



Department of State **TELEGRAM**

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TABS:

SUBJECT: DECENTRALIZING EDUCATION PLANNING GRANT PP.

REFS: (A) STATE 233472 AND (B) LIMA 7700.

1. SUBJECT PROJECT IS HEREBY APPROVED AT A LIFE OF PROJECT LEVEL OF 957,000 DOLLARS; WITH 365,000 DOLLARS IN FY 1976. USAID IS AUTHORIZED TO NEGOTIATE A PROJECT AGREEMENT CONSISTENT WITH THIS APPROVAL.

2. AS REF A INDICATED, THE ECONOMIC ANALYSIS FOR THIS PROJECT WAS ONE OF MAJOR ISSUES DISCUSSED BY DAEC. WHILE THE

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REVISED ANALYSIS MEETS THE DAEC REQUIREMENTS, THERE REMAIN SUBSTANTIAL INFORMATION GAPS BOTH IN PERU AND WORLDWIDE REGARDING THE ECONOMIC BENEFITS OF DECENTRALIZING EDUCATION, AND OF DECENTRALIZED ADMINISTRATION AND PLANNING, IN PARTICULAR. THEREFORE, THE MISSION IS REQUESTED, AS A CONDITION OF APPROVAL OF THIS PROJECT, TO DEVELOP WITH THE GOP AN ANALYTICAL FRAMEWORK TO CONDUCT A CONTINUING ASSESSMENT OF THE ECONOMIC BENEFITS DERIVED FROM DECENTRALIZED PLANNING IN PERU. THESE ASSESSMENTS SHOULD ALSO BE AN INTEGRATED PART OF THE SOCIO-ECONOMIC/EDUCATION SAMPLE FRAME AND SHOULD BE INCLUDED IN THE REGULAR EVALUATION OF THIS PROJECT. INGERSOLL

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PART I. SUMMARY AND RECOMMENDATIONS

A. Face Sheet Data

See Face Sheet

B. Recommendations

USAID/Peru is requesting an authorization for a Grant of US\$957,000 to carry out a project to decentralize educational planning in Peru.

Grant	US\$957,000
Loan	<u>-.-</u>
Total new AID obligations	US\$957,000
PI, 480 Title II grant (amendment)	-.-
Housing Investment Guarantee	-.-
Waiver of Code 899 for construction services	-.-
Waiver of competitive for ongoing consulting services	<u>-.-</u>
	<u>US\$957,000</u>

C. Description of the Project *

This project is designed to provide financial support to the MOE's Office of Sectoral Planning (OSPE) in its efforts to decentralize education planning functions thereby providing greater opportunities for the development of more relevant educational programs more responsive to local needs.

Other benefits anticipated include identification of community resources which can be made available for education purposes, reduction in dropout and repeater rates, and the improvement of access to education, especially in the least developed zones.

* This description will serve also as the Project Description to be used in the Project Agreement requested in Annex I.

This project will provide financial resources for technical expertise, training, research and equipment necessary to carry out the decentralization process, in four of the most disadvantaged regions such as Iquitos, Chiclayo, Cuzco/Puno, and Huancaayo. Approximately 19 man years of short and long term training for 28 planning specialists will be provided in the U.S. and third countries and approximately 70 man years of short and long term training will be provided to a total of 230 unit chiefs, dept. heads and general planning personnel in Peru. These specialists will be trained and upgraded in general education planning, planning administration, programming and budgetting, statistics and evaluation.

Approximately 4-1/2 man years of technical expertise will assist in the development of training programs in-country and in research efforts and feasibility studies to be carried out under this project.

Equipment will be provided, where necessary, to assist planning offices in carrying out their functions more efficiently.

OSPE will administer and carry out the project. It will supervise the activities in the national level planning office, the nine regional offices, the 33 zonal offices and the 819 Community Educational Nucleos (NEC) offices (the most decentralized educational administrative unit recently established to facilitate the education reform and encourage local program development).

