \$1.00 = I/.15.93, in a special interest-bearing bank account. This account has already been established and will be managed by the Ministry of Economy and Finance (MEF).

Given the significant devaluation of the Peruvian Inti against the U.S. dollar in December 1987 (approximately 50 percent) and the projected annual inflation rate for 1988 of more than 100 percent (the rate in 1987 was between 110 and 115 percent), the dollar value equivalent of the monetized proceeds will suffer appreciably. For example, the negotiated price of \$125 per MT in the monetization agreement will generate about I/.29.2 million at the negotiated exchange rate of U.S. \$1.00 = I/.15.93. In contrast, the projected FY 1988 level of \$400,000 in bilateral development assistance funds, which is converted at the official financial exchange rate and will be provided to the PVOs in OPGs, will generate well over I/.25 million. (The January 1988 official financial exchange rate has already reached U.S. \$1.00 = I/.62.87.) Therefore, as a result of devaluation and inflation, the local currency made available to the PVOs under the Title II Monetization Agreement, while critically important, will probably amount to less than what the PVOs would have received if the development assistance funds, which the Monetization Agreement was intended to "replace", had been made available.

Table 9 provides a breakdown of the Title II monetization funds programmed for each PVO in CY 1988. Proceeds from the sale of the 14,655 MT of whole wheat should be deposited in the special account by early February, 1988. By that time, we will have concluded negotiations with the MEF, which, in addition to establishing the special bank account, will assure the highest interest rate permitted by law for the local currency proceeds, and formalize the procedures for the disbursement of the funds to the PVOs. The Monetization Agreement stipulates that USAID will review and approve PVO expenditures and authorize the MEF to make the transfer of funds. We are well along in these negotiations with the MEF, but we have not yet finalized discussions with the Controller's Office on how the review, approval and authorization process will function within the Mission.^{1/}

Monetization funds will be used by the PVOs mainly to cover the costs of food handling, transport and distribution. Other uses will include

^{1/} In coordination with the Controller's Office, details are currently being worked out for the presentation of appropriate documentation by the PVOs to the USAID/Peru FFD Division for review. The FFD Division will be the Mission office responsible for authorizing the MEF to transfer funds to the PVOs. Provision will be made for a periodic selective audit of PVO records to verify the appropriate use of monetization proceeds.

TABLE 9
PVO FUNDING SOURCES - 1987-1988 ^{a/}
(US\$000)

PVOs	TITLE I & SECTION 416 COUNTERPART b/	1 9 8 7				1 9 8 8					
		PIPE- LINE c/	FY 1987 OBLIGATIONS	PVO CONTRIBUTION	TOTAL	TITLE I & SECTION 416 COUNTER- PART d/	PIPE- LINE e/	FY 1988 OBLIGATIONS	TITLE II MONETIZATION f/	PVO CONTRIBUTION	TOTAL
1. ADRA/ CFASA	718	578	150	419 <u>g/</u>	1,865	1,289	351	150	671	848 <u>g/</u>	3,309
2. CARE/Peru	-	376	75	175 <u>g/</u>	626	206	147	80	445	1,119 <u>g/</u>	1,997
3. CRS/ CARITAS	1,150	408	100	4,000 <u>g/</u>	5,658	1,443	502	85	235	4,200 <u>g/</u>	6,465
4. CWS/SEPAS	132	405	-	76 <u>g/</u>	613	-	-	-	-	-	-
5. New Refores- tation PVO	-	-	-	-	-	258	209	85	481	25	1,058
TOTAL <u>h/</u>	2,000	1,767	325	4,670	8,762	3,196	1,209	400	1,832	6,192	12,829
%	23%	20%	4%	53%	100%	25%	9%	3%	14%	49%	100%

^{a/} In this table, Title I and Section 416 Sugar Quota counterpart allocations shown are those which directly support PVO operational costs; not included are the allocations to GOP counterpart agencies working with the food-assisted PVOs.

^{b/} Exchange Rate: I/.13.92 = US\$1.00.

^{c/} Pipeline as of 9/30/86.

^{d/} Exchange Rate: I/.19.40 = US\$1.00.

^{e/} Pipeline as of 9/30/87.

^{f/} Title II Monetization figures reflect the actual negotiated amount, namely, the equivalent in local currency of \$1.5 per MT of 12.5% whole wheat.

^{g/} These figures were taken from the Multi-Year Operational Plans; actual FY 1987 contributions have not been verified. FY 1987 amounts represent financial contributions except for ADRA/CFASA, which consists of \$40,000 cash and \$379,000 in-kind. For breakdown for FY 1987, see "Detailed Program Description" for each PVO (Section I.D.).

^{h/} See text on page 19.

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the purchase of materials and tools to support food production project activities and the costs of health and nutrition-related training activities. All participating PVOs have requested that greater flexibility be allowed in the uses of Title II monetization funds due to the increasing difficulty they are experiencing in meeting administrative and operational expenses. Strong lobbying by PVO central offices continues in Washington to expand the priority uses of monetization funds as they are outlined in the Agency's Provisional Policy Guidelines currently in effect. We are also investigating possible situations where Title II monetization funds may have been approved for use in other countries to cover PVO operational costs. At the same time, we plan to analyze PVO management of their combined funding sources to determine how critical this problem really is.

5. PVO Contributions

All the PVOs provide support to the Program both in cash and through such in-kind contributions as seeds, project materials, clothing and medicine. No statutory requirement exists for a PVO to contribute from its own agency resources a specific percentage of an OPG that it has been awarded. AID policy, nevertheless, requires a PVO contribution, either in cash and/or in-kind, in an amount equivalent to 25% of the total OPG. Although this requirement has not been monitored closely, conformance with this policy does not seem to be a problem. In Section II of the document, we describe improvements we plan to introduce in the FFD Division monitoring and control system. As we modify that system, we plan to institute mechanisms for determining how efficiently the PVOs are utilizing each of the many funding sources available to them.

6. GOP Contributions

The GOP has provided substantial support to the MOH Supplementary Feeding Program. In FY 1983 and FY 1985, the GOP paid \$2.8 million in ocean freight costs to transport Section 416 food commodities. In addition, from FY 1983 to FY 1987, the yearly purchase of local foods by the MOH to supplement Section 416 commodities totalled \$27.6 million, and \$7.4 million for inland transportation of donated commodities was covered by the GOP. During the same period, the cost of project materials and training activities represented an additional \$0.3 million, bringing total GOP contributions to date for this program to an estimated \$38.1 million.

7. Summary

Table 9 summarizes the levels of funding by funding source which were available to the PVOs in 1987 and will be made available in 1988. In FY 1987, the OPG pipeline at the beginning of the year plus the \$325,000 in newly obligated OPG funds, constituted 24% of the combined resources available to the PVOs, while Title I and Section 416 Sugar Quota allocations represented 23% and PVO contributions 53% of the total. In FY 1988, Title II monetization proceeds will represent 14% of total dollar resources, while Title I and Section 416 Sugar Quota allocations will be 25%, and PVO contributions 49% of the total. The combined OPG pipeline as of the end of FY 1987 and the projected \$400,000 of newly obligated OPG funds will constitute 12% of total PVO funding sources. This larger than originally projected pipeline for FY

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1988 means that, in almost every case, the PVOs will have sufficient OPG funds already obligated to carry them through most of FY 1988. The exception will be the new reforestation PVO which will require newly obligated OPG funds to start up activities early in the fiscal year. The \$400,000 in new OPG funds projected for obligation in FY 1988 will be required to help finance activities for the initial months of FY 1989 until FY 1989 OPG funds and Title I counterpart are made available to the PVOs.

It appears from Table 9 that a considerably higher level of overall assistance (about \$4 million more from all sources combined) will be available to the PVOs in FY 1988 as compared with FY 1987. In reality, however, because of inflation and the fact that about 90 percent of the PVOs' expenditures (excluding the donated imported food) are local currency costs, the real value (purchasing power) of the total amount of Intis which the PVOs will receive from the various sources of funding (which have been converted in the table at different exchange rates) will be approximately the same as that in FY 1987. Since the PVOs plan to expand their activities in FY 1988, this means that they will be operating under very tight budgets in FY 1988. Depending on the actual rate of inflation in Peru in 1988, the PVOs' ability to meet their program objectives within the current levels of funding may be severely constrained.

D. Detailed Program Descriptions

In the following section, we describe the planned FY 1988 programs of CARE, ADRA/OFASA, and CARITAS under the ongoing OPGs and using the FY 1988 Title II food commodities which have already begun to arrive. With the exception of a few new program elements to be undertaken by CARE, the FY 1988 programs are generally similar to the types of programs these PVOs have been implementing since FY 1982 under their regular programs. We also include in this section a description of the SEPAS program from FY 1982 to the liquidation of SEPAS in FY 1987, with a summary of program accomplishments. Finally, we provide an overview of the MOH supplementary feeding program since 1983.

1. PVO Title II Programs

a. Cooperative for American Relief Everywhere (CARE)

i. Organizational Structure

CARE carried out activities in Peru intermittently from 1951 until 1970 when it established a more permanent presence to assist in the post-earthquake reconstruction effort in the Department of Ancash. Since that time, CARE has expanded activities and now manages a substantial long-term development program. A.I.D. began its support of CARE/Peru in 1972. CARE has a central office in Lima with a staff of 17, and three regional offices in Cajamarca, Trujillo and Puno with a total staff of 44. The four offices have the following departmental coverage:

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<u>Office</u>	<u>Department</u>
Lima	Lima Callao Piura
Trujillo	Lambayeque La Libertad Ancash
Cajamarca	Cajamarca
Puno	Puno

ii. CARE's FY 1988 Program of Activities

(1) Number of sub-projects and beneficiaries by program category:

<u>PROGRAM CATEGORY</u>	<u>SUB-PROJECTS</u>	<u>BENEFICIARIES</u>	<u>LOCATION</u>
FFW			
Youth Employment and Training Program (YETP) <u>a/</u>	4	400	Villa El Salvador, San Juan de Lurigancho (Lima)
Women's Credit Program (WCP) <u>a/</u>	205	750	Villa El Salvador, Zarate, Comas (Lima)
Integrated Farm Development in Rural Communities	585	4,000	Cajamarca, La Libertad, Puno
Integrated Development Program with Food Support (PRODIA) (formerly Basic Infrastructure Program-PIBA)	2,720	42,200	Lima, Callao, Piura, Chimbote, Chiclayo, Trujillo, Puno
MCH			
Child Survival Program <u>a/</u> (SANO)	125	3,000	Cajamarca
TOTAL	3,639	50,350	

a/ New Projects

(2) Distribution of beneficiaries and commodities by program category:

<u>PROGRAM CATEGORY</u>	<u>BENEFICIARIES</u>	<u>% BENEFICIARIES</u>	<u>COMMODITIES (MT)</u>	<u>% COMMODITIES</u>
FFW	47,350	94	3,942	92
MCH	3,000	6	138	3
Operating Reserve	-	-	204	5
TOTAL	50,350	100	4,284	100

Examples of sub-projects under the FFW program category include: loans to women for small businesses; training of women and young people in occupational skills and business administration; construction and management of child care centers; construction of potable water systems, wells, river defenses, small rural irrigation systems, food crop storage sheds and silos; soil conservation activities such as terracing and infiltration ditches; establishment of pastures and food crop plots; forestry activities such as the installation of nurseries, development of protective wind-breaks and flood control defenses; family gardens; tool manufacturing; establishment of rotating seed funds; and the training of farmers in irrigation methods, crop production, pasturing and soil conservation.

