

UNCLASSIFIED

PD-ACC-213

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



ANNUAL BUDGET SUBMISSION FY 1978

PERU

**DEPARTMENT
OF
STATE**

JUNE 1976



SECTION IIFY 1978 ANNUAL BUDGET SUBMISSIONUSAID/PeruTABLE OF CONTENTS

<u>SECTION</u>	<u>Page</u>
I. Mission Certification of the Continued Validity of the DAP (Classified and Reproduced Separately)	
II. Table of Contents	1
III. Summary Financial Tables	3
IV. Narrative Statements for Ongoing Grant Activities	7
V. Fiscal Tables for Ongoing Activities	13
VI. Alternative Funding Levels - FY 78 New Projects	22
VII. Long Range Projections	23
VIII. Evaluation Plan	26
IX. Title I, Narrative and Tables	28
X. Title II, Narrative and Tables	38
XI. Table, Assistance to PVOs and Cooperatives	45
XII. Contraceptive Tables (Distributed separately)	

	<u>Page</u>
<u>APPENDIXES</u>	
A. PID - Development of Sub-Tropical Lands	46
B. PID - Agricultural Services Rediscount Fund	53
C. PID - Input Delivery System	62
D. PID - Intermediate Rural Technologies	69
E. PID - Pre-School Education for the Disadvantaged	76
F. PID - Rural Job Skills Training	86
G. PID - Responsible Parenthood Program	93
H. Summary of Early Consultations - OPGs	99

Country/Program PERU

Summary Table I

Funding Levels for FY 1976, IQ, FY 1977, FY 1978
(\$000)

	<u>FY 1976</u>	<u>Interim Quarter</u>	<u>FY 1977</u>	<u>FY 1978</u>
Food/Nutrition				
Grants	<u>11,768</u>	<u>990</u>	<u>20,430</u>	<u>33,808</u>
Loans	768	990	430	1,608
	11,000	-	20,000*	32,200**
Population/Health				
Grants	<u>262</u>	<u>5</u>	<u>350</u>	<u>320</u>
Loans	262	5	350	320
	-	-	-	-
(Population)				
(Grants)				
(Loans)				
(Health)				
(Grants)				
(Loans)				
Education				
Grants	<u>590</u>	<u>5</u>	<u>10,680</u>	<u>767</u>
Loans	590	5	680	767
	-	-	10,000	-
Section 106				
Grants	<u>63</u>	<u>15</u>	<u>90</u>	<u>70</u>
Loans	63	15	90	70
	-	-	-	-
Sub-total	<u>12,683</u>	<u>1,015</u>	<u>31,550</u>	<u>34,965</u>
Grants	1,683	1,015	1,550	2,765
Loans	11,000	-	30,000*	32,200**
Supporting Assistance				
Grants				
Loans				
Total	12,683	1,015	31,550*	34,965**
HIGs	25,000	-	-	-
PL 480				
Title I	-	-	20,000	20,000
Title II	5,392	1,348	4,740	5,702

*Includes two shelf loans

**Includes \$10 million shelf loan

AGENCY FOR INTERNATIONAL DEVELOPMENT				1. TRANSACTION CODE			2. ABS/CP						
ABS/CP SUMMARY				A			DOCUMENT CODE 6						
3. COUNTRY/ENTITY		4. DOCUMENT REVISION NO.		5. OPERATIONAL YEAR FY		6. BUREAU/OFFICE		7. GEOGRAPHIC CODE					
FERU				77		LA		05			527		
8. TYPE DATA				9. TYPE ASSISTANCE									
1				1				1					
1 = ABS 2 = ABS REVISION 3 = CP 4 = CP NOTIFICATION				1 = PROJECT 2 = PROGRAM									
10. PROJECT SEQUENCE NO.	11. PROJECT TITLE (40 CHARACTERS MAXIMUM)	12. QTR. FOR OBLIG.	13. EST. FY AUTH. OBLIG. FINAL	14. APPROPRIATION	15. PRIMARY PURPOSE CODE	16. LOAN/GRANT INDICATOR	17. BUDGETS (IN \$000)						
							AY	TQ	OY	BY	LOP		
0060	Agric. Inst. Dev. & Op.	N/A	76	FN	180	GC	613	-	-	-	17,253		
0143	Campefino Para-Tech. Training	N/A	77	FN	120	GC	100	-	150	-	250		
0000	Technical Support	4/4	N/A	FN	290	GC	55	25	130	70	Continuing		
0144	Fresh Water Fisheries	2/2	79	FN	321	GN	-	-	150	150	450		
0149	Soy & Corn Production by Small Farmers	-/1	80	FN	210	GN	-	840	-	713	2,400		
0150	Use of Treated Sewage for Irrigation	-/1	78	FN	142	GN	-	125	-	75	200		
0162	Intermediate Rural Technologies (1-G)	-/2	81	FN	750	GN	-	-	-	600	1,800		
0156	Improved Land & Water Use in the Sierra	N/A	76	FN	120	L	11,000	-	-	-	11,000		
0152	Food Marketing	3	77	FN	130	L	-	-	10,000*	-	-		
0159	Agricultural Serv. Rediscount Fund (2-L)	3/1	78	FN	130	L	-	-	10,000*	10,000	10,000		
0163	Development of Sub-Tropical Lands (1-L)	2	78	FN	233	L	-	-	-	12,200	12,200		
0164	Input Delivery System (3-L)	3	78	FN	120	L	-	-	-	10,000*	10,000*		
0145	Responsible Parenthood	3	77	PH	440	GC	248	-	330	-	578		
0000	Technical Support	4/4	N/A	PH	490	GC	14	5	20	20	Continuing		
0160	Responsible Parenthood Program	-/3	78	PH	440	GN	-	-	-	300	740		
0158	Decentralizing Educational Planning	1/1	78	EH	660	GC	365	-	355	237	957		
0146	Bilingual Education	2/-	77	EH	620	GC	189	-	300	-	643		
0000	Technical Support	4/4	N/A	EH	690	GC	36	5	25	30	Continuing		
0161	Pre-School Education for Disadvantaged (2-G)	-/2	78	EH	600	GN	-	-	-	215	560		
*Shelf loans							18. DATE DOCUMENT RECEIVED IN AID/W						
							MM	DD	YY				

AGENCY FOR INTERNATIONAL DEVELOPMENT					1. TRANSACTION CODE			2. ABS/CP			
ABS/CP SUMMARY					A A = ADD C = CHANGE D = DELETE			DOCUMENT CODE 6			
3. COUNTRY/ENTITY			4. DOCUMENT REVISION NO.		5. OPERATIONAL YEAR FY		6. BUREAU/OFFICE		7. GEOGRAPHIC CODE		
PERU			[]		7 7		A. SYMBOL LA		B. CODE [05]		
8. TYPE DATA					9. TYPE ASSISTANCE						
1 = ABS 2 = ABS REVISION 3 = CP 4 = CP NOTIFICATION					1 = PROJECT 2 = PROGRAM						
10. PROJECT SEQUENCE NO.	11. PROJECT TITLE (40 CHARACTERS MAXIMUM)	12. QTR. FOR OBLIG.	13. EST. FY AUTH. OBLIG. FINAL	14. APPROPRIATION	15. PRIMARY PURPOSE CODE	16. LOAN PROGRAM INDICATOR	17. BUDGETS (IN \$000)				
							AY	TQ	OY	BY	LOP
0165	Rural Job Skills Training (3-G)	-/3	78	EH	610	GN	-	-	-	285	685
0148	Education Service Centers	2	77	EH	600	L	-	-	10,000	-	10,000
0061	Special Development Activities	4/4	N/A	ST	240	GC	40	8	50	50	Continuing
0000	Technical Support	4/4	N/A	ST	790	GC	23	7	40	20	Continuing
OPG	CARE		78	ST	510	GN	-	-	250	200	450
OPG	Team for Human Dev.		78	ST	510	GN	-	-	50	55	155
OPG	Acción Comunitaria		79	ST	791	GN	-	-	-	100	210
OPG	IPFE		79	ST	660	GN	-	-	-	100	200
							18. DATE DOCUMENT RECEIVED IN AID/W				
							MM DD YY				

PROGRAMMING NOTES ON SUMMARY TABLE IIFood and Nutrition:

Two FY 77 shelf loans are included under this appropriation. One is for an Agricultural Services Rediscount Fund. A PID for this project is included in the ABS. The other is for Food Marketing. A PRP for this activity was submitted and approved in FY 76.

The PP for the Fresh Water Fisheries Grant activity is scheduled for submission to AID/W in November, 1976. The Mission does not at this time anticipate submission of a PP for the Nutrition Planning project contained in the FY 77 Congressional Presentation. This project has therefore not been included in the summary table. The increased request for Technical Support in FY 77 represents the anticipated costs for feasibility studies for the proposed FY 78 Loan for Development of Sub-Tropical Lands.

Education and Human Resources:

No funds are required for the Non-Formal Education Grant activity (Project No. 527-11-670-157). Due to current budget restrictions and other considerations the Ministry of Education recently requested that project implementation be discontinued. Unliquidated funds under the initial Project Agreement have consequently been deobligated.

NARRATIVE STATEMENT OF ONGOING GRANT PROJECTSFOOD AND NUTRITIONCAMPESINO PARA-TECHNICIAN TRAINING

Project 527-15-190-143

This \$250,000 pilot demonstration project, formerly called Agro-Industrial Manpower Training in the FY 1977 CP, will train selected cooperative farmer members as para-technicians for management/administration and production.

The Project Paper received final AID/W approval in June 1976. Funds are expected to be obligated before June 30, 1976 for the project's first year's activities. Although the three pilot project sites have already been selected and training plans/schedules are being developed, implementation of actual training will commence only when funds have been obligated. Approximately 120 farmer cooperative members are expected to receive training as para-technicians during the first 12 months of the project.

NARRATIVE STATEMENT OF ONGOING GRANT PROJECTSPOPULATION PLANNING AND HEALTHRESPONSIBLE PARENTHOOD FOR MEDIUM AND HIGH RISK MOTHERS

Project No. 527-11-570-145

The purpose of this project is the establishment of a pilot program of responsible parenthood information and services for high and medium risk mothers whose health or that of their children is endangered by additional pregnancies. The target of this program is to provide such services to 80,000 women by the end of the two year project period. The project will operate through both clinical and mobile facilities. This program is under the direction of the Instituto de Neonatología y Protección Materno Infantil (INPROMI) of the Ministry of Health.

The initial Project Agreement for this project was signed May 25, 1976, approximately six months later than planned. This delay was occasioned in part by personnel changes in INPROMI and the MOH and a decision by the new Minister of Health to schedule a presentation on the interactions of demographic and economic growth to the Council of Ministers, with special emphasis on the health sector, prior to signing the ProAg.

A GOP policy decision, resulting from the above mentioned presentation, recognizing the rights of couples to determine family size and the responsibility of the state to provide appropriate information and services to couples to enable them to carry out their decision, should positively effect the implementation of this project.

Implementation plans for the project are now being adjusted to reflect the May signature date. The first training and research activities will now begin in July, 1976. It is contemplated the two year implementation period will run to approximately June, 1978, assuming no unanticipated delays in the receipt of project inputs -- short term technical assistance, training and commodities.

NARRATIVE STATEMENT OF ONGOING GRANT PROJECTS

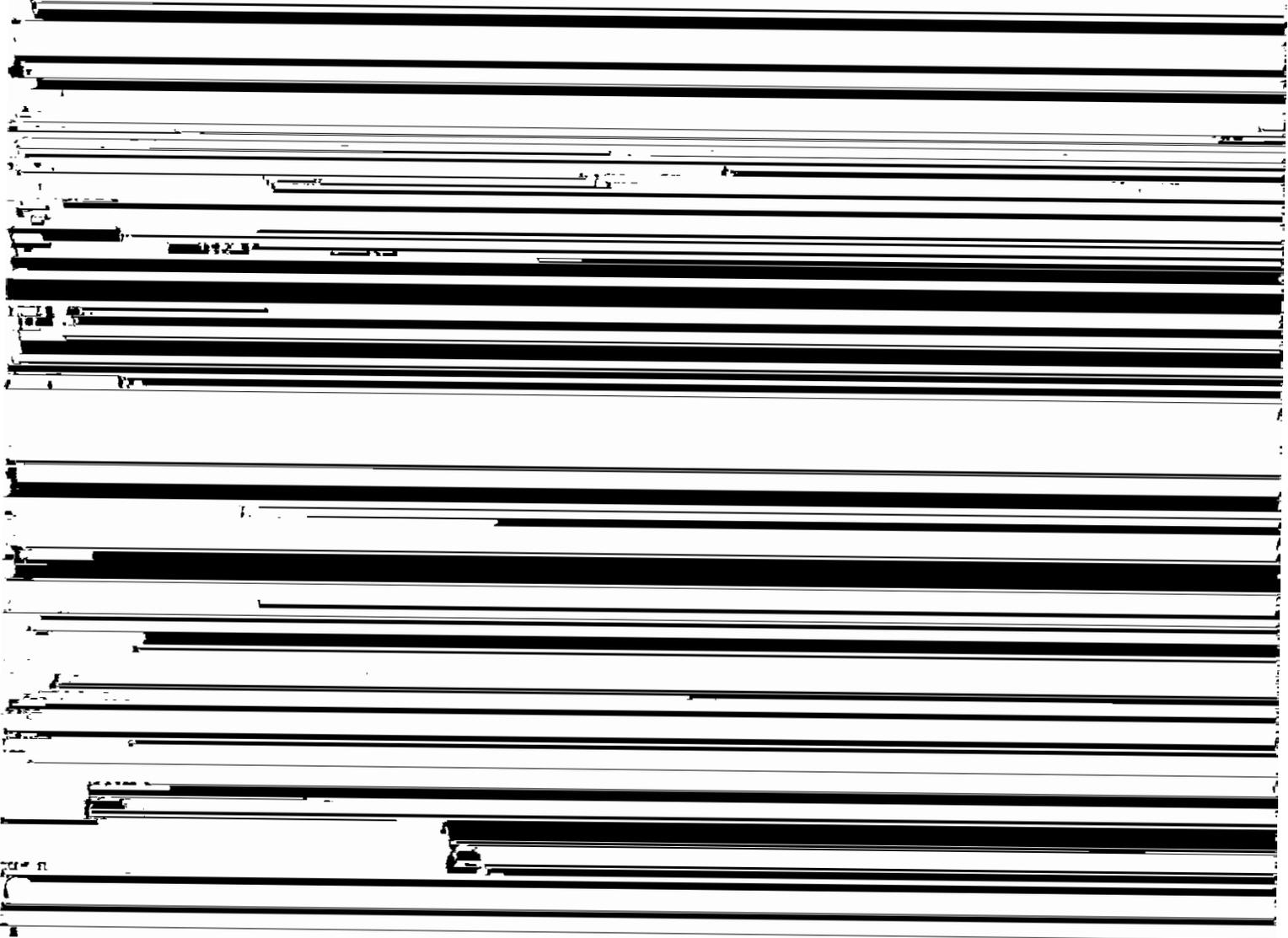
EDUCATION AND HUMAN RESOURCES

BILINGUAL EDUCATION

Project 527-11-690-146

Through this project, the USAID is assisting the Peruvian Government to develop and test alternative methods of instruction for children and adults, among Peru's sierra population which come from non-Spanish speaking families, and to train teachers in the use of new instructional methods.

Since initiating the project a one week seminar was carried out in Cuzco to provide educators and administrators in the project area with an orientation and guidance in the development of bilingual education programs and methodologies. Similar seminars are scheduled periodically throughout the project for the purpose of reporting on project developments and lessons learned, etc. A national level Bilingual Education Committee based in Lima and a regional level Bilingual Education Unit were established. These two organizations



additional staff is being hired and trained to work in Cuzco. It is also anticipated that by August 1976, Cornell University will be providing major inputs of technical assistance within Peru.

The PAR for the project submitted in June 1976 details the status of project implementation.

DECENTRALIZING EDUCATIONAL PLANNING

Project 527-11-690-158

To assist the Peruvian Government in its high priority education reform program which stresses decentralizing educational planning and a greater role for regional and local school districts, A.I.D. is helping the Ministry of Education by providing technical expertise, training, research and equipment for the various levels of planning offices, within four of the most educationally disadvantaged regions of the country.

The Project Paper was approved by AID/W in September 1975 and a Project Agreement was signed between USAID/Peru and the Government of Peru in December 1975. Since that time a detailed work plan has been submitted which spells out the activities to be carried out in the first year and Peruvian research teams have already begun working on two areas within the research component of the project.

The first deals with the refinement of an education simulation model, EDUPERU, which is designed to predict personnel, infrastructure and financial needs based on a student flow model. Short term technical assistance has been provided to assist the Peruvians in this task. Work has also begun on a planning study which is designed to assist local school districts in the development of planning methodologies and data collection instruments which are to be used in educational planning at the local level. Short term technical assistance is programmed in this area during the T.Q. and the first trimester of FY 1977.

Two groups of participants are already receiving training outside of Peru. Four individuals working in planning offices from Lima and other areas are studying in a 7 months training program in regional development planning at the Latin American Institute of Economic and Social Planning in Santiago, Chile. Two individuals from the MOE's Statistical Unit are participating in a six week seminar at the U.S. Department of Labor on the formulation of human resources policy and the statistical analysis of labor and employment data. Additional training programs are contemplated during the remainder of the year for a total of 18 man months in micro-planning, economic and social development, quantitative aspects of education, and educational planning.

NARRATIVE STATEMENT OF ONGOING GRANT PROJECTSSELECTED DEVELOPMENT PROBLEMSSPECIAL DEVELOPMENT ACTIVITIES FUND

Project 527-11-998-061

The Special Development Activities Fund provides a quick response to community or group request for assistance which merit consideration in view of their low-cost, high-impact nature. Since 1963 approximately \$920,000 have been provided for 562 projects in agriculture, education, health, small industries, cooperatives, skills training, etc. in 22 of the 23 Departments of Peru.

During FY 76 USAID has continued to support selected requests from small groups in poor rural and urban communities to carry out local development activities. Priority has been given to economically productive projects aimed at improving the living standards of the community, employment generating projects, and skills training and human resources activities that increase productivity and socio-economic participation. Special attention has been given to projects involving female and "poorest of the poor" participation and development. Through the SDAF, USAID contacts with women promotion groups, such as the Association for Cooperation with Campesino Women (ACOMUC), were increased. Efforts were also intensified to reach some of Peru's more isolated and poorer groups. Likewise, the SDAF continued to cooperate closely with Peruvian PVOs, such as the Team for Human Development, Goodwill Industries of Peru, etc.

During FY 76 ten projects were approved, totalling approximately \$40,000. Illustrative of the activities which received USAID support are the following: a) Equipping of sewing and knitting shop for an agricultural cooperative comprised of 3,000 families in Cuzco. Currently, the shop is providing employment to fifty women from among the cooperative's membership. b) Help to the Amuesha Indian community of Satchopen to establish a bee farm which will eventually employ 10% of this isolated and impoverished tribe. c) A central cooperative store is being established to benefit 11 cooperatives comprised of 3,000 poor farm families in the arid coastal Department of Piura. The store will provide basic food and household items at substantially lower prices, thus increasing the farmers' very limited acquisition power.

Other projects approved during FY 76 include a grant to foster increased production and consumption of high-protein cuy (a native edible rodent) meat; an artisan weaving center that will employ 50 campesino women; a small milk and cheese processing plant; and a carpentry shop to provide skills training and employment for handicapped youth from poor families.

