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AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES AID MISSION TO PERU

c/o AMERICAN EMBASSY

LIMA, 1 PERU

TELEPHONE 333200

CABLE: USAID/LIMA

September 27, 1988

Mr. Thomas J. Alcedo
Director
Cooperative for American Relief Everywhere (CARE)
Los Laureles 485
Lima 27, Peru

Subject: CARE OPG; Food-Assisted Integrated Development
Project No. 527-0330
Grant No. 527-0330-G-00-8378-00

Dear Mr. Alcedo:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby grants to the Cooperative for American Relief Everywhere (hereinafter referred to as "CARE" or "Grantee") the sum of One Hundred Sixteen Thousand Eight Hundred U.S. Dollars (\$116,800) to support the Proyecto para el Desarrollo Integrado con Apoyo Alimentario (PRODIA), a food-assisted integrated development project, as described in the "Schedule" of this Grant (Attachment 1) and in the "Program Description" (Attachment 2).

Subject to the availability of funds for this purpose, and to the mutual agreement of the parties to proceed, A.I.D. plans to provide additional support of not to exceed Six Hundred Eleven Thousand Two Hundred U.S. Dollars (\$611,200) during the life of the project.

This grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Grantee in furtherance of program objectives during the period beginning with the effective date and ending March 31, 1989.

This Grant is made to CARE on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1 ("Schedule"), Attachment 2 ("Program Description"), Attachment 3 ("Mandatory Standard Provisions for U.S. Nongovernmental Grantees"), and Attachment 4 ("Optional Standard Provisions for U.S. Nongovernmental Grantees"), and within the general context of the OPG proposal submitted by CARE, all of which CARE agrees to by virtue of your signature below.

Please sign all six (6) copies of this letter to acknowledge your receipt of the Grant and your conformance with its terms and conditions, and return five (5) to A.I.D.

Sincerely,



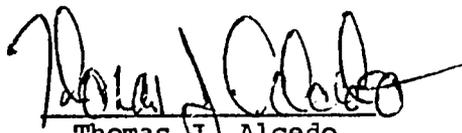
Donor M. Lion
Mission Director

Attachments:

1. Schedule
2. Program Description
3. Mandatory Standard Provisions for U.S. Nongovernmental Grantees
4. Optional Standard Provisions for U.S. Nongovernmental Grantees
5. CARE OPG Proposal

Acknowledged:

For the Cooperative for American Relief Everywhere (CARE)



Thomas J. Alcedo
Director

Date: September 28, 1988

Appropriation:
Budget Plan Codes:

72-1181021
LDNA-88-25527-KG13 (\$16,800)
LDHA-88-25527-KG13 (\$30,000)
LDCA-88-25527-KG13 (\$70,000)

Project No.:
Total Estimated Amount:
This Obligation:
Funding Source:

527-0330
\$723,000 (ARDN, Health, CS)
\$116,800 (ARDN, Health, CS)
USAID/Peru

SCHEDULE

I. Purpose of the Grant.

The purpose of this Operational Program Grant is to provide support to CARE in implementing a food-assisted integrated development project in peri-urban areas of Peru, which strengthens community organizations, assists in making available food and other essential goods and services to the residents of such areas, increases incomes, and protects the physical environment. The Project is described more fully in Attachment 2 to this Grant, entitled "Program Description".

II. Period of the Grant.

A. The effective date of this Grant is the date of the Letter of Agreement. The expiration date of this Grant is December 31, 1992.

B. Funds obligated hereunder are available for program expenditures for the estimated period September 27, 1988 through March 31, 1989, as shown in the Financial Plan below, unless A.I.D. otherwise agrees in writing.

III. Amount of the Grant and Payment.

A. The total estimated amount of this Grant for the period shown in II. A., above, is \$728,000.

B. A.I.D. hereby obligates the amount of \$116,800 for program expenditures during the period set forth in II. B., above, and as shown in the Financial Plan, below.

C. Payment shall be made to the Grantee in accordance with procedures set forth in Optional Standard Provision Nos. 2 and 3, entitled "Payment - Periodic Advance" and "Payment - Cost Reimbursement", of Attachment 4 to this Grant. The Grantee must submit to A.I.D. a "Request for Advance or Reimbursement", Form SF-270, for each requested payment, which in the case of an advance must be received by A.I.D. on or before the tenth day of the month preceding the month for which the advance is being requested.

D. Additional funds up to the total amount of the grant shown in II. A., above, may be obligated by A.I.D. subject to the availability of funds and to the requirements of Mandatory Standard Provision No. 4, entitled "Revision of Grant Budget", of Attachment 3.

IV. Financial Plan.

Table I of this Schedule comprises the A.I.D. Grant Budget, indicating cost elements, foreign exchange and local currency costs as authorized, current obligations, estimated additional obligations, and total obligations expected over the life of the project. Aggregate shifts among A.I.D.-financed line items in the Grant Budget in excess of 20% shall require the written approval of A.I.D. All financial reporting shall be made against the Grant Budget, revisions to which shall be made in accordance with Mandatory Standard Provision No. 4, entitled "Revision of Grant Budget", of Attachment 3 to this Grant. Table II presents the projected expenditures of the total PRODIA program detailed by all funding sources, cost element, and project years, it also indicates the contributions needed from CARE, PL 480 Title I counterpart (GOP-owned), PL 480 Title II monetizations, and PL 480 Title II sales (comedor user charges). Table III is only an indicative estimation of expenditures per program component and does not constitute part of the Grant Budget.