Sub-projects under the MCH program category include: the organization of mother's clubs; the training of village health workers; the prevention and treatment of acute diarrheal infection and the proper use of oral rehydration salts; the management of acute respiratory infections; family planning; immunization; child nutrition and growth monitoring; and special orientation for primary school 7-12 year olds in assisting their siblings regarding health/nutrition related matters.

iii. Financial and In-Kind Contributions for CARE's FY 1988 Program

<u>Financial Contributions</u>		(US\$000)
Title I/Section 416 Sugar Quota Counterpart	206	
Title II Monetization	445	
AID OPG 527-0261	227	
CARE USA	<u>1,059</u>	
SUB-TOTAL		1,937
 <u>In-Kind Contributions</u>		
AID Title II Commodities	767	
AID Ocean Freight	320	
CARE Vegetable Seeds	<u>60</u>	
SUB-TOTAL		1,147
 <u>GOP Contributions</u>		
Title I/Section 416 Sugar Quota Allocations to CARE Counterpart Agencies		2,371
TOTAL		<u>5,455</u>

iv. CARE's Counterpart Entities

(1) Municipality of Villa El Salvador: manages the Youth Employment and Training Program (YETP).

(2) Municipality of San Juan de Lurigancho: manages the YETP (main counterpart).

(3) SENATI (a public network of national technical training institutes): conducts occupational training of young people.

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(4) Central de Crédito Cooperativo (CCC): provides loans to Women Credit Program (WCP) beneficiaries.

(5) Ministry of Industry and Tourism: grants business licenses to WCP women.

(6) Agrarian Bank: provides loans to farmers in the Integrated Farm Development in Rural Communities Program and PRODIA.

(7) CORDES of Puno, Cajamarca and La Libertad: provide technical assistance and funds for the Integrated Farm Development in Rural Communities Program and funds and supervision for the Child Survival Program (Cajamarca only).

(8) Instituto Nacional Forestal y de Fauna (INFOR): provides technical assistance and implements reforestation activities.

(9) Centro de Investigación y Promoción Agropecuaria (CIPA): provides technical assistance.

(10) Ministry of Health: provides funds and staff (health promoters).

(11) CARITAS: provides mother's clubs organized by CARITAS for CARE Child Survival Program activities.

(12) ONAA: provides food logistics support.

(13) Nutrition Research Institute (IIN): provides training and technical assistance.

(14) ENAPU (the State port authority): assists CARE in the clearance of food commodities through customs.

v. Problems

(1) Problems related to the Basic Infrastructure Program (PIBA), renamed PRODIA for CY 1988, are discussed in detail in Section II.A. of this document.

(2) CARE has notified us that it has problems with the projected use of the Title II monetization funds due to be available in February, 1988. A total of the equivalent of \$201,000 in local currency of the \$399,000 programmed for CARE is earmarked for food logistics expenditures. This category is the highest priority use of monetized Title II funds according to the Agency's Provisional Policy Guidelines currently in effect. All food handling costs related to Title II commodities received by CARE/Peru are covered through a program agreement between CARE and ONAA, and it was expected that in FY 1988, monetization proceeds would be needed to meet these costs. However, the GOP recently approved an allocation of Title I counterpart funds to ONAA for these costs. Accordingly, CARE has requested that it be allowed to use the \$201,000 now budgeted for food logistics expenses to cover underbudgeted project support and operational costs. This problem is not unique to CARE/Peru. For some time, lobbying efforts by many PVOs have been intensive before Congress in Washington in an attempt to

broaden the permitted uses of Title II monetization proceeds. We are exploring with CARE possible courses of action, and are also discussing the issue of the uses of Title II monetization proceeds with all participating PVOs.^{1/}

b. Adventist Development and Relief Agency (ADRA/OFASA)

i. Organizational Structure

ADRA/OFASA has been operating in Peru as a development and relief agency since 1965, and AID began its support of ADRA/OFASA in 1978. To implement its programs in Peru, ADRA has a central office in Lima with a staff of 27, and three regional offices with a total staff of 56 which cover a total of 21 departments as shown below.

<u>Office</u>	<u>Department</u>
Lima	Lima, Junín, Ayacucho, Huancavelica, Ancash, Ica, Huánuco and Pasco
Juliaca	Puno
Arequipa	Arequipa, Tacna, Moquegua, Apurímac and Cuzco
Chiclayo	Lambayeque, La Libertad, Tumbes, Piura, Cajamarca, Amazonas and San Martín

ii. ADRA/OFASA's FY 1988 Program of Activities

(1) Number of sub-projects and beneficiaries by program category:

<u>PROGRAM CATEGORY</u>	<u>SUB-PROJECTS</u>	<u>BENEFICIARIES</u>	<u>LOCATION a/</u>
MCH			
Mother-Child Program	283	102,000	
FFW			
Agriculture Development	273	54,590	
Productive and Basic Infrastructure	158	31,575	
Micro-enterprises	221	44,175	
CCF			
Other Children Feeding Program	78	9,437	
MICEL (FFW/MCH combination)			
Maternal Child and Labor Education Center Program	12	3,840	
T O T A L	1,025	245,617	

a/ These programs are being implemented in all 21 departments, but we do not know the beneficiary breakdown by Department.

^{1/} We are currently exploring one particular solution with CARE, ONAA and the MEF whereby CARE would channel to ONAA from monetization proceeds the funds needed to meet food logistics costs, in accordance with the program agreement between the two agencies. In turn, with MEF and AID approval, ONAA would agree to the reprogramming from ONAA to CARE of an equivalent amount of Title I local currency for CARE to meet project support and operational costs.

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(2) Distribution of beneficiaries and commodities by program category:

PROGRAM CATEGORY	BENEFICIARIES	% BENEFICIARIES	COMMODITIES (MT)	% COMMODITIES
MCH	102,000	42	4,284	26
FFW	130,340	53	10,636	66
CCF	9,437	4	679	4
MICEL	3,840	1	202	1
Operating Reserve	-	-	473	3
TOTAL	245,617	100	16,274	100

Under the FFW category, ADRA/OFASA supports the development of micro-enterprises; the construction of irrigation systems, reservoirs, wells, silos, mills, storage sheds, health posts, classrooms, potable water and sewage systems, and secondary roads; and the training of small farmers in agricultural production and marketing. Under the MCH category, ADRA/OFASA provides health and hygiene services and nutrition and family education for pregnant and lactating mothers and children 0-6 years old.

iii. Financial and In-Kind Contributions for ADRA/OFASA's FY 1988 Program

<u>Financial Contributions</u>	(US\$000)
Title I/Section 416 Sugar Quota Counterpart	1,289
AID OPG 527-0247	501
Title II Monetization	671
ADRA/Washington (Administrative Support)	45
SUB-TOTAL	2,506
 <u>In-Kind Contributions</u>	
AID Title II Commodities	3,088
AID Ocean Freight	2,068
ADRA (Clothes and Medicine)	775
ADRA (Ocean Freight for Clothes and Medicine)	28
CNAA (Value of Warehousing)	20
SUB-TOTAL	5,979
TOTAL	8,485

iv. ADRA/OFASA's Counterpart Entities

(1) CNAA: provides food storage, handling, distribution, and nutrition education services.

(2) Nutrition Research Institute (IIN): provides training and technical assistance.

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(3) Ministry of Agriculture: provides technical assistance for agriculture development and productive infrastructure activities.

(4) CORDES (Departmental Development Corporations): provide technical assistance and supervision.

(5) National Development Institute (INADE): provides sub-project financing.

(6) Ministry of Health: provides training, education materials and assists ADRA in the clearance of food through customs.

(7) Cooperación Popular (COOPOP): implements, supervises and provides building materials for some of the projects.

(8) Instituto Peruano de Paternidad Responsable (INPPARES): provides educational services on family planning and related topics.

(9) Micro-Regions: monitor project implementation and provide technical assistance.

(10) Ministry of Education: provides education materials and adult education courses.

(11) Instituto Nacional de Bienestar Familiar (INABIF): provides home placement for orphans (foster parent organization type services).

(12) UNICEF: provides building materials, education materials and growth charts.

v. Problems

(1) Spot checks during field visits indicate that the necessary local food required to complement the Title II food commodity rations in ADRA/OFASA's MCH programs is not always provided, or the volume required is not appropriate to ensure the desired nutritional impact of the program. We will be analyzing the magnitude of the problem more carefully with ADRA/OFASA. At the same time, ADRA/OFASA intends to place more emphasis in its program on projects related to agricultural development and local food production which would involve take home dry rations.

(2) ADRA/OFASA has made great efforts to expand its development activities and to reach more needy and remote rural areas. However, we intend to review critically with ADRA/OFASA the consequences of this rapid expansion. It appears that in some cases, actual programming and implementation have not caught up with the agency's planning, and that the PVO may be overextending itself.

c. CARITAS

i. Organizational Structure

CARITAS began PVO activities in Peru in 1954. That same year, USAID signed with CARITAS a pilot food project agreement to promote the socio-economic development of organized small farmer groups, and since then has continued to support the food-assisted CARITAS development programs.