Country/Program PERU

ON-LINE GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME Campeino Para-Technician Training INITIAL OBLIGATION FY 1976 DATE PP/REVISION N/A

PROJECT NUMBER 527-15-190-143 FINAL OBLIGATION FY 1977 DATE LAST PAR N/A

APPROPRIATION 72-11X1023 TOTAL COST \$250,000 DATE NEXT PAR N/A

U.S. DOLLAR COST (IN THOUSANDS)

	FY Obligations	FY Expenditures	Unliquidated as of:	FY 1977 and FY 1978 Obligations by Cost Component/MOI								
				6/30/76	9/30/76	9/30/77	9/30/78	Contract	PASA	Total		
Actual FY 1976	100	-	100	Component U.S. Tech.	77	78	77	78	77	78	77	78
Estimated Interim Qtr	-	30	9/30/76 70	Local & TCN Participants	23	-	-	-	-	-	23	-
Estimated FY 1977	150	120	9/30/77 100	Commodities	-	-	-	-	-	-	-	16
Proposed FY 1978	-	100	9/30/78 -0-	Other Costs	-	-	-	-	-	-	111	111
				Total	127	23					150	150

Contract/PASA Funding Periods

Name of Contractor	Contract/PASA Funding Periods		FY 1977 Obligations	FY 1978 Obligations	On Board Personnel				
	FY 1976 Obligations	Int. Qtr. Obligations			6/30 1976	9/30 1976	9/30 1977	9/30 1978	
DAI & PSCs	7/76-2/77 \$23,000		3/77-6/78 \$23,000		Direct Hire PASA Contract Participants				

ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME Decentralizing Educational Planning INITIAL OBLIGATION FY 1976 DATE PP/REVISION N/A
 PROJECT NUMBER 527-11-690-158 FINAL OBLIGATION FY 1978 DATE LAST PAR N/A
 APPROPRIATION 72-11X1025 TOTAL COST \$957,000 DATE NEXT PAR March, 1977

U.S. DOLLAR COST (IN THOUSANDS)

	FY Obligations	FY Expenditures	Unliquidated as of:	FY 1977 and FY 1978 Obligations by Cost Component/MOI								
				6/30/76		Contract		PASA		Total		
				Cost Component	U.S. Tech.	Local & TCN Participants	Commodities	Other Costs	Total			
Actual FY 1976	365	67	298	77	78	77	78	77	78	77	78	78
Estimated Interim Qtr.	-	180	118	54	56							
Estimated FY 1977	355	336	137	74	65							54
Proposed FY 1978	237	281	93	122	68							74
				250	189	105	48					122
								355				237

Contract/PASA Funding Periods

Name of Contractor	FY 1976		FY 1977		FY 1978		On Board Personnel			
	Obligations	Int. Qtr. Obligations	Obligations	Obligations	Obligations	Obligations	6/30 1976	9/30 1976	9/30 1977	9/30 1978
PSCs	1/76-12/76 \$60,000		1/77-12/77 \$105,000		1/78-12/78 \$48,000		-	-	1	-
							-	1	2	-

Proposed New Projects - FY 1978 Alternative Funding Levels

<u>Project</u>	<u>(Alternative A)</u>		<u>(Alternative B)</u>		<u>(Alternative C)</u>	
	<u>Full Funding Level</u> <u>Months</u> <u>from Date</u> <u>of Obligations</u>	<u>Dollars</u>	<u>Forward Funding</u> <u>According to</u> <u>A-368</u> <u>Dollars</u>	<u>Dollars</u>	<u>Mission Alternative</u> <u>if Grant Resources</u> <u>Curtailed</u>	<u>Months from</u> <u>Date of</u> <u>Obligations</u>
<u>Food and Nutrition</u>						
Intermediate Rural Technologies	48	1,800	600	1,050		24
<u>Population Planning and Health</u>						
National Responsible Parenthood	36	740	300	500		21
<u>Education and Human Resources</u>						
Pre-School Education for the Disadvantaged	36	560	215	415		24
Rural Job Skills Training	36	685	285	450		20

The Mission does not believe that it is feasible at the PID stage to intelligently calculate Alternative C for most projects. It is recommended that such calculations be deferred to the PRP stage when input-output schedules may more reasonably be estimated.

LONG RANGE PROGRAM PLANS 1978-1982

The USAID development strategy, as set forth in the September 1974 DAP, provides for a modest program of assistance in support of Peruvian efforts to extend the benefits of development to the poor majority. The Revolutionary Government which has ruled Peru since 1968 has as its basic goals equity and full participation for all Peruvians.

To achieve its socio-economic objectives, the Government has undertaken a series of ambitious sector reform programs. Under the Agrarian Reform some 10.5 million hectares of land formerly in large estates is being redistributed to 342,000 former landless farm laborers organized into a variety of new cooperative organizations. An Education Reform is designed to make education more relevant and accessible to the individual while assuring the availability of the skills required for Peru's advancement. In industry, worker participation in management (and profits) is provided for through the Industrial Community and Social Property.

The magnitude of the task, however, is formidable. This is especially true relative to the more than 7 million Peruvians living in the Sierra. For these people, a limited land base and harsh climatic conditions constrain the opportunities for economic advancement through increased agricultural production. Similarly, due to monoligualism and the absence of educational tradition, this population presents special challenges to the education system. Elsewhere, the urban "pueblos jóvenes," largely comprised of migrants from the Sierra, give dramatic evidence of substandard housing and overcrowding, serious health and nutrition deficiencies, and the inadequate preparation of the population for the urban labor market.

The Government's ability to address these needs will be constrained in the near term by severe balance of payments problems and budgetary limitations, which may well continue throughout much or all of the planning period.

In this setting the opportunities for effective AID assistance through experimental programs to help in alleviating pressing problems of the poor are considerable. The Mission nevertheless is projecting a continuation of assistance only at a modest level. These programs are primarily directed at the rural poor; however, PL 480 Title II, HIGs and, to a lesser extent, education and population/health programs will allow a measure of assistance also to the urban poor.

Planning estimates of assistance requirements are contained on the accompanying table. Dollar loan assistance will emphasize agricultural

projects to increase production and employment in the Sierra as well as to create new agricultural opportunities elsewhere for the excess Sierra population. In addition, a loan to extend treated sewage irrigation in the coastal desert is anticipated in 1980. The Mission's long range program plan estimates that by 1980 a loan aimed primarily at supporting responsible parenthood programs may also be feasible. AID's first loan to Peru for Education is planned for 1977, with a second loan contemplated for 1981. AID Grant assistance will continue to provide essential advisory services and training in the three priority sectors.

Two Housing Guarantees are contemplated during the period: one in 1979 will address the needs of small, rural market towns, the other, in 1980 is planned to address the needs of pueblos jóvenes. PL 480 will continue as an important program element throughout the period. If available, Title I counterpart funds will be directed to high priority investment/credit programs for the rural poor while Title II funds will be utilized in conjunction with a variety of AID supported projects, particularly as Food for Work for rural infrastructure, as well as for Mother and Child Feeding through Voluntary Agencies.

Country/Program PERULong Range Program Plan
(whole \$ millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Food/Nutrition					
Grants	1.6	1.6	1.6	1.5	1.4
Loans	32*	20	10	10	15
Population/Health					
Grants	0.3	0.3	0.6	0.6	0.6
Loans	-	-	12	-	5
(Population)					
(Grants)					
(Loans)					
(Health)					
(Grants)					
(Loans)					
Education					
Grants	0.3	0.8	0.8	0.7	0.7
Loans	-	-	-	15.0	-
Section 106					
Grants	0.1	0.1	0.1	0.1	0.1
Loans	-	-	-	-	-
Total					
Grants	2.8	2.8	3.1	2.9	2.8
Loans	32*	20	22	25	20
PL 480					
Title I	20	20	15	15	10
Title II	5	5	5	5	5
HIGs	-	10	25	-	-

* Includes shelf loan of \$10 million

Country Program PERU

Mission Evaluation Plan for FY 1977 (Firm)

(1)	(2)	(3)	(4)	(5)	(6)
Project Title & Number/Subject	Date of Last Evaluation	Number of Last PAR (if applicable)	Date of Submission FY 1977 Evaluation	Period Covered Next Evaluation	Remarks
<u>GRANTS AND LOANS</u>					
Food and Nutrition Grant No. 160-Agric. Devel. and Operations	7/25/75	PRM 75-5	11/76	8/75 - 10/76	
Grant No. 143-Campesino Para-Tech. Try.	-	-	9/77	7/76 - 8/77	Expect sign Prohg in I.Q.
Grant No. 150-Use of Treated Sewage for Irr.	-	-	9/77	9/76 - 8/77	Expect sign Prohg in I.Q.
<u>Population Planning and Health</u>					
Grant No. 145-Responsible Parenthood for Medium & High Risk Mothers	-	-	8/77	6/76 - 7/77	Prohg signed 5/25/76
<u>Education & Human Resources Devel.</u>					
Grant 007.4 -ESAN Phase-Out Grant	2/ 3/76	TOAID A-04	2/77	2/76 - 1/77	PCR to be submitted 2/77
Grant No. 158-Decentralizing Educ. Plng.	-	-	3/77	1/76 - 3/77	
Grant No. 146-Bilingual Education	6/76	-	8/77	6/76 - 7/77	
<u>Sec. 107 Development Activities</u>					
Grant No. 165-Housing & Urban Development	6/76	-	8/77	6/76 - 7/77	PCR to be submitted 8/77
Loan No. 028-Pomacocha-Tarapoto Highway	5/ 5/76	ARE-See Remarks	4/77	5/76 - 3/77	ARE submitted in lieu of PAR
Loan No. 055-Urban Reconst.-Earthquake Zone	4/28/76	ARE-See Remarks	3/77	4/76 - 2/77	ARE submitted in lieu of PAR
Loan No. 057-Rural Enterprise Devel.	12/23/75	ARE-See Remarks	1/77	1/76 - 12/76	ARE submitted in lieu of PAR
FL 480	-	-	7/77	6/76 - 7/77	
Title II School Lunch	-	-	9/77	6/76 - 8/77	
Title II Voluntary Agencies	-	-			

PAR - Project Appraisal Report
 ARE - Annual Review & Evaluation
 LCR - Loan Completion Report
 PCR - Project Completion Report (Grant)

Legend:
 PAR - Project Appraisal Report
 ARE - Annual Review & Evaluation
 ICR - Loan Completion Report
 PCR - Project Completion Report (Grant)

Country Program PERU

Mission Evaluation Plan for FY 1978 (Estimated)

(1)	(2)	(3)	(4)	(5)	(6)
Project Title & Number/Subject	Date of Last Evaluation	Number of Last PAR (if applicable)	Date of Submission FY 1978 Evaluation	Period Covered Next Evaluation	Remarks
GRANTS AND LOANS					
Food and Nutrition					
Grant No. 060 - Agric. Devel. & Operations	11/76	-	11/77	11/76 - 10/77	FCR to be submitted 11/77
Grant No. 143 - Casapino Para-Tech. Trg.	9/77	-	9/78	9/77 - 8/78	
Grant No. 144 - Research & Dev. Fresh Water Fisheries	-	-	1/78	1/77 - 12/77	
Grant No. 149 - Soy/Corn Prod. on Small Farms	-	-	12/77	10/76 - 11/77	
Grant No. 150 - Use of Treated Sewage for Irr.	9/77	-	9/78	9/77 - 8/78	
Loan No. 058 - Agr. Coop Federations Dev.	-	-	10/77	6/76 - 9/77	First AREs for Loan 058 and 059 to be submitted approximately one year after initial disbursement.
Loan No. 059 - Sierra Water & Land Use Improv.	-	-	11/77	6/76 - 10/77	
Population Planning and Health					
Grant No. 145 - Responsible Parenthood for Medium & High Risk Mothers	8/77	-	9/78	8/77 - 8/78	
Education and Human Resources Devel.					
Grant No. 158 - Decentralizing Edu. Plng.	3/77	-	3/78	3/77 - 2/78	
Grant No. 146 - Bilingual Education	8/77	-	8/78	8/77 - 7/78	
Proposed Loan - Education Service Centers	-	-	9/78	6/77 - 8/78	
Sec. 107 Development Activities					
Loan No. 038 - Pomacocha-Tarapoto Highway	4/77	-	4/78	5/77 - 3/78	ICR to be submitted 4/77
Loan No. 055 - Urban Reconst. - Earthquake Zones	3/77	-	3/78	4/77 - 2/78	ICR to be submitted 3/77
Loan No. 057 - Rural Enterprises Dev.	1/77	-	1/78	1/77 - 12/77	
PL 480					
Title II School Lunch	7/77	-	7/78	7/77 - 6/78	
Title II Voluntary Agencies	9/77	-	9/78	9/77 - 8/78	
HRG					
527-82-09 Low Income Housing Guaranty Prog.	-	-	2/78	1/77 - 1/78	

PL 480 TITLE I

I. SUMMARY OF REQUEST

It is recommended that PL 480 Title I loans to Peru of approximately \$20 million per year be programmed for Peru for FY 1977 and FY 1978. The proposed program would contribute significantly to assure adequate supplies of certain basic foodstuffs - notably wheat and soybean oil - during a period in which foreign exchange reserves will remain exceptionally low. Local currency counterpart generations will be directed to programs that directly expand domestic food production by poor rural people.

In view of the limited availability of Title I resources in recent years for Latin America and our desire not to stimulate expectations that we may not be able to fulfill, we have not approached Peruvian officials concerning this proposal. Nevertheless, Peru's recent and persisting poor balance of payments performance, continuing and growing requirement for imports of the commodities included in this request, and keen GOP interest in agricultural development programs indicate that the elements necessary for a "core program" as described in State 139653 are presently available. For these reasons we strongly recommend the inclusion of Peru in preliminary Title I allocation listings for FY 1977 and FY 1978. Given the likelihood of such inclusion, the USAID would then re-allocate priorities of USAID personnel and/or request the additional TDY assistance required to prepare a DAP analysis.

II. JUSTIFICATION

Balance of Payments Outlook

Peru's balance of payments situation deteriorated significantly in 1975 and further deterioration is occurring in 1976 - at the end of March 1976 the gross foreign exchange assets of the Central Bank amounted to only \$114.6 million as compared with levels of \$269.0 million at the end of 1975 and \$616.4 million at the end of 1974. Available public information on Peru's balance of payments for 1972-1975 is as follows:

Peru's Balance of Payments 1972-1975
(millions of U.S. dollars)

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Exports, FOB	945	1,137	1,505	1,378
Imports, FOB	812	1,029	1,908	2,491
Trade Balance	+ 133	+ 108	- 403	-1,113
Net Services and Transfers	- 165	- 251	- 322	- 455
Balance on Current Account	- 32	- 144	- 725	-1,568
Long Term Capital, Net	+ 115	+ 334	+ 745	+1,137
Basic Balance	+ 83	+ 191	+ 20	- 431
Short-Term Capital and Errors and Omissions	- 33	- 178	+ 262	- 112
Balance of Payments (-indicates increase)	- 50	- 13	- 282	+ 543
Net International Reserve Position	397	411	693	150

In retrospect, several trends in Peru's international transactions are immediately apparent. Export earnings have been outpaced by import expenditures since 1972, with the trade balance slipping from positive \$108 million in 1973 to negative \$1,113 million in 1975. This \$1.2 billion worsening was offset by \$0.8 billion increase in net inflow of long-term capital. Several large investment projects account for the increased capital inflow. These projects include the Northern Peru oil pipeline, the Cerro Verde No. 1 and Cuajone copper mine projects, and the Mantaro hydroelectric project. The large short-term capital inflow of 1974 resulted from the 180 day minimum financial requirement imposed on importers. This latter measure accounted for the growth of Peru's net international reserve position in 1974. However, and as was stated by the Minister of Economy and Finance in his January 1976 presentation, in 1975 Peru's international reserve position decreased by \$543 million.

Little improvement can be expected in Peru's balance of payments during 1976. The official projection presented by the Minister of Economy and Finance sets forth export earnings (FOB) at \$1,655 million, import expenditures (FOB) at \$2,520 million, net outflow on services at \$526 million and net long-term capital inflow at \$1,085 million. The resulting aggregates are a trade deficit of \$865 million, a current account deficit of \$1,391 million, and net basic balance of -\$306 million. The Mission's projection for 1976 (as of December 1975, reported in Lima CY 75 10633) implied a possible reserve loss without additional compensatory financing in 1976 that was approximately \$60 million higher than the GOP estimate.

Inasmuch as Peru's net reserve position at the outset of 1976 was not sufficient to cover the expected B/P gap, the GOP has sought compensatory-type financing. Various drawing facilities of the IMF were negotiated and drawn upon during the final half of 1976, including the gold tranche, first credit tranche, compensatory facility related to decreased export prices, and the petroleum facility, for a total approximating \$210 million. In recent months the GOP has been seeking a \$400 million credit package from U.S., European, and Japanese commercial banks; see also Lima's 2903 and 4184.

Maintenance of a normal external payments situation in 1976 appears at this time to depend upon the successful negotiation by the GOP of a substantial package of compensatory-type credits. Even if this effort is successful, Peru will face 1977 and 1978 with historically low gross and net international reserve positions and a substantial growth in relatively short-term debt. Although Peru's B/P outlook for 1977 and 1978 cannot be predicted with great accuracy, the GOP's B/P projections presented to bankers in April 1976 forecasts a net basic balances i. e., (increases in Peru's net international reserve position) of only \$35 million in 1977 and \$97 million in 1978. The projected levels of commodity exports approximate \$2.2 billion for 1977 and \$2.6 billion for 1978 and the levels of commodity imports approximate \$2.5 billion for 1977 and \$2.6 billion for 1978. Relief from the B/P deficits of 1975 and 1976 arises principally from the near-doubling of copper production as the Cuajone mine comes on stream and the Northern Peru oil pipeline is placed in service.

Even if the somewhat optimistic GOP projection is proven by events to be realistic, at least one billion dollars originating from the 1975-1976 balance of payment crisis will have been funded in relatively short-term IMF and bank debt and Peru will probably continue to have low reserve positions through 1978.

Supply and Distribution of Requested Commodities

The following table sets forth latest data on the supply and distribution of wheat in Peru for the years 1974 and 1975 and an estimate for 1976. Peru's imports of wheat grew from 522 thousand metric tons in 1970 to 780 thousand metric tons in 1976. Projecting a continuation of this trend to 1977 and 1978 would yield 834 thousand metric tons in 1977, 892 thousand metric tons in 1978, and 953 thousand metric tons in 1979. Assuming a growing UMR requirement equivalent at half of the expected growth in total imports results in a possible limit for Title I financed wheat of 55,700 metric tons in FY 1977 and 86,500 metric tons in FY 1978.

Wheat: Supply and Distribution (000 M. T.)

	Calendar Year		
	<u>1974</u>	<u>1975</u>	<u>1976</u>
Beginning Stocks	100	70	85
Production	150	150	150
Imports	698	824	780 <u>a/</u>
U. S.	(453)	(666)	(338) <u>b/</u>
Other	(245)	-	(300) <u>b/</u>
<u>Total Supply</u>	<u>948</u>	<u>1,044</u>	<u>1,015</u>
Exports	1	-	-
Consumption	861	943	930
Seed & Losses	16	16	16
Ending Stocks	70	85	69
<u>Total Distribution</u>	<u>948</u>	<u>1,044</u>	<u>1,015</u>

a/ Total authorization for 1976.

b/ Total contracted to date.

The following table sets forth latest data on the supply and distribution of vegetable oil for the years 1974 and 1975 and an estimate for 1976. Peru exports fish oil, depending on the magnitude of domestic production, and imports soy oil and soybeans.

Fish and Vegetable Oil; Supply and Distribution (M. T.)