V. Required Documentation.

The Grantee agrees to provide to A.I.D., all required documentation as described in the following sections of Attachment 2, "Program Description", as follows:

- A. in care of the Office of the Controller, USAID/Peru:
 - Section V - "Financial Management", and
- B. in care of the Food for Development Division, Office of Human Resources, USAID/Peru:
 - Section VI - "Reporting and Evaluation", and
 - Section VII - "Other Conditions".

VI. Standard Provisions.

- A. All Mandatory Standard Provisions for U.S. Nongovernmental Grantees (numbered 1 through 12), Attachment 3 to this Grant, apply to this Grant.
- B. The following Optional Standard Provisions for U.S. Nongovernmental Grantees, Attachment 4 to this Grant, apply to this Grant: Nos. 2, 3, 4, 5, 6, 7, 9, 12, 13, 20, and 23.

VII. Title to Property.

Title to any property purchased under the Grant will be vested in the Grantee, in accordance with Optional Standard Provision No. 20 of Attachment 4 to this Grant.



VIII. Overhead Rate.

It is agreed between the Grantor and the Grantee that a predetermined overhead rate of 9.24% associated with U.S. home office support activities will be charged to this Grant, to be adjusted periodically in accordance with Optional Standard Provision No. 12 of Attachment 4 to this Grant.

IX. Conditions and Covenants.

Authorized source and origin of commodities and nationality of services, conditions concerning the procurement of computer hardware and software, and other conditions and covenants to the Grant are presented in Section VII of Attachment 2 to this Grant and are agreed to by the Grantee and Grantor as therein stated.

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TABLE I.
A.I.D. GRANT BUDGET, BY COST ELEMENT,
BY FOREIGN EXCHANGE AND LOCAL CURRENCY COSTS, AND BY OBLIGATION
(in Thousands of U.S. Dollars)

Cost Element	Obligated Amount (From 9/27/88 To 3/31/89)		Estimated Additional (From 4/1/89 To 12/31/92*)		Total Estimated (From 9/27/88 To 9/30/92)	
	\$US	LC	\$US	LC	\$US	LC
	CARE Administration	9.4	4.7	47.4	23.7	56.8
Technical Staff	19.3	9.6	115.0	57.6	134.3	67.2
Consultants	-	0.4	-	4.0	-	4.4
Materials & Services	-	6.2	-	51.8	-	58.0
Vehicle Operations	-	3.4	-	27.2	-	30.6
Rent, Maintenance, & Basic Services	-	3.1	-	16.8	-	19.9
Office Supplies & Communications	-	15.0	-	55.2	-	70.2
Furniture & Office Equipment	-	1.0	-	2.3	-	3.3
Travel Expenses	-	2.2	-	13.7	-	15.9
Vehicles	-	-	-	-	-	-
Computers	21.9	-	27.5	-	49.4	-
Evaluation & Financial Review	2.7	2.7	31.3	31.3	34.0	34.0
Contingency	-	5.3	-	54.7	-	60.0
CARE Overhead	9.9	-	51.7	-	61.6	-
Sub-Total	63.2	53.6	272.9	338.3	336.1	391.9
T O T A L		116.8		611.2		728.0

* Note that these dates represent expenditure periods and not necessarily dates of projected obligation.

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TABLE II.
PROJECTED EXPENDITURES, BY SOURCE,
COST ELEMENT, AND PROJECT YEAR a/
(in Thousands of U.S. Dollars)

<u>Source / Cost Element</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>TOTAL</u>
A. A.I.D. OPG					
CARE Administration	23.2	20.7	20.7	20.7	85.3
Technical Staff	54.6	48.9	48.9	48.9	201.3
Consultants	1.3	1.0	1.0	1.0	4.4
Materials & Services	15.8	14.1	14.1	14.1	58.0
Vehicle Operations	8.4	7.4	7.4	7.4	30.6
Rent, Maintenance, & Basic Services	5.5	4.8	4.8	4.8	19.9
Office Supplies & Communications	29.1	13.7	13.7	13.7	70.2
Furniture & Office Equipment	1.0	0.8	0.8	0.8	3.3
Travel Expenses	4.4	3.8	3.8	3.8	15.9
<u>S u b - T o t a l</u>	<u>143.3</u>	<u>115.2</u>	<u>115.2</u>	<u>115.2</u>	<u>488.9</u>
Computers	49.4	-	-	-	49.4
Evaluation & Financial Review	2.0	22.0	22.0	22.0	68.0
CARE Overhead	19.4	14.1	14.1	14.1	61.7
<u>S u b - T o t a l</u>	<u>70.8</u>	<u>36.1</u>	<u>36.1</u>	<u>36.1</u>	<u>179.1</u>
Contingency	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>	<u>60.0</u>
T O T A L, A.I.D. OPG	229.1	166.3	166.3	166.3	728.0
B. CARE					
CARE Administration	35.8	37.7	39.7	41.8	155.0
Technical Staff	55.2	58.1	61.2	64.5	239.0
Consultants	5.2	5.5	5.8	6.1	22.6
Materials & Services	24.1	25.4	26.7	28.1	104.3
Vehicle Operations	1.0	1.1	1.1	1.2	4.4
Rent, Maintenance, & Basic Services	7.2	7.6	8.0	8.4	31.2
Office Supplies & Communications	-	14.4	15.2	16.0	45.6
Travel Expenses	1.4	1.5	1.6	1.6	6.1
Vehicles	20.2	-	-	-	20.2
<u>T O T A L, CARE</u>	<u>150.1</u>	<u>151.3</u>	<u>159.3</u>	<u>167.7</u>	<u>628.4</u>