CARITAS has a central office in Lima with a staff of 34, and is linked with 40 diocesan CARITAS offices that cover virtually the entire country and are grouped together in five zones or geographical regions. Of the 40 diocesan CARITAS, AID provides support to 33 through CARITAS of Peru. Areas not covered are the selva and 2 dioceses in Puno. These diocesan CARITAS offices coordinate their annual planning with the national CARITAS of Peru office and receive food and some cash assistance for their project activities, but are basically autonomous under their Diocesan Board and Bishop.

ii. CARITAS' FY 1988 Program of Activities

(1) Number of sub-projects and beneficiaries by program category:

<u>PROGRAM CATEGORY</u>	<u>SUB-PROJECTS</u>	<u>BENEFICIARIES</u>
MCH		90,000
Mother-Child Programs	567	
CCF		90,000
Pre-School Children		
Feeding	133	
Day-Care Centers	1,091	
Other Children	314	
FFW		225,300
Agriculture Sector	33	
Education Sector	202	
Health Sector	17	
Communication Sector	12	
Housing Sector	14	
<u>TOTAL</u>	<u>2,383</u>	<u>405,300</u>

(2) Distribution of beneficiaries and commodities by program category:

<u>PROGRAM CATEGORY</u>	<u>BENEFICIARIES</u>	<u>% BENEFICIARIES</u>	<u>COMMODITIES (MT)</u>	<u>% COMMODITIES</u>
MCH	90,000	22	4,140	22
CCF	90,000	22	4,095	22
FFW	225,300	56	9,742	53
Operating Reserve	-	-	563	3
<u>TOTAL</u>	<u>405,300</u>	<u>100</u>	<u>18,540</u>	<u>100</u>

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(3) Distribution of beneficiaries by CARITAS zones:

	BENEFICIARIES	% BENEFICIARIES
Zone 1	73,404	18
Zone 2	94,453	23
Zone 3	82,080	20
Zone 4	97,382	24
Zone 5	57,981	15
TOTAL	405,300	100

(4) Diocesan coverage by zone:

<u>Zone 1</u>	<u>Zone 2</u>	<u>Zone 3</u>	<u>Zone 4</u>	<u>Zone 5</u>
1. Cajamarca	10. Chimbote	14. Callao	20. Abancay	27. Ayacucho
2. Chachapoyas	11. Huacho	15. Ica	21. Caraveli	28. Huancayo
3. Chiclayo	12. Huaraz	16. Lima	22. Chuquibambilla	29. Huanuco
4. Chota	13. Huarí	17. Yauyos (Cañete)	23. Arequipa	30. Huancavelica
5. Chulucanas		18. Huarochiri	24. Cuzco	31. San Ramón
6. Jaen		19. Colonizaciones	25. Puno	32. Tarma
7. Piura			26. Tacna-Moquegua	33. Sicuani
8. Huamachuco				
9. Trujillo				

Examples of sub-projects under the FFW category are: the construction of irrigation systems, reservoirs, cattle dips, classrooms, workshops, health posts, potable water systems, public bathrooms, bridges, roads, community centers, and houses; establishment of family gardens; reforestation activities; and training. Sub-projects under the MCH category include: the organization of mother's clubs, family kitchens, and day care centers. Also, during FY 1988, CARITAS plans to implement a major Child Survival Program that involves the training of nutritionists and village health promoters in coordination with the Nutrition Research Institute (IIN). A CARITAS-IIN program agreement was signed on November 6, 1987.

iii. Financial and In-Kind Contributions for CARITAS' FY 1988 Program

<u>Financial Contributions</u>	(US\$000)
Title I/Section 416 Sugar Quota Counterpart	1,443
Title II Monetization	235
AID OPG 527-0248	587
CARITAS (Administration, Warehousing & Diocesan Transport Costs)	4,000
CARITAS Proceeds from Sale of Containers	16
CRS	200
SUB-TOTAL	6,481
<u>In-Kind Contributions</u>	
AID Title II Commodities	3,400
AID Ocean Freight	2,200
Local Community Labor and Materials	8,500
SUB-TOTAL	14,100
TOTAL	20,581

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iv. CARITAS' Counterpart Entities

- (1) Ministry of Health: provides Title I funds.
- (2) Ministry of Agriculture: provides phytosanitary certifications.
- (3) Ministry of Transport and Communications: provides clearances and permits for imported vehicles.
- (4) ENAPU (the State port authority): assists CARITAS in the clearance of food commodities through customs.
- (5) INADE (the National Development Institute): provides sub- project financing.
- (6) Civil Defense: provides emergency response coordination.
- (7) CORDES (Departmental Development Corporations): provide technical assistance to diocesan CARITAS projects.
- (8) Agrarian University: provides training and technical assistance.
- (9) University of Lima: provides training and technical assistance.
- (10) Nutrition Research Institute (IIN): provides training and technical assistance.

v. Problems

(1) The relationship between CARITAS of Peru and Catholic Relief Services (CRS) is not optimum. Apart from the help CRS provides to CARITAS in formulating the annual program plan, and processing the Annual Estimate of Requirements (AERs) for food commodities and the quarterly Call Forwards, there appears to be limited interchange between the two institutions. CRS has not been successful in providing CARITAS with badly needed organizational and management assistance, nor in achieving effective diocesan CARITAS participation in the annual planning process and the allocation of CARITAS of Peru resources in support of their programs. We hope to strengthen the relationship by examining various ways of facilitating a more meaningful and productive involvement by CRS in the CARITAS program.

(2) The central CARITAS of Peru Office in Lima suffers from the limited number and capacity of its staff. As a result, CARITAS provides inadequate support to the diocesan CARITAS programs, does not monitor and supervise field activities well, and is often late or delinquent in providing the Mission with required reports. Several actions have been taken on the part of the CARITAS Board of Directors under the Presidency of Callao Archbishop Ricardo Durand Florez. The long delayed Child Survival Program was

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put under separate management and a Coordinator hired; an audit was begun in 1987 of all CARITAS activities; and the agency declared itself in a state of reorganization. The Board hopes to have most if not all of the CARITAS management problems resolved by the end of January, 1988.^{1/} At this point, considerable progress has been made. Two past OPGs have finally been totally liquidated, outstanding advances of the current OPG 527-0248 have also been liquidated, most Title II audit recommendations have been closed as of November, overdue reports have been submitted to USAID, the Child Survival Program Agreement has been signed with the IIN and project activities begun, and assurances have been given to USAID to hire badly needed administrative support staff in the diocesan CARITAS. We are monitoring the situation very closely.

(3) Amendment 4 (signed May 31, 1987) of the CARITAS OPG 527-0248 changed the financial plan mechanism from "Payment - Periodic Advance" to "Payment - Cost Reimbursement", and Amendment 5 (signed August 31, 1987) of the same OPG allows the use of either modality - Periodic Advance or Cost Reimbursement - "as agreed upon by AID and CARITAS del Peru for individual components financed under the Grant." CARITAS managers of the ARDN and Child Survival accounts have both expressed the urgent need to re-establish the Periodic Advance mechanism in support of all project activities, since CARITAS does not have sufficient funds to handle a Cost Reimbursement mechanism. We plan to discuss this matter with the Controller and take appropriate action.^{2/}

d. Servicio Evangélico Peruano de Acción Social (SEPAS)

i. Background

SEPAS was formed in 1977 by the ecumenical federation of Anglican, Methodist, Presbyterian and Evangelical Churches to promote social

^{1/} A meeting of the CARITAS Board of Directors, the CARITAS General Assembly, and the annual planning and programming workshop of all Diocesan CARITAS and CARITAS of Peru representatives will take place in January, 1988. We have been informed that these meetings will result in a number of decisions which will finalize actions begun in 1987 to improve the management structure of CARITAS and its operational and reporting systems, and to enable CARITAS to be more responsive to the organizational and resource needs of the Diocesan programs.

^{2/} Approval of the Periodic Advance payment mechanism has been conditioned on CARITAS' fulfillment of program agreement requirements, particularly as related to the Diocesan CARITAS Programs and to CRS, and verification by the Controller's Office that adequate resources and systems are in place at CARITAS to ensure that USAID-provided food and funds will be properly managed and accounted for. As a result of a series of meetings with CRS and CARITAS, we have concluded that significant and satisfactory progress has been made in the fulfillment of program agreement requirements. With regard to CARITAS' present performance and capability in the control and management of food and financial resources, the FFD Division has been carrying out field inspections of food control and distribution at different Diocesan CARITAS sites, and the Controller's Office will soon update its periodic evaluation of financial control and accounting procedures at CARITAS headquarters. The decision regarding a possible advance of funds should be reached by mid-January.

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actions that would benefit the most needy sectors of Peru, and USAID began its support of the agency since its first year of operations. SEPAS implemented its food-assisted programs in seventeen Departments of Peru plus Callao, through five regional offices (Arequipa, Huancayo, Lima, Pucallpa and Trujillo) and a national central office.

Late in 1986 after SEPAS had completed almost ten years of development and relief activities in Peru, the ecumenical federation which had formed the PVO opted to dissolve the organization. The principal causes motivating the dissolution of SEPAS were internal problems and the adverse publicity related to those problems. A two-person liquidation committee headed by the Rev. Luis Reinoso Peterson was named to design and implement a liquidation plan. Part of that process has been the close-out of the SEPAS OPG 527-0231 which expired on May 31, 1987. The financial status of the SEPAS OPG 527-0231 is as follows:

Amount Authorized	:	Total \$1,300,000 Grant
		\$1,225,000 (ARDN Account)
		\$ 75,000 (HE Account)
Amount Obligated	:	Total \$1,300,000 Grant
		May 27, 1982 : \$300,000
		February 15, 1983: \$250,000
		January 17, 1984 : \$200,000
		December 28, 1984: \$200,000
		June 23, 1986 : \$350,000
PACD	:	May 31, 1987
Amount Disbursed	:	\$1,090,572
Amount Liquidated	:	\$1,090,572
Undisbursed Balance	:	\$ 209,428

ii. SEPAS Food-Assisted Programs: FY 1982-FY 1987

SEPAS implemented its regular food-assisted programs from FY 1982 to FY 1987, a major emergency feeding program from FY 1983 to FY 1985 which was related to the "El Niño" disaster in northern Peru and the severe drought in the southern part of the country, and a special Food-For-Work Reforestation and Soil Conservation Program called PRAA, "Programa de Reforestación con Apoyo Alimentario" from FY 1982 - FY 1987.

(1) The regular program included a Maternal/Child Health (MCH) component, a Pre-School Feeding (PSF) component, Other Child Feeding (OCF), and a Food-for-Work (FFW) component. The MCH component involved growth monitoring and community feeding activities through organized women's groups, reaching thousands of malnourished children under six years of age, and pregnant and lactating women mainly from impoverished, marginal urban areas. Through the PSF component, malnourished children were assisted in group feeding centers where local food contributions were supplemented with PL 480 Title II commodities to provide a more adequate daily diet. The main elements of the OCF program were activities directed at malnourished children in four nutritional recuperation centers and eight infant feeding centers in the poor young towns or "pueblos jóvenes" of Lima. The FFW activities in the neglected rural and marginal urban areas included the construction and repair of canals,

reservoirs, wells, roads and community buildings, as well as the support of handicraft, family garden and animal husbandry projects. Between FY 1982 and FY 1987, approximately 5,000 MT of PL 480 Title II food commodities were distributed in support of all SEPAS regular program activities.

(2) Under the emergency program of FY 1983 to FY 1985, SEPAS distributed 700 MT of USAID provided food commodities, with roughly one-half in the north to support community feeding centers at the height of the El Niño disaster, the reconstruction and rehabilitation of canals, roads, bridges, schools and medical facilities, and the promotion of family gardens to ensure more balanced diets once the food assistance ended. The remainder was distributed in the south focused principally on improving agricultural production mainly through the construction of canals, wells and irrigation ditches, and recapitalizing small farmers through small loans for seed, fertilizer, animals and tools.

(3) The PRAA Reforestation and Soil Conservation Program, while strictly speaking part of the SEPAS Food-for-Work component, deserves special and separate treatment because of its magnitude and special management structure, and our intention to continue its support in the future under different PVO sponsorship.