	Calendar Year		
	<u>1974</u>	<u>1975</u>	<u>1976</u>
Beginning Stocks (Jan. 1)	13, 170	66, 077	49, 372
Production			
Fishoil	21 2, 428	212, 534	90, 000
Cottonseed	25, 000	23, 000	20, 000
Other <u>a/</u>	900	2, 000	2, 600
TOTAL	238, 328	237, 534	112, 600
Imports <u>b/</u>	72, 700	59, 900	65, 500
<u>Total Supply</u>	<u>324, 198</u>	<u>363, 511</u>	<u>227, 472</u>
Exports <u>c/</u>	75, 556	129, 227	-
Apparent Consumption	182, 565	184, 912	190, 000
Ending Stocks (Dec. 31)	66, 077	49, 372	37, 472
<u>Total Distribution</u>	<u>324, 198</u>	<u>237, 534</u>	<u>227, 472</u>

a/ Mostly Soybean and palm oil.

b/ Soybean oil and soybeans, oil equivalent.

c/ Fishoil only.

Peru's imports of soybean oil (and sunflower oil) and soybeans (stated in oil equivalent) grew from 29, 760 metric tons in 1970 to 65, 000 metric tons in 1976. Domestic production of soybeans is expected to increase in the next few years as follows: 12, 000 metric tons in 1977, 19, 520 metric tons in 1978, 35, 800 metric tons in 1979, and 56, 050 metric tons in 1980. Subtracting the soybean oil equivalent from a projection of the import growth trend results in imports of soybean oil imports as follows: 72, 200 metric tons in 1977, 81, 000 metric tons in 1978, and 89, 600 metric tons in

1979. Projecting a growing UMR requirement equivalent to half the expected growth in total soybean oil import results in a planned limit to Title I financed soybean oil import of 8,000 metric tons in FY 1977 and 12,000 metric tons in FY 1978.

Proposed Development Programs

The Mission proposes a program which utilizes local currency generation to support useful development projects in the GOP high priority agricultural sector which aim at increasing much needed food production and increasing income and productivity of the rural poor directly affected by these projects. The following summary of on-going or projected joint GOP/AID programs are illustrative of activities which could be replicated or whose pace could be stepped up through use of Title I local currency generations, thereby substantially benefiting a greater percentage of the rural poor.

a) The Sierra Irrigation Loan which begins implementation in 1976 is directed toward the target group of small farm families in selected Project areas of Cajamarca and Mantaro. This target group is almost entirely dependent on marginal agriculture for their livelihood, farming individually or cooperatively-owned parcels of crop or pasture land (on the average, less than 2 hectares per family) in the low and high sierra regions of the project areas. The crop land which the Project will bring under irrigation will be able to substantially increase its potential through year-round multiple cropping. Likewise it will provide year-round employment. Other sierra areas, with equally poor people on marginally productive lands, could benefit from irrigation. In these areas of the Sierra where nearly identical investment in irrigation would have similar pay offs. The bulk of investment in these projects are local costs and could be funded from local currency generations.

b) As one of its projects for FY 1978, the Mission has identified a colonization plan for a selected area of the high jungle where trunk roads are or will be leading into the area in the next two years. The project would be basically a pilot operation that would assist new settlers from Peru's depressed areas by providing farm-to-market roads, storage and marketing structures and medium level technology for land development for food production. The identified project

encompasses an area of 150 Km². We believe that this type of project is a feasible method for increasing food production and farm family income and could be readily duplicated in other areas of Peru's selva as new trunk roads are opened. This project will involve substantial, but principally local, costs which could be financed by Title I local currency generations.

c) Medium level technological transfer of agricultural technology (agricultural extension) has been weak for the past seven years. The new Ministry of Food is now making a concerted effort to strengthen this process. However, it is apparent that its budgetary resources for this process are inadequate. The availability of Title I counterpart funds would substantially aid in the necessary expansion of extension services.

Benefits, GOP Interest, and Evaluation

The groups of people benefitting from the proposed program(s) are clearly the target A.I.D. seeks to reach in its grant-funded and Loan funded projects. The GOP has demonstrated its interest in each of the three programs proposed above. We believe that each of the three programs are within the project execution ability of the GOP. An evaluation plan for the proposed project(s) would require final project selection. Excepting the case of local currency allocations to agricultural extension, evaluation plans can be developed by the Mission with minimal additional effort.

An illustration of the condition of the target group of people who will receive benefits is best exemplified by the Sierra Irrigation Loan.

"The socio-economic profile of the target farm families, is one of (1) severely limited employment and income opportunities owing to their ultimate dependence on agricultural production from small plots of marginal land, leading to (2) consistently low standards of living (in all cases below the national average), and consequent (3) widespread economically-motivated migration in an attempt to escape the severe employment and income constraints.

In the Project areas of Cajamarca and Mantaro, these families typically have an annual per capita income of approximately \$175. In Mantaro, the average family land-holding is 0.7 has.; in Cajamarca, 2.0 has. much of which is not now suitable for food cropping."

In addition to GOP interest, which is manifest in its desire for the Sierra Irrigation Loan, we also note local farmer interest as summarized in the CAP section on socio-cultural feasibility:

"In general terms, it was found that the farmers in the sub-project areas showed great interest in the proposed irrigation work, and were fully aware of the potential economic benefits which would accrue to them as a result; farmers routinely cited the additional land area which could be farmed as well as new, more productive, cropping alternatives. Their understanding and appreciation of the benefits of irrigation, founded on many generations of dependence on scarce rainfall and limited irrigation water, enabled the great majority to recognize immediately and respond enthusiastically to the inherent economic incentives to participate."

The evaluation plan for the Sierra Irrigation Loan project is also illustrative of the type of evaluation contemplated for a Title I local currency-funded project.

"Project evaluation in this instance has two critical objectives: one, to provide information on the key aspects of Project administration so that inefficiencies, bottlenecks, and unnecessary delays can be progressively reduced or removed as the Project continues; and second, to analyze the success of the Project in the achievements of its purposes and in its contribution to the sector goals, in order to provide the GOP and AID with a measurement of the socio-economic impact of the Project on the lives and productivity of sierra farm families. To fulfill these two distinct yet equally important evaluation needs -- those of continually improving Project administration and of providing the GOP with some measure of the effect of the Project on priority sector Goals-- the Project will include two discrete evaluation components."

These components are (1) the usual administration, monitoring, and evaluation of on-going Project implementation activities and (2) evaluation of the impact of the Project in terms of production effects, income effects, and employment effects.

III. COMMODITY REQUIREMENTS

In FY 1977 Peru will have to commercially import approximately 835,000 metric tons of wheat and 76,000 metric tons of soybean oil. Apart from the assumption stated above (that approximately half of the net increase in each of these commodities would constitute a UMR) further analysis of performance in the period 1970-1976 will be required to refine the UMR. For this reason the suggested levels are slightly higher than that indicated by the arbitrary formula presented above. These planning levels are 10,000 metric tons of soybean oil and 120,000 metric tons of wheat each in FY 1977 and FY 1978.

The unavailability of sufficient locally produced food commodities and budget constraints will likely prevent the GOP from fully complying with increased food contribution for the National School Lunch Program. Locally produced food availabilities augmented by Title I Sales of blended foods could permit the Government to realize its contribution. The Mission feels this possibility should be explored further with the GOP.

Country/Program PERU

PL 480 Title I Agreements and Shipments

Commodity	FY 1976 and Transition Quarter Estimate			FY 1977 Request		
	Agreements (MT)	Shipments (MT)	Carryover to FY '77 (MT)	Agreements \$Millions; 000 M.T	Shipments	Carryover to FY '78
Wheat	None	None	None	16.08	120 Same	None
Soybean Oil	None	None	None	3.97	10 Same	None

Commodity	FY 1978 Request		
	Agreements (\$)	Shipments (\$)	Carryover to FY '79 (MT)
Wheat	16.08	120 Same	None
Soybean Oil	3.97	10 Same	None

PL-480 TITLE IIPreface

The data and discussion which follow were developed prior to receipt of the PL 480 Title II Regional Guidance for the FY 1978 ABS (State 146039). Two of the PIDs being submitted with the Mission's FY 1978 ABS (Loan for Development of Sub-Tropical Lands and Grant for Pre-School Education for the Disadvantaged) had already anticipated the use of PL-480 Title II commodity inputs for implementation of the projects. In the case of the former project Title II would be used as food for work on feeder road construction; in the latter project food will be used as both an incentive to gain local participation and to improve the nutritional status of children age 2-5 among Peru's more economically and educationally disadvantaged groups. It should be noted, however, that both projects are scheduled for initiation in FY 1978 and that actual food deliveries would probably not be necessary until FY 1979. Therefore, food deliveries for these programs have not been included in the subsequent tables.

At the present time the Mission sees likely additional opportunities for increasing the use of food as a development resource. The ability of the Voluntary Agencies and GOP counterpart Agencies to expand their capacity to meet these opportunities will require careful analysis. We will be exploring the situation in more detail with both the GOP and the FVOs and will provide AID/W with a more thorough analysis by August 1st, as requested in State 146039.

On-Going Title II Programs

Before commenting on the individual categories, the following general observations should be made:

The programs proposed by the Voluntary Agencies do not adequately reflect multi-year planning. The Voluntary Agencies are being encouraged to begin developing plans for multi-year programs and future submissions should reflect this planning.

The figures presented for Host Country contribution to daily per-capita calorie value of programs are estimates provided by the Voluntary Agencies. It must be recognized that these are rough estimates and that supplemental food contributions vary, depending on the distribution center, anywhere from nothing to substantial. In the case of Food for Work projects, since there is no actual host country input to the ration, the figure given represents only an estimate of other foods consumed.

Maternal and Child Health (MCH)

The recipient level for this category declines slightly, from 73,000 in FY 77 to 71,000 in FY 78. This is due to a reduction in the program requested by Church World Service. This agency has tended, in the past, to overestimate their capability of reaching the projected number of recipients planned. This reduction, then, represents a more realistic estimate of what the program can accomplish. A similar reduction was made in the FY 77 program of Seventh Day Adventist Welfare Service for the same reason.

The number of recipients reached by the MCH Program still represents only a fraction of the needy. It is estimated that well over a million and a half children under 5 years of age suffer some form of malnutrition. Of these only about 5% are receiving any kind of nutritional supplement from national or foreign sources. It will be appreciated that a program reaching only some 70,000 children can not impact significantly on national nutritional levels.

Not only the Mission, but the Voluntary Agencies themselves would like to be able to increase the scope of these MCH Programs. The factors which inhibit expansion include lack of physical and financial resources and a shortage of trained personnel. As these constraints are reduced or eliminated, it is hoped that a greater number of recipients can be reached. Meanwhile, emphasis will continue to be given to the areas of the Sierra and the jungle as well as the neediest areas surrounding urban centers.

Food for Work

Recipients in this category continue at approximately the same level in FY 78 as in FY 77. The types of projects to be undertaken during FY 78 include road construction, school construction, irrigation canals, community center construction, agriculture programs and educational programs. As indicated above, we do not anticipate that the Sub-Tropical Lands project will require deliveries in FY 1978.

Other Child Feeding and Day Care Centers

A reduction of 2,000 recipients in this category from FY 77 is attributable to a smaller CWS program and was made generally for the same reason as cited for the MCH program. Such programs are expensive to operate and the Voluntary Agencies' resources do not permit expansion of this program. Emphasis will continue to be given to other categories.

School Lunch Program

The national school lunch program in Peru continues to be carried out through a government-to-government agreement. A new Transfer Authorization, signed by the US Government and awaiting GOP signature, provides a total of 6,820 thousand kilograms of Title II food commodities valued at \$2.3 million for the school lunch program during CY-1976. The program will provide a breakfast or lunch to approximately 500,000 primary school students. In accordance with the approved PROP and agreements with the GOP, Title II support of the school lunch program will be provided through calendar year 1978. During this period the level of Title II inputs will be progressively reduced while the level of GOP and other local inputs are planned to increase proportionally. An extension of the new Transfer Authorization or new ones will be requested to provide 4,320 thousand kilograms and 1,640 thousand kilograms of Title II food during CY's 1977 and 1978, respectively.

The total commodity requirement for one school year, at the level of 500,000 recipients, is approximately 10,950 thousand kilograms. During 1976 the GOP and other local sources are to provide 4,130 thousand kilograms of commodities equivalent to 38 per cent of the total requirements. It is planned that the local commodity contribution from Government and local sources will amount to 61 and 85 percent of the total commodity requirements respectively during 1977 and 1978. It is expected that full responsibility for providing the necessary commodity requirements and for the administration of the school lunch program will be assumed by the Peruvian Government beginning in 1979.

In addition to GOP commodity support as described above, the Government has been requested to pay 50 per cent of the ocean freight and the equivalent 10 per cent port charges of Title II shipments during 1976, in accordance with AID/FFP policy for government-to-government food assistance programs. These costs amount to \$357,500. In addition, the GOP is assuming additional administrative, monitoring and food distribution costs.

Considering the current weak fiscal situation of the Peruvian Government and the fact that the expansion of the school enrollments in rural areas and pueblos jóvenes adds steadily to the numbers who should receive food assistance under the Government program (the Volags Title II school feeding programs were discontinued by AID/W in December 1974). The Government's ability to assume progressive responsibility for the School Lunch Program per the phase-out schedule will be extremely difficult. No modification of the phase-out schedule is recommended by the Mission at this time, however.

PL 480 TITLE II PROGRAMCOMMODITY REQUIREMENTS/RECIPIENTS TABLE - FY 1978

I. Country: PERU

Sponsor's Name: CATHOLIC RELIEF SERVICES - USCC (CARITAS)
 (All units are in thousands)

A. Maternal and Child Health Total Recipients: 60

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>(Thousands)</u>	
		<u>KGS</u>	<u>Dollars</u>
60	A.P.Flour	1,440	283
60	Rolled Oats	720	183
60	Bulgur	720	133
60	Oil	360	214
60	CSM - Inst.	720	338
Total MCH 60		3,960	1,151

B. Day Care Centers Total Recipients: 15

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>(Thousands)</u>	
		<u>KGS</u>	<u>Dollars</u>
15	Flour	360	71
15	Rolled Oats	180	46
15	Bulgur	180	33
15	Oil	90	54
15	CSM-Inst.	180	85
Total DCC 15		990	289

C. Other Child Feeding Total Recipients: 15

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>(Thousands)</u>	
		<u>KGS</u>	<u>Dollars</u>
15	Flour	360	71
15	Rolled Oats	180	46
15	Bulgur	180	33
15	Oil	90	54
15	CSM-Inst.	180	85
Total OCF 15		990	289

C. Food for Work Total Recipients: 150

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>(Thousands)</u>	
		<u>KGS</u>	<u>Dollars</u>
150	Flour	2,700	531
150	Cornmeal	1,350	268
150	Rolled Oats	1,350	342
150	Bulgur	1,350	249
<u>150</u>	Oil	<u>675</u>	<u>402</u>
Total FFW 150		7,425	1,792

II. Sponsor's Name: CHURCH WORLD SERVICE (SMI)

A. Maternal and Child Health Total Recipients: 3,000

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>(Thousands)</u>	
		<u>KGS</u>	<u>Dollars</u>
3	S.F. Flour (12%)	18	4
3	W.S.B.	27	7
3	S.F. Rolled Oats	27	7
3	S.F. Bulgur	18	4
3	C.S.M. Inst.	36	13
<u>3</u>	Veg. Oil	<u>18</u>	<u>11</u>
Total MCH 3		144	46

B. Other Child Feeding Total Recipients: 2,000

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>(Thousands)</u>	
		<u>KGS</u>	<u>Dollars</u>
2	S.F. Flour (12%)	24	6
2	W.S.B.	36	10
2	S.F. Rolled Oats	24	6
2	S.F. Bulgur	24	5
2	C.S.M. Inst.	36	13
<u>2</u>	Veg. Oil	<u>12</u>	<u>7</u>
Total OCF 2		156	47

C. Food for Work Total Recipients: 6,000

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>(Thousands)</u>	
		<u>KGS</u>	<u>Dollars</u>
6	S.F. Flour (12%)	158	39
6	W.S.B.	158	42
6	S.F. Rolled Oats	158	40
6	S.F. Bulgur	158	32
<u>6</u>	Veg. Oil	<u>40</u>	<u>24</u>
Total FFW 6		672	177

III. Sponsor's Name: SAWS (OFASA)A. Maternal and Child Health Total Recipients: 8,000

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>(Thousands)</u>	
		<u>KGS</u>	<u>Dollars</u>
8	S.F. Wheat Flour	22	5
8	S.F. Cornmeal	22	4
8	S.F. Bulgur	22	4
8	S.F. R. Oats	22	5
8	C.S.M. Inst.	70	24
8	W.S.B.	74	19
<u>8</u>	Oil	<u>44</u>	<u>26</u>
Total MCH		276	87

B. Food for Work Total Recipients: 25,000

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>(Thousands)</u>	
		<u>KGS</u>	<u>Dollars</u>
25	S.F. Wheat Flour	476	116
25	S.F. Cornmeal	476	93
25	S.F. Bulgur	476	95
25	S.F. R. Oats	476	118
25	W.S.B.	816	213
<u>25</u>	Oil	<u>136</u>	<u>79</u>
Total FFW		2,856	714

IV. Sponsor's Name: GOVERNMENT OF PERUA. School Feeding Program Total Recipients: 500,000

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>(Thousands)</u>	
		<u>KGS</u>	<u>Dollars</u>
500	C.S.M. Inst.	768.0	269.6
500	S.F. Bulgur	586.0	119.5
500	S.F. Flour	1,525.9	380.8
<u>500</u>	Veg. Oil	<u>189.7</u>	<u>340.0</u>
Total SFP500		3,069.6	1,109.9

DAILY PER CAPITA CALORIE VALUE

	<u>FY 1977</u>		<u>FY 1978</u>	
	<u>Calories</u>	<u>Day</u>	<u>Calories</u>	<u>Day</u>
	<u>Title</u>	<u>Others</u>	<u>Title</u>	<u>Others</u>
<u>C.R.S.</u>				
M.C.H.	399	-	758	-
F.F.W.	629	-	753	-
O.C.F.	630	-	758	-
Day Centers	399	-	758	-
Total	<u>2,057</u>	-	<u>3,027</u>	-
<u>C.W.S.</u>				
M.C.H.	430	1,000	580	1,100
O.C.F.	874	725	887	900
F.F.W.	<u>1,252</u>	<u>600</u>	<u>1,248</u>	<u>750</u>
Total	<u>2,556</u>	<u>2,325</u>	<u>2,715</u>	<u>2,750</u>
<u>S.A.W.S.</u>				
M.C.H.	449	-	449	-
F.F.W.	<u>1,687</u>	-	<u>1,687</u>	-
Total	<u>2,136</u>	-	<u>2,136</u>	-
<u>G.O.P.</u>				
School Feeding Program	321	317	321	317

Country/Program PERUSupport to Private Voluntary Organizations and Cooperatives

(\$ 000)

	<u>FY 1977</u>	<u>FY 1978</u>	<u>Functional Account</u>
<u>ONGOING</u>			
A. Ongoing OPGs	-	-	
B. Non-OPGs	<u>1/</u>	<u>1/</u>	
<u>NEW</u>			
A. OPGs			
- Water & Sewage in Affected Zone (CARE)	250	200	ST
- Health/Environmental Sanitation (Team for Human Development)	50	55	ST
- Development of Employment Opportunities for Women (Accion Comunitaria)	-	100	ST
- Middle-Level Professional Training (Peruvian Institute for Educ.Dev.)	-	100	ST
B. Non-OPGs	<u>1/</u>	<u>1/</u>	
<u>LOANS</u>	<u>1/</u>	<u>1/</u>	

1/ Virtually all assistance in the agriculture sector, loans and grants, benefits directly or indirectly agricultural "associative enterprises"*, of which production and service cooperatives are the predominant form. For example, the Agricultural Cooperative Federation Development Loan, \$7.0 Million, with counterpart funding of an equal amount, will assist to strengthen federations of associative enterprises by providing capital for financing training, start-up costs, fixed assets and agro-industrial transformation. Another experimental project to be executed by the Center for Training and Research for Agrarian Reform, to train farmers in associative enterprises as para-technicians, will be undertaken at three sites for a total cost of \$250,000 over a two-year period.

