

PDKAD 234



AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES AID MISSION TO PERU

C/O AMERICAN EMBASSY

LIMA, 1 PERU

TELEPHONE: 286200

CABLE: USAID/LIMA

June 20, 1985

Mr. Hernando De Soto
President
Instituto Libertad y Democracia
Osa Mayor 157
Urb. Los Granados
Monterrico

Subject: ILD - Institutional and Research Support
Project No. 527-0298
Grant No. 527-0298-G-00-5123-00

Dear Mr. De Soto:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "AID" or "Grantor") hereby grants to the Instituto Libertad y Democracia (hereinafter referred to as "ILD" or "Grantee"), the sum of \$500,000 to provide support for a multidisciplinary study of Peru's urban informal sector and its implications for private enterprise development as described in Attachment 1, the Schedule of the Grant and Attachment 2, entitled "Program Description." The sum indicated above is the first increment of AID funding expected to total \$1,200,000; subsequent increments are subject to the availability of funds for this purpose.

This Grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Grantee in furtherance of program objectives during the period beginning April 1, 1985 and ending December 31, 1985.

This Grant is made to ILD on the condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1, the Schedule, Attachment 2, entitled "Program Description,"

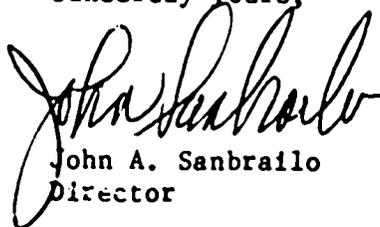
Mr. Hernando De Soto

2.

and Attachments 3 and 4, entitled "Mandatory Standard Provisions" and "Optional Standard Provisions," which have been agreed to by your organization.

Please sign all six (6) copies of this letter to acknowledge your acceptance of the conditions under which these funds have been granted, and return five (5) copies to USAID/Peru.

Sincerely yours,



John A. Sanbrailo
Director

Attachments:

1. Schedule
2. Program Description
3. Mandatory Standard Provisions
4. Optional Standard Provisions

Acknowledged:

INSTITUTO LIBERTAD Y DEMOCRACIA

By: 
Hernando De Soto

Title: President

Date: June 20, 1985

Fiscal Data:

Appropriation : 72-1151021
Budget Plan Code : LDAA-85-25527-DG13
Project Number : 527-0298
Total Estimated Amount: \$1,200,000
Total Obligated Amount: \$500,000
Funding Source : USAID/Peru

SCHEDULE

A. Purpose of Grant

The purpose of this Grant is to assist ILD, through provision of operating costs, commodities, and direct and indirect expenses, to continue its research and analyses on the informal sector and on the economic and legal relationships between the formal and informal sectors, as more specifically described in Attachment 2 to this Grant, entitled "Program Description."

B. Period of Grant

1. The effective date of this Grant is the date of its signature. The expiration date of this Grant is January 31, 1988.

2. Funds obligated hereunder are available for program expenditures in accordance with the Grant Budget below for an estimated nine-month period from April 1, 1985 to December 31, 1985.

C. Amount of Grant and Payment

1. The total estimated amount of this Grant for the period shown in B.1 above is \$1,200,000.

2. AID hereby obligates the amount of \$500,000 for program expenditures during the period set forth in B.2 above and as shown in the Grant Budget, Section D.

3. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 4, Optional Standard Provision 1, entitled "Payment - Periodic Advance."

4. Additional funds up to the total amount of the Grant shown in C.1 above may be obligated by AID subject to availability of funds, the completion of conditions precedent given in Section F of Attachment 2, and the requirements set forth in Attachment 3, Mandatory Standard Provisions of the Grant, entitled "Revision of Grant Budget."

D. Financial Plan

The following is the Grant Budget for this Grant, including local cost financing items. Revisions of the Grant Budget shall be made in accordance with Attachment 3, Mandatory Standard Provisions, entitled "Revision of Grant Budget."

Illustrative Budget

	<u>4/1/85- 12/31/85</u>	<u>1/1/86- 12/31/86</u>	<u>1/1/87- 12/31/87</u>	<u>TOTAL</u>
AID Grant	\$500,000	\$450,000	\$250,000	\$1,200,000
Other Donors	<u>143,670</u>	<u>375,940</u>	<u>577,040</u>	<u>1,096,650</u>
TOTAL	\$643,670	\$825,940	\$827,040	\$2,296,650
Bridge Grant*				<u>200,000</u>
GRAND TOTAL				\$2,496,650

* Provided by AID under SDA PD&S for period from December 1984 through March 1985.