The central theme of the Peruvian Education Reform Law promulgated in 1972 is to develop a system of education in Peru relevant to the needs of the entire population. The reform calls for an emphasis on local level participation in the planning of education programs.

The administrative framework to carry out the decentralization of the planning functions has already been established by law. Each NEC office has an "education planner" who is a member of the NEC technical staff. The NEC planner provides planning information on formal and non-formal programs to the zonal offices based on the requirements of the NEC. The zonal offices in turn respond to the requirements on a zonal basis and report to a regional office and then to the national level OSPE office.

This decentralization process has been functioning in some nucleos for two years and although some results have been achieved it is noted that available staff, consisting mainly of ex-teachers, are insufficiently trained to carry out the planning tasks. Those NEC planners who have received training in the fundamentals of planning and budgetting have been functioning in a very satisfactory manner. There are some well trained people in the OSPE offices as well as the regional and zonal offices. However, there are also some staff weaknesses in these offices where additional training is required.

To compliment the decentralization efforts there is a critical need to carry out experimental and descriptive research in order; to provide planners with appropriate information upon which to base their programs; to explore cost reducing and cost sharing educational programs, and develop techniques to evaluate the impact of the education system.

To accomplish the training objectives for NEC planners, OSPE will organize four short term training programs of two months duration and will organize two one year training programs in Peru over the life of the project. The short and long term training will be supplemented by annual planning workshops of one week duration and by annual educational planning seminars.

OSPE will be responsible for organizing all research efforts and will carry out five of these studies under this project. OSPE staff assisted by outside expertise will design and conduct the studies and make efforts to apply the results within this four year project period. A feasibility study to determine the utility of centralized education service centers in Peru will be contracted under the supervision of OSPE and USAID/Peru.

Expertise required from outside Peru will provide assistance to Peruvian technicians in carrying out training programs, designing and carrying out research and evaluating and analyzing the progress of the decentralization efforts.

Upon completion of this project most key planning positions at the national, regional and zonal level plus a portion of the positions at the NEC level will be occupied by people trained under this project. It is also expected that resource allocations to the NEC's will be based on plans by the NEC's and the educational requirements of those areas. Twelve Zonal, 9 Regional, 96 NEC and the OSPE offices will be equipped to carry out their planning efforts. Basic research carried out under this project will be assisting planners at all levels by providing information relating to the involvement of communities in developing educational programs, the use of simulation models to project the annual "flow" of students, personnel, physical resources and costs, information on new sources of educational finance and, finally, information on the geographic and demographic feasibility of utilizing a central service unit concept to improve educational services for selected NEC's.

In addition, a staff capability will exist in the MOE capable of continuing in-service training programs created under this project. These training tasks will be carried out in addition to regular duties assigned.

D. Summary Findings

Based on the recently conducted Education Sector Assessment, advice from consultants, and Mission observations, we have determined that this is a high priority project which will have a significant positive impact on the GOP's educational reform efforts.

The GOP has identified its requirements in education. They have committed resources and personnel to reorient the system. They have identified decentralized planning as critical in the reorientation process. They have developed a sophisticated and integrated administrative framework for carrying out the planning functions.

GOP performance in educational planning thus far shows an ability to carry out the prescribed planning functions efficiently. They require additional trained staff, equipment and research to assist in the decentralization process.

USAID/Peru and MOE staff have worked closely to develop this project which, should have a maximum impact on the educational planning system. We are confident that the GOP will continue the decentralization effort after the project has terminated.

GOP funding for the project has been approved for 1975 and 1976 and is so indicated in the "Plan Biental Sector Education 1975-1976." Funding for the final two years of the project will be approved in the 1977-1978 plan.

We have determined that this project does not impose a significant financial burden on current or future MOE resources. The resources required currently for educational planning amount to 1% of the total education budget. We have concluded that additional funding required for planning as a result of this project will be minimal and will remain approximately 1% of the total projected education budget.