* (In Peru Associative Enterprises are: production coops (CAPs), service coops (CAS), Agricultural Societies of Social Interest (SAIS), campesino communities (CCOs), and campesino groups (CGs). These total to date 1,124.)

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT IDENTIFICATION DOCUMENT FACESHEET

TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE

A

A = ADD
C = CHANGE
D = DELETE

PID

2. DOCUMENT
CODE 1

3. COUNTRY/ENTITY

PERU

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS)

527-0163

6. BUREAU/OFFICE

A. SYMBOL
LAB. CODE
05

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)

Development of Sub-Tropical Lands

8. PROPOSED NEXT DOCUMENT

A. 2 = PRP
 3 = PPB. DATE MM YY
1 0 7 6

10. ESTIMATED COSTS

(\$000 OR EQUIVALENT, \$1 = S/.45.00)

FUNDING SOURCE		BASES
A. AID APPROPRIATED		12,200
B. OTHER U.S.	1. PL 480 Title II	2,800
	2.	
C. HOST COUNTRY		6,500
D. OTHER DONOR(S)		
TOTAL		21,500

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION

a. INITIAL FY 7 8

b. FINAL FY 7 8

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY 78		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) FN	233		821		12,200		12,200
(2)							
(3)							
(4)							
TOTAL					12,200		12,200

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)

023

060

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)

BR

BF

BS

14. SECONDARY
PURPOSE CODE
220

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)

To increase productivity, incomes, employment and nutrition among the poor, especially the rural poor.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)

To develop for settlement using a low cost, replicable methodology, a selected area of the high jungle to provide new agricultural opportunities for poor rural families, especially those from the overpopulated Sierra.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)

18. ORIGINATING OFFICE CLEARANCE

Signature

Donald Finberg

Title

Mission Director

Date Signed

MM DD YY
0 6 2 5 7 619. DATE DOCUMENT RECEIVED IN
AID/W, OR FOR AID/W DOCUMENTS,
DATE OF DISTRIBUTION

MM DD YY

DEVELOPMENT OF SUB-TROPICAL LANDS

I. SUMMARY OF THE PROBLEM AND THE PROPOSED RESPONSE

Peruvian agriculture has long been confined to a limited amount of arable land in narrow coastal valleys and in the Sierra. Bringing new land into cultivation is one means for the GOP to attain its agricultural sector goal of increased productivity and employment and improved nutrition. To date, efforts to colonize the high jungle (ceja de selva) area have been constrained primarily by a lack of land transportation routes which limits the entry of settlers and inputs, and hampers marketing. Other conditions which give rise to subsistence agriculture in this area of great food production potential include lack of experience in sub-tropical agriculture on the part of settlers and the absence of effective technology transfer.

Although the development of the approximately 121,000 Km² of the high jungle will require substantial investment over an extended period of time, it does appear desirable and feasible to begin now by selecting and developing an area through a demonstration program applying a minimum-cost methodology which can be replicated throughout the region.

There is already some spontaneous in-migration to the high jungle areas, mostly from the poverty-stricken mountains. Stable agriculture is practiced only in a few areas; slash and burn, subsistence farming is practiced widely. Even this is limited to narrow bands of land contiguous to existing trunk roads.

Trunk roads into the jungle are few but expanding. Unfortunately, there are very few feeder roads which can produce economic benefits in a wider area by facilitating farm-to-market movement, thus helping to stabilize farming patterns. With AID and EXIM Bank financing, the Tarapoto highway is scheduled for completion in late 1977 or early 1978. This trunk road will provide access to the Huallaga Central - Rio Mayo river basin complex which has 1.1 million hectares of soils suitable for permanent agriculture. Trunk roads have also been constructed in several other jungle areas, notably in the Province of Oxapampa which is believed to have substantial agricultural production potential. Areas like these offer the most promising alternative to coastal cities for the many people who are leaving the Sierra in search of a livelihood.

The purpose of this proposed project is to develop a selected area of the high jungle using a low cost, replicable methodology. One of the major obstacles to rapid rural development in the jungle and high jungle has been the high cost per beneficiary in directed settle-

- 2 -

ment projects. This high cost is attributed in part to the attempt to provide a full range of social infrastructure, such as health and education facilities and housing, too early in the development process. The central thesis of this Project is that agricultural and forestry development, provided to support spontaneous colonization, must first create the economic conditions which later justify and support the provision of complete social services.

To achieve the above purpose, the Project will select a well-defined area in the high jungle with representative agricultural potential which lies in an area adjacent to a trunk road linked to urban markets through the national highway system and which can be colonized. The area should be limited in size, perhaps on the order of 50 Km², in order to facilitate project administration, which may be the responsibility of a local regional development authority invested with planning responsibility and budgetary resources. The minimum administrative infrastructure should include organized allocation and titling of land, agricultural extension, and marketing functions along with a credit delivery system. Administrative regulations will, at a minimum, set the conditions for land tenure and the task of the extension system will be to foster stabilized, profitable farming patterns.

On the basis of feasibility studies, the Project will provide as outputs the minimum physical infrastructure required to retain settlers and continue to attract new settlers into the area. This infrastructure is most likely to take the form of access roads, minimal marketing facilities, some services related to land clearing and soil preparation, and minimal health and educational facilities.

The Project will require, as inputs from the GOP, a basic complement of personnel to staff the administrative, research and extension organizations, land for the Project, and some credit. AID inputs may include commodities, a contribution to a regional development fund, technical assistance in the planning and implementation of the Project, road-building equipment, and equipment for marketing infrastructure and/or experimental production purposes. USAID supported feasibility studies to be undertaken during the intensive review will examine soil capabilities, forest resources, market potential, and current settlement, migration and farming practices in order to select an area with suitable development potential and to identify the precise investment requirements.

It is assumed that an administrative arrangement can be developed to suit the needs of the Project area and be compatible with the national system.

- 3 -

II. LINKAGES AND DURATION

The Project will complement and be complemented by several important USAID/GOP programs and projects. The most obvious complementarity is with the soybean program of production in the high jungle areas. Accelerated settlement will help facilitate achievement of long range soybean production targets. Soybeans will stabilize farming patterns by helping to maintain soil fertility, thus contributing to a major objective of settlement programs. Another USAID project, now in the PID stage, will support the development of intermediate technologies and rural diversification. It envisages the development of new energy sources, small farm machinery, and production processing and marketing linkages which tie together the jungle and the highlands, raise incomes and provide employment, while making intermediate technologies, e.g., windmills, solar powered processing and other innovations available for Peruvian agriculture. It also envisages agro-industrial and marketing linkages between the mountains and the high jungle. Such linkages could include highland dairy products based on feeds produced in the high jungle and highland-based processing of high jungle food crops.

III. BASIS FOR SELECTION

In attempting to fulfill the congressional mandate to concentrate resources to benefit the poorest majority, the USAID is focusing on immediate problems of food production in the Sierra through small-scale irrigation, fisheries development, corn production, and institutional support to cooperatives. In addition, the USAID has financed activities designed to provide off-farm employment opportunities, given the limited capacity of Sierra agriculture to absorb labor. Such activities have included agro-industry, agricultural service operations, handicrafts, and other rural enterprises. However, the harsh natural conditions, constraints of land tenure, and scarcity of physical and administrative infrastructure in the Sierra sharply constrain the long-term growth potential in the Sierra. Investment in the Sierra, then, can only be designed to meet the short and medium-term need of providing employment and income to a marginal population. It is also necessary to promote growth in other, potentially more productive areas to absorb the surplus labor from the Sierra.

The Mission wants to further development of the high jungle as one of these more productive long-term growth sectors for two reasons. First, given the existence of trunk roads in the region, economic returns on additional investment in the potentially productive farming areas of the high jungle are probably higher than equal investments in the coast, where agriculture is already highly capitalized and it is very expensive to bring new land into production. Second, these

- 4 -

economic returns will no doubt benefit the poorest elements of the population in view of the particularly close economic and demographic relationships which exist between the high jungle and the Sierra. Most notable of these relationships is the pattern of migration of those who leave the Sierra in search of land and employment. A project which facilitates this migration, channels it into productive uses, and rewards it with higher incomes, benefits not only the immediate recipients in the high jungle and future out-migrants from the Sierra, but also those who can then afford to remain behind in the sierra owing to a more favorable man-land ratio.

IV. BENEFICIARIES AND REPLICABILITY

The project will benefit directly the farming population that will settle the project area, up to 16,000 families, each with about 15 hectares of land for pasture and cultivation. The needs of commercial, agro-industrial and transportation infrastructure will produce employment for an undetermined number of additional people. If present patterns hold, 55% of these beneficiaries will come from mountain regions of Peru. The remainder will come from the coast (after first having migrated down from the Sierra, in many cases) and other jungle areas. The beneficiary group will include landless migrant workers who will be attracted initially by employment opportunities generated through the road construction projects and the timber exploitation that will be necessary to establish farming areas.

V. FINANCIAL ANALYSIS AND PLAN

In the first year of the project the proposed loan will finance the building of 60 Km. of secondary access roads, i.e., one-lane, gravel surface, minimally all-weather roads with log bridges. Using a current cost of \$35,000 per Km. and allowing for inflation of 15% per year, the cost in 1978 will be \$2,900,000. In the second and third year of the project 160 Km. of roads will be financed. At the same rate of inflation the cost will be \$8,600,000. The total estimated cost of road construction will be about \$11,500,000. In addition, the project will require certain kinds of governmental infrastructure including office buildings, equipment, and furniture, housing and storage facilities, vehicles and minimal health and education facilities. About \$2,000,000 will be needed for this purpose.

The project will set up a development fund of \$7,000,000 to finance medium-term farm improvement, forestry equipment, livestock acquisition, agro-industrial machinery and other economic infrastructure in the zone. Personnel and administrative support will require \$1,000,000 during the life of the project. The total estimated project

- 5 -

cost is \$21.9 million.

A.I.D.'s financial contribution will take the form of food donations estimated at \$2,800,000 for food for work, possibly administered through a voluntary agency, and a loan for \$12,200,000 for a total A.I.D. contribution of \$15,000,000. The GOP will contribute \$6,000,000. An illustrative cost breakdown appears below:

	\$000					TOTAL
	A.I.D.	A.I.D.		G.O.P.		
	Grant (FFW)	FX	LC	FX	LC	
Road Construction	2,800	3,000	4,700		1,000	11,500
Development Fund		2,000	2,000		3,000	7,000
GOP Personnel and Administrative Support					1,000	1,000
Governmental Infrastruc- ture (offices, ware- houses, schools, clinics, etc.)		500			1,500	2,000
TOTALS:	2,800	5,500	6,700		6,500	21,500

The loan supporting this Project would have a five-year disbursement period.

VI. DEVELOPMENT OF PROJECT

In consultation with appropriate GOP agencies, including the National Office of Natural Resources Evaluation (ONERN), the National Planning Institute and other technical agencies, the Mission will review all existing area development plans and regional evaluations and will select an area which meets the criteria of productive potential and market accessibility where feeder roads can be constructed at relatively low costs and immigration can be encouraged. A number of area studies already exist. One FAO study covers the Mayo River Basin and one by ONERN covers an area near Oxapampa. These and other studies may need updating or amplification, but can serve as the basis for Project site selection. Careful attention will be paid to the production and marketing potential of each area evaluated for possible inclusion in the project. The PRP will lead to a feasibility study which will further define the area and lay out the minimum infrastructural requirements that are required, based on experience with agricultural projects in the high jungle. The PRP will be submitted in October, 1976 and the PP in November 1977.

VII. POLICY ISSUES

A. Minimum Social Infrastructure

Although the GOP expressly favors settlement of the high jungle, there has been a tendency to invest heavily in social infrastructure. In this project, one major policy question to be explored is the minimum level of services that will be acceptable to the GOP or the extent to which certain kinds of such investments can be deferred to await economic development.

B. Project Administration

There are several institutions that could take the lead for the GOP in this project. Even though the elements of the project are relatively few, they would ordinarily be managed by different Ministries, e.g., the Ministries of Food, Agriculture, Transportation, Education, and the Agrarian Bank. This division of responsibility for various project elements would require a high level of coordination. Therefore, an administrative system, with a degree of autonomy, capable of coordinating the various project elements within the project area will probably be required. The various alternatives for project administration, including a possible regional development authority must be explored with responsible GOP officials to identify a system that will be effective.

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT IDENTIFICATION DOCUMENT FACESHEET TO BE COMPLETED BY ORIGINATING OFFICE				1. TRANSACTION CODE <div style="border: 1px solid black; display: inline-block; padding: 2px;">A</div> A = ADD C = CHANGE D = DELETE		PID 2. DOCUMENT CODE 1					
3. COUNTRY/ENTITY PERU				4. DOCUMENT REVISION NUMBER <div style="border: 1px solid black; width: 20px; height: 15px; display: inline-block;"></div>							
5. PROJECT NUMBER (7 DIGITS) <div style="border: 1px solid black; padding: 2px;">527-0159</div>		6. BUREAU/OFFICE A. SYMBOL LA		B. CODE 05		7. PROJECT TITLE (MAXIMUM 40 CHARACTERS) <div style="border: 1px solid black; padding: 2px;">Agricultural Services Rediscount Fund</div>					
8. PROPOSED NEXT DOCUMENT A. <div style="border: 1px solid black; padding: 2px;">2</div> 2 = PRP 3 = PP				B. DATE MM YY <div style="border: 1px solid black; padding: 2px;">1 0 7 6</div>		10. ESTIMATED COSTS (\$000 OR EQUIVALENT, \$1 =)					
9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION a. INITIAL FY <div style="border: 1px solid black; padding: 2px;">7 8</div> b. FINAL FY <div style="border: 1px solid black; padding: 2px;">7 8</div>				FUNDING SOURCE		LIFE OF PROJECT					
				A. AID APPROPRIATED		10,000					
				B. OTHER U.S.		1.					
				C. HOST COUNTRY		4,000					
				D. OTHER DONOR(S)							
		TOTAL		14,000							
11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)											
A. APPRO- PRIATION		B. PRIMARY PURPOSE CODE		C. GRANT		D. LOAN		E. FIRST FY <u>78</u>		LIFE OF PROJECT	
								F. GRANT		G. LOAN	
(1) FN		130				010				10,000	
(2)											
(3)											
(4)											
								TOTAL		10,000	
										10,000	
12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)											
030		200									
13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)										14. SECONDARY PURPOSE CODE	
BR		BS								200	
15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)											
To increase food production, employment, and income of rural poor.											
16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)											
To establish in the Central Bank a facility for rediscounting medium-term loans made by financial institutions to borrowers which produce, process or market agricultural products or provide complementary services to the agricultural sector.											
17. PLANNING RESOURCE REQUIREMENTS (staff/funds)											
18. ORIGINATING OFFICE CLEARANCE										19. DATE DOCUMENT RECEIVED BY AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION	
Signature Donald R. Finberg <i>Donald Finberg</i>											
Title Mission Director										Date Signed	
										MM DD YY	
										06 25 76	
										MM DD YY	

AGRICULTURAL PRODUCTION, MARKETING AND SERVICES FUND*

I. Summary of the Problem to be Addressed and the Proposed Response to the Problem

A. The Problem

Peru's agricultural sector has shown little growth in recent years: 1% in 1975, 2.3% in 1974 and 2.4% in 1973. Domestic production of basic food items has failed to keep pace with the high population growth rate (3.1%), and the need to import increasing amounts of basic foods (\$238 million in 1973, \$395 million in 1975) has exacerbated Peru's declining balance-of-payments position. In the DAP the agricultural sector was identified as the primary area of USAID concentration with the overall sectoral goal of increasing food production, employment, and income of Peru's rural disadvantaged population.

One problem impeding attainment of the sectoral goal is the absence of an institutional mechanism for effectively channeling medium and long-term resources to those individuals and enterprises for whom credit is the major constraint to increasing agricultural production or improving processing and marketing.

Currently the Agrarian Bank is the only financial institution in Peru providing any substantial financial support to the agricultural sector, and the bulk (over 90%) of its own resources are directed to the provision of annual production credits guaranteed by farm production. The supply of production credit is clearly the Bank's major interest, its expertise lies in this area, and the sector's growing production credit needs will continue to require the Bank's priority attention. Although the Agrarian Bank also administers some medium term sub-lending credit funds available under international lending programs, there exists a critical need to establish other mechanisms for channeling medium term resources to priority areas and target groups.

The Mission, together with Peru's Central Bank, considers that one way to alleviate the current problem would be to more actively involve other banking institutions in the agrarian sector. Thus, the purpose of the proposed Project would be to establish within the Central Bank a facility for rediscounting medium term loans made by financial institutions to enterprises which produce, process or market agricultural products or provide complementary services to the agricultural sector.

In other Latin American countries, Central Bank rediscount mechanisms utilizing the existing banking structure have proven to be successful credit operations. The existing infrastructure of the Peruvian banking system with its large number of branch offices located throughout the country would appear to be a logical conduit for reaching those relatively poor individuals and enterprises requiring, and capable of utilizing

*FY 1977 shelf loan; FY 1978 firm

- 2 -

credit. The challenge of the proposed project is to create the necessary incentives to reorient the credit allocations of the system toward the agricultural sector and the target group to be reached under the Congressional Mandate in particular. If successful, the banking community would become actively involved in medium term lending in agriculture for the first time, and we would establish a new mechanism to permit an additional flow of development resources into the country-side without increasing the administrative burden on existing traditional institutions.

B. Proposed Project

The Borrower would be the Government of Peru or Central Bank, with the latter as executing agency. The Central Bank would establish a Special Fund in the Bank which would be capitalized with the A.I.D. Loan and GOP counterpart contribution. All of Peru's financial institutions would be eligible to use the Fund, including private commercial banks, associated banks, regional development banks, state development banks, and private "empresas financieras".

Through a circular directed to the banking system, the Central Bank would advise financial institutions of the criteria for lending under the program with particular reference to the type of projects, sub-loan size restrictions, terms, eligibility restrictions, etc. A sub-borrower wishing to develop or increase the production, processing, or marketing of an eligible product would present his application to the intermediate bank of his choice. The intermediate bank would make the credit judgment and assume the credit risk. Upon approval by the intermediate bank, the sub-loan would be presented to the Central Bank for refinancing. The Central Bank would check the proposal for conformity with the established criteria and authorize the transfer of funds to the intermediate bank for approved sub-projects.

The project is administratively attractive in that the Central Bank has ample experience with its normal rediscount operations and long-established relationships with the banking system. In addition, in 1971 the Central Bank established a Selective Credit Program (which has many similarities to the proposed project) in an effort to promote regional development by refinancing projects approved by the state associated and regional development banks. A detailed review of the Selective Credit Program will be undertaken during the intensive review to assist in judging the overall feasibility of the proposed project and capacity of the Central Bank for implementing it in a timely and efficient manner.

The following criteria for sub-lending represent preliminary Central Bank and USAID ideas for the program's operations, although they will need to be further studied and negotiated:

- 3 -

1. Interest Rates - The Central Bank has proposed an interest rate to the end-user of 11% which would be divided as follows: i) 5% to the participating intermediate bank; ii) 4% to the Central Bank; and iii) 2% to a special insurance fund which would be redistributed to participating banks on the basis of program participation to cover sub-loan losses. The Central Bank views the proposed insurance fund as a necessary added inducement to obtain the desired credit allocations to the agricultural sector.

2. Terms - Medium term sub-loans (i.e. 2-5 years).

3. Beneficiaries - Those relatively poor, but acceptable credit risks, who do not now have access to this type of credit - including individual producers, agricultural cooperatives or other associative enterprises, and agricultural processing, marketing and service industries regardless of type of organization. Enterprises, whether reformed private, cooperative or social property, would qualify for sub-loans under the program, as well as individual farmers and rural agro-industry proprietors. USAID is currently in the process of completing a study which will determine the relative marginality of Peru's departments and provinces, using a variety of socio-economic indicators such as education levels, housing conditions, income, etc. This study will aid the Mission in determining sub-borrower eligibility criteria.