1. Obligated Amount - (4/1/85-12/31/85)

	<u>AID</u>
Wages/Salaries for Studies (Peruvian: \$290,000) (Foreign: \$67,000)	\$357,000
Travel/Per Diem (Peruvian: \$10,000) (Foreign: \$61,000)	71,000
Administration (Wages: \$18,000) (Operating Expenses: \$36,000)	54,000
Book (Editor: \$6,000) (Assistant: \$3,000)	9,000
Equipment (Computer: \$7,000) (Other Furniture: \$2,000)	9,000
TOTAL	<u>\$500,000</u>

2. Additional Funding, Second and Third Increments

The availability of AID funding for periods two and three of this project will be contingent upon ILD obtaining funding from other sources to finance roughly 46% of the grant activities in year two and 70% in year three. It is expected that ILD will receive other funding for specific project activities, but it is also possible that it will receive general support funding. Hence, two months before the end of each grant period, ILD will submit to AID a detailed workplan, including a statement of sources and uses of other funds for the coming year. AID will then program its resources to support those activities for which other funding has not been obtained. Should ILD be unable to raise the level of funding expected from other sources in periods two and three of the Grant, AID, in consultation with ILD, will determine the appropriate course of action, which may include an ordering of priorities, proportional cutbacks in AID funding, or some other adjustment.

E. Reporting and Evaluation

ILD hereby agrees to provide AID with copies of the following reports and any other reports as AID may deem necessary during project implementation.

1. Comprehensive quarterly reports which present findings, conclusions, and recommendations on each activity carried out under the Grant during the previous quarter, as well as problems encountered and proposed solutions.

2. Before receipt of second year funding, a copy of the final text of its book, tentatively entitled "The Emergence of the Informal Sector in Peru," as delivered to the publisher.

3. A series of technical papers containing the results of ILD's studies, which will also be distributed among the academic community, GOP leaders, and the general public.

4. Two months before the end of each Grant period, a listing of other (non-AID) financial support, by grantor, it has received to further the objectives of the Grant, along with a brief description of the specific purposes of such support and the time period over which it will be utilized.

5. Two months before the end of each Grant period, a detailed and calendarized workplan for the following Grant period, including specific goals, expected outputs, and specific benchmarks for each quarter.

6. Quarterly financial reports stating amounts of funds received, spent, and liquidated in accordance with budget categories.

F. Special Provisions

1. Optional Standard Provisions, Attachment 4, shall apply as follows: include provisions 1, "Payment - Periodic Advance," 5 "Procurement of Goods and Services," 6 "Ineligible and Restricted Goods and Services," 8 "Local Cost Financing with U.S. Dollars," 9 "Publications," 17 "Title to and Use of Property (Grantee Title)," and 20 "Cost Sharing."

2. Before AID funds may be used to purchase computer equipment or software costing more than \$10,000 in total, Grantee will obtain AID approval of the proposed purchase.

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PROGRAM DESCRIPTION

A. Purpose of the Grant

The purpose of this Grant is to provide ILD with institutional support to continue its research and analyses on the informal sector and on the economic and legal relationships between the formal and informal sectors. The activities to be carried out under this Grant are to be based on the research work supported by AID and carried out by ILD under previous grant agreements. The new project is based on a diversification of funding sources for ILD. The emphasis of the new project will be on the legal and regulatory framework and actions to alter this, rather than on further studies and simulations. Areas of activity supported by this Grant will include:

1. Institutional Support: ILD will provide institutional support, primarily technical assistance, information, and advice to Peruvian public sector institutions (such as CODE, the Fiscalía de la Nación, municipal governments and Congress) and other institutions (such as formal sector business entities, informal sector business entities, universities, the press, and political parties). Exact priorities and emphases may change according to circumstances.

2. Industry: ILD will propose and assist in the implementation of means (including legislation and regulation) of eliminating or simplifying steps to legally establish a small industry, thus establishing a less complex, less costly process which will encourage legality.

3. Personal Identity Documents: ILD will propose and assist in the implementation of legislation and/or regulations to simplify the formalities for acquiring these documents, and the possible combination of some.