a/ For the purposes of this budget, Year 1 is 9/27/88 - 9/30/89, Year 2 is 10/1/89 - 9/30/90, Year 3 is 10/1/90 - 9/30/91, and Year 4 is 10/1/91 - 12/31/92.

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TABLE II (continued).
PROJECTED EXPENDITURES, BY SOURCE,
COST ELEMENT, AND PROJECT YEAR a/
(in Thousands of U.S. Dollars)

<u>Source / Cost Element</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>TOTAL</u>
C. PL 480, Title I Counterpart (GOP)					
Technical Staff	8.1	8.5	8.9	9.4	34.9
Materials & Services	6.8	7.1	7.5	7.9	29.3
Office Supplies & Communications	5.7	6.0	6.3	6.6	24.6
Travel Expenses	4.1	4.3	4.5	4.7	17.6
Vehicle Operations	6.5	6.8	7.2	7.5	28.0
T O T A L, Title I Counterpart	<u>31.2</u>	<u>32.7</u>	<u>34.4</u>	<u>36.1</u>	<u>134.4</u>
D. PL 480, Title II Monetization (A.I.D.)					
Materials & Services	77.5	81.4	85.4	89.7	334.0
T O T A L, Title II Monetization	<u>77.5</u>	<u>81.4</u>	<u>85.4</u>	<u>89.7</u>	<u>334.0</u>
E. PL 480, Title II Sales (<u>Comedor</u> User Charges)					
User Charges					
to Capitalize Loan Funds	6.5	6.5	6.5	6.5	26.0
T O T A L, Title II User Charges	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>	<u>26.0</u>
 G R A N D T O T A L -					
All Monetary Inputs	<u>494.4</u>	<u>438.2</u>	<u>451.9</u>	<u>466.3</u>	<u>1850.8</u>

FOOD INPUTS

Food Commodities (in Metric Tons)	4,009	3,947	4,084	4,056	16,096
FOB Value of Food Commodities (in \$ 000)	1,276	1,260	1,304	1,360	5,200
Ocean Freight Cost (in \$ 000)	<u>510</u>	<u>504</u>	<u>521</u>	<u>544</u>	<u>2,079</u>
T O T A L, Food Commodity Costs	1,786	1,764	1,825	1,904	7,279

a/ For the purposes of this budget, Year 1 is 9/27/88 - 9/30/89, Year 2 is 10/1/89 - 9/30/90, Year 3 is 10/1/90 - 9/30/91, and Year 4 is 10/1/91 - 12/31/92.

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TABLE III.
PROJECTED EXPENDITURES OF A.I.D. GRANT,
BY COMPONENT AND PROJECT YEAR a/
(in Thousands of U.S. Dollars)

<u>Component</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>TOTAL</u>
Comedores	30.0	28.0	28.0	28.0	114.0
Riverine Defenses	15.0	15.0	15.0	15.0	60.0
Reforestation	10.0	7.0	7.0	7.0	31.0
Small Enterprise Credit	43.0	40.0	40.0	40.0	163.0
Women's Credit	21.0	18.0	18.0	18.0	75.0
Disaster Preparedness	11.0	8.0	8.0	8.0	35.0
Community Initiatives	14.9	14.1	14.1	14.1	57.2
Computers (Food Tracking System)	49.4	-	-	-	49.4
Evaluation and Financial Review	2.0	22.0	22.0	22.0	68.0
Vehicles	13.7	-	-	-	13.7
CARE Overhead	19.4	14.1	14.1	14.1	61.7
T O T A L	229.4	166.2	166.2	166.2	728.0

a/ For the purposes of this budget, Year 1 is 10/1/88 - 9/30/89, Year 2 is 10/1/89 - 9/30/90, Year 3 is 10/1/90 - 9/30/91, and Year 4 is 10/1/91 - 12/31/92.

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PROGRAM DESCRIPTION

The purpose of this Operational Program Grant (hereinafter referred to as the "OPG" or the "Grant") is to assist CARE in implementing a food-assisted integrated development project in peri-urban areas of Peru, which strengthens community organizations, provides food and other essential goods and services to the residents of such areas, increases incomes, and protects the physical environment. The Project will support CARE's goal of creating capital and improving incomes for poor, marginalized inhabitants of Peru's major peri-urban centers, through improvements in the availability of, access to, and management of resources.