4. Maintenance of Value - Sub-loans from the Fund would be denominated and repaid in local currency with no maintenance of value provision. The Central Bank has indicated their readiness periodically to augment the Fund to prevent decapitalization.

5. Possible Types of Sub-loans

- a) Capital Goods Acquisition (e.g. tractors, tillers, plows, dairy refrigeration equipment, poultry incubators, irrigation equipment, processing and storage equipment, etc.). Both imports from Code 941 sources and local goods of Peruvian source and origin would be eligible for financing.
- b) Acquisition of improved livestock (dairy, pork, or poultry production).
- c) Medium-term land habilitation (land clearing, leveling drainage, erosion control, etc.).
- d) Medium-term construction/expansion (silo and storage facilities, processing plants).

- 4 -

6. Commodity Emphasis - Priority would be given to production, processing or marketing of food crops (cereal grains, oilseeds, tubers, animal proteins, fruits and vegetables). Forestry and lumber would also be eligible. Restrictions on certain commodities may be required in order to assure priority targeting of resources.

7. Sub-loan Size Restrictions - The maximum sub-loan size allowable will be determined based on the target groups analysis and a study of the Central Bank's experience with its selective credit program.

8. Allowable Percentage of Refinancing - The A.I.D. loan would not be conditioned on specific contribution and/or participation by the banking system or the end-use borrowers.

C. Project Alternatives

An alternative to the proposed Project would be the creation of a special fund within the Agrarian Bank which would be directed toward the specific need of providing medium and long term credit to the agricultural sector. This alternative has been rejected for two basic reasons: (1) it is felt that the Agrarian Bank should direct its energies and resources primarily to meet the increasing demand for short term production credits, without which the agricultural sector will continue to lose ground vis-a-vis productivity in other sectors; and (2) both USAID and the GOP see the proposed Project as a means of actively involving the total banking community effectively in the agricultural sector, thereby increasing the total resources available to the sector while limiting dependence on the overburdened administrative procedures of the Agrarian Bank.

A second alternative considered, and rejected, was the development of the Project under the Productive Credit Guarantee Program (PCGP) Authority (Section 222A of the FAA of 1974). As the basic objective of 222A is to stimulate the participation of the private sector through programs to guaranty loans made by private financial institutions, the proposed Project does not fit the required mold of the PCGP. While some private commercial banks and financieras are expected to participate under the Project, all of Peru's financial institutions, including the active state associated banks, should be eligible intermediaries in order to maximize the Project's impact and intended institutional development objectives. Of the 10 financial institutions most likely to participate under the Project, only three are privately owned and managed,^{1/} and it is not considered practicable to restrict utilization of the Fund to the private financial institutions.

^{1/} These 10 are the Banco Popular del Peru, Banco Continental, Banco Internacional, Banco Agrario, Banco Industrial, Banco Nor-Peru, Banco de los Andes, Banco Regional del Norte, Banco Sur del Peru, and Banco de Crédito, the last three of which are privately owned and managed.

D. Host Government and Other Donor Activities

IBRD loan 933 for \$25 million provides for medium and long-term credits to be made available, through the Agrarian Bank, to associative enterprises for financing (1) the development of livestock farming; (2) on-farm development of annual crops, including alfalfa, (3) perennial crops, and (4) agro-industrial development for primary processing of such commodities as swine and poultry. Funds have not been expended in a timely manner under the IBRD Loan, primarily as a result of the requirement that sub-borrowers contribute 25% of total sub-project costs. Since most associative enterprises were heavily decapitalized at the time of Agrarian Reform adjudication, the bulk of potential sub-borrowers have been unable to meet the 25% contribution requirement. The present Project will have as a primary objective the capitalization of target beneficiary organizations, without requiring specific sub-borrower equity contributions.

In addition, the GOP's Rural Enterprises Development Fund, created in the Industrial Bank with funds from A.I.D. Loan 527-W-057, established a credit line for small industries, including agro-industry, in four south-central departments (Puno, Cuzco, Ayacucho and Huancayo) and the zone affected by the 1970 earthquake (the latter falling under the jurisdiction of ORDEZA). Up to the present, the approval of sub-projects has been slow, and it is doubtful whether either the Industrial Bank or ORDEZA will meet current terminal commitment dates. The Mission believes, however, that the slow experience under 057 has resulted from processing bottlenecks on the part of the Industrial Bank rather than a lack of demand for rural sector credits. A system which relied on more financial institutions for the processing of sub-loan applications could better service this latent demand.

Finally, A.I.D. Loan 527-T-058, Federations of Agricultural Cooperatives, will provide medium-term sub-loans to selected Federations, or CENTRALS, for service or investment projects which have previously been qualified as a part of an integral CENTRAL development plan designed to strengthen both the individual CENTRAL and its member associative enterprises. It is estimated that up to 20 CENTRALS will be eligible for sub-loans under this program. Since no one single CENTRAL will be able to carry out all the elements of its Development Plan using limited 058 funds, it is anticipated that this loan will in fact be generating additional demand for the type of credit to be made available through the Central Bank rediscounting program.

- 6 -

II. Financial Requirements and Plans

A preliminary financial plan for the project follows below:

Millions U.S. Dollars

	<u>A.I.D. Loan</u>	<u>Central Reserve Bank</u>	<u>Total</u>
Production	3.5	1.5	5.0
Processing/Marketing	4.0	1.5	5.5
Services	<u>2.5</u>	<u>1.0</u>	<u>3.5</u>
	10.0	4.0	14.0

The loan and Central Reserve Bank contribution would be disbursed over a two to three year period.

III. Development of the Project

The development of the Project will be carried out by the USAID in conjunction with the Central Reserve Bank of Peru. The latter has a team of highly skilled economists who are familiar with the banking community, and will be capable of developing specific studies necessary for Project justification. Such studies will include: (1) a study of potential demand for medium and long term credits in the agricultural sector of the type envisioned in this Project; and (2) a study to determine what sub-loan conditions will best facilitate the extension of sub-loans to the intended target groups. Additionally, while preliminary conversations between the Central Reserve Bank and officials of the banking community have indicated the latter's interest in a new rediscounting mechanism which would permit them to extend credits to the agricultural sector, the Central Reserve Bank will study the actual procedures necessary to insure the cooperation and participation of a wide sector of the banking community.

The PRP would be submitted to AID/W by October 1976, and a PP could be submitted by April 1977. Thus, although the Project is proposed for FY 78 authorization, the PP could be completed to permit its consideration as a FY 77 "shelf loan" possibility.

IV. Issues of a Policy or Programmatic Nature

Other than the Agrarian Bank, the Peruvian banking community has not actively engaged in agricultural sector lending since 1968; and as a

- 7 -

result has had little, if any, dealings with the projected target group -- largely associative enterprises created by the Agrarian Reform system, individual small farmers who will not be subject to further expropriation, and rural agro-industrial enterprises lacking access to alternative credit sources. During the intensive review, the Mission will determine to what extent this lack of activity could jeopardize Project implementation, and what conditions would be necessary to insure full banking community participation.

A related question, to be answered during the preparation of the PRP, is what is the relative marginality of the target group capable of being reached by the Project? While the Project can, in the Mission's view, be structured to direct resources to individuals or groups falling within Peru's poor majority, will the poorest of the poor be excluded from participation by the criteria imposed by the financial intermediaries in judging credit worthiness? The USAID Task Force on Poverty will soon finish its report on marginality which will provide guidelines to assist the Mission in determining to what extent the target group which can be reached effectively is consistent with both GOP and A.I.D. objectives.

AGENCY FOR INTERNATIONAL DEVELOPMENT				1. TRANSACTION CODE		PID			
PROJECT IDENTIFICATION DOCUMENT FACESHEET				<input type="checkbox"/> A A = ADD C = CHANGE D = DELETE		2. DOCUMENT CODE			
TO BE COMPLETED BY ORIGINATING OFFICE						1			
3. COUNTRY/ENTITY PERU				4. DOCUMENT REVISION NUMBER					
5. PROJECT NUMBER (7 DIGITS) 527-0164		6. BUREAU/OFFICE A. SYMBOL LA		B. CODE 05		7. PROJECT TITLE (MAXIMUM 40 CHARACTERS) Input Delivery System			
8. PROPOSED NEXT DOCUMENT A. <input type="checkbox"/> 2 = PRP <input type="checkbox"/> 3 = PP				B. DATE MM YY 10 76		10. ESTIMATED COSTS (\$000 OR EQUIVALENT, \$1 =)			
9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION a. INITIAL FY 78 b. FINAL FY 78				FUNDING SOURCE		BASE			
				A. AID APPROPRIATED		10,000			
				B. OTHER U.S.		1. 2.			
				C. HOST COUNTRY		10,000			
				D. OTHER DONOR(S)					
				TOTAL		20,000			
11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)									
A. APPROPRIATION		B. PRIMARY PURPOSE CODE		PRIMARY TECH. CODE		E. FIRST FY 78		LIFE OF PROJECT	
				C. GRANT D. LOAN		F. GRANT G. LOAN		H. GRANT I. LOAN	
(1) FN		120		010		10,000		10,000	
(2)									
(3)									
(4)									
				TOTAL		10,000		10,000	
12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)									
011		030		063					
13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)								14. SECONDARY PURPOSE CODE	
BR		BS						130	
15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)									
To increase food production, employment, and incomes of the rural poor.									
16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)									
To facilitate the timely availability of vital agricultural inputs and their increased use by the rural poor through improved delivery systems.									
17. PLANNING RESOURCE REQUIREMENTS (staff/funds)									
18. ORIGINATING OFFICE CLEARANCE						19. DATE DOCUMENT RECEIVED FOR AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION			
Signature Donald P. Finberg									
Title Mission Director						Date Signed			
						MM DD YY 06 25 76			
						MM DD YY 			

INPUT DELIVERY SYSTEM PROJECT **

I. Summary of the Problem and Proposed Response

Rationale

Roughly 16% of Peru's 1975 import bill represented costs of importing basic food crops*, primarily wheat, corn, meat and edible oils, which can be, and currently are, produced in Peru. To permit a reallocation of scarce foreign exchange to capital goods and certain intermediate products critical to Peru's long-term industrial development and which must be imported, Peru's food production must be dramatically increased. A primary GOP objective in the agrarian sector is a major reduction of imports of basic food crops, and objective considered technically possible and economically essential.

Increased agricultural production in Peru has successively faced a series of constraints; the GOP has begun to confront, and partially relieve, the more serious of these. From 1968 to 1975, massive structural reforms of agricultural production units resulted in decapitalization, organizational inefficiencies, and, consequently, a significant drop in per capita production; as shown in a comparison of 1974 and 1975 gross production figures, an incipient recovery appears to be underway. Harsh topographic and climatic conditions inhibit the expansion of the amount of arable land; national investment programs in irrigation and forestry (including major A.I.D., IDB, and IBRD projects) and in the fertilizer plants at Talara and Bayovar are expected to relieve some limitations of water supply and soil fertility.

The full recovery of the agricultural sector and optimum return on investments in irrigation, forestry, and fertilizer production, however, cannot be realized as long as Peruvian agriculture operates with few ties to improved or intermediate farm technologies. The importance of these, and their application in appropriate combinations, is critical to improved use of scarce arable lands. Dramatic production increases can be realized with the application of an appropriate fertilizer-seed mix in combination with irrigation; simultaneously, new adapted farm equipment may be required to cultivate the new lands and crops permitted by irrigation and improved soil fertility. However, factors of production in current use by most Peruvian farmers, and by roughly 95% of those in the sierra, are minimal: unimproved seed from year to year, a depleted soil which must be fallowed regularly to restore a minimum fertility, and hand labor and animal power.

* \$395 million in 1975.

** FY 1978 shelf loan

- 2 -

While dependence on traditional farming methods may be primarily a function of inadequate credit systems and, perhaps, limited technical knowledge, it is the Mission's belief that it may, in many cases, be merely the consequence of an unreliable and fragmented system of delivering agricultural inputs ^{1/} to the end-user. The source of these inadequacies of agricultural input delivery lies in (1) a weak planning capability, particularly regarding allocation of supplies, input mix, and adaptation of modern alternatives, (2) insufficient infrastructure for delivery and storage, (3) insufficient supply, often at unreasonable prices, poorly-timed, and inappropriate to regional conditions, and (4) weak or non-existent organizational linkages among input supplier and agricultural producers.

The disproportionate share of the costs of these inadequacies in the system fall on producers in the sierra and high jungle. It is this group which has traditionally been discriminated against in allocation of scarce fertilizer, which can least afford to pay the high marginal costs of inefficient transportation and inappropriately capital-intensive farm machinery, which cannot run the risk of poorly-timed delivery of critical inputs, and which, for lack of access to modern alternatives, is unable to escape the relentless pressures of an increasing man-land ratio and declining soil fertility.

Project Description

The proposed response to the problem is a project to promote domestic production of vital inputs and to improve systems for their distribution and use. To achieve this objective, USAID/Peru proposes to provide loan-financed assistance to the state-regulated input marketing company. ENCI (Empresa Nacional de Comercialización de Insumos), established in 1974, has been charged by the GOP to handle sales of critical agricultural and industrial inputs. In the agricultural sector, this function currently includes importing and distributing fertilizer. To fulfill this function, ENCI purchases fertilizer from both foreign and local (state-owned) suppliers, coordinates sales according to regional allocations, using local private distributors where possible, maintains a system of product promotion and supplies delivery, and finances construction of storage and marketing facilities where needed. ENCI is also programmed to assume similar responsibility for seeds and insecticides in the future. Given quantum jumps in domestic fertilizer production and consumption, increased demand for agricultural inputs from areas newly brought into production under major irrigation schemes, and expanded responsibility, ENCI will, by 1978, require considerably increased levels of financing.

^{1/}For the purpose of this project, "inputs" will include improved seeds, agro-chemicals, farm tools, and machinery.

- 3 -

In response to these needs, the proposed project would be designed to capitalize ENCI's current operations and promote rational expansion into complementary activities. The following kinds of investments would be financed:

- 1) increased working capital for ENCI to handle expanded inventory of fertilizer, seeds, and agricultural tools;
- 2) procurement and infrastructure construction required by ENCI to rationalize and expand input delivery, e.g., equipment and facilities for mixing fertilizers, handling, storage, and transportation;
- 3) technical assistance and training in (a) planning supply and delivery of agro-chemicals, (b) assessing regional demand for seeds and fertilizers and appropriate input mix to provide a basis for ENCI allocation planning, and (c) inventory management; and, as a tentative proposal,
- 4) acquisition by ENCI of engineering designs for adapted farm tools and machinery and financing for small rural enterprises capable of manufacturing or assembling proto-type products or serving as local distributors on behalf of ENCI.

Key Assumptions

There are three assumptions central to the rationale and design of the project. The first of these is that there are producers in the sierra and high jungle who, having adequate access to credit, could and would utilize more fertilizer, seeds, and tools than currently if adequate supplies of appropriate inputs were available on a timely basis, and that the increment in this demand is sufficient to warrant investment in a delivery system to serve them. While the extent of this unmet demand remains to be determined, it is clear from the field experience of Mission personnel and reports from cooperatives and GOP zonal staff that fertilizer purchases are discouraged by ill-timed and undependable delivery, that certified seed, representing less than 10% of the seed in current use, is difficult to obtain, even in Lima, and that there is an active interest, particularly in the cooperatives, in buying farm tools and small-scale machinery, if appropriate equipment were available at reasonable prices. Moreover, major GOP investment programs in recent years have been directed at relieving the credit, water, and technical constraints to demand for agricultural inputs: a 50% increase in the authorized capital of the Agrarian Bank together with a decentralization of Bank operations, roughly \$250 million in irrigation schemes, and a reorganization of the GOP extension services to target technical assistance on the newly-consolidated production enterprises created under the Agrarian Reform. These programs will no doubt generate an increment in real demand for fertilizers, improved

seed, and farm equipment which ENCI may be unable to attend without an increase in its financial resources and delivery infrastructure.

The second key assumption underlying the project design is the efficiency of ENCI assuming additional responsibilities. ENCI was originally organized to assume the single function of importing a wide variety of inputs; fertilizer was only one of a dozen commodities under ENCI's import monopoly. It has now moved into sales and distribution of these inputs. The addition of seeds and farm equipment to its roster of responsibilities, as proposed under this project, is considered by top ENCI personnel to be a logical complement to ENCI's current operations, optimizing utilization of an existing administrative infrastructure. This assumption, however, will be subject to verification in an analysis of the input delivery sector to be carried out for the PP.

Other Activities

This project will reinforce all other efforts designed to increase food production by improving the systems for delivery of inputs to the end-user. Its most significant impact is likely to be in newly-irrigated highland areas, such as those to be benefitted under the A.I.D. sierra irrigation loan project and IDB's credit line for medium-scale irrigation works, where expanded cultivation of highland soils will introduce the need for adapted farm machinery for timely field preparation and harvest, seed responsive to highland conditions, and fertilizer supplies in amounts required to restore depleted fertility and to optimize water use efficiency. Linkages are numerous with other production-oriented programs of A.I.D., such as its proposed grants in corn production and rural diversification and its proposed FY 78 loan for development of sub-tropical lands.

The project will also complement related institution-building efforts directed at capitalizing agricultural economic units and improving linkages within the sector. It is anticipated that Agricultural Cooperative Federations, or CENTRALS, which are the target beneficiaries of an A.I.D. loan, will serve as outlets for distribution of agricultural inputs to their member cooperatives. The proposed A.I.D. loan to establish an Agricultural Services, Production, and Marketing Fund, by re-introducing commercial banks to lending in the agricultural sector, will foster an on-going source of finance capital to agricultural production enterprises and local agriculture-related businesses; capitalization of these operations likewise will generate and assure a continued demand for farm equipment and other inputs.

Alternatives

It appears that the GOP has firmly decided to maintain an active role in the marketing of key inputs, having recently granted ENCI exclusive rights to buy and sell all fertilizer supplies, imported or domestic.

- 5 -

This role has taken the form of horizontally-organized control over a few critical links in the marketing chain rather than a vertically-integrated enterprise which would handle all links in the marketing chain, including distribution to end-users. A.I.D. supports this policy in proposing a project which, by adding seed and farm machinery to ENCI's responsibilities and by encouraging dependence on independent distributors and manufacturers, reinforces ENCI's existing organizational pattern.

One possible alternative to the project as currently conceived would concentrate exclusively on improving ENCI's management of fertilizer. Such a project would require considerably fewer financial resources, would be administratively simple, and would respond to the sectoral problems as outlined above. However, it would only be a partial response, leaving unattended the problem of providing improved seed and needed farm tools and machinery appropriately designed for use under sierra and high jungle cultivation conditions. Under the umbrella of ENCI's administration it may prove to be efficient to expand into the complementary activities related to seed and/or farm tools. Moreover, it may be possible to provide the needed impetus to the private sector to respond to the need for design, manufacture, and supply of adapted equipment. Once a demand is proven, at minimum risk to the private sector by virtue of a one-time subsidy by ENCI, the private sector can continue to supply it, establishing a continuing market linkage. This project provides a timely opportunity to encourage a rational growth pattern for ENCI as well as the development of a source of supply of appropriate farm tools and simple machinery, and the establishment of the critical market linkages.

Beneficiaries

As noted above, the disproportionate share of the costs of the inefficiencies of the existing input delivery system is borne by the producers in the sierra and high jungle. Of the current national fertilizer consumption of 400,000 tons, 85% is consumed on the coast, the balance representing consumption primarily by north and central sierra producers. There is practically no fertilizer use in the southern sierra and jungle areas. Similar patterns apply to other inputs. The reasons for these consumption patterns are complex, but a major factor is the lack of delivery infrastructure and a historical discrimination in allocation of scarce supplies. By relieving constraints in supply and by financing infrastructure investments, the critical beneficial impact of the project will be felt by producers in the sierra and high jungle.