4. Commerce (Ambulantes): ILD will propose and assist in implementing means of formalizing commercial activities that are currently carried out informally.

5. Housing: ILD will carry out two subcomponents, one proposing regulations and legislation concerned with property legalization, the other proposing means of integrating the formal and informal housing sectors.

6. Economic Studies: ILD will continue to quantify its work in the informal sector.

B. Specific Objectives

Grant funds will be used by ILD to help defray operating costs, purchase commodities, and cover direct and indirect expenses as needed to complete the

research and analyses regarding the economic impact of procedures and other related costs in connection with entry into formality as well as the development and streamlining of a legal framework for such activities. These issues are described in more detail in the Grantee's proposal and detailed workplan for the period covering April 1985-December 1985, which are part of this agreement. Additional detailed workplans will be submitted for other Grant periods as stated in Section F below, Conditions and Covenants.

C. Project Implementation and Responsibilities

This project will be implemented by ILD over a period of thirty months beginning with the date of acceptance of this Grant. ILD will:

1. Monitor and coordinate activities of the research teams to ensure conformity to the scope of work and timetable established by the Grantee. ILD will promptly inform AID (a) of conditions or events that will materially affect ILD's ability to attain program objectives or meet time schedules, and (b) of actions taken or contemplated--or AID assistance needed--to resolve the situation.

2. Assure compliance with reporting requirements.

3. Obtain the services of qualified professionals to carry out research and analysis activities and of clerical and administrative personnel to support the research and analysis teams.

D. Required Accounting Records

Instituto Libertad y Democracia hereby agrees to keep separate accounting records for the funds under this Grant, separate and apart from records kept by ILD for any other fund held for similar projects or other purposes.

E. Project Budget and Release of Funds

The proposed grant budget calls for grant financing over a period of two and a half years not to exceed \$1,200,000 with an initial obligation of \$500,000.

Release of funds under this agreement shall be in accordance with Section D, Financial Plan of the Schedule and Article 1 of Attachment 4, Optional Standard Provisions.

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F. Conditions and Covenants

1. Conditions Precedent to Future Funding Disbursements for Project Activities

Prior to any disbursement or the issuance of commitment documents under this Grant to finance project activities after December 31, 1985, ILD will have completed the final text of the book it is preparing on the informal sector, which will contain the results of ILD's work, and have delivered it to the publisher.

2. Conditions Precedent to Disbursement for Project Activities Under Second Grant Increment

At least two months prior to any disbursement or the issuance of commitment documents under this Grant to finance project activities for CY 1986, ILD will submit to AID:

a. An approved detailed and calendarized workplan for CY 1986 which clearly establishes expected accomplishments for the Grant period, goals, expected outputs, and specific progress benchmarks for each quarter.

b. A listing of all other (non-AID) financial support, by grantor, that ILD has received to further the objectives of the Grant, along with a brief description of the specific purposes of such support and the time period over which it will be utilized. Non-AID support will equal at least 46% of total financial needs for the period as shown in Attachment 1, Section D, Financial Plan.

3. Conditions Precedent to Disbursements for Project Activities Under Third Grant Increment

At least two months prior to any disbursement or the issuance of commitment documents under this Grant to finance project activities for CY 1987, ILD will submit to AID:

a. An approved calendarized detailed workplan for CY 1987 which clearly establishes expected accomplishments for the Grant period, goals, expected outputs, and specific progress benchmarks for each quarter.

b. A listing of all other (non-AID) financial support, by grantor, that ILD has received to further the objectives of the Grant, along with a brief description of the specific purposes of such support and the time period over which it will be utilized. Non-AID support will be equal to at least 70% of total financial needs for the period, as shown in Attachment 1, Section D, Financial Plan.

4. Covenants

ILD covenants that it will:

a. Collaborate with any specialized assistance AID provides on how to incorporate the question of gender-differentiation into its research and policy recommendations.

b. Locate and contract technical assistance for the housing sector study to assist in carrying out rigorous surveys and data analysis programs.

c. Cooperate with any organizations implementing other AID-supported private sector policy activities which are also aimed at reforming GOP private sector policies.

d. Hold annual sessions with AID to discuss the workplan and budget for the following year and establish priorities and concrete benchmarks for that period.

e. Hold brief review sessions with AID upon submission of each quarterly report to discuss the state of each project being carried out under the Grant, advances made during the previous quarter, problems encountered, and means of resolving them.