The primary focus of the Project will be on community development and increased incomes, requiring the active participation of poor inhabitants in a manner which strengthens community organizations. A secondary objective is nutritional, since the food and other assistance provided will have a beneficial impact on the nutritional and child survival status of the participating population.

II. Specific Objectives.

The OPG has seven interrelated components, each with its own objective, as follows:

- (A) To organize low-income, peri-urban women into financially self-sustaining community organizations. The organizations will initially be centered around community eating centers (comedores), but may expand into other activities.
- (B) To construct effective river defenses in those marginal slum areas (pueblos juvenes) located on river banks.
- (C) To protect pueblos juvenes located on river banks through increased forestation.
- (D) To increase family incomes through job creation and job reinforcement (fortifying jobs which might otherwise disappear without additional capitalization) through small-scale enterprise development in marginal areas.
- (E) To improve women's access to credit for small-scale enterprises and other income-producing activities.

- (F) To institutionalize a rapid response capability for disaster and emergency relief at the community level.
- (G) To increase the impact and strengthen the organizational and self-help characteristics of community organizations through funding of selected development activities proposed by the community organizations.

PL 480 Title II food will be: (A) donated to the comedores for community kitchen feeding operations and to capitalize comedor loan funds (through the payment of a modest user charge); (B) donated to the communities for disaster preparedness and relief, as required; and (C) used as compensation for labor in the river control, forestation, and community initiatives components of the project. The estimated annual utilization of Title II food commodities follows:

- Comedores	1,000 MT
- Riverine Defenses	950 MT
- Reforestation	1,000 MT
- Community Works	800 MT
- Emergency	250 MT
T O T A L	4,000 MT

III. Nature of the Project and its Activities.

A. Background.

The Project is a continuation of the PRODIA Program, which began in January, 1988, utilizing approximately \$123,000 in funds granted to CARE under an A.I.D.-financed Basic Infrastructure and Health in Pueblos Jovenes Project (527-0261). The PRODIA Program has been further supported by 1,850 MT of Title II food commodities made available to CARE during FY 1988; additionally, the GOP has reserved 61,838,000 intis from the PL 480 Title I special account during CY 1988 to CARE and to various public sector counterpart agencies.

PRODIA is a follow-on to the Basic Infrastructure with Food Assistance (PIBA) Program, which CARE implemented from 1980 through December, 1987. The PIBA Program was supported by A.I.D. OPG funds, PL 480 Title II commodities, CARE resources, and Title I counterpart. From mid-1984 onward, the source of the A.I.D. dollar contribution was OPG Project 527-0261, which provided approximately \$975,000.

The PIBA Program originally concentrated on food-for-work infrastructure activities, such as school rooms, health posts, community centers, streets, sidewalks, and parks. Its counterpart agency was the Ministry of Housing and

Construction. As community needs were better identified, the program broadened into water systems, the creation of micro-enterprises, community feeding centers, primary health care outreach, river defenses, forestation, and other community level activities, both infrastructural and non-infrastructural in nature. With the new focus came a new implementing counterpart: Cooperacion Popular, an autonomous ministerial-level agency with a broad mandate for community interventions.

As Cooperacion Popular began to lose efficiency and influence within the GOP after a change in administration, CARE and A.I.D. determined that it was appropriate to terminate the PIBA Program and develop a new program with reformulated objectives and inputs and with more effective counterpart agencies. Thus, the PRODIA Program was born --- with greater emphasis on human and community development and with the involvement of several diverse public and private counterpart institutions, working closely at the community level.

B. Geographic Coverage.

The Project will operate in the peri-urban areas of Lima and other Peruvian cities. These areas, known as pueblos jovenes, are typically located along the outer fringes of the cities, often within river flood plains or on the lower slopes of unstable hills. Such settlements have both urban and rural characteristics. For example, when adequate flood protection exists, pueblos jovenes along rivers often have substantial areas dedicated to food production, animal grazing, or forestation. The OPG will provide inputs to pueblos jovenes in and around Lima, Trujillo, Cajamarca, Chimbote, Piura, and Puno, with the areas in and around Lima accounting for approximately three-eighths of the total assistance furnished.

C. Beneficiaries.

The Project will provide direct food assistance to an expected 67,000 beneficiaries annually. Approximately 43% of these are expected to be adult women, 21% adult men, and the remaining 36% children. Approximately 18,500 of the food recipients (all adults) will be receiving their assistance through the three food-for-work components, and it is expected that they will share their food rations with other members of their families. Some 80% of these food-for-work recipients are expected to be women. There will be additional project beneficiaries, as some of the Project components (e.g., the small enterprise development and disaster assistance components) allow for participation by community members who are not receiving food assistance. Total project beneficiaries are, thus, expected to exceed 125,000 annually.

The project beneficiaries will generally be migrants from the rural sierra, who have come to the city for a variety of reasons --- to escape terrorism, to escape the consequences of natural disasters, to escape the problem of too little agricultural land in the sierra (as it gets divided up over the generations), or to avail themselves of what they perceive to be better economic opportunities or greater access to services in the cities. The beneficiaries will be people or families with insufficient income, at the start of their participation in the project, to maintain themselves without outside assistance.