In order to ensure that these potential benefits are more closely targeted to these groups, project activities may be focussed on selected areas in these regions. Area selection will be made so as to complement prior investments in irrigation and settlement schemes and in accordance with GOP production priorities and regional demand for inputs.

II. Financial Requirements

To finance the proposed project investments, it is estimated that ENCI would require approximately \$15 to \$20 million over a period of four years. It is proposed that \$10 million of this total be provided under an A.I.D. loan; the loan would finance (1) procurement of handling and storage facilities, mixing equipment, delivery vehicles, and construction services; (2) technical assistance and training for ENCI personnel; and, possibly, (3) credit to local manufacturers and distributors under contract to ENCI. A significant share of the A.I.D. loan may be required to finance dollar costs of off-shore procurement of goods and services.

The balance of project costs will be assumed by the GOP as counterpart. The great bulk of these will represent an increase in ENCI's working capital for inventory purchases, financed by a GOP budgetary transfer to ENCI. Other operating expenses would be defrayed by ENCI.

A tentative budget breakdown is given below. Final estimates of project financing requirements will be made with the view to capitalizing ENCI at a level sufficient to assure on-going viability as a self-financing enterprise operating on a scope considerably broader than its current one.

<u>Project Costs</u>	<u>In Thousands of U.S. Dollars</u>	
	<u>A.I.D.</u>	<u>GOP</u>
Handling and storage equipment and facilities	5,000	2,500
Transportation infrastructure	2,000	2,500
Working capital	-	4,000
Technical assistance and training	1,000	-
Credit to manufacturers and distributors	<u>2,000</u>	<u>1,000</u>
TOTAL	<u>10,000</u>	<u>10,000</u>

III. Project Development Schedule

Further development of this project will necessitate a full analysis of the existing system of agricultural input marketing, especially ENCI's current fertilizer operations, patterns of supply in the private sector of seeds and farm tools, and demand for inputs. The first part of this

- 7 -

analysis will be done by a consultant, financed by FAO, whom ENCI has contracted to perform a diagnostic study of their delivery system; this study is to begin in July and preliminary results will be available in September. Conclusions from this diagnostic analysis will be critical to assessing the efficiency of ENCI's operations and determining the extent to which ENCI could, economically and administratively, expand into other activities. An examination of private sector activities in input supply will be required to identify what is now being produced, at what prices, how distributed and to whom, and potential interest in cooperating with ENCI in this project. And last, a study of demand for agricultural inputs will be required to verify that a significant unmet effective demand for agricultural inputs exists which does not depend on relieving constraints on other production factors.

Current Mission planning calls for development of this project as a FY 78 shelf loan, which will require PRP submission by October, 1976. Preliminary findings on the three areas of analysis described above will provide the Mission with a sufficient basis to determine potential project feasibility by that time. If the PRP is submitted and approved, the Mission will proceed with feasibility studies required for the PP, probably contracting the services of an agricultural economist and a specialist in input marketing to assist USAID and ENCI in the necessary analyses. PP submission could be planned for mid-1977.

IV. Policy Issues

In addition to the expansion of ENCI into other activities (see pp.4 and 5), which is as much a policy as an economic and administrative question, the project faces yet another significant issue relating to GOP administrative policy. The sub-sector of marketing in the agriculture sector is currently dominated by a variety of state enterprises which have been created and have grown rather haphazardly and inefficiently. The lines of responsibility among the three major enterprises (ENCI, EPCHAP, and EPSA) are vague and to some extent arbitrarily drawn. These features attribute to the sub-sector considerable administrative confusion and instability. The Mission believes that any investment in ENCI would require prior clarification by the GOP of responsibilities and plans for future growth for all participants in the sub-sector, to assure a meaningful, continuing, technical role for ENCI.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT FACESHEET
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE

A A = ADD
 C C = CHANGE
 D D = DELETE

PID

2. DOCUMENT CODE 1

3. COUNTRY/ENTITY
PERU

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 digits)

527-0162

6. BUREAU/OFFICE

A. SYMBOL
IAB. CODE
05

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)

Intermediate Rural Technologies

8. PROPOSED NEXT DOCUMENT

A. 2 = PRP
 3 = PPB. DATE MM YY
10 76

10. ESTIMATED COSTS

(\$000 OR EQUIVALENT, \$1 =)

FUNDING SOURCE		BASE
A. AID APPROPRIATED		1,800
B. OTHER U.S.	1.	
	2.	700
C. HOST COUNTRY		
D. OTHER DONOR(S)		
TOTAL		2,500

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION

a. INITIAL FY 78

b. FINAL FY 81

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY 78		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) FN	750	011		600		1,800	
(2)							
(3)							
(4)							
TOTAL				600		1,800	

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)

150

112

140

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)

BR

BL

BS

RGEN

TECH

14. SECONDARY PURPOSE CODE
253

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)

To increase productivity, incomes, employment and nutrition among the poor, especially the rural poor.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)

To develop appropriate low-cost alternative technical agricultural, and agro-industrial responses to problems of low productivity, underemployment, and disadvantageous marketing arrangements faced by the rural poor.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)

18. ORIGINATING OFFICE CLEARANCE

Signature

Donald Finberg

Title

Mission Director

Date Signed

MM DD YY
06 25 7619. DATE DOCUMENT RECEIVED 11
AID/W, OR FOR AID/W DOCUMENTS,
DATE OF DISTRIBUTION

MM DD YY

PID - INTERMEDIATE RURAL TECHNOLOGIES

I. SUMMARY OF THE PROBLEM AND PROPOSED RESPONSE

A. Sector Goals and Specific Problems

The primary goal of the agricultural sector is to increase productivity, incomes, employment and nutrition among the poor, especially the rural poor. The obstacles to satisfactory realization of this goal in Peru are nowhere as formidable as in the sierra which holds 40% of the rural inhabitants and most of the rural poor. Average per capita incomes for much of this impoverished zone range between \$107 and \$79. Farm incomes are circumscribed by the severe climate, limited land base, undependable rainfall and lack of inputs, appropriate machinery and off-farm employment opportunities. A scarcity of handling and storage facilities further limits the farmers' ability to influence markets in their favor. Capital intensive processing facilities far from the sierra reduce employment opportunities. Per capita incomes are so low and risks so high that virtually no investment is made in agriculture. Only a minute fraction use mechanical energy, fertilizers or other non-traditional inputs.

B. Project Response

The purpose of this project is to develop appropriate low-cost alternative technical agricultural, and agro-industrial responses to problems of low productivity, underemployment, and disadvantageous marketing arrangements. Intermediate technologies illustrative of the kind envisaged may involve: (1) Improved animal and mechanically powered tool technology and innovative means of administering their employment so as to increase employment levels; (2) employment of natural freezing conditions for food preservation and storage which would consist of traditional methods modified for present market conditions, thus adding value to farm products and regulating the flow to market; (3) promotion of local agro-industries based on the foregoing technologies and employing rural people in manufacturing, construction, installation and maintenance of facilities, equipment, and machinery, or in food and feed handling and processing within the project area; (4) the use of solar and wind energy for pumping, drying and processing; and (5) methane generators and crop bi-product energy for drying, processing, heating and cooking, thus replacing the scarce wood and manure now used for the latter two purposes.

The focus of the project will be on appropriate machinery and equipment for the crops in the project area. This hardware will be designed to facilitate productive improvements on current practices in crop production, food handling and food processing.

The project will concentrate on forward and backward linkages

starting with the production process, moving back to machinery inputs and forward to handling and processing to achieve more employment and higher incomes. In other words, a level of production technology will be selected which increases overall employment in production, manufacturing and processing, thus increasing overall incomes through better yields and value added, and eliminating seasonal peaks and valleys of employment.

This Grant Project will develop, field-test, and demonstrate intermediate technologies of the type described above. Specific outputs may include locally built, field tested solar and wind powered generators and bio-gas units, small-scale mechanization and water pumping systems for irrigation, grain driers and low energy freeze-dryers for fruit, vegetables, fish and meat, improved means for producing and delivering meat and milk, pilot processing complexes, pilot beekeeping industries, production and intermediate storage and handling systems for traditional sierra food crops and forages such as corn, quinua, cañihua, habas, potatoes, and alfalfa. A pilot cottage industry which processes fibrous cactus into bags and other marketable items is another example of the types of alternatives that may be explored to take advantage of existing resources now unused.

Inputs required to produce the outputs will include technical assistance in agricultural engineering, industrial systems design, food technology, and economics, totaling about 8 years of services during the estimated four year life of the project. These services will contribute to feasibility studies needed for each sub-project. Commodities procured off-shore for the project may include vehicles for transportation of advisors and counterparts, essential components for pilot energy systems, and prototype machinery for on-farm testing. In country procurement will involve building materials, machinery and equipment components of local manufacture and expendable materials and supplies.

C. Linkages and Duration

There are several complementary projects in progress or ready for implementation. A soybean and highland corn production project using a systems approach is completely integrated into the production - marketing economy but could benefit from association with the activities contemplated here. On-farm drying and cleaning of soybeans using inexpensive, low energy means

would guarantee higher quality soybeans and a higher net return to farmers. Processing corn into flour for use in bread would add value to the product and help eliminate seasonal price fluctuations, thus stimulating highland corn production. Developing new energy sources would free up for highland corn fertilization the manure now used for cooking and heating.

In addition, a loan to develop service cooperatives and a loan for small sierra irrigation projects potentially stand to benefit from the outputs of this project. The sierra irrigation project will generate the need for new crop and livestock production patterns. Traditional crops will be rotated with new species during a longer growing season. With added irrigation capacity, forage grasses and legumes should be introduced into the traditional cropping pattern of corn, potatoes, and habas. Modified mechanized systems would help and facilitate this diversification. Adding value to crops through storage and processing would stimulate production and employment, thus deriving full benefit from sierra irrigation. Service cooperatives could help disseminate the technology developed by this project through their improved management and additional capital provided by the A.I.D. loan. The various international centers such as CIP, CIAT, CATIE, are carrying out research and development of the multiple cropping techniques, new crop development, and improved livestock; much of the resulting basic research data can be put on stream in Peruvian agriculture. The project will draw on these and other resources to identify and exploit opportunities for natural complementarities such as the use of casava grown in the jungle to produce meat and milk in the cool climate of the sierra and exploiting climatic conditions in the sierra for the preservation of jungle products.

It is anticipated that a four-year project life would allow ample time for identification, experimentation, prototype development and adoption of several new technologies.

D. Possible Alternatives and the Basis for Selection

The USAID and the GOP have continually sought to improve life in the sierra. There is a long history of development efforts in the region, but, though some progress can be noted, the sierra remains one of the marginal economic regions of Latin America and the world. Modern farming practices have generally failed to take root. Most advanced technologies are not applicable. The region is in need of suitable technologies that can be fitted into traditional systems and draw upon existing resources and renewable energy supplies. Such technologies should, wherever possible, tend to arrest or reverse environmental deterioration, raise

employment levels, productivity, and incomes. Agriculture, in the pure sense, cannot do these things alone but it can serve as a major driving force in an integrated system consisting of agro-business, which feeds agriculture, and agro-industrial transformation complexes which draw upon agriculture to create new products and jobs. This project was selected for its potential to create and strengthen these relationships to the benefit of Peru's poorest people.

E. Beneficiaries and Replicability

The target group will be a portion of the rural sierra population selected locally on the basis of relative poverty and the presence of other AID/GOP or other donor activities which are mutually compatible. Where irrigation works are being constructed, this project will support crop and mechanization research. Where crop production projects are underway, transformation technologies will be identified and tested. It is believed that it will be most beneficial to concentrate research in two or three Departments of the sierra where the greatest complementarities exist. The socio-economic status of the target group is amply described in AID Loan PP's for Small Irrigation Projects and the Corn/Soy grant project. They have annual per-capita incomes of about \$100, much of which is in-kind. They are now only marginally related to the market economy and are among the poorest of Peru's population, though, to take advantage of the technologies envisaged by this project they may have already developed minimal market linkages and have some appreciation for modernized production techniques.

Though activities will be regionally concentrated, research and development methodology will promote the spread of the technologies derived from the project. Existing small manufacturing enterprises will be employed to assemble and construct the necessary hardware and structures, prototype machinery and energy units, dryers, generators and storage and handling facilities. They will be involved in the design of these things as well as in their construction so that the successful technology will be in the hands of people with both the experience and the incentive needed to spread it. These enterprises may be of the social property, cooperative, or small business communities.

II. FINANCIAL REQUIREMENTS AND PLANS

The estimated total cost of the project is \$2.5 million of which \$1.8 million would be supplied by an A.I.D. grant and \$.7 million (28%) by the GOP. Below is an illustrative cost breakdown for the four year project period.

	<u>\$ 000</u>			
	A.I.D.		G.O.P.	
	FX	LC	FX	LC
Technical Assistance	670	530		575
Commodities	<u>300</u>	<u>300</u>		<u>125</u>
Sub-total:	970	830		700
TOTAL AID:		\$1,800		
TOTAL GOP:				\$700

Estimated FY obligations are:

	<u>FY-1978</u>	<u>FY-1979</u>	<u>FY-1980</u>	<u>FY-1981</u>
AID	600	465	435	300
GOP	250	200	150	100
TOTAL:	<u>850</u>	<u>665</u>	<u>585</u>	<u>400</u>

III. PROJECT DEVELOPMENT

This project concept has been discussed in broad outline with personnel of the Ministries of Agriculture and Food. It is likely to involve other Ministries and Institutions as well. These may include the Ministry of Commerce and Industry and the Institute for Technical Industrial Research and Standards. The project is believed to be compatible with overall GOP policies and plans. However, close consultation with Ministerial Planning Offices and the National Planning Institute will be required to assure complete integration with the total development activity, to narrow down the field of counterpart institutions and identify priority areas of concentration.

Technical support funds will be employed during PRP preparation to acquire the expertise to identify problem areas and opportunities and evaluate potential interventions in specific areas for their economic benefits and employment generation. The PRP will be submitted in October, 1976 and the PP in August, 1977.

IV. POLICY ISSUES

During PRP preparation, the selection of specific target groups will be a matter of primary concern for discussion with the GOP. On the one hand the project should seek to benefit the poorest people possible. On the other hand the cost per beneficiary may be prohibitively high if the groups benefited are not in a position to accept some risks, i.e., if they are operating at the very bottom of the subsistence scale with few capital resources, virtually no relationship with markets and with purely traditional technologies. Therefore the policy which establishes the criteria for target-group identification may be critical to project success.

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT IDENTIFICATION DOCUMENT FACESHEET TO BE COMPLETED BY ORIGINATING OFFICE	1. TRANSACTION CODE <input type="checkbox"/> A A = ADD <input type="checkbox"/> C C = CHANGE <input type="checkbox"/> D D = DELETE	PID 2. DOCUMENT CODE 1
---	--	------------------------------

3. COUNTRY/ENTITY PERU	4. DOCUMENT REVISION NUMBER <input type="checkbox"/>
5. PROJECT NUMBER (7 DIGITS) <input type="checkbox"/> 527-0161 <input type="checkbox"/>	6. BUREAU/OFFICE A. SYMBOL LA B. CODE 05
7. PROJECT TITLE (MAXIMUM 40 CHARACTERS) <input type="checkbox"/> Pre-School Education for Disadvantaged <input type="checkbox"/>	

8. PROPOSED NEXT DOCUMENT A. <input type="checkbox"/> 2 = PRP 3 = PP	B. DATE MM YY <input type="checkbox"/> 10 <input type="checkbox"/> 76	10. ESTIMATED COSTS (\$000 OR EQUIVALENT, \$1 = S/.45.00)
--	---	--

FUNDING SOURCE		AMOUNT
A. AID APPROPRIATED		560
B. OTHER U.S.	1. PL 480 Title II	300
	2.	
C. HOST COUNTRY		290
D. OTHER DONOR(S)		
TOTAL		1,150

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION

a. INITIAL FY 7 | 8 b. FINAL FY 8 | 0

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY 78		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) EH	600	610		215		560	
(2)							
(3)							
(4)							
TOTAL				215		560	

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)

639 620 670

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)

BR BU

14. SECONDARY PURPOSE CODE
623

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)

To make the education system more responsive to the needs of disadvantaged Peruvians.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)

To develop and test a low cost regional pre-school education program for disadvantaged children.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)

None required for preparation of PRP.

18. ORIGINATING OFFICE CLEARANCE

Signature Donald Finberg <i>Donald Finberg</i>	Date Signed MM DD YY 06 25 76
Title Mission Director	

19. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM | DD | YY

Pre-School Education for the Disadvantaged

I. Summary of the Problem to be Addressed and the Proposed Response.

A. Goal Statement and Problem to be Addressed

The goal of USAID/Peru programs in the education sector is directly supportive of GOP reform efforts to make the education system more responsive to the needs of disadvantaged Peruvians. This goal can be accomplished through a variety of programs by focusing on increased access, greater relevancy, and improved internal and external efficiencies within the education system. To a significant extent, however, the individuals who fall within AID's target population in Peru belong to linguistic and cultural groups which do not possess the skills and prior orientation required for success in the school system.

Despite the efforts which have been made in Peru to reform the curriculum and make it more relevant to local needs, many of the children from low income groups still have difficulty in taking advantage of the few years of education they will receive. To address this problem Peru has been considering pre-school (early intervention) education programs as a means to improve the future potential of the rural and urban poor.

The rationale for early intervention is based on the judgement that success in school assumes that entering students possess certain intellectual and behavioral skills. Children from disadvantaged socio-economic populations frequently lack these skills and have unusual difficulty in coping with the early years of school. Once enrolled in school they tend to either drop out or continue to repeat grades. As a result, wastage rates are usually highest among children from indigenous or marginal populations and it is these children who generally finish the fewest number of years of schooling. For example, the repetition rate in the first three grades of primary school in Lima is 8.8% in comparison to 20.8% in the Puno region.

Most researchers have traditionally attributed these deficiencies to a home environment which deprives children of the type and amount of stimulation necessary for acquisition of these skills. Another significant element which is often blamed for the low level of intellectual functioning is malnutrition. Caloric, and especially protein deprivation, have been identified as contributing factors to the learning problems of young children.^{1/}

It has been suggested that programs of early intervention could make a significant impact on success in school if those who were readily identifiable as likely to have learning problems were singled out prior to entering school and were brought up to the level of social and intellectual function similar to the rest of the population before entering the first grade. The most well known of these programs and which gave the greatest impetus to the rationale for early intervention was Project Head Start. In addition to teaching behavioral and intellectual skills, Head Start also attempted to provide a nutritional supplement on a regular basis to all students enrolled in the program.

Despite some early doubts as to the worth of the Head Start program, more recent evaluations of the program have convinced educators that early intervention can make a highly significant impact on improving the school performance of children from disadvantaged populations.

B. Prior Pre-school Education Experience in Peru

A private program which began in Puno, Peru in 1967 and which was adopted by the GOP as an official program in 1973 (with financial and PL 480 Title II assistance from UNICEF and CARITAS) has demonstrated the potential for success of early intervention programs within a developing country context. The Puno Program combines many of the elements of Project Head Start (including a nutrition component)

^{1/} See Cravioto and De Licardie, "The effect of Malnutrition on the Individual" in Nutrition, National Development, and Planning, Berg; Scrimshaw and Call eds. MIT Press 1973.

as well as adding other dimensions, e. g. a high level of community involvement. The project at present includes over 150 pre-school locations with approximately 3,000 students, the vast majority of whom are Quechua or Aymara monolingual children from families who fall in the lowest 20% of socioeconomic groups within Peru.