A separate unit was created within SEPAS to manage this large scale food-assisted natural resources program in the rural areas of eight sierra Departments, in collaboration with INFOR, the GOP Forestry and Fauna Institute, and CNAA. Approximately 8,600 MT of food commodities supported the PRAA Program between FY 1982 and FY 1987. Accomplishments to date are impressive and include the following for the FY 1982 to FY 1987 period:

<u>SEPAS PRAA Program Accomplishments: FY 1982 - FY 1987</u>		
<u>ACTIVITY</u>	<u>UNIT</u>	<u>QUANTITY</u>
<u>FORESTRY</u>		
Tree production	units	38,511,655
Tree planting	hectares	27,644
Installation of permanent nurseries	units	35
Installation of community nurseries	units	63
Soil conservation	hectares	79
Training in forestation	courses	10
<u>SOCIAL PROMOTION</u>		
Community diagnosis	documents	10
Community organization for reforestation and community development	communities formed	76
Training and community promotion	training events	75
Income generation projects	projects	60
<u>NUTRITION EDUCATION</u>		
Nutrition diagnosis	documents	14
Round Table Discussions	meetings	994
Radio Programs	broadcasts	342
Women's associations	associations formed	161
Mother's clubs	clubs organized	86
Training of promoters	training events	153
Training of beneficiaries	training events	1,000

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iii. Financial and In-Kind Contributions for the SEPAS Program: FY 1982 to FY 1987
(In US\$000)

	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987	TOTAL
<u>Financial Contributions a/</u>							
AID OPG 527-0231 b/	-	340.0	179.1	153.4	217.4	200.7	1,090.6
Title I for SEPAS	123.4	92.1	115.6	73.8	124.1	131.9	660.9
Title I for INFOR	-	49.0	43.0	36.0	60.0	302.0	490.0
Title I for ONAA	23.0	31.0	52.0	60.0	26.0	366.0	558.0
<u>In-Kind Contributions a/</u>							
AID Title II Commodities	100.0	800.0	700.0	1,200.0	900.0	-	4,600.0
AID Ocean Freight	200.0	300.0	200.0	300.0	300.0	-	1,300.0
TOTAL	1,346.4	1,612.1	1,289.7	1,823.2	1,627.5	1,000.6	8,699.5

a/ We lack clear and complete data regarding the yearly financial and in-kind contributions to SEPAS itself. Partial data indicate that SEPAS contributions ranged from approximately \$500,000 as high as \$500,000 annually. We are attempting to verify this information with the SEPAS liquidation committee.

b/ OPG figures represent funds disbursed and liquidated through FY 1987.

1. SEPAS' Counterpart Entities

- (.) CNAA: provided food logistics support.
- (.) INFOR (Instituto Nacional Forestal y de Fauna): served as the implementing agency of the reforestation activities.
- (.) IIN (Instituto de Investigación Nutricional): training of nutritionists and health promoters for MCH/CS interventions.

v. Problems

In Section II of this document, we discuss the pending actions related to the SEPAS liquidation process and also our proposal for continuation of the reforestation program and for the use of the remaining funds in the SEPAS EC.

2. MOH Section 416 Program

a. Organizational Structure

The Section 416 MOH Supplementary Feeding Program (PAC) is centrally managed by a special MOH office in Lima and is implemented nationally through 26 Health Departments (UDESS) in 23 Departments including Callao^{1/}. The national PAC office of 8 includes a Director General and Executive Director, a nutritionist, a statistician and 4 accounting and administrative officers. Regionally, the Nutrition Units in the UDESS implement the PAC program. Generally, a Unit is staffed by a Nutritionist-in-charge and several nutritionists and health promoters (depending on the size of the Department and its health program), who may also have other than PAC program responsibilities.

b. Beneficiaries

The number of beneficiaries reached under the three Section 416 MOH agreements since FY 1983 are as follows:

^{1/} Section 416 projects are not programmed in the Departments of Loreto and Ucayali where all PAC program food commodities are locally purchased with GOP funds.

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PROGRAM	NFDM & BUTTEROIL MT DISTRIBUTED	BENEFICIARIES
1983-1984	13,956	3,148,972
1985-1986	11,927	1,934,911
1987-1988	16,317 a/	1,397,557 (Projected)
TOTAL	42,200	6,481,440

a/ The 16,317 MT figure is a projection of total commodities available to the MCH FY 1987-1988 Program and includes: a 3,151 MT balance of commodities at the start of FY 1987; 6,766 MT of Section 416 commodities approved and expected to arrive in Peru late March, 1988; and an additional 6,400 MT of Title I reserve commodities recently requested for FY 1988 as part of a strategy to continue the program as a Title II MCH/MCH Supplementary Feeding Program in conjunction with the PVO, PRISMA. (See Section II.D. of this document.) The balance of donated commodities available at the end of FY 1987 will have to be supplemented by a larger proportion of locally purchased foods, given the delay in the arrival of the Section 416 commodities in FY 1988 and what is hoped to be the first shipment of Title II commodities for the Program. As a result of this, a balance of donated food commodities is expected at the end of FY 1988 which would meet the transitional needs of the program until the arrival of the first FY 1989 shipments.

As shown below, prior to the FY 1987 agreement, beneficiaries were largely school children. New MCH priorities were established in 1986 based on studies of the most vulnerable population groups in Peru, and the transition began of targetting program activities toward children under 6 years of age, and pregnant and lactating women.

PROGRAM	SCHOOL	PRESCHOOL	MCH	TOTAL
	CHILDREN	CHILDREN		
	%	%	%	%
1983 - 1984	96	0	4	100
1985 - 1986	87	10	3	100
1987 - 1988	26	43	31	100 (Projected)

c. Program Approach

In the MCH feeding program, rations are distributed either in dry form to mother for home preparation or as supplements at on-site feeding centers. The PAC program is promoting the community feeding center concept to achieve a more efficient pooling of program resources and to better control food preparation and distribution to targetted beneficiaries. These feeding centers are operated by a small number of mothers on a rotating basis, and incorporate the Section 416 rations as supplements to locally purchased foods, generally cereals and pulses. (The CY 1988 GOP allocation from the Public Treasury for the PAC program will provide approximately I/.68 million for the purchase of local food I/.50.3 million from the Public Treasury was provided in CY 1987.) Building on the organization of these groups of mothers, the PAC program hopes to promote other activities, such as family gardens and animal-raising projects which will reinforce the program and help meet its nutritional objectives. At present, the overall program objective of meeting 30% of the recommended daily allowances of calories and proteins is not being fulfilled. The reasons for this are discussed below.

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d. Problems

i. Program Impact and Coverage

The current MOH program attempts to reach over half a million children under six years of age each year. To do this and, at the same time, fulfill the program objective of providing 30% of the recommended daily allowances of calories and proteins is impossible according to the recent Peru Section 416 Evaluation. The GOP locally purchased food portion of the program would have to be increased beyond reasonable expectations and GOP budget possibilities, according to the report, and the prospects of substantial increases in the amount of Section 416 commodities are virtually nil. Further, it is unlikely that the MOH could or would reduce coverage across the 26 UDESS where the Section 416 PAC program is operational. Therefore, what number of beneficiaries should be targetted and what the GOP can realistically continue to contribute to the program must be assessed to help determine the optimal level of U.S. inputs.

ii. Choice of Commodities and Program Modality

We have been advised by AID/W that no NFDM will be available under the Section 416 Program beginning in FY 1988. As suitable substitutes for NFDM are considered, it will be necessary to study thoroughly the composition of the rations in terms of the targetted population in order to achieve the desired nutritional impact. Given the short-term nature of Section 416 commodity grants and the unavailability of appropriate PAC program commodities under Section 416 for the foreseeable future, we propose in Section II of this document a strategy utilizing Title II which will also address technical deficiencies of the program.

iii. Administrative, Financial and Human Resource Deficiencies

In an attempt to service 26 UDESSs, the MOH has overextended program resources, and a series of problems have emerged as the recent evaluation confirmed. Equipment ranging from vehicles to child-weighting scales are insufficient to support the program; nutritionists and health promoters require more specialized training; and, budgetary support to fulfill educational, monitoring and supervisory responsibilities is inadequate.

Limited communication with field personnel and inadequate operational support of them by the PAC central office have resulted in the inefficient use of a generally highly committed field staff. The reporting system is unnecessarily complicated. Data collected are not efficiently consolidated and analyzed at the national level. The data that do exist do not present a clear picture of the food received and distributed during a reporting period nor the amount corresponding to GOP locally purchased foods and Section 416 supplements, the volume and composition of rations, nor the number of beneficiaries reached by category.

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iv. Institutional Coordination

FFD-assisted PVOs, UNICEF and the World Food Program also support MCH/CS activities similar to the ongoing MCH program. We do not have a clear idea of what complementarity or overlap or duplication of effort exists. In concert with the MCH, we plan to investigate the coverage of each agency and help establish more effective inter-institutional coordination.

3. Summary of FY 1988 Program

The combined FY 1988 Title II Program with the cooperating voluntary agencies and the Section 416 Supplementary Feeding Program with the MCH are expected to reach almost 1.5 million of the neediest Peruvians through the implementation of over 7,000 sub-project activities nationwide as shown in Table 10. While the projected number of total beneficiaries in FY 1988 is lower than the average annual level during FY 1982 - FY 1987, the numbers of beneficiaries under the Title II program are projected to increase and those under the Section 416 program will decrease. Specifically, while the predominately school-feeding program of the MCH in previous years reached an annual average of approximately 1.2 million school children, the FY 1988 MCH/MCH Program which focuses on the most vulnerable, malnourished population groups, will require a different ration mix, and is expected to reach approximately 699,000 children under six years of age, and pregnant and lactating mothers. Also, with the expansion of the PVO regular programs and the PRAA Reforestation and Soil Conservation Project once again in full swing, the Title II Program in FY 1988 is expected to increase its coverage from a previous annual average of 638,000 beneficiaries to about 778,000 beneficiaries.

Of the 53,804 MT of food commodities programmed to date for distribution in FY 1988, 45,864 MT have already been approved in support of the two programs, namely, 39,098 MT for the Title II Program and 6,766 for the Section 416 MCH Program. An additional 7,940 MT of Title II commodities has been requested, specifically, 1,540 MT to continue the PRAA Reforestation and Soil Conservation Program under new sponsorship and 6,400 MT to bring the Section 416 Supplementary Feeding Program under the joint sponsorship of the MCH and a specialized health and nutrition PVO. (For a detailed description of the latter strategy, see Section II.D. of this document.) In addition, the Mission plans to study the feasibility of a Title II or Section 416 monetization program to support a rural credit program for small farmers in economically depressed areas of the country. These programs will all continue to expand coverage to the more impoverished and neglected rural areas of Peru, a strategy consistent with the multi-year operational plan strategies of the implementing agencies. To assure adequate support to the participating PVOs, a new Title II monetization program will be designed as a necessary complement to OPG and PL 480 Title I/Section 416 Sugar Quota Counterpart resources. Finally, a number of analytical studies, needs assessments and workshops are planned to strengthen the implementation and management of the FFD Program, all of which are discussed in Section II of this document.