For example, a 1987 survey of PIBA comedor participants showed that average monthly family income was the equivalent of Peru's minimum wage, then about \$44. This was insufficient to maintain a family, using as a guide GOP figures on the cost of an essential market basket of goods and services. Considering an average family size of five, the \$44 figure would mean that the per capita annual income of the surveyed group was approximately \$106, less than 15% of the average for the country as a whole. It is expected that beneficiaries under this CARE OPG will have similar income characteristics.

The target population has other characteristics which make it difficult for them to compete in an economy marked by high unemployment and underemployment. Because of the isolation of the pueblos jovenes and their distance from the main areas of the cities, transportation and other services are typically deficient or nonexistent. Additionally, the beneficiaries have low levels of education, as well as high incidences of nutritional deficiencies and health problems.

D. Nature of the Project Activities.

The following is a description of the seven components of the project, with selected end-of-project indicators for each. The tables in Annexes 2 through 4 of the CARE OPG proposal provide more detailed project measurements and indicators.

(1) Comedor Component.

New and existing comedores will be assisted with food provided under PL 480 Title II. The food will be in the form of a grant to the comedores which charge modest user fees to their members for the use of the comedor services, allowing these to accumulate a fund with which to improve comedor facilities and leverage member access to bank-provided credit for income-generating activities. These community kitchens will be assisted by CARE and Ministry of Health (MOH) personnel in undertaking activities in health, child survival, family planning, and nutrition education, reinforcing the comedor as an appropriate community organization for a variety of development activities.

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Performance indicators for this component include:

- (a) 60% percent of the comedores that receive food assistance (640 yearly, with most comedores not receiving food for longer than 8 months) maintain regular operations as community organizations (which may or may not continue to have a food distribution function) for a minimum of one year after the CARE assistance (food and technical assistance) to that comedor ceases.
- (b) 4,200 women members have sustained access to credit through the comedores (or their successor organizations).
- (c) 75% of adult women who receive training in health, nutrition, child survival, family planning, and drug awareness attain acceptable levels of knowledge about the fundamentals of these topics.

(2) Riverine Defense Component.

The objectives of this food-for-work component are to safeguard the physical and material integrity of the pueblos juvenes on the banks of the Rimac River, by means of diverse protection activities, including stone and wire gabion installation, construction of dikes, reinforcement of canals which flow by the pueblo joven, and hillside rehabilitation and reconstruction. This component is expected to have a significant agricultural effect, permitting families to plant gardens and graze animals with less risk of loss from floods. At present, about 140,000 people in the pueblos juvenes where CARE will be working are vulnerable to flooding along the Rimac River, some 3,900 individuals (approximately 80% of whom are expected to be women) will participate annually in this food-for-work activity. A.I.D. financing for this component is contingent on the successful completion of an environmental assessment.

The specific performance indicators for this component are:

- (a) protect 9,200 linear meters of river bank with gabions, construct 8,000 linear meters of dikes, rehabilitate and reconstruct 80,000 linear meters of canals, and rehabilitate 480 hectares of hillside.
- (b) 60% of the participating communities along the Rimac River which now do not plant due to the risk of floods will establish gardening or other farming activities along the river banks.

(3) Forestation Component.

This food-for-work activity complements the river defense element, but is larger in geographic scope. River bank protection by means of forestation is expected to be undertaken on the Rimac, Chao, Viru, and Moche Rivers, encompassing the upper watersheds of and areas immediately adjacent to the pueblos juvenes. Of the 8,700 individuals expected to participate annually in this food-for-work activity, 83% are expected to be women.

Specific performance indicators for this component are:

- (a) plant 212,000 trees annually on 265 hectares in the target areas, or a total of 848,000 trees on 1,060 hectares by the end of the project.
- (b) protect through forestation 50% of the vulnerable agricultural and grazing areas in the project zone.

(4) Small Enterprise Development Component.

CARE will establish a fund to guarantee loans given to participants by the Central Cooperative Credit (CCC) Bank of Peru, so the beneficiaries can strengthen or expand small, private sector manufacturing enterprises. The CCC has agreed to provide loans in an amount totalling ten times the amount of the guarantee. The CCC has also agreed to treat Project beneficiaries the same as non-Project borrowers, which currently includes charging the highest interest rates allowed by Peruvian law. The guarantee fund will be established exclusively with funds provided by CARE.

Specific performance indicators for this component are:

- (a) provide 3,800 small business loans under the guarantee.
- (b) train 3,400 small business owners through of one-week courses.
- (c) assist 1,800 small businesses obtain legal status.
- (d) create 4,800 new jobs and reinforce 8,000 existing jobs.
- (e) Assist in the formation and strengthening of small business associations.

(5) Women's Credit Component.

This component is closely associated with the comedor one. CARE will guarantee bank loans to the comedores based on evidence of the ability to use effectively the resources generated through food assistance. Women will be able to obtain credit for the establishment or operation of income-producing enterprises of various types. CARE will provide training and supervision.

Specific performance indicators for this component are:

- (a) train at least 440 comedor beneficiaries in business management practices.
- (b) arrange for the delivery of credit to at least 440 comedor beneficiaries.
- (c) train 22 comedor committees in credit management.
- (d) provide 22 comedores with access to loan funds.