The most convincing evidence of the success of the project to date comes from a recently conducted USAID financed evaluation of the program and from observations made by several primary school teachers who work in the area where the program operates. The evaluation indicated that the level of social and intellectual functioning of students in the pre-school is significantly above the norm for children of that age in the area. Teachers have commented frequently on how readily one can identify first grade students who have been through the pre-school program. In almost all cases these children are the most alert, bright, intellectually curious and successful students in the primary schools in these areas. Not enough time has passed, however, to follow the academic success of these students over an extended period.

The way the program has evolved in Puno makes it difficult to systematically evaluate, since no baseline data were collected when the project began. Given the late start in building an evaluation component into the program and the lack of a reasonably sophisticated research design, it is impossible to identify the specific factors which account for the positive changes which have occurred.

An additional problem which is affecting the Puno program is the method of compensating the volunteers who participate in the program. Rather than using regularly paid MOE teachers, the project has experimented with the use of members of the community who receive training under the program and then are responsible for running each program. Initially the volunteers were content to receive a very small stipend from the MOE or the community. As they gain more experience they are becoming less willing to work for only a small stipend and are increasing their demands to be incorporated within the formal teaching profession and to earn a minimal salary.

C. Project Description: Outputs, Assumptions, Target Group

Based on the Puno experience, the USAID is convinced of the merit of attempting to establish a similar program in another region of Peru in order to provide a controlled, low-cost demonstration of the potential value of pre-school programs in Peru, and elsewhere in Latin America. It is with this purpose in mind that the proposed three year project herein described was designed.

Project outputs which are necessary to the achievement of the project purpose include trained community volunteers to teach in the program, trained specialists in pre-school education, curriculum, and educational measurement and evaluation to manage and supervise pre-school programs; establishment of a minimum of 100 pre-school education units; and enrollment of approximately 2000 children aged 2 through 5 in test locations. Other outputs include enlisting the participation of parents of pre-school children to work in the program; developing, producing and distributing sets of teaching material; and preparing research reports and publications for the project.

Several major assumptions are critical to the project's success: 1) The techniques and methodologies developed in the Puno project are readily transferable to other disadvantaged populations within Peru. 2) Restricting the establishment of programs to those communities which are able to afford stipends for "volunteer" workers will be politically acceptable. 3) Finally, a sufficient number of volunteers will be interested in continuing to work with the program without becoming a formal part of the teaching profession or earning the minimum teacher salary.

The proposed project was designed with the idea of reaching the poorest 20% of the Peruvian population. A recent Mission study has identified the relative position of all 150 provinces within Peru on the basis of an index of 11 socio-economic factors which are correlated with poverty within Peru. The sites to be selected for the establishment of pre-school programs under this project will be selected from communities in the bottom 20%.

Rural and some urban sites for the project will be selected from one or more of the most disadvantaged education regions within Peru.

The primary beneficiaries are the children aged 2-5 in the above target population who will be enrolled in pre-school programs. Parents as well as other members of the community will also benefit as a result of the project by learning some basic principles of sound nutrition and ways to provide effective educational stimuli to young children.

The Education Sector Assessment completed by the Mission in October 1975, identified pre-school education as one of the areas which offers potentially high, but long term benefits to educational investment. The major caveat which was expressed in the assessment was that before such a program was undertaken, possible solutions to budgetary implications be found. The favorable evaluation of the Puno pre-school program which was recently completed has indicated that a potential solution to the financial constraint may be found if the establishment of pre-school programs is conditioned by a determination that there exists a modest level of community resources and interest which is sufficient to support a significant element of program costs.

D. Alternatives

USAID is already providing assistance to a relatively similar target population through its Bilingual Education Project. That project represents an attempt to address the disadvantage of not speaking Spanish faced by large numbers of Peruvian children. It is anticipated that the provision of partial instruction in Quechua (the language spoken by a large segment of the rural poor) in the first three grades of school should lead to a more relevant education for these children while facilitating transition to the school system. This bilingual education is a necessary element in a program to overcome the special problems of the target group. However, other program elements, such as pre-school education, are also necessary to compensate for the additional socio-economic disadvantages of the target population.

Another major area indicated in the assessment as being appropriate for USAID assistance deals with programs, especially non-formal, for an older age group (15-39) within the target population. While USAID continues to maintain a strong interest in this age group and is aware that the impact of programs for this group are highly visible in a short period and can make significant contribution to development efforts, the failure of the Division within the Ministry to implement a previously approved Non-Formal Education Grant Project, thus requiring its recent deobligation, makes it unlikely that AID and the MOE could agree at this time to other assistance in the non-formal area. For this reason USAID believes that under present circumstances, and given Peruvian interest in this area, a pre-school program represents a promising area of assistance at this time with potentially significant impact on the target group.

II. Financial Requirements and Plans.

The total project cost, over a three year period, is estimated at \$850,000 of which \$560,000 would be grant financed by AID. It is also contemplated that AID will provide up to \$300,000 worth of PL 480 Title II food to be used for a pre-school feeding component of the program. The tentative project budgets for AID and the GOP are as follows:

AID

- | | | |
|-----|--|-----------|
| (1) | Technical Assistance
Short and long term technicians (6) for 55 mm at \$5,000 per/mm in curriculum development, materials design, psychometrics, testing and evaluation. | \$275,000 |
| (2) | Participant Training (U.S. and third Country)
Short and long-term training for 8 participants totalling 38 mm in pre-school education, curriculum, educational measurement and evaluation. | 50,000 |

(3) Commodities	
Samples of testing and teaching material, educational games and puzzles, cassette recorders and cassettes, and duplicating equipment.	\$ 75,000
(4) Other Costs	
Local training (seminars & workshops)	75,000
Publications/material production	30,000
Research and Evaluation	55,000
	<hr/>
Total AID Contribution	\$ 560,000

GOP

(1) MOE Supervisory and project personnel	85,000
(2) Community & GOP contribution for volunteers	115,000
(3) Office supplies and materials	60,000
(4) Local training (seminars and workshops)	30,000
	<hr/>
	\$ 290,000

It is anticipated that as a result of this project the GOP should be able to gradually expand the program throughout the country's disadvantaged areas. The type and quantity of technical assistance and training being provided under the project should provide a sufficient cadre of Peruvian specialists who would be capable of expanding the project with only minimal outside assistance.

III. Development of the Project.

The USAID recently financed a modest evaluation of the project in Puno using locally available talent. The evaluation indicated the importance and contribution the project is making to Peruvian education. In addition, the evaluation highlighted several weaknesses in the program and areas which require further research. Building

on this evaluation, the USAID (using Technical Support funds) and UNICEF plan to jointly finance a follow-up to the evaluation using the services of the High Scope Foundation.

The purpose of these services is to help provide concrete suggestions to personnel in Puno to improve the operation of the program and to incorporate evaluation as part of an ongoing element and process within the project. A secondary purpose is to assist the USAID in project design and to detail the necessary requirements for project development. These services are programmed during the period between July and October, 1976. The data generated by the High Scope Foundation should provide a significant portion of the information needed to prepare a PRP, which the USAID anticipates submitting in October, 1976. No AID/W resources will be needed for the development of the PRP.

The PRP should indicate those areas which will require additional analysis in preparation of the PP. It is estimated that approximately one man month of TDY assistance from AID/W will be required for the economic analysis. Tentative date for submission of PP is August 1977.

IV. Issues of a Policy of Programmatic Nature.

1. The major issue relates to the financial capacity of the GOP to carry out such a program on a national basis. The experience in Puno to date has generated useful evidence of the technical soundness of the project and the education benefits which accrue to students who participate in the program. The program has largely been staffed by volunteer teachers who until recently have been willing to work for only very modest compensation. After several years of participating in the project these individuals are seeking formal recognition from the MOE of their right to be incorporated into the teaching profession and to earn an appropriate salary. Preliminary calculations have demonstrated that such a solution far exceeds the capacity of the Ministry of Education. As an alternative, and to make the project financially feasible, the MOE is considering the possibility of offering pre-school programs only in those areas which are able to pay the volunteers a wage which is sufficient to keep them in the program. In the course of project development USAID and the MOE will explore the practicability of this

solution as well as exploring other alternatives, such as increased participation by mothers.

2. While the pre-school education concept has been tested fairly successfully in the Department of Puno, the transferability of the program to other social and cultural settings remains to be demonstrated. In addition to testing the type of program developed in Puno in other areas, the present project will also attempt to demonstrate the effects of pre-school education on a more systematic basis. A particular issue which will be addressed is the degree to which specific factors can be identified as being those responsible for producing changes in student attitudes, knowledge and behaviour.

3. Although the primary emphasis in this program will be in establishing pre-school sites in rural areas containing disadvantaged populations, it is also anticipated that some sites may be located in urban areas (pueblos jóvenes and inner city slums). The extent to which sites may be selected within urban areas will depend on their meeting the criteria which will place the population within the disadvantaged target group.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT FACESHEET
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE
 A A = ADD
 C C = CHANGE
 D D = DELETE

PID
 2. DOCUMENT CODE
 1

3. COUNTRY/ENTITY
 PERU

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS)
 527-0165

6. BUREAU/OFFICE
 A. SYMBOL B. CODE
 LA 05

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)
 Rural Job Skills Training

8. PROPOSED NEXT DOCUMENT
 A. 2 = PRP
 3 = PP
 B. DATE MM YY
 1/07/6

10. ESTIMATED COSTS
 (\$000 OR EQUIVALENT, \$1 =)

FUNDING SOURCE		PAGES OF
A. AID APPROPRIATED		685
B. OTHER U.S.	1.	
	2.	
C. HOST COUNTRY		265
D. OTHER DONOR(S)		
TOTAL		950

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
 a. INITIAL FY 7/8
 b. FINAL FY 8/0

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPRO-RIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) EH	610	610		285		685	
(2)							
(3)							
(4)							
TOTAL				285		685	

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)
 640 630

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)
 BR BL TNG R/ED

14. SECONDARY PURPOSE CODE
 600

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)
 To make the education system more responsive to the needs of disadvantaged Peruvians.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)
 To provide low cost, job skills training opportunities for the rural poor.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)

18. ORIGINATING OFFICE CLEARANCE
 Signature: Donald Finberg
 Title: Mission Director
 Date Signed: MM DD YY
 06 25 76

19. DATE DOCUMENT RECEIVED IS:
 AID/W, OR FOR AID/W DOCUMENTS,
 DATE OF DISTRIBUTION
 MM DD YY

Rural Job Skill Training

I. Summary of the Problem to be Addressed and Proposed Response

A. Goal Statement and Problem to be Addressed

The goal of USAID/Peru programs in the education sector is directly supportive of GOP reform efforts to make the education system more responsive to the needs of disadvantaged Peruvians. This goal can be accomplished through a variety of programs by focussing on increased access, greater relevancy, and improved internal and external efficiencies within the education system. Such programs should lead to increased participation of the target population in the social and economic development process and on a personal level, lead to better employment opportunities, and an increasing share of the economic wealth for the group.

One of the critical problems that Peru faces in carrying out its many development programs and creating better opportunities for low income population groups is both the lack of trained manpower and the lack of training facilities that can reach these groups with relevant training programs. Training programs for unskilled, semi-skilled and middle level workers exist for the most part in the larger urban areas and cater directly to large industries through their apprentice and on the job offerings. Few, if any, training programs exist that reach the smaller industries and businesses (15 or less employees) in rural areas where the most marginal population groups are located.

In our Sector Assessment of 1975 USAID/Peru identified the population age group between 15-39 with little or no education as the group most likely to benefit from additional education and training, and likely to have the most immediate impact on GOP economic and social development goals. A study on relative poverty in Peru currently being conducted by the Mission indicates that only 32.5% (7.2% in rural areas) of the population over 15 years of age have completed Primary Education (grades 1-5). UNESCO suggests a minimum 5 years of education to achieve "functional literacy".

Various Government entities are making efforts to develop programs, provide some basic education for these groups and/or training programs that do not require high levels of literacy, and also that meet Peruvian manpower requirements. Some programs are still in the development stages but others face critical problems in finding experienced and qualified personnel to provide this job related training to marginal population groups.

Perhaps the only institution in Peru with the expertise and talent to develop appropriate skill training programs is the "Servicio Nacional de Adiestramiento de Industria y Turismo" (SENATI). Patterned after SENAI in Brazil and SENA in Colombia, it is generally regarded as the most successful training institution in Peru. SENATI functions as a semi-autonomous institution under the Ministry of Industries and Tourism and is Peru's primary instrument for industrial training. It enjoys an excellent reputation for its effective administration, stability as a training institution and has been a trail blazer in developing industrial training programs for young girls from low-income families.

Founded in 1961 with a single facility in Lima, and financed primarily through a payroll tax levied on all manufacturing enterprises employing 15 or more workers, SENATI has expanded (with major assistance from the U.K., Holland, Germany and Japan) in the past 15 years and now has regional institutions in Arequipa and Chiclayo and additional regional facilities planned for Iquitos, Pucallpa and Trujillo.

A more recent innovation by SENATI has been the development of mobile training units which operate out of the regional facilities in an effort to reach population groups without access to training facilities. These mobile units have offered training programs in automotive mechanics, maintenance mechanics, electricity and refrigeration, agro-industry and, more recently, food processing.

During the past five years these mobile units have functioned very successfully and have proven to be an effective outreach instrument making SENATI training expertise available to the more accessible rural areas. SENATI recognizes the importance of continuing this program, but also realizes that a great percentage of the population with training needs remain inaccessible to the mobile units.

B. Project Description: Outputs, Assumptions, Target Groups

Based on SENATI's experience with mobile units the USAID is convinced of the merit of attempting to build upon this effort and expand SENATI's outreach capability in order to benefit additional members of the target population. It is with this purpose in mind that the proposed three-year project herein described was designed.

While SENATI has received in the past and continues to receive significant technical assistance from a variety of international donors, USAID believes that with the changing emphasis in the proposed program the influx of further technical assistance from an additional source is entirely appropriate. The type of expertise to be provided, especially programmed instruction and radio programming, represents a departure from the traditional programs offered by SENATI. These two areas are ones in which AID and U.S. specialists have developed significant expertise. We propose to utilize the findings and instructional materials of the B.V.E. radio education experiment in Guatemala in the project implementation phase. We will also attempt to adapt programmed instruction materials developed for vocational training courses in the U.S. Neither radio nor programmed instruction has been tried at SENATI as yet.

Project outputs under this project include trained promoters to work at the community level, trained specialists in programmed instruction; the conducting of a minimum of 200 skills training courses; enrollment of approximately 10,000 male and female unskilled and semi-skilled workers aged 15 through 39. Six mini-mobile units will be placed in operation, three in each rural target area to be selected. Other outputs include the development of packages of programmed instructional materials (for semi-literate and illiterate adults) in basic areas such as mathematics; the production and evaluation of 250 hours of radio programming in vocational education, and the compilation of base-line data (a needs survey) and research reports.

Several major assumptions are critical to the project's success:

- (1) Programs of vocational education can be transmitted via radio broadcasts provided that there exists a sufficient inter-personal communication between students and instructors/promoters.
- (2) There is a sufficient concentration of individuals who fall in the target population to justify the establishment of courses of the type which could be offered by SENATI.
- (3) Transportation network is sufficient to permit mobile units to reach the target population.

C. Other Donors

Many outside donors have been involved in the development of SENATI's multi-million dollar training complex. Germany, Belgium, Canada, France, Italy, England and Japan have provided expertise, equipment and training to SENATI. Holland assisted with the pilot mobile unit efforts and has successfully terminated its assistance program. With the exception of Holland's effort almost all assistance has been provided to SENATI/Lima. It is to SENATI's credit that they have coordinated all of these inputs effectively and have maximized the benefits of technical assistance through their receptivity to outside advice.

No other donors are involved directly in the type of training activities being proposed herein. However, this project is likely to provide training to some small industries receiving financing under AID's Rural Enterprise Development Loan.

D. Target Population

Given that the target population for this project must be presently employed in either unskilled or semi-skilled occupations, it is unlikely that the majority of the beneficiaries of this program will be in the lowest 20% of the Peruvian population. However, to the extent possible, efforts will be made to include those within the lowest 20% as well as those within the next quintile. The recent Mission study, which identified the relative position of all 150 provinces within Peru on the basis of an index of 10 socio-economic factors which are correlated with poverty in Peru, will be used to identify areas within which programs will be established.

The primary beneficiaries are males and females aged 15 through 39 in the above target population who will enroll in the various courses being offered in SENATI's outreach program. It is anticipated that as a result of the training they will receive these individuals will become more productive and increase their employment productivity and opportunities. The training they receive should also lead to increases in their share of national income.

Programs which impart, via non-formal methods, useful employment skills are of the highest priority for reaching this group. While USAID was unable to reach this target group working through Non-Formal Education Division of the Ministry of Education, it is anticipated that USAID can reach the target

population by collaborating with SENATI. Given the priority USAID places on this age group, a skills training program through SENATI is a promising area of assistance at this time and affords an opportunity to make a significant impact on the target group.

II. Financial Requirements and Plans

The total project cost over a three-year period is estimated at \$950,000 of which \$685,000 would be grant financed by AID. The tentative project budgets for AID and SENATI are as follows:

AID

(1) Technical assistance short and long-term technicians (10) for 65 mm at \$5,000/ per mm in vocational education, programmed instruction, script writing for radio, non-formal education and evaluation	\$325,000
(2) Participant training (U.S. and third country) short-term training for six participants totalling 30 mm in radio programming, programmed instruction and evaluation	\$40,000
(3) Commodities Radio equipment (for transmission and recording) six 4-wheel drive vehicles (for mini-mobile units) and vocational equipment and tools	\$150,000
(4) Other Costs Local training	\$ 25,000
Teaching materials production	\$ 40,000
Research and evaluation	\$105,000
Total	\$685,000

Peruvian

(1) SENATI supervisory personnel and staff support	\$ 75,000
(2) Promoters' salaries	\$ 55,000
(3) Local training	\$ 60,000
(4) Supplies and materials	\$ 75,000
Total	<u>\$265,000</u>

It is anticipated that as a result of this program SENATI should be able to gradually expand the program as the geographical coverage of mobile units increases. To the extent that the mobile and mini-mobile units can only reach certain areas of Peru, we do not expect that this program will eventually have total national coverage for the target population. However, considering the type and quantity of technical assistance and training being provided SENATI should be in a position to expand this program in the future with only minimal outside assistance.

III Development of Project

A recently completed joint evaluation of the Mobile Units by SENATI and the Government of Holland will form a basis for project development. In addition, in order to complete the PRP in a timely manner USAID/Peru will need the assistance (6 man weeks) of expertise in developing rural training programs and radio education for rural areas. It is anticipated that this assistance will be used to visit potential target areas in order to make a preliminary assessment of target population needs, feasibility of radio transmission and determination of estimated size of target population. Existing staff, in addition to this assistance, can prepare the document by October 1976.

The development of the PP will require similar expertise as cited above as well as a programmed instruction specialist with skills in developing pictorial programmed materials for semi-literate and illiterate population groups. We anticipate submission of the PP in July of 1977.

IV Issues of a policy of programmatic nature

(1) A major issue relates to SENATI's ability to lower the per student cost of vocational education. Preliminary estimates of per student cost with the mobile unit program had been approximately \$500 per graduate for an average of 50 hours of instruction. The introduction of programmed instructional materials, the increase of audience through provision of radio programming, as well as the use of less costly promoters, has the potential for eventually providing effective job-skilled training at a lower cost.

(2) A second issue is; given the heavy involvement of other donors in the past several years, should USAID/Peru concern itself with developing yet additional programs with SENATI.