TABLE 10
FY 1988 PROGRAM PLANS

	No. SUBPROJECTS	No. BENEFICIARIES	COMMODITIES (MT)	MT PER BENEFICIARY <u>a/</u>
CARE	3,639	50,350	4,284	0.085
ADRA/CFASA	1,025	245,617	16,274	0.066
CARITAS	2,383	405,300	18,540	0.046
Reforestation PVO	135	77,000 <u>b/</u>	1,540	0.020
SUB-TOTAL	7,182	778,267	40,638	0.052
MCH (FY 1988 only)	-	699,000	13,166 <u>c/</u>	0.019
TOTAL	7,182	1,477,267	53,804 <u>d/</u>	0.036

a/ The relatively large variation in the MT per beneficiary figures among the various PVOs and between the PVO programs and that of the MCH program is a function of different ration sizes, differences in the amounts of local foods which are purchased to complement the donated foods, different nutritional objectives of the individual programs, and likely differences in how beneficiaries are calculated and reported. These are all areas which we plan to critically examine in FY 1988.

b/ As part of our planned intensive analysis of how beneficiaries are calculated and reported, which we will undertake in the next few months, we plan to look especially closely at the SEPAS data where significant discrepancies exist in this regard among various reports.

c/ This figure does not include the balance of 3,151 MT of commodities available at the end of FY 1987 from the previous program.

d/ This figure does not include additional commodity requirements in FY 1988 related to a new Title II monetization program to continue to support the PVOs and a possible new Section 416 or Title II monetization/rural credit program. These are discussed in Section II of this document.

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E. General Program Issues/Concerns

In Section II of this document, we discuss a number of specific issues and problems and the actions we propose to take to address them. In this section, we identify briefly some of the general program issues and concerns that we plan to deal with in the months ahead in coordination with the participating PVOs and GOP counterpart agencies. We are thinking about the possibility of asking Sam La Foy (FFP, AID/W) to return to Peru in early CY 1988 to help us address some of these issues/concerns.

1. Nature and Size of Rations

Several years ago, the FFD Division questioned whether the appropriate combination of commodities was being requested to meet the different program needs in Peru. In 1985, the Mission contracted a consultant to review the nutritional and cost implications of the existing program in view of the alternative compositions of available Title II commodities. As a result of that study, the number of program food products was reduced, and NFDM became one of the core commodities.^{1/} Since then, the scarcity of NFDM and increasing problems with its acceptability by target groups make it opportune to review once again our program commodity composition. This particular commodity issue is discussed in Section II.

We also intend to review the process by which the size and make-up of individual and family rations have been determined. Part of this review will be to determine the rationale for differences in ration size among the PVOs for identical program categories. Rations distributed by ADRA/OFASA and CARE and previously by SEPAS vary in amount from those distributed by CARITAS. We understand that standardized rations were the norm among all the PVOs several years ago. We will analyze with the voluntary agencies the causes that led to the changes in recent years and discuss with them the issue of standardizing rations for the different program categories.

2. Calculation of Beneficiaries

Because of the volume of Title II food received for the Peru Program, the number of beneficiaries runs into the hundreds of thousands and in some years into the millions. We intend to review the criteria and system for identifying and calculating the number of beneficiaries in the programs. We also plan to analyze how the data are recorded and interpreted. At times, a beneficiary reached should actually be considered as a family of five and not as an individual. Also, it may be misleading to consider a participant in a FFW program for one week and a child who participates for 52 weeks in a controlled feeding program each as one beneficiary.

3. Cost Per Beneficiary

Related closely to the methodology of calculating program beneficiaries is the analysis of program cost per beneficiary and the implications of the results of that analysis. Is the cost per beneficiary

^{1/} All PVO programs --CARITAS, SEPAS, CARE and ADRA/OFASA-- were reduced to three commodities: NFDM and vegetable oil in all four cases, and wheat flour the third product for CARITAS and SEPAS, rice for CARE, and bulgur for ADRA/OFASA.

exorbitant or reasonable for the different program categories? Are there considerations which justify the investment of resources regardless of cost? Is cost per beneficiary accurately reflected by counting heads, or should we weigh cost in terms of person-months of beneficiaries or another measure?

4. PVO Planning/Management/Administration

Planning, management and administration capabilities vary considerably among the PVOs. The problems we face include: a PVO overextending and overcommitting itself and requiring program implementation to catch up with excessively ambitious and unrealistic planning; situations of inadequate staffing and deficient supervision and reporting; absence of technical assistance and support of field projects; misuse or underuse of materials and equipment; continuation of existing program methodologies without adequate periodic critique, correction and improvement; and top-down decision-making with little importance attached to field requirements and inputs.

Two years ago, FFD put considerable effort and resources into the PVO multi-year planning system that has been implemented since the planning of FY 1987 programs. It was deemed necessary to have less fragmentary and more cohesive, long-term perspectives of food assistance strategies. This has been an important, indispensable step toward improved planning. We believe it is now necessary to build on that effort and focus on the institutional decision-making process itself that takes place during the planning phase, and to critically review and evaluate with the PVOs how they actually allocate the resources and make staffing decisions, how they monitor, supervise, report, and evaluate what was planned in the multi-year document. We address this question again in Section II and propose a course of action.

5. Program Mix

The programming of commodities to support FFW, MCH and OCF activities reflects the priority focus of each voluntary agency, but the PVOs, in turn, have been influenced by Agency and Peru Mission strategies and priorities. Such has been the case with regard to child survival, income generation, and micro-enterprise development in recent years, as well as the response to major disasters. Two issues we will be pursuing with the cooperating agencies in relation to program mix are: a) whether we are in fact reaching the most needy beneficiaries; and b) whether the mix of program categories is optimum to achieve the maximum development impact under the food assistance program.

6. Geographic Mix

At the time the multi-year operational plans for FY 1987 were formulated by the cooperating PVOs, an agreed upon common strategy was to retarget programs progressively toward the rural poor, particularly in the Sierra. Given the phenomena of the 1960s and especially the 1970s in Peru, massive migrations to large coastal cities, above all Lima, produced dramatic problems of poverty of staggering proportions. Many PVOs focused their efforts more on the new problems of the urban poor than on the old problems of the rural needy. This was understandable in the two preceding decades. However, studies in the 1980s pointed out that the best off of the rural poor are living under conditions worse than the most needy of the urban slums. The

PVOs have responded, and all agency programs have been expanding in rural areas. Larger amounts of food commodities are being distributed to a larger number of rural beneficiaries. We do not yet have good information on how well this retargetting has progressed since 1986 in view of the five-year goal of each PVO, but it is a factor we will monitor closely during the year.

The geographic mix of food-assisted programs is not an either-or situation. We also encourage PVOs to capitalize on the most successful and effective activities with the urban poor. These continue to remain a priority. With the pressure, however, of limited resources, we will be monitoring closely the refocus to the rural Sierra.

7. PVO Stock Inventories

End of fiscal year stock inventory figures appear to be high for ADRA/OFASA and CARITAS. We need to determine what stock levels can be considered reasonable and desirable. If, indeed, current inventories are high, we will have to discuss with the PVOs the causes, implications and actions which need to be taken.

8. Project Monitoring

Planning documents from the PVOs continue to improve in quality, and the multi-year plan strategy has been a contributing factor. However, we have experienced considerable difficulty in comparing actual implementation data against the programmed figures. Reports are not consistently received on a timely basis, and at times the information received is not reliable. We intend to review with the PVOs the importance not only of food distribution data and number of beneficiaries, but also information related to project activities, training, growth monitoring and the implementation of FFW projects. We do not have a handle on how many sub-projects have begun and terminated, and where, nor the number and coverage of training and educational activities that are being carried out.

Part of the problem is due to our existing procedures for monitoring the PVO and MCH programs. Our plans to improve this situation include the establishment of several computerized information systems in the FFD Division: a commodity tracking system, a financial management tracking system, in coordination with the Controller's Office in order to complement recording procedures and avoid duplication, and a system to monitor outputs and beneficiary targets. In addition, a schedule of field trips with specific objectives will be prepared by FFD staff for FY 1988, and data from field trip reports will be fed into the centralized monitoring system in the Division.

Regarding the commodity tracking system, ADRA/OFASA intends to apply in Peru a computerized commodity tracking system first developed for ADRA in Bolivia. Earlier this year, we received word from AID/W that the commodity tracking system developed in Bolivia would be packaged for worldwide use during FY 1988. Recently, however, we learned from a contact in Bolivia that funding limitations may make the worldwide application of the commodity system software impossible during the current fiscal year. Given that ADRA/OFASA is likely to proceed independently to install the system in Peru this year, we plan to examine the possibility of including the other PVOs in the training and technical assistance that would be offered by a consultant brought in by ADRA/OFASA.

II. FY 1988: Prospects, Possibilities and Problems

The FFD Division portfolio currently consists of the following: A) three active OPGs and integrated Title II food assistance programs, one each with CARE, CARITAS, and ADRA/OFASA; B) a recently approved (August 1987) Title II monetization program for the food assistance PVOs; and C) a recently approved (August 1987) Section 416 MOH/MCH feeding program. We also have to finish closing-out the SEPAS/PRAA OPG program and the remaining audit recommendations of the RIG audit issued in May 1987.

In FY 1988, we are proposing: A) the design of three new Title II OPG food assistance programs (one to replace the MOH/MCH Section 416 Program, another to continue the SEPAS/PRAA reforestation/soil conservation program, and a possible new monetization/rural credit program); C) the development of a new Title II monetization program; and D) the conduct of a variety of feasibility and other studies and activities. These are all discussed below, along with several issues/problems and the staffing implications of all of these programs and activities.

A. CARE Basic Infrastructure Program (PIBA)

The Basic Infrastructure Program (PIBA), coordinated by CARE, began in 1980 as an effort to improve the quality of life in the poor "Pueblos Jóvenes" of Lima and Callao - sprawling communities encircling Lima which began as squatter settlements in the 1960's and 1970's. The principal counterpart agency was the Ministry of Housing and Construction (MOHC), but the program also called for the participation of the Ministries of Education and Health (MOE, MCH), the National Food Support Institute (ONAA), and the National Forestry and Fauna Institute (DGFF or INFOR). The Program focused initially on FFW activities requiring significant community participation and aimed at building and equipping schoolrooms, health posts and community centers, paving streets and sidewalks, and promoting tree planting within and near community settlements. Since 1982, program activities have expanded and include the construction or rehabilitation of potable water systems, the creation of micro-enterprises, the implementation of community feeding centers, child survival interventions and primary health care outreach services, and the development of river flood defenses by combining reforestation strategies and the construction of retention walls and gabions. During this period, program activities were extended to the Department of La Libertad, and the principal counterpart agency, the Ministry of Housing and Construction, was replaced by Cooperación Popular, a centralized, autonomous non-ministerial national level public entity formed to promote and implement community development activities.

PIBA is now floundering, due principally to the inefficiency, poor management and apparent lack of interest of Cooperación Popular. Substantial Title I counterpart funds have been used to maintain an inept bureaucratic machine rather than to support project activities. CARE has decided not to renew its program agreement with Cooperación Popular once it expires on December 31, 1987, and we support this decision.