(6) Disaster and Emergency Assistance Component.

Pueblos jovenes are especially vulnerable to natural disasters, given their location in flood plains, at the base of unstable hills, along geologic faults, or in other undesirable areas. This component is an institution-building disaster management and preparedness activity to be implemented in the areas considered to be the most vulnerable to natural disasters in Greater Lima (provinces of Lima and Huarochiri) and from Trujillo to Chimbote.

Specific performance indicators for this component are:

- (a) train 140 community leaders from 48 communities in disaster preparedness and post-disaster management.
- (b) provide 57 MT of emergency food reserves in 18 centers operated by community disaster preparedness committees.
- (c) provide emergency food for disaster assistance to affected populations as required.

(7) Community Initiatives Component.

CARE will finance food-for-work activities in communities which have the need for such activities and which take the initiative to come up with an initial plan. Activities are expected to include schoolrooms, health centers, community centers, improvement of streets and sidewalks, water supply improvements, and improvement of community use areas, based on criteria established with the National Food Distribution Agency (ONAA).

Specific performance indicators for this component are:

- (a) form approximately 700 work groups, each comprised of approximately 25 to 35 community members, of whom 90% on average are expected to be women.
- (b) complete 700 infrastructure activities for the benefit of the community, all of which will have health, educational, and/or agricultural benefits.

IV. Project Implementation and Institutional Responsibilities.

CARE will implement the project over a period of 51 months, beginning with the date of the Letter of Agreement and ending December 31, 1992. CARE will assume responsibility for overall project management and implementation, including complete responsibility for the A.I.D. OPG funds and USG-provided Title II food. It will enter into new or will utilize existing implementation agreements with individual community groups and with appropriate public and private organizations. CARE will have latitude to enter into new implementation agreements with such public and private organizations, whether or not already participating in the project, and to terminate existing agreements, in all cases informing A.I.D. of such changes.

CARE will implement this project with a variety of public and private sector institutions. Over the course of implementation of the predecessor PIBA project, CARE identified the most important and effective organizations with which to collaborate. CARE's choice of effective counterpart organizations is expected to contribute not only to the project's success, but to the sustainability of the activities promoted.

The organizations expected to participate are the Ministries of Health, Agriculture, Industry, and the Presidency, the respective Departmental Development Corporations (CORDES), the National Food Distribution Agency (ONAA), and the Central Cooperative Credit (CCC) Bank. The responsibilities of CARE, the communities, and the respective public and private participating organizations are delineated immediately below. Agreements have already been signed with the entities indicated below, which have agreed to assume the responsibilities attributed .

A. Responsibilities of CARE.

CARE will:

- (1) Provide directly or coordinate the delivery of the inputs to the project, which include:
 - (a) PL 480 Title II food support to the comedores and to the river defense, forestation, disaster preparedness, and community initiative food-for-work activities, and
 - (b) funding, technical assistance, training, and supervision to all seven project components.

- (2) Coordinate with the GOP and A.I.D. to assure, to the maximum degree possible, the timely allocation and disbursement of sufficient PL 480 Title I, Monetized PL 480 Title II, and GOP budget funds required by the participating public sector organizations to carry out their roles in the project.

(3) Carry out administrative functions for the project and its components, including the procurement of goods and services, the maintenance of accounting records, and the submission to A.I.D. of timely progress reports.

(4) Monitor project implementation and attainment of performance targets, recommending and implementing program modifications as necessary.

(5) Evaluate the impact of the project, recommending and implementing modifications as necessary.

(6) Supervise and monitor the transportation of Title II food from the port of embarkation in the United States to the final beneficiary, including its end use, implement the PL 480 Title II program in accordance with CARE's Multi-Year Operational Plan (MYOP) and A.I.D. Regulation 11.

(7) In conjunction with A.I.D., ONAA, and other voluntary agencies in Peru, improve food program management, commodity tracking, and accountability, by participating in management needs assessments and by instituting a computerized commodity tracking system for the PL 480 Title II Program.

(8) Supervise directly the women's credit activities in Lima and Piura.

(9) Collaborate with A.I.D. in an environmental assessment of the riverine defenses component, prior to A.I.D. financing of that component.

(10) Examine private formal and informal sector lending practices to determine program modifications to ensure the maintenance of value of credit facilities and to promote sound lending practices and criteria, present a plan, such that Title II and OPG resources could be targeted to those comedores which have adopted sound lending criteria and have satisfactory maintenance of value plans.

B. Responsibility of the National Food Distribution Agency (ONAA).

ONAA will arrange all transportation for and handling of PL 480 Title II commodities from the port of discharge in Peru to the main warehouses in each department where the project is operating, and from the warehouses to the individual comedores or food-for-work sites. ONAA will provide inventory and distribution reports in a timely and consistent manner. It will also assist in establishing criteria for approval of community initiatives projects and assist in the review and approval of the same.

C. Responsibility of the Ministry of Health (MOH).

In Lima and Piura, the MOH will provide technical assistance and qualified trainers at the departmental level to train comedor managers in health, nutrition, and administration.