It is also our judgement that a decentralized educational planning system can bring about social and economic benefits to rural populations by providing more relevant education programs.

It is the opinion of USAID/Peru that this project is ready for approval and implementation. The project meets all applicable statutory criteria.

E. Project Issues

The central issue in this project is whether in spite of declared intent the Ministry of Education will be willing to transfer the power and authority to the Regional, Zonal and Nucleos offices in order to carry out the decentralization process.

A second issue in this project is the lack of tradition within Peru of participation by citizens in institutions which affect daily living. Although the central theme of the GOP is increased participation, this must be watched closely as the project progresses.

PART II PROJECT BACKGROUND AND DETAILED DESCRIPTION

A. BACKGROUND

(See also Sector Assessment, Chapter III Section 3)

Shortly after the revolution in 1968 the Government of Peru undertook an assessment of the education system as it then existed. Over five hundred professionals from the field of education and other professions participated. A preliminary "diagnostico" of the system was issued by a high ranking committee in 1969. In 1970 a general report prepared by various education subcommittees describing the state of the system was published. A draft of a new education law was distributed for reaction and comment in 1971 and was promulgated in 1972.

The assessment of the education system revealed that education had been oriented to the elite within the country. Both primary and secondary education had been geared toward preparing most students for the next level of education which would eventually lead to white collar professional jobs, rather than for manual or technical occupations.

In short, the traditional education system was found to be dysfunctional to the needs of the society. During the 1960's a strong demand existed for skilled and semi-skilled technicians. Given their elitest orientation, academic secondary schools, which accounted for approximately 85% of all secondary enrollment, were unable to respond to this demand. Instead of preparing individuals for jobs, as was the need, the secondary schools reinforced student and parent beliefs that high schools were merely a stepping stone to higher education rather than a means for many to enter the labor force with appropriate skills.

The administrative structure of the former system was heavily centralized in Lima with all major planning programs and budgetary decisions for regional and rural education emanating from the national capital. This concentration of decision making power in Lima gave a heavy urban bias to the content of education and reduced access of the rural population to the educational system.

The Peruvian analysis of their system resulted in the initiation of a substantial reform of the system; one that was specifically designed to complement the GOP's goals of increased economic productivity, social integration of the society and participation by all Peruvians in the social and economic benefits of the revolution.

The emphasis in the Reform Law, making education more relevant to all Peruvians and providing the necessary facilities to accomplish this objective, required a decentralization of authority and responsibility.

Decentralization required increased administrative and planning capabilities in the rural areas in order to effectively develop, plan and implement relevant education programs utilizing combined national and local resources. It required the exploration of cost reducing techniques and programs that would eliminate inefficiency in the education system. It made planning and research a critical element in the education reform.