CARE has decided to redesign and expand the PIBA program and has identified new counterpart agencies to be responsible for the program beginning on January 1, 1988. The new program, which will be called PRODIA, "Programa de Desarrollo Integral con Apoyo Alimentario," will have as its

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principal Peruvian counterpart agencies, six ^{1/} CORDES (Ministry of the Presidency), the Ministry of Agriculture's Water and Soil Administration (Direccion General de Aguas y Suelos), the Forestry and Fauna Administration (DGFF or INFOR), and the National Food Support Office (ONNA). In addition to Lima, Callao and La Libertad, the program will be extended to Cajamarca, Ancash and Puno. CARE will continue to be the Project coordinating agency. The Mission has proposed to the Ministry of Economy and Finance (MEF) that CY 1988 Title I and Section 416 Sugar Quota counterpart funds be provided for all the counterpart agencies and, for the first time, for CARE (1.4 million) to help meet administrative and technical assistance costs. The Mission (PROG) will have to follow-up with the MEF to ensure that these funds are made available to the counterpart agencies and CARE.

B. SEPAS Liquidation

The SEPAS liquidation committee has been coordinating the close-out of OPG 527-0231 with the Mission but has yet to present the final voucher for legitimate expenses legally incurred prior to the PACD. We estimate that final expenditures to be reimbursed will be between \$10,000 to \$15,000, leaving an undisbursed balance of approximately \$195,000 to \$200,000. Other close-out activities yet to be finalized include: the disposition of non-expendable property; the use of remaining Title I counterpart funds and the submission of Title I reports to the GOP; the distribution of the balance (781 MT as of September 30, 1987) of Title II food commodities received for the reforestation program; final reconciliation of a 1985 theft of 26.7 MT of Title II food, the financial close-out of the SEPAS Emergency OPG 527-0277.01; the deobligation and reobligation of unused funds from the recently ended OPG 527-0231; and the submission of a final Project Report. We are working with the liquidation committee on all of these activities and expect to complete them by the end of February, 1988.

Given the desirability of continuing the PRAA Reforestation and Soil Conservation Project (see below), we propose that the final OPG balance of

^{1/} CARE has recently informed us of complications with the Corporations of Lima and Callao which may make it impossible or infeasible for them to be among the CARE counterparts for the PRODIA Program. In the case of CORDELIMA, the Corporation implements projects in all provinces of the Department of Lima, except the Province of Lima itself where the bulk of PRODIA activities will be carried out. In the case of CORDECALLAO, the Corporation does not receive funds from the Public Treasury because of other revenues granted by the Central Government. Alternative counterpart institutions have been considered to implement PRODIA activities in Lima and Callao, including the Supplementary Feeding Program Office (PAC) of the Ministry of Health and the district level municipalities of the "Pueblos Jóvenes." Preliminary CARE/AID conversations with MOH officials have been promising, and we will continue to work closely with CARE to determine the most feasible solution. In the meantime, the implementation of program activities scheduled to begin the first of January, 1988, will be delayed. Program agreements were signed in December with ONAA and the Ministry of the Presidency; the CARE-INFOR agreement is still in effect; agreements with the Departmental Corporations of Cajamarca, La Libertad, Ancash and Puno and with the Ministry of Agriculture's Water and Soil Administration are in process; and the agreement with the MOH is being negotiated.

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ARDN grant funds be deobligated and reobligated to support the PVO selected to replace SEPAS.

C. PRAA Reforestation and Soil Conservation Project

With the institutional liquidation of SEPAS, the successful food-assisted Reforestation Project, PRAA, lacks the PVO linkage and leadership it needs. Reforestation and soil conservation activities implemented through the network of CENFORs (the regional reforestation centers of the National Forestry and Fauna Institute, INFOR) and of CNAA (the government food storage and distribution agency) in eight Departments of the Peruvian Sierra improved dramatically with the initiation of the SEPAS/PRAA Program Agreement of 1982. A separate unit was set up within SEPAS, called SEPAS/PRAA, and this unit managed the Reforestation Program with a certain degree of autonomy. Prior to the Agreement, GOP budget allocations for the program covered almost exclusively salaries and administrative costs, leaving virtually no funds available for seedling production, distribution, and maintenance. The SEPAS/PRAA Agreement provided crucial complementary funding sources (OPG and Title I counterpart), timely arrival of resources, more effective coordination and supervision, and the added benefit of food support. SEPAS/PRAA became, in effect, the critical channel for financial and food resources to support the program, and the key element in the coordination of program implementation.

The program was evaluated in April 1987 by an independent consultant, Gerald Murray. In Murray's view, the mixed private/public institutional delivery system utilized in this Project "functioned excellently." The mechanism provided not only a necessary flexibility in resource transfers but also the presence of an outside body that could identify needed corrections and push for the implementation of those corrections. With the beginning of the SEPAS liquidation process in late 1986, the network of CENFORs and CNAA have continued to manage project activities without the involvement of SEPAS/PRAA, but with limited resources. No approved SEPAS Title II food commodities were called forward for FY 1987. However, FY 1986 food stock balances have continued to be distributed by the CENFORs and CNAA at reduced levels and at a slower pace. There has not been an interruption of Title I counterpart transfers to INFOR and CNAA during 1987, but 1988 allocations for PRAA are being held in reserve. Based on the recommendations of the Murray evaluation, which confirmed the desirability of continuing this program, we began the process of selecting an appropriate PVO to redesign and continue the PRAA reforestation and soil conservation project.

From a group of twelve (12) voluntary agencies, we began a process of evaluation which resulted in the determination that CARE was the most appropriate organization to continue the project. Negotiations with CARE should be finalized during January, 1988, and we estimate that we will be able to sign a grant agreement by February, 1988. The Mission has already requested a budget allowance from AID/W of \$100,000 in ARDN funds for the OPG. We plan to shortly seek AID/W approval of a FY 1988 Title II commodity allocation for CARE for this program. In addition, Title II monetization funds have already been provided for in our FY 1988 plans to support a reforestation/soil conservation project. Finally, CY 1988 Title I and Section 416 Sugar Quota counterpart funds have been included in our request to the MEF (and in the MOH's request to the MEF) for the new sponsor. The Mission (PROG) will have to follow-up with the MEF to ensure that these funds are made available to the PVO once the program agreement is signed.

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D. MOH Supplementary Feeding Program (PAC)

Fortified NFDM and butteroil will not be available under Section 416 in FY 1988 and probably beyond. In fact, Peru received only about one-half of the amount of Section 416 NFDM actually requested in FY 1987 for the MOH Program. The remaining commodities available under the Section 416 Program, namely whole grains, are inappropriate and unacceptable for the MOH/MCH Program. On the other hand, commodities available under the PL 480 Title II Program, particularly the blended foods, would be appropriate. However, Peru does not qualify for the existing government-to-government PL 480 Title II Programs which are available for the least developed countries. Therefore, in order to continue the MOH/MCH Program, the Mission would have to identify an appropriate PVO to undertake a Title II MCH supplementary feeding program in conjunction with the MOH. ?

In late September 1987, coincidentally, the FVA/FFP Bureau in AID/W sent a consultant to Peru to evaluate the Section 416 Program as part of a worldwide Section 416 Program evaluation effort. The consultant identified serious administrative, technical and management deficiencies in the Program in Peru and recommended several feasible and appropriate corrective actions. At the same time, she strongly recommended the continuation of the Program, given the magnitude of the nutritional problem in Peru nationwide and the potential impact of the Program. We also recognize the need to more fully integrate the provision of food aid with the delivery of child survival services in the MOH, as part of the Mission's overall CS strategy. The recent signing of the new Child Survival Action (CSA) Project makes this undertaking all the more appropriate and feasible as the new CSA Project will provide complementary inputs to the MOH. We have therefore concluded that in order to sustain and improve the overall quality and impact of an MCH supplementary feeding program through the MOH, we need to identify a PVO with particular skills and expertise in the design, implementation, management and evaluation of health and nutrition programs to work with the MOH.

We believe that PRISMA is uniquely qualified to perform this function. Preliminary discussions with the President of PRISMA and the President of its U.S. counterpart organization, PRISM, based in Maryland, indicate that the organization is very interested in undertaking this program. PRISMA is well-known to both the Mission and the MOH. It has two other USAID grants (the Risk Project and "Niños" Journal) and works closely with the MOH on a number of health activities, although not specifically with the Supplementary Feeding Program (PAC) staff in the MOH. We are considering the possibility of using Child Survival funds for the OPG, at an estimated annual level of \$150,000 over 5 years or \$750,000. We believe that we would probably be able to sign a grant agreement by May 31, 1988.

Actions to be taken:

1. Secure senior Mission management approval to pursue the possibility of an FY 1988 Title II MOH/MCH Supplementary Feeding Program OPG with PRISMA in lieu of the Section 416 Program with the MOH.

2. Cable AID/W to advise them of our proposal to replace the Section 416 Program with a Title II program and investigate the possibility of securing higher Title II levels for FY 1988 and beyond for this purpose.

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3. Discuss the possibility of this approach with the MOH, including the nature and level of technical assistance inputs to be provided by the PVO.
4. Select commodities appropriate for the PAC program from those available under the Title II program.
5. Request that PRISMA/PRISM submit to USAID a proposal and budget.
6. Take necessary action to assist PRISM to be registered as a PVO by AID/W. (PRISM has advised us that AID/W has put a freeze on registering new PVOs, but they believe that AID/W would register PRISM for a specific program in Peru if the Mission strongly supported its application.)

Another problem yet to be resolved relates to the shipment of the NFDM and butteroil under the FY 1987 Section 416 MOH Program. As of November 13, ENCI had agreed to serve as the shipping agent, at the request of the MOH, although no formal agreement has as yet been signed between the MOH and ENCI. While the MOH/ENCI agreement is being negotiated in Lima, ENCI's representative in the United States has made preliminary contacts and begun to coordinate shipping arrangements with USDA and the Commodity Credit Corporation (CCC). Since early October, we have been trying to facilitate the necessary steps to be taken by the MOH and ENCI. However, recent personnel changes in the PAC Program (the Director and Deputy Director) as well as the Director of External Cooperation in the MOH have contributed to these delays. We are confident, however, that the remaining problems should be resolved by the end of November.^{1/}

E. Peruvian Institute of Social Security (IPSS) Feeding Program Study

Several years ago, spouses became legal recipients of IPSS services, and this year, children of Social Security contributors have also been brought under IPSS coverage. One problem area that has already surfaced is that of malnutrition. How serious the problem is, what percentage of the IPSS client child population is affected, and which geographical areas reveal a higher incidence of malnutrition cases, are all questions which need to be addressed. The IPSS has specifically requested food assistance as part of its program of activities under the new FY 1987 Child Survival Action Project. Accordingly, we propose to use Child Survival or Health PD&S funds to hire a consultant in February, 1988 to determine the feasibility of and need for developing a food assistance program with IPSS. If such a program is judged to be feasible and desirable, it would be incorporated into the proposed new MOH Title II Program with PRISMA. The addition of IPSS beneficiaries in the MCH feeding program would require an increase in the Title II food requirements for Peru.