D. Responsibility of the Ministry of Agriculture (MOA).

The MOA will plan, provide technical assistance to, and supervise all river defense and forestation activities. The Ministry's General Directorate for Soil, Water, and Irrigation will carry out such actions for the river defense work, while the General Directorate of Forestries and Fauna will carry them out for the forestation work.

E. Responsibility of the Ministry of Industry (MOI).

The MOI will assist small businesses receiving credit under the project to legalize their status and will carry out designated training courses for actual or potential small entrepreneurs.

F. Responsibility of the Departmental Development Corporations (CORDES).

The CORDES will provide technical assistance and supervision to the comedores and associated women's credit activities in Cajamarca, Chimbote, Puno, and Trujillo.

G. Responsibility of the Ministry of the Presidency (MOP).

The MOP will provide technical assistance to the CORDES and shall coordinate the actions of the CORDES participating in the project.

H. Responsibilities of the Central Cooperative Credit (CCC) Bank of Peru.

The CCC Bank will:

- (1) extend a credit line ten times the amount of the CARE guarantee, which is budgeted at \$43,000,
- (2) perform normal small business loan functions for the borrowers, including charging the highest interest rate legally possible, and
- (3) Provide credit to creditworthy borrowers without CARE guarantees.

I. Responsibilities of the Communities.

Communities participating in the project will:

- (1) contribute labor as required to achieve the objectives of the specific project activities,
- (2) organize and operate viable community organizations, based initially around the comedores, and institute management systems which allow the comedores to provide low-cost meals, supervised credit, technical assistance, and training to community members, and
- (3) distribute PL 480 Title II commodities in emergency situations and disseminate disaster management and other information acquired in training.

V. Financial Management.

A. Project Budget and Disbursement of Funds.

The proposed budget calls for grant funding over a period of 51 months of not to exceed \$728,000, subject to the availability of funds. Grant funds will be used to pay salaries of CARE administrative and technical staff and consultants contracted specifically by CARE for this project, to purchase materials and equipment including computer hardware and software, and to pay operational costs, overhead costs and office costs.

Disbursement of grant funds shall be made in accordance with Optional Standard Provision Nos. 2 and 3 of Attachment 4. Disbursements will normally be made either to reimburse for eligible expenditures under the Grant or to provide cash advances for eligible expenditures of immediate cash needs, expected to be made during a period not to exceed 30 days.

CARE will administer all costs and disbursements associated with the A.I.D. grant funds. A.I.D. will make disbursements for reimbursements and/or advances directly to CARE. No direct payments will be made by A.I.D. to any other entity or organization for procurement of commodities, expenses, or any other purpose.

The Grant Budget is provided in Table I of Attachment 1 ("Schedule"). Aggregate shifts of more than 20% among A.I.D.-financed line items cannot be made without the prior written authorization of A.I.D. Table II of Attachment 1 indicates projected expenditures, CARE agrees to make available its own resources to cover expenditures attributed to it therein. Table II also indicates estimated expenditures from resources expected to be made available from PL 480 Title II (in the form of both commodities and monetization) and from Government of Peru owned PL 480 Title I generations.

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B. Accounting Records and Cash Management.

CARE will keep separate accounting records for funds under this OPG, which are separate and apart from records kept by CARE for any other funds held for similar projects or other purposes. CARE will deposit all funds received from A.I.D. for this OPG in a bank account which will be used exclusively for the A.I.D. funds received for this grant. No other funds for this or any other grant or for this grant from any other source shall become mingled with these A.I.D. funds. All disbursements of A.I.D. funds for this grant shall be made exclusively from this same account and no other.

C. Financial Review and Audit.

At the discretion of A.I.D., A.I.D. may request that the terms of Mandatory Standard Provision No. 2 of Attachment 3, in respect to audit, be fulfilled by any of a number of means, including financial review by A.I.D.'s staff, receipt by A.I.D. of relevant sections of reports from CARE's independent audit staff indicating satisfactory review of CARE/Peru's financial management as related to the Project, or the contracting of financial reviews or audits by either A.I.D. or CARE.

Upon A.I.D.'s request, CARE will contract outside financial reviews or audits utilizing OPG funds, up to the amount reserved for such reviews in the project budget. For these types of reviews, A.I.D. will approve the scope of work and the contractor prior to any contracting by CARE. Such scopes of work shall include the examination of relative cost sharing between A.I.D. and other sources, involving split-funded inputs (e.g., administrative costs).

VI. Reporting and Evaluation.

A. General Intent.

The reporting format (form, content, and periodicity) will respond to the requirements of CARE, the Food for Peace Office (AID/W), and USAID. To the maximum extent possible, the reports and the planning documents required by USAID/Peru under the OPG, by AID/W in the PL 480 Title II Multi-Year Operational Plan (MYOP) and annual progress reports, and by CARE will be identical.

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Under AID/W procedures for the MYOP, three documents are to be submitted by Title II cooperating sponsors by May 15:

- an annual progress report,
- an update of the operational plan for the coming year, and
- an annual estimate of requirements (AER).

The reporting and planning documentation required under this Grant shall be structured to fulfill reporting requirements under the MYOP.