(3) Finally, given that most of the beneficiaries of this program are already employed in either unskilled or semi-skilled jobs, the question arises of whether they fall within USAID's target population. In preparation of the PRP it is expected that sufficient data will be collected to address this issue.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT FACESHEET
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE
 A A = ADD
 C C = CHANGE
 D D = DELETE

PID
 2. DOCUMENT CODE
 1

3. COUNTRY/ENTITY
 PERU

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS)

6. BUREAU/OFFICE
 A. SYMBOL LA B. CODE 05

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)

8. PROPOSED NEXT DOCUMENT
 A. 2 = PRP
 3 = PP
 B. DATE

10. ESTIMATED COSTS (\$000 OR EQUIVALENT, \$1 = S/.45.00)

FUNDING SOURCE		PAGE OF
A. AID APPROPRIATED		740
B. OTHER U.S.	1.	
	2.	
C. HOST COUNTRY		620
D. OTHER DONOR(S)		-
TOTAL		1,360

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
 a. INITIAL FY b. FINAL FY

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY 78		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) PH	440	510		300		740	
(2)							
(3)							
(4)							
TOTAL				300		740	

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)

14. SECONDARY PURPOSE CODE

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)
 None required for preparation of PRP, provided direct hire position is filled on a timely basis.

18. ORIGINATING OFFICE CLEARANCE
 Signature: Donald Finberg *Donald Finberg*
 Title: Mission Director
 Date Signed: MM DD YY

19. DATE DOCUMENT RECEIVED BY AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
 MM DD YY

RESPONSIBLE PARENTHOOD PROGRAM

I Summary of the problems to be addressed and the proposed response

The 1972 Census estimated the population in Peru to be 14.2 million with a crude birthrate of 44.35 per thousand, a death rate of 12.80 per thousand and an annual growth rate of 3.15 percent. Typical of such a population growth rate is that the age structure in Peru is becoming younger each year. Data for 1972 indicate that 44.7% of the population was in the 0-14 age group and the mean age of the total population was estimated to be 19.

Even though a variety of other economic and social factors must also be considered, this large and increasing dependant age group appears to be a drag on Peru's rate of economic growth. The strain placed on educational facilities for the burgeoning young population is obvious from the data above. These population increases have also had serious effects on agriculture and housing development efforts. Health facilities, too, are increasingly pressed to deal with this expanding population, particularly by mothers requiring institutional care because of high risks attendant to their having more children. It is estimated that fifty percent of annual births are among high and medium risk mothers who need institutional care.

Since 1974, the GOP has become increasingly concerned with the rapidly rising social and economic costs resulting from mothers who risk their or their children's health and lives by having additional children with and without adequate institutional care. The Government has begun to take a series of actions designed to reduce these undesirable economic and social consequences. These actions have included the provision of free institutional maternal and child care, and the expansion of the health system. At the same time, the health authorities, and especially the Instituto de Neonatología y Protección Materno Infantil (INPROMI) which has responsibility for establishing norms of operation and supervising activities in the MCH field, recognized the desirability of providing appropriate information and services, including child spacing, to high and medium risk mothers. INPROMI thus undertook research to define high and medium risk pregnancies in Peru and to prepare norms and appropriate action program.

In addition to the above actions motivated largely by health considerations, the Government in May 1976 acknowledged the right of couples to determine family size and accepted the obligation of the state to provide adequate facilities and appropriate services (exclusive of surgical services) to enable couples to carry out their determination. This decision resulted from a presentation to the Cabinet by a special commission which analyzed the interrelations between demographic growth and the achievement of economic and social objectives, with special emphasis on health.

A Project Agreement recently signed between USAID/Peru and the GOP provides assistance to INPROMI in the initial development of a responsible parenthood program. The target of the existing program is to provide services to 80,000 women by the second year of operation. Estimates by INPROMI are that 3.7 million women in Peru are in the fertile age group and of this number 800,000 (or 20%) fall in the high and medium risk categories. It is further estimated that these 22% of the fertile age group account for nearly 50% of the annual births.

The three year Project being proposed herein builds on this initial effort and increases the target population from 80,000 to 265,000, approximately 7% of the total number of women of fertile age in Peru or, more significantly, 34% of those women who are in the medium and high risk categories.

Since it is somewhat premature to speculate on the speed in which the new GOP policy will be implemented, it is thus difficult for the Mission to propose programs aimed at target groups beyond those which are currently acceptable to the GOP. Moreover, in view of their disproportionate contribution to birth rates, high and medium risk mothers would appear to warrant special consideration under any program whether articulated in health or demographic terms. Nevertheless, in view of the recent GOP policy decision, it is expected that the proposed project, while placing primary emphasis on high and medium risk mothers, would provide information and services to all couples seeking such services.

In assisting the GOP to develop an infrastructure and deliver responsible parenthood services for a limited percentage of the population, the basic research and training will provide a sufficient base for achieving the goal of a national level responsible parenthood program available to all Peruvian families.

To achieve the project purpose we estimate that approximately 1,500 nurse trainers, nurses, midwives and nurses aides will be trained through short term (30 days) training programs. Additionally 75 doctors will need short term (5-10 day) orientation programs. Three health program administrators will receive long term training (9 months).

Research results will be obtained on the following topics:

1. Methods of dissemination in providing responsible parenthood services.
2. Survey of services preferred.
3. Acceptor and Non Acceptor characteristics.

Both stationary and mobile extension services emphasizing responsible parenthood will be established. Inputs required to achieve the above outputs include training and assignment to doctors, nurses, midwives and assistants, medical equipment, a limited number of mobile units, contraceptives, and technical assistance in the administration of services, research statistics and demography.

Assumptions underlying the success of this project are as follows:

- a. The GOP will implement a policy of allowing couples to determine family size and will provide appropriate services to these couples.
- b. Plans will be developed and implemented for expanding health and community development services which place major emphasis on responsible parenthood demonstration programs.
- c. Laws and policies will continue to permit the dissemination of responsible parenthood information.
- d. Attitudinal studies will show an increasing awareness of the advantages of having smaller families.

No other donors are presently involved in a significant way in the responsible parenthood field in Peru. UNFPA has held discussions on possible programs with the GOP over the last three years; to date, however, these have resulted only in the recently announced agreement to undertake a national fertility survey. Organizations such as POP Council and FPPIA with centrally funded AID grants have small inputs into this field, all of which are coordinated with USAID/Peru.

Given the sensitivities that still exist in Peru, we believe a low key health related program represents the most appropriate mechanism for developing responsible parenthood programs. However, as indicated previously, if the environment changes we feel that this project also provides the necessary base from which to develop other programs for a more rapid and broader impact.

II Financial Requirements and Plan

The total project cost over a three year period is estimated at \$ 1,360,000 of which \$ 740,000 would be grant financed by AID. Estimated project budgets are shown below:

AID

A. Technical Assistance

Forty man months of short-term and long-term technicians at \$ 5,000 per month in Health Program Administration, Demography, Nurse Training and Biostatistics \$ 195,000

B. Participants

Short and long-term training for approximately 24 medical administrators and technicians totaling 65 man months \$ 75,000

C. Commodities

Equipment in the form of medical supplies and mobile units \$ 75,000

Contraceptives \$ 160,000

D. Other Costs

Research \$ 125,000

Local Training \$ 110,000

TOTAL AID \$ 740,000

GOP

1.	Personnel	\$ 300,000
2.	Training	
	- Local	\$ 125,000
	- Participants	\$ 55,000
3.	Research	\$ 100,000
4.	Equipment	\$ 40,000
	TOTAL GOP	\$ 620,000

III Development of Project

The Mission anticipates the prompt arrival of a full time Health Population Officer who would be available for the major input into the PRP. With this Officer on board, outside assistance at the PRP stage probably will not be necessary. At the PP stage we will have the benefit of one year implementation experience with the existing project and thus should benefit greatly in refining our output projections and cost estimates. We anticipate utilizing approximately 15 days of consultant services at the PP stage.

PRP submission	October 1976
PP submission	October 1977

IV Issues of a Policy or Programming Nature

The major issue in undertaking this project is the general question regarding the extent to which AID bilateral assistance is desired by the GOP in this sensitive field, and the degree to which AID should be involved directly as opposed to channelling resources through U.S. and international population organizations. Once again we believe that opportunities provided in the implementation of the existing project will assist us in making that decision and arriving at an appropriate balance.

OPERATIONAL PROGRAM GRANTSNarrative Summary of Early ConsultationCARE - WATER, SEWAGE AND HEALTH PROGRAM IN RURAL TOWNS

Based upon early consultations, CARE (Cooperative for American Relief Everywhere) has advised USAID/Peru that it will be submitting an Operational Program Grant proposal in FY-77 for \$450,000 for a potable water and sewage facilities program for small rural communities in the Northern Sierra.

The small rural communities located in the Zone Affected by the 1970 Earthquake fall within the most marginal in Peru and possess such low living standards that special assistance efforts are needed in every field; i.e. agriculture, education, human promotion, employment and health. The population of these rural communities suffer from a high level of sanitary and disease problems. Water and sewage, especially, are considered to be an ever present source of infectious diseases, exposing almost the entire population to diseases such as typhoid fever, intestinal parasites, dysentery, infectious hepatitis, typhus and other water-borne diseases, all of which lead to loss of work capacity and high early death rates. It is recognized that the availability of potable water and sanitary sewage systems -- which at present do not reach even 3% of the rural population in Peru -- combined with health education programs would contribute substantially to the solution of one of the basic problems of the Peruvian rural population.

For the Affected Zone, data has been obtained which reflects the situation regarding basic facilities at the urban level. For example, in the Department of Ancash, out of a total of 70,717 urban homes, 72% lack electricity, 75% lack water, 76% lack sewage and 82% lack baths. The situation is even worse in the rural areas.

There have been some attempts to remedy this situation in the Affected Zone. USAID's Loan 055, Urban Reconstruction, for example, is providing \$6 Million to build water and sewage facilities in the squatter settlements or urban slums ("pueblos jóvenes") in the Affected Zone. However, small rural communities find themselves without access to such assistance.

CARE in Peru has had successful experience in carrying out programs that combine water/sewage systems construction with health education in the Southern Departments of Puno and Cuzco for several years now. CARE has experience also coordinating efforts with the GOP Regional Office for the Development of the Affected Zone, ORDEZA, with whom a program to build irrigation canals and school classrooms in the Department of Ancash and La Libertad is being successfully carried out.

In an effort to address the needs of the poor, small rural communities in the Affected Zone, CARE and ORDEZA have devised a combined project that will include: a) construction of water and sewage systems in selected

communities and b) together with the Ministry of Health, a health education program and vaccination campaign designed to educate the recipients of the assistance in the proper use of potable water and sewage facilities and in the prevention and eradication of the water-borne diseases presently affecting the population. The program will be limited to rural communities of less than 2,000 inhabitants.

CARE/Peru is expected to request from USAID an OPG in the amount of \$450,000 to carry out the program, which is estimated at a total cost of almost one million dollars over a two-year period. The project contemplates the construction of a minimum of 20 potable water systems and 4 sewage systems during the first year of operation and at least the same number during the second year. The communities will be selected by ORDEZA and CARE.

If the project is approved, CARE will open an office in Huaraz, capital of Ancash, and will provide administrative costs and salaries. ORDEZA will provide professional staff to design the systems, prepare feasibility studies, and supervise construction and implementation of the projects. The recipient communities will provide in-kind labor and materials available at the project sites. The Ministry of Health will provide personnel to implement the health education and disease prevention program. AID's contribution would cover purchase and transportation of construction materials, most of which will be procured by CARE in the U.S.

The Ministry of Health will visit the selected communities at least once a month and initiate a series of lectures and demonstration sessions on health prevention practices and use and benefits of water and sewage facilities. Vaccination campaigns will be carried out twice a year against DPT, measles, smallpox and polio. These activities will be carried out simultaneous with the construction of the water and sewage systems.

BUDGET (Estimate for two-year period)

Purchase of construction materials and transportation	\$550,000
Equipment and salaries	181,000
Community labor and materials available at project site	263,000
	<u>\$994,000</u>

<u>Origin of Financial Resources:</u>	USAID	\$450,000
	ORDEZA (cash & in kind)	200,000
	CARE/Peru	181,000
	Recipient Communities	163,000
		<u>\$994,000</u>

OPERATIONAL PROGRAM GRANTS

Narrative Summary of Early Consultation

TEAM FOR HUMAN DEVELOPMENT - HEALTH AND ENVIRONMENTAL SANITATION

This proposed project is the result of extensive discussion with a local Peruvian PVO, the Team for Human Development (the Team). The Mission has had prior experience with the Team (through small grant assistance made available under the Special Development Activities Fund) and is impressed with their dedication and work performance in the area of human resources development.

During the past 30 years an increasing number of Peru's rural poor have migrated to the country's major cities. These migrants, which in the case of Lima increase at an estimated rate of 8% per year, have settled in squatter settlements known as "pueblos jóvenes" or young towns. Due to lack of employment, sub-standard housing, inadequate health, educational and cultural facilities, they have remained outside of the urban economy and socially and culturally alienated from the national life.

The target of the project being proposed by the Team is Pamplona Alta, a large "pueblo joven" on the outskirts of Lima. This community started in 1962 by "invasions" of poor landless/homeless migrants from economically poor areas of Peru. Today Pamplona Alta is a depressed squatter settlement of more than 125,000 inhabitants and still swelling from population growth within as well as from new waves of migration. The age profile is 40% children (0 to 15); 20% youth (15-21); 39% adults (21-65), and 1% old people (65 up).

It is estimated that within the employable age bracket of the population in Pamplona Alta, only 35% have permanent employment, mostly as blue-collar workers, civil construction workers, domestics and street vendors.

In Pamplona Alta, 90% of the public areas have electricity. This is truly the only facility the town has to offer. Fifty percent of the homes are made of wooden or straw mats lined with plastic sheets to keep out the wind. There is no potable water (or any type of water) source in Pamplona Alta. There are no sewage or public latrine facilities and no garbage collection. Garbage is heaped in open areas. Intestinal, respiratory and skin diseases proliferate and medical facilities are limited to only two small sanitary posts.

The Team for Human Development was founded in 1968 as a Peruvian, private non-profit organization, dedicated to the socio-economic development of the pueblos jóvenes populations of Pamplona Alta and adjacent areas. The Team views itself as a bridge between the isolated, marginal peoples of the pueblos jóvenes, and outside development resources -- be they governmental or private. Serving in this catalytic role, the Team motivates, trains and prepares community groups and individuals within Pamplona Alta

to articulate their problems and assume a major responsibility in solving them.

The Team has six basic areas of activities to attain its goals: a) socio-cultural diffusion and community recreation, b) cooperation and coordination of institutional services, c) support to neighborhood organizations, d) children promotion, e) women promotion, and f) health and environmental sanitation. These six activities are carried out by the Team's 16 member permanent staff and by approximately 100 university and college student volunteers. In addition, the Team utilizes "promoters" from the community itself who have been trained by the Team to implement programs in child welfare and women promotion. They receive a modest allowance for their services from the Team.

By training local leaders and creating organized groups such as parents' associations, women's committees, etc., the Team is developing local capacities which are gradually assuming responsibility for the implementation of community development programs. The Team's goal is to develop and then turn over new projects to the community within a period of three to five years. For example, under the children promotion program, two children centers initiated under the Team's guidance are now being operated by the local committees together with Government assistance. The Team has established 13 other children centers in several of the communities of Pamplona Alta.

The Team implements its programs through short courses, lectures, demonstrations, didactic material and some direct technical assistance. The Team's experience and resources to date have moved both government -- Ministries of Health, Education, Housing, Agriculture, Municipal Councils, etc -- and private -- Red Cross, League Against Cancer, Boy Scouts, etc. -- to request their cooperation and coordination.

The Team is expected to submit a formal request for OPG assistance in the amount of \$155,000 to expand and intensify activities in health prevention and environmental sanitation, including the nutrition sector.

The program, designed to be carried out within a maximum of three years, will be addressed primarily toward women and children, and will cover:

I. Health Prevention Component:

- A. Family Health: Use and storage of water, construction of household water tanks, prevention and treatment of mange and other skin diseases.
- B. Women's Health: General hygiene, pre and post natal care.
- C. Children's Health: General health practices, vaccination campaigns against measles, smallpox, DPT and polio. (This program contemplates training of local community members as assistants capable of providing basic medical care.)

D. Oral Health: To include demonstrations and lectures, exams and fluoride applications.

II. Environmental Sanitation Component:

A. Elimination of Garbage: Organization of groups and financial resources to arrange for periodic garbage collection, incineration, etc.

B. Anti-rabies campaign.

C. Construction of latrines and promotion of use and maintenance.

III. Nutrition Component:

A. Nutrition practices, check-ups, etc. applied to pregnant mothers and children.

B. Training of community leaders as nutrition promoters.

C. Training, orientation and education of mothers in improved nutrition.

The above described program will reach an estimated 21,000 families in three years. Number of members per family is estimated at five, three of which would be children. The program, therefore, will benefit directly 21,000 mothers and 63,000 children.

<u>BUDGET (In US \$)</u>	<u>USAID</u>	<u>TEAM</u>	<u>TOTAL</u>
Office materials and equipment	\$ 25,824	\$ 511	\$ 26,335
Courses and demonstration materials	8,434	2,445	10,879
Personnel, technical & administrative	44,064	61,140	105,205
Transportation costs	20,950	9,725	30,675
Office locale and food allowances	1,672	18,168	19,840
Miscellaneous - Instructional material, medical supplies, training of Team's personnel	10,387	2,367	12,754
Contingencies and inflation	43,675	37,015	80,690
	<u>\$155,007</u>	<u>\$131,371</u>	<u>\$286,378</u>

OPERATIONAL PROGRAM GRANTS - FY 1978Narrative Summary of Early ConsultationACCION COMUNITARIA DEL PERU - DEVELOPMENT OF EMPLOYMENT OPPORTUNITIES FOR WOMEN

Acción Comunitaria del Peru is a Peruvian, private, voluntary agency working with low-income marginal groups in the fields of education, housing and leadership training.

Acción has consulted with the Mission concerning a possible request for OPG assistance to carry out the following three-phase program designed to provide gainful employment for Peruvian women from a marginal population target group:

1. A study on the status of women in Puente Piedra, population 30,000, located 42 Kms. north of the city of Lima. The study would cover an in-depth analysis on the economic and social roles of women in Puente Piedra. It would also include recommendations for the formation of women groups which will receive training at all levels -- from leadership to administrative and technical skills. This phase of the study will also include economic profiles.
2. The second phase would cover pre-feasibility studies for the establishment of economic enterprises in the area and a final feasibility study for the establishment of one or more such enterprises. (Acción anticipates that the first such enterprise would be related to the food industry.) This phase will include identification, negotiation and commitment of credit sources to finance the enterprise.
3. The third phase will cover the initiation of the enterprise itself.

Acción has indicated a probable OPG requirement of \$200,000 to cover costs of materials, training of personnel and administrative costs for the proposed project.

oooooooooooooooooooo

IPFE - MIDDLE LEVEL SKILLS TRAINING

The Peruvian Institute for Educational Development (IPFE), is a non-profit, private organization which in the 14 years since its founding has made a significant contribution to the development of Peru's human resources. IPFE's activities have included: promoting and administering training opportunities in a wide variety of fields; assisting in the design and establishment of a national system of university bookstores; sponsoring, organizing and conducting educational courses and programs; encouraging philanthropic efforts in the field of education by public and private Peruvian and foreign organizations; and establishing one of the largest film libraries in Peru.

- 2 -

IPFE has consulted with the Mission regarding a possible request for OPG assistance to establish a job skills training program for skilled and semi-skilled persons in various regions of Peru. Using the resources of its film library, its expertise in audio-visual production and its well established network of contacts with public and private sector industrial, agricultural and commercial organizations, IPFE intends to work with other educational entities and develop training programs which are suited to meeting a portion of Peru's training needs. IPFE's role in this project will largely consist of supplying administrative, managerial and professional talent to work with other educational institutions which will be responsible for the actual provision of the training.

IPFE has indicated a probable OPG requirement of \$200,000 to cover costs of material, travel, transportation and salaries of personnel who will be working for the proposed project.