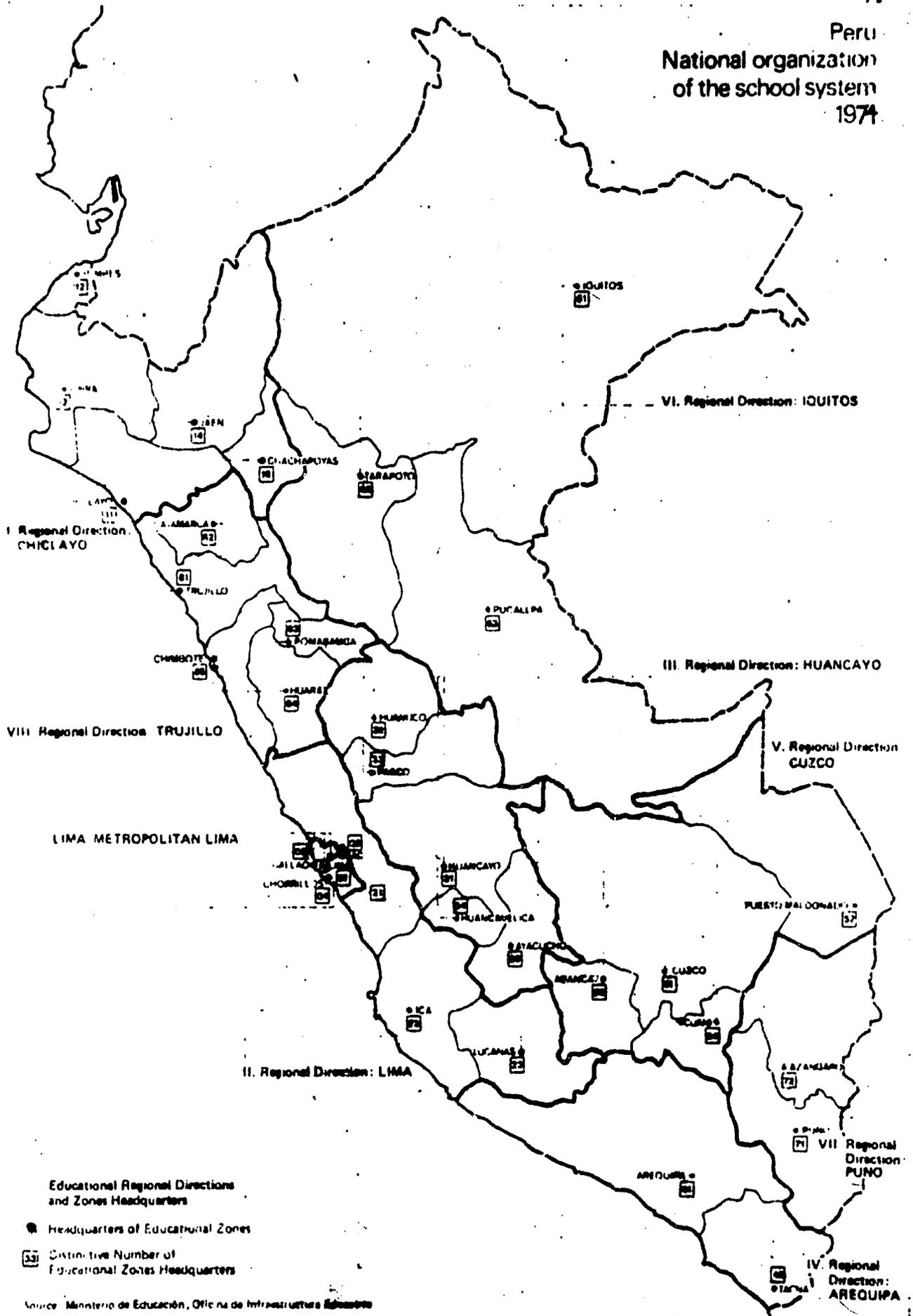
Some attempts were made by the present GOP to decentralize educational planning prior to the promulgation of the new education law as well as under previous gov'ts. While reasonably successful, these efforts were only directed at regional level programs and did not adequately reach the inaccessible areas of the nation.

Concurrent with the promulgation of the Education Reform Law, the GOP renewed its decentralization efforts by creating the Oficina Sectorial de Planificación Educativa (OSPE). OSPE was established as the central authority for coordinating education planning with national planning, maintaining responsibility for carrying out national level educational planning activities and supervising the decentralization of the educational planning functions.

The administrative organization of the system was also restructured. It maintained the previously established nine education regions but also added a network of 33 zones to function as subordinates of the regional offices (see map for distribution). The zonal offices were further decentralized to approximately 819 Community Education Nucleos (NEC's) which have been established and which will involve all communities in the educational decisions made for their respective schools as well as operating as the central educational administrative unit for each area. All Regions, Zones and NECs have a director with an administrative unit and a planning and budgeting section. The NEC is governed by a community council consisting of 10-20 members with 40% representation from the teachers, 30% from the parents and 30% from authorities and representatives of other sectors and local labor, social, cultural and professional institutions. With minor exceptions the system can be compared with many state education administrative structures in the U.S. where planning and administrative functions are carried out by state level, county level, and district level organizations.