B. Reporting.

The reporting schedule for this grant shall be as follows. CARE shall provide A.I.D. with the following reports, typewritten and in English:

- (1) Comprehensive quarterly performance and financial reports which:
 - (a) detail accomplishments by component and activity (including numbers and gender of beneficiaries),
 - (b) provide financial details on funds received and expended by category of expenditure,
 - (c) provide details on PL 480 Title II food received and distributed by component, as well as details of the proceeds generated from Title II supported comedor user charges,
 - (d) indicate findings, problems, conclusions, and recommendations for the future,
 - (e) provide a summary of major activities expected the following quarter, and
 - (f) with respect to each of the comedor women's credit and small enterprise development components, include information on the activity of the loan facilities, real beginning and ending values of the facilities, number and value of loans made/repaid, recapitulation of the loan terms and interest rates, and efforts made to maintain the value of the loan funds and encourage sound lending terms and conditions.

The format of the report will be agreed upon by the parties prior to the submission of the first report which shall cover the period ending December 31, 1988.

- (2) An annual assessment of progress toward attainment of the objectives of CARE's MYOP and this OPG. The assessment will cover project activities completed, goals and specific performance indicators accomplished, social and economic impact on participating communities, problems encountered in implementation, use of donated food, and the use of funds ---

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from both the OPG and other sources. In addition, the document will contain other information requested by AID/W in the context of the MYOP/AER process. The format of the report will be agreed upon by both parties, prior to the submission of the first report, which shall be due on May 1, 1989.

C. Planning Documentation.

The quarterly progress reports will form the basis for the comprehensive annual progress report, which --- in turn --- will contribute to the MYOP update. CARE shall prepare and submit to A.I.D., typewritten and in English, a detailed annual implementation and financial plan for the project, detailing --- by component --- the objectives, geographic coverage, expected numbers of beneficiaries (disaggregated by gender), inputs (both donated food, including women's credit fund capitalization from comedor user charges, and financial resources), outputs, institutional responsibilities, personnel requirements, a comprehensive financial plan (including inputs from all sources), and all other relevant information concerning the implementation of the project. In addition, these reports will include other information requested by AID/W in the context of the MYOP/AER approval process. This planning document will be submitted simultaneously with the annual progress report described above, i.e., by May 1 of each project year.

D. Evaluations.

CARE and A.I.D. will conduct a joint performance evaluation of the project, with GOP and community participation as appropriate, no later than April 1990. The results of that mid-project evaluation shall be used for planning the subsequent years of implementation and for project modifications, as necessary. CARE and A.I.D. also will conduct a joint impact evaluation, no later than April 1992, to determine the feasibility and advisability of further CARE and/or A.I.D. assistance to the project or to similar projects in the future. Scopes of work for the evaluations will be jointly developed and agreed upon by both parties prior to the implementation of the evaluations, CARE will contract any outside evaluation assistance jointly agreed upon. Funds for the evaluations have been provided for in the OPG budget.

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VII. Other Conditions.

A. Source and Origin of Commodities and Nationality of Services.

Except for vehicles, commodities financed by A.I.D. under the project shall have their source and origin in Peru or the United States, except as A.I.D. may otherwise agree in writing. Vehicles shall have their source and origin in the United States, except as A.I.D. may otherwise agree in writing.

Except for ocean shipping, the suppliers of commodities or services shall have Peru or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States. Air shipping or transportation shall be subject to the requirements of Optional Standard Provision No. 4 of Attachment 4.

B. Procurement of Computer Hardware and Software.

Any procurement of computer hardware and software shall be coordinated with the Voluntary Agency Commodity Tracking System Working Group in Peru and shall be subject to the prior written approval of A.I.D.

C. Other.

- (1) CARE will submit to USAID copies of all implementing agreements between CARE and participating public and private sector entities (excluding individual communities) in effect, on a yearly basis or whenever implementing agreements are amended or otherwise modified.
- (2) CARE will coordinate implementation of the emergency disaster assistance component of the Project with Peru's National Civil Defense Committee and with the A.I.D. Regional Disaster Advisor.
- (3) In designing training activities for project beneficiaries, and taking into account the beneficiaries' expressed needs, CARE shall utilize the experience and resources of other A.I.D.-financed programs, especially in the population, narcotics awareness, and child survival areas.

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- (4) CARE shall examine private formal and informal sector lending practices in Peru to determine what modifications, if any, could be implemented in its credit programs to assist in ensuring the maintenance of value and in promoting sound lending practices. Prior to March 31, 1990, CARE shall present to A.I.D. a plan, such that Title II and OPG resources could be targeted to those comedores which have adopted sound lending criteria and have satisfactory maintenance of value plans.
- (5) Prior to the first disbursement of funds for the riverine defenses component, A.I.D. and CARE shall undertake an assessment of the environmental impacts of that component. Funding for such assessment shall be made available by A.I.D. outside of this Grant. No funds shall be disbursed for the riverine defenses component until A.I.D. has made a negative threshold determination with respect thereto.
- (6) Prior to the first disbursement of A.I.D. funds, CARE shall provide evidence of the establishment of a separate bank account for A.I.D. funds, the first and subsequent disbursements shall be made into such separate bank account.

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