^{1/} The MOH/ENCI agreement has been approved and presented for final signature by representatives of both entities. ENCI recently informed us that in coordination with the Commodity Credit Corporation in Kansas City, loading of the food commodities is expected the final week of February, 1988, and estimated arrival at Peruvian ports the end of March. We are discussing with the MOH the program implications of this delay, and what steps to take, perhaps with increased purchases of local foods, to maintain program activities at desired levels.

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F Possible New Monetization/Credit Program

In recent years, rural credit programs have been highly effective in meeting target population needs in projects assisted by A.I.D. in Peru. As part of the Disaster Rehabilitation and Reconstruction Program, revolving credit funds were established in Puno, Apurimac, Huancavelica, Cuzco, Moquegua and Tacna, and managed by counterpart GOP agencies. An A.I.D.-funded evaluation gave high marks to the revolving fund approach and reported that 13,955 poor farm families benefitted from the loans. Interestingly, 80% of the families had no previous experience with formal credit.

In Puno, CARE developed a seed potato bank program to counter chronic seed potato shortages. Since 1984, over 2,000 poor farm families from 38 communities and organized farmer groups have received loans of quality seed potato and fertilizer. In addition, they have received technical and material assistance in setting up community storage sheds with the goal of institutionalizing the revolving system at the community level. ADRA/OFASA, with technical assistance from CARE, has developed a similar seed potato credit program in other rural communities of Puno.

"Fomento Integral Campesino" (FINCA) began a rural credit program in the Department of Ayacucho in early 1986. Initial funding was provided by the A.I.D. Title II monetization fund managed by the National Development Institute (INADE). The project has made 91 collective loans to 94 community groups in four provinces over a period of 18 months. Recuperation of 76% of the first year payments (repayments are due in four years with an optional one year grace period) have already permitted a recycling of credit and aided the expansion of the program to other communities. Also, in La Libertad, CARE has set up a credit program in support of micro-enterprises. Since 1985, over 2,000 loans have been made to individuals and groups which otherwise would not have had access to credit.

These food-assisted PVOs and other organizations supported by A.I.D. resources consider these credit programs among the most successful ventures yet undertaken and among the most creative responses to the needs of poor community groups. They have also found that with proper planning, training, technical assistance and supervision, poor farmers and laborers who have never previously handled institutional loans are perfectly acceptable credit risks.

Food best promotes development when it impacts favorably on the economic and social conditions of the poor. Accordingly, we believe that the monetization of an appropriate Title II or Section 416 commodity to set up a rural credit fund managed by a PVO, possibly jointly with a GOP counterpart agency, could become a vitally important use of our food resources. We therefore propose to use ARDN PD&S funds to hire a consultant in February, 1988 to determine the feasibility of such a monetization/rural credit program. If the program is judged to be feasible, desirable and appropriate, we would proceed to identify interested organizations, develop a request for proposals (RFP) and evaluation criteria, complete the selection process and sign an agreement by June 30, 1988. Total costs for a three-year pilot program are estimated at \$350,000, with first year (FY 1988) funding of \$150,000 in ARDN grant funds.

G. FY 1988 Operational Program Grants (OPGs)

The SEPAS OPG 527-0231 expired May 31, 1987. The CARITAS OPG 527-0248, ADRA/OFASA OPG 527-0247, and CARE OPG 527-0261 all will expire March 31, 1988. We plan to extend the termination dates for the latter 3 grants to September 30, 1988 at no additional cost. Based on current estimates of rates of expenditure and projected availabilities of funding under the OPGs, the Title II monetization program, and Title I and Section 416 Sugar Quota counterpart, these organizations should have sufficient funds to carry them till the end of FY 1988 for all but their child survival project activities. For the latter, an additional \$50,000 will be needed to finance activities till the end of FY 1988. (See below.)

With respect to the programs beyond September 30, 1988, we are considering two options: 1) the design and development in FY 1988 of a 5-year, \$2 million multi-institutional umbrella OPG that would include CARITAS, ADRA/OFASA, and CARE and possibly PRISMA (for the MOH feeding program) and the possible new credit program PVO; or 2) the design and development in FY 1988 of separate multi-year OPGs with each of the Title II Program PVOs. The advantages of the umbrella approach include: 1) flexibility in programming financial and other program resources; 2) reduced program management and administrative burden on the Mission including reduced documentation requirements; and 3) increased potential for coordination among the PVOs in exchanging program experiences, in targetting program resources, and in sharing expertise in food distribution and technical skills in project design, implementation and evaluation. The feasibility of this approach will rest largely on the willingness of all of the PVOs to participate and our collective ability to define an appropriate and feasible institutional framework to receive, manage and administer the food and financial resources.

We plan to analyze these alternatives with the PVOs and other offices in the Mission over the next few months and reach a decision by March 1 as to which option we will pursue. We estimate that we will be able to obligate the OPG funds (either through one umbrella OPG or through multiple OPGs) by July 1988. For FY 1988, \$400,000 in ARDN funds has been programmed for CARE, CARITAS, ADRA/OFASA and the new reforestation/soil conservation OPG. These funds, plus the anticipated \$195,000 - \$200,000 from the SEPAS/PRAA deobligation should be sufficient,^{1/} provided we also obtain adequate Title I and Section 416 Sugar Quota counterpart and Title II monetization funds to support the PVOs. We are currently in the process of determining the required levels of funding from these various sources and should complete this exercise by the end of January 1988.

^{1/} If we go forward with the new credit program and the PRISMA/MOH feeding program, we would probably require an additional estimated \$150,000 in ARDN grant funds and \$150,000 in CS grant funds, respectively, for obligation in FY 1988, as well as possibly Title I and Section 416 Sugar Quota counterpart and Title II monetization funds.

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However, existing balances of CS funds in the OPGs will be inadequate to meet FY 1988 needs. We estimate that CARE will exhaust CS balances in June, 1988, and that CARITAS will be in need of additional CS funds by August, 1988. To assure adequate funds for the balance of FY 1988 and meet FY 1989 requirements, we estimate the need for an additional \$280,000 to support PVO CS activities, namely, \$50,000 to finance activities through the end of FY 1988 (CARE = \$30,000 and CARITAS = \$20,000), and \$230,000 for planned activities in FY 1989 (CARE = \$100,000; ADRA/OFASA = \$10,000, and CARITAS = \$120,000). We may be able to meet some of these requirements with Title I and Section 416 Sugar Quota counterpart and/or Title II monetization funds and plan to examine this issue as part of our planned comprehensive financial review of the program.

H. Title II Commodities and Fiscal Year Levels

Here we are faced with a variety of problems. The first relates to commodity availability in FY 1988 under the Title II Program and the probable need to make changes in the FY 1988 3rd and 4th Quarter Call Forwards, due to the worldwide shortage of NFD. The second concerns the required increase in the USAID/Peru Title II request level for FY 1988 to support the reforestation/soil conservation program under new PVO sponsorship, the MCH (and possibly IPSS) supplementary feeding program, a new Title II monetization program to continue to support the food-assisted PVOs, and possibly a new monetization/credit program. A third concern relates to the possible non-availability of Title II rice in FY 1988 and the need to substitute other commodities for this food product. A fourth concern deals with the question of the suitability of food commodities, i.e., whether FFD is requesting food products which are appropriate for the programs currently being supported. This issue was raised several years ago, and a 1985 FVA/FFP funded study recommended that the Mission limit its selection to three commodities for all programs: NFD, wheat flour and vegetable oil, with rice in place of wheat flour for CARE, and bulgur in place of wheat flour for ADRA/OFASA.

Given the scarcity of NFD and the need to identify appropriate substitutes, especially to support MCH and CS programs, it is once again an opportune time to undertake an across-the-board review of commodities most appropriate for the MCH, FFW and other feeding programs being supported. Other factors such as cost and complexity of logistics and management, ration size, commodity mix, and suitability/acceptability based on geographical and other considerations also need to be examined. We plan to initiate a dialogue with the participating agencies on this matter shortly and hire a consultant with ARDN PD&S funds in February 1988 to help us investigate these concerns. Consideration is being given to the possibility of having the Nutrition Research Institute (IIN) assist us to undertake this exercise.

Appropriate substitutes for milk will be explored both on the basis of availability and cost in the U.S. and on the basis of suitability and acceptance in Peru. For FY 1988, it appears that a ton-for-ton substitute of Corn Soya Milk (CSM) will be available where milk supplies have to be reduced, in spite of the difference in cost of the products (CSM=\$259/MT; NFD=\$110/MT). We have also recently received samples of Instant Corn Soya Masa Flour (approximately \$140/MT) which will be tested by the different voluntary agencies as well as the Nutrition Research Institute (IIN) for acceptability and suitability as a substitute or partial substitute for NFD. We hope to finalize this exercise by the end of February 1988.

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I Monetization Requests

Reduced ARDN funding levels for the OPGs will continue into FY 1989, making the need for an FY 1988 monetization proposal highly probable. At least two PVOs (CRS and CARE) have indicated an interest in submitting monetization proposals for special projects. In addition, we are interested in undertaking a study to determine the feasibility of a monetization/rural credit program in FY 1988 as mentioned above.

Once the combined OPG and Title II monetization spending levels during FY 1988 are more clearly established for each PVO, we plan to initiate the development of a new FY 1988 Title II monetization proposal in collaboration with the PVOs. We anticipate being able to complete a first draft of such a proposal by April 30, 1988 and to sign an agreement by July 31, 1988.

J. PVO Workshops/Program Reviews

The voluntary agencies working with food assistance programs are facing needs common to all as well as others specific to each organization. All, for example, have been asked by AID/W to improve the next update of their Multi-Year Operational Plan (MYOP) (due in AID/W in April, 1988), to refine their monitoring and evaluation systems, to submit more complete and timely reports, and to continue the programming shift from the more easily accessible urban areas to the more needy and difficult-to-reach rural areas. Many of these areas for improvement were noted in the May 1987 RIG audit report. In addition and more specifically, CARITAS is undergoing significant reorganization, CARE is negotiating a delicate change of counterparts in its Basic Infrastructure Program, and ADRA/OFASA is attempting to coordinate more extensively with the Micro-regions in the Sierra.

Actions to be taken to address these problems include the following:

1. We are jointly organizing with each PVO a program review workshop to assess progress and address pending issues. These workshops are scheduled to be held between November, 1987 and January, 1988.^{1/}
2. We propose to revive periodic joint meetings of key staff from all cooperating voluntary agencies beginning in November, 1987.^{2/}
3. To improve the quality of the PVO programs in the FFD area and to plan more effective assistance for the cooperating voluntary agencies, we propose to hire a consultant in May, 1988 with ARDN PD&S funds to conduct a PVO Planning, Programming, and Management Needs Assessment of CARITAS, CARE and ADRA/OFASA, and of any other PVOs with which we may be working.

^{1/} The first of these workshops was held with ADRA/OFASA in early December, 1987. The workshop with CARITAS has been scheduled for January 20, 1988, and that with CARE for late January, but the date has not been confirmed.

^{2/} A joint meeting was held in November to discuss several issues of common interest; no meeting was held in December due to conflicting schedules, and a late January meeting will focus on procedures and issues related to the Title II Monetization Program and the presentation of the MYOP update for FY 1989.