The NEC is the administrative innovation in the new education law and its successful development is critical to the educational reform. It's based on the Peruvian revolutionary philosophy of increased citizen participation in decision making and its success is dependent upon community involvement in and support of local education programs. The decision to establish planning functions in the NEC's establishes a national to local level linkage that has never existed before.

Peru National organization of the school system 1974



In the brief period under the new organizational structure OSPE has been effective in improving the national level planning capabilities and integrating educational planning into the national planning system. It has been successful in supervising the development and integration of detailed operational work plans from programming units in the MOE e.g., Basic, Secondary, Non Formal and Initial Education programs and from the 9 regions 33 zones, and some of the NECs.

The MOE has created over 1,100 positions to carry out planning functions. All positions are already filled. Four hundred eighty of the 819 NEC's have begun to implement programs under the reform. Many of these NECs are making their initial attempts at carrying out educational planning functions.

TOTAL NUMBER OF POSITIONS AVAILABLE AND FILLED IN THE SYSTEM OF SECTORAL
PLANNING IN EDUCATION
1973

a. Department of Sectoral Planning (OSPE)	133
b. Programming Units in other Departments of Central Administration	31
c. <u>Planning Units in Executive Organisms</u>	
Region	36
Zone	108
NEC	819
TOTAL	<u>1,127</u>

The first internal evaluation of OSPE carried out in 1974 acknowledged the successes of OSPE cited above. However, the report also confirmed that a critical need for staff training and retraining existed at all levels of the planning system. The table below provides insight into the specific training requirements.

The evaluation also recommended increased efforts to provide suitable equipment to the various planning offices. It suggested that research be conducted which would: provide planners with good baseline information for evaluation; determine possible alternative domestic funding sources for education; continue the student flow/cost projection simulation model EDUPERU; and experiment with cost reducing educational programs.

TRAINING REQUIREMENTS IN EDUCATIONAL PLANNING

Areas of Training Required	Unit Chief		Educational Programmer		Budget Programmer		Statisticians		Educational Programmer (NEC)	
	Staff	Need Training	Staff	Need Training	Staff	Need Training	Staff	Need Training	Staff	Need Training
1. Planning & Programming	54	<u>36</u> (56%)	54	<u>18</u> (35%)					819	<u>573</u> (70%)
2. Administration										
3. Budget					108	<u>68</u> (63%)				
4. Statistics							54	<u>26</u> (47%)		
Totals		36 P&P		18 P&P		68 Budg.		26 Stat.		573 P&P

N° of people who need training

1. Planning & Programming.....	627
2. Budget.....	68
3. Statistics.....	<u>26</u>
Total	<u><u>721</u></u>

USAID/Peru has in recent years provided some assistance in educational planning but not on a large scale project basis. Small inputs of technical assistance, commodities and training have provided the MOE with resources to reorient their planning mechanisms, carry out some small research projects and conduct in-country seminars and workshops. The most significant AID contribution has been the provision of a U.S. consultant for 12 man months working on educational cost analysis and the improvement of a simulation model EDUPERU.

The proposed project thus represents a follow on to activities in which the Mission has been involved (even though on a smaller scale) in the past. The recently conducted Education Sector Assessment indicated that improvements in educational planning would lead to significant benefits for the educational system.

OSPE has shown increasing interest in U.S. assistance and has made good use of past U.S. support. The Mission rates our assistance in education planning as one of our most worthwhile current contributions to the field of education.

Project Negotiations

The first informal request for assistance to OSPE came as a result of discussions between AID and OSPE in late 1974. OSPE then began its estimation of project requirements and informally presented the Mission with an indication of their requirements to decentralize their planning function. The first request amounted to approximately \$6.3 million, broken down as follows:

Training out of country	\$1,162,000
Training in country	1,350,000
Seminars	2,300,000
Equipment	1,127,620
Research	345,000
	<hr/>
	\$6,284,620

After intensive analysis and readjustments of cost estimates of equipment and an adjustment in the amount of overseas and in country training, this estimate was reduced by about \$23 million. The Mission then offered what we felt would be a reasonable project which would bring educational planning into the areas of greatest need; provide OSPE, the regional and Zonal offices with some well trained staff; carry out some important research and equip a reasonable number of the planning offices.

After further negotiation and the identification of the most critical needs in the decentralizing process, the project herein described was agreed to.

The Mission also continues to encourage OSPE to seek additional support for their planning system from other donors.

B. Detailed Description

AID will provide assistance to OSPE as it proceeds with the process of decentralizing educational planning and institutionalizing a concept of collaborative planning from the NEC's to the national level office

(OSPE) and between OSPE and other administrative entities of the MDE.

The geographic areas currently being considered are four of the most disadvantaged regions of Peru: Iquitos, Chiclayo, Cuzco/Puno, and Huancayo. Specific project components are as follows:

Training

The project will provide for the completion of staff training for OSPE, regional and zonal offices and training for at least 210 planners for the least educationally developed of the 819 NEC's. Part of the training component will consist of creating within OSPE the capacity to provide training to the remainder of the NEC planners.

U.S. and third country training in education statistics, budgeting and programming will be provided to OSPE and regional level planners, programmers and statisticians. The returned trainees will work in specialized areas carrying out the planning functions and also form a cadre of expertise that will be utilized to continue in-service training programs for NEC level planners after this project has terminated. In-country training will be provided to NEC level planners by existing OSPE staff, returned participants and foreign expertise.

In-country training will be directed to those planners from the most educationally disadvantaged areas of Peru. (Some NEC planners from "urban" areas may also be included but only if they meet the criteria for selection as outlined below.) Selection of NEC trainees will be based upon the level of education in the geographic area where the NEC is located. To be considered will be: 1) Student enrollment per age group in the NEC, 2) Student achievement levels in the NEC, 3) Education facilities available, 4) socio-economic conditions in the NEC, and 5) Individual experience and background of NEC planners.

Training programs for NEC planners will incorporate course work and lectures in the following areas: Fiscal planning; budgeting, accounting and procurement; school statistics, data collection, analysis; school facilities planning and maintenance; managerial procedures; personnel administration; school administration; reporting and records maintenance; supervision; evaluation; and education planning.

The GOP has made a substantial commitment to carry out the training described above and has assured the Mission that it will continue this type of training after project termination. OSPE staff trained under this project will be responsible for these training programs in addition to carrying out their regular duties. While this represents a burden to OSPE it does not appear to be significant. OSPE staff currently work overtime and it is anticipated that they would be willing to do so to carry out training programs. Staff inputs will be short one, two or three day presentations concerning specific topics. It would not require OSPE staff to be away from their offices for long period of time. Most programs will be

short-term, in-country for NEC level planners with minimal training outside the country. Cost estimates to carry out this additional training are included in the financial analysis.

It is anticipated that once the system is functioning and people have been trained at the various levels, each of the units and unit personnel will carry out the tasks described below subject to modification in their responsibilities as the project evaluation may indicate are necessary.

OSPE

OSPE technical staff will be responsible for the following tasks:

- 1) Specification of quantifiable and qualitative education objectives to coincide with national development goals.
- 2) Development and supervision of systems for the analysis and identification of options in both resource mobilization and utilization.
- 3) Monitoring of national education program/budgeting system.
- 4) Coordination of all department operational plans and development of coordinated national education plans.
- 5) Carry out research on inefficiencies in the system, cost benefit studies, etc.
- 6) Maintain national data base.
- 7) Evaluation of the system.
- 8) Develop and carry out short and long term training programs for planning personnel.

Regional Offices

The Regional Education Offices will be staffed with four educational planners with expertise in general planning, programming, budgeting, and education statistics. They will carry out the following tasks;

1. Develop with assistance from the zones, annual operational plans for the region.
2. Represent region in presenting and justifying resource requirements for region.
3. Distribute funds