K. 1987 RIG Title II Audit

The majority of the RIG Title II audit recommendations were closed as of June, 1987. Of the recommendations noted as pending in the RIG cable of August 31, 1987, we have since closed-out all those related to ADRA/OFASA, and we should close-out the two pertaining to CARE by December 31, 1987.^{1/} Of the recommendations pertaining to CARITAS, we have closed-out four of the six listed in the August 31 RIG cable. The two recommendations still pending are the following:

1. "Has the CARITAS plan outlining proper procedures to be followed for the preparation of accurate commodity statements, including the submission of accurate and timely inventory control reports, the documentation of physical inventories and reconciliation with records, and proper recording of inventory movements in the kardex system, been successfully implemented?"

2. "Has A.I.D. assured that CARITAS is now in compliance with all reporting requirements, including quarterly reports and monthly reports of lost or damaged commodities?"

The implementation of these remaining recommendations should be completed by March 31, 1988. This length of time is required since the recommendations deal with the implementation of procedures in Diocesan CARITAS programs throughout the country. To implement these procedures effectively and better supervise field activities, CARITAS has agreed to contract additional personnel, an action the Mission has insisted on for some time. FFD staff will closely monitor CARITAS compliance with these remaining audit recommendations and will keep the Mission informed of its performance. Also, we will assure continued compliance with A.I.D. norms and procedures through regularly scheduled field trips to the project sites of all participating PVOs.

L. FFD Staffing and FY 1988 Workplan

PSC Eliane Karp's contract terminated on December 3, 1987, and FSN Armando Rodríguez is due to retire at the end of January, 1988. The designated new Chief of FFD (Nick Jenks) will probably not arrive in-country before July, 1988. Therefore, as of January 1, 1988, the Division will have an Acting Chief, three other professional staff, and two secretaries. One of the professional staff is due to begin a two-month maternity leave on May 1, 1988, and may even be leaving the country as of July 1988.

As noted above, the workload for the FFD Division in FY 1988 includes the following:

^{1/} The CARE agreement with ONAA, signed on December 23, 1987, contained the publicity clause as recommended. The CARE internal review plan was reviewed and considered acceptable, and we have requested that CARE submit a schedule for its implementation and submission to USAID/Peru.

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<u>Activity</u>	<u>Target Date for Completion</u>
1. Extension of the three on-going OPGs with CARE, ADRA/OFASA, and CRS/CARITAS to September 30, 1988, and monitoring their implementation through regularly scheduled field visits throughout the country, and addressing the issues/problems noted in Section I of this document.	01/31/88 (Extension) On-going (Implementation)
2. Implementation of the FY 1987 Title II Monetization Program approved in August 1987.	On-going
3. Implementation of the FY 1987 Section 416 MOH Supplementary Feeding Program.	On-going
4. Close-out of the SEPAS OPG 527-0231.	02/29/88
5. Implementation of the PVO programming and evaluation workshops.	11/30/87- 1/31/88
6. Redesign, obligation, and implementation of a reforestation/soil conservation food assistance project with a new PVO.	2/15/88 (Obligation) On-going (Implementation)
7. Implementation of a feasibility/needs assessment study and possible development of a new food assistance program for IPSS in conjunction with the MOH program with PRISMA.	3/1/88 (Study) 5/31/88 (Obligation)
8. Preparation of required inputs for the Country Development Strategy Statement (CDSS) Update and Action Plan and the Annual Budget Submission (ABS).	2/15/88 (CDSS/Action Plan) 5/1/88 (ABS)
9. Analysis of commodity requirements and availabilities and identification of the most appropriate commodity types and levels for food assistance programs in Peru in FY 1989.	2/15/88
10. Implementation of a feasibility study and possible development and obligation of a new Monetization/Rural Credit Program with a new PVO.	2/28/88 (Study) 6/30/88 (Obligation)
11. Preparation of Annual Estimates of Requirements (AERs) for FY 1989.	4/1/88
12. Update of the multi-year plans for CARE, CARITAS and ADRA/OFASA.	4/1/88
13. Implementation of the remaining RIG audit recommendations.	3/31/88

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14. Implementation of a PVO planning, programming and management needs assessment study. 6/1/88
15. Development and obligation of a new Title II MCH/MCH Supplementary Feeding Program with a new PVO (PRISMA) to replace the Section 416 Program with the MCH. 5/31/88 (Obligation)
16. Analysis of Title I and Section 416 Sugar Quota counterpart funding requirements of PVOs and preparation of requests for CY 1989 (and possible supplemental requests for CY 1988). 6/15/88
17. Design and installation in the FFD Division of a computerized inland commodity tracking system, a financial management tracking system and a system to monitor outputs and beneficiary targets. 6/30/88
18. Development and obligation of a new multi-year umbrella OPG for all the PVOs (CARE, ADRA/OFASA, CARITAS and the new PVOs in 6, 10 and 15 above) or separate multi-year OPGs with CARE, ADRA/OFASA, and CARITAS in addition to the new PVO activities. 7/31/88
19. Development and signing of a new FY 1988 Title II monetization proposal. 7/31/88

As shown in Figure 1, the Division requires a total of 6 professionals (which is what we had in November) and 3 secretaries (an increase of 1 over our current level). We propose to hire two new FSN professionals (in place of Karp who departed in early December, 1987, and Rodriguez who retires at the end of January, 1988) and a new secretary. With the installation of computerized systems in the Division, we anticipate that at least 2 of the secretaries will be spending a good deal of time inputting data and keeping the systems current and accurate. We therefore recommend the following:

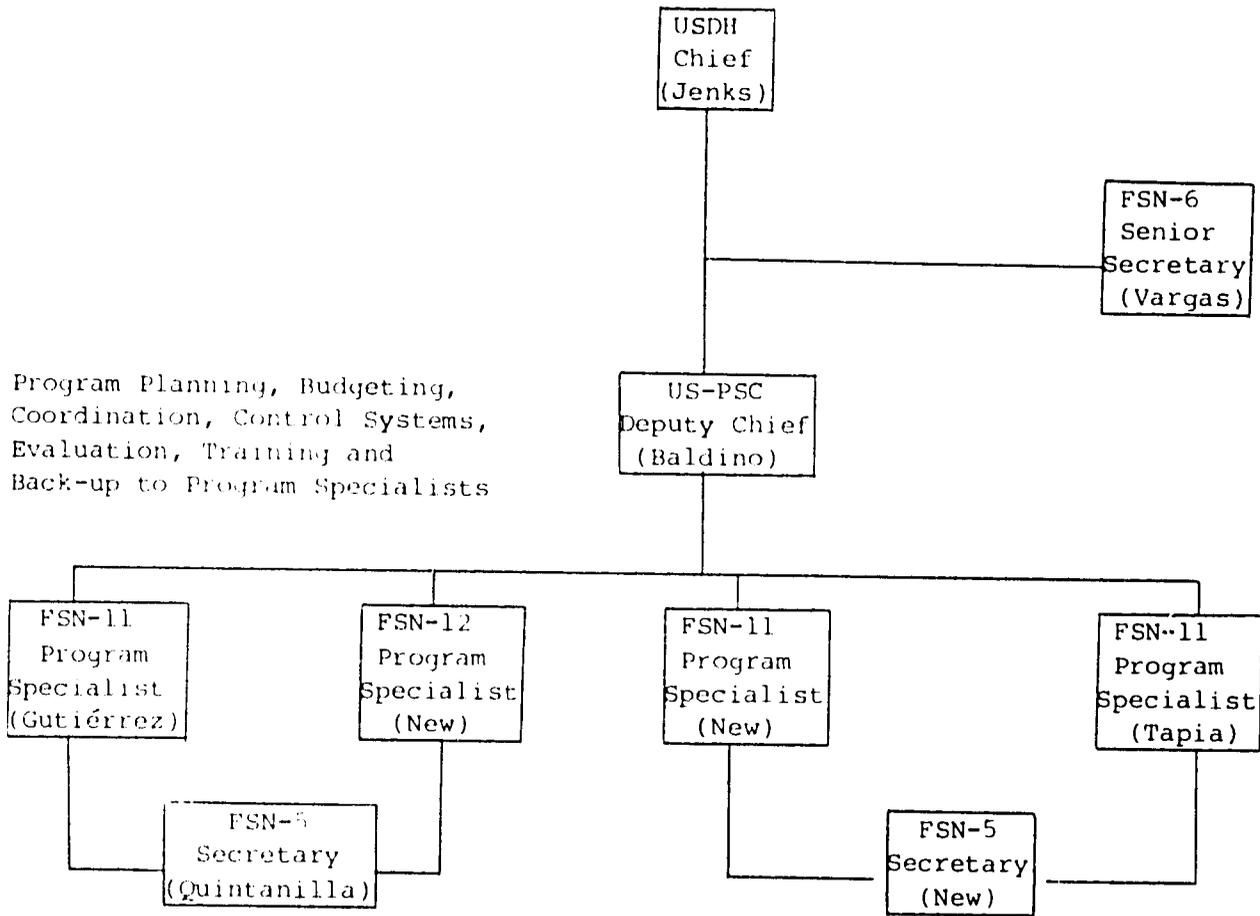
1. Develop job descriptions for the two new FSN program specialists, establish the positions, and advertise and hire individuals, one to begin work o/a January 1, 1988, and the other o/a February 1, 1988.^{1/}
2. Extend Raúl Tapia's contract when it becomes due on May 31, 1988.
3. Extend Karin McFarland's contract (which ends February 5, 1988) until May 1, 1988 at which time she will go on maternity leave for 2 months.
4. Establish a new position for a grade 5 secretary and advertise and hire an individual to begin work o/a May 1, 1988.
5. Decide which of the following alternatives to pursue to fund the staff of the Division:

^{1/} One of these positions will be filled by a FSN-Direct Hire employee currently employed in USAID/Peru's Engineering Division.

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FIGURE 1

PROPOSED STAFFING OF THE FFD DIVISION



Program Planning, Budgeting, Coordination, Control Systems, Evaluation, Training and Back-up to Program Specialists

- MOI & IPSS Program/PRISMA
- Reforestation PVO
- CARE
- CARITAS
- Rural Credit PVO
- ADRA/OFASA
- Commodity Tracking
- Financial Management
- Title II Monetization
- Beneficiary & Output Targets
- Title I Program Support

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- a. PD&S (seek an exception to LAC Bureau policy);
- b. PL 480 Title I or PL 480 Title II Monetization local currency generations (seek USDA approval of this approach);
- c. Mission OE funds.

At the present time, the USDH Division Chief, two secretaries, and one Program Specialist (Gutierrez) are OE-funded. We need to identify an appropriate funding source for the Deputy who is currently Acting Chief (Baldino), three FSN Grade 11 and 12 Program Specialists, and one additional FSN Grade 5 Secretary.

If we should expand program activities beyond that proposed for FY 1988 to include a food assistance program in the narcotics-producing regions of Peru or if we should be requested to respond to a major natural disaster, we would have to review the adequacy of the staffing pattern proposed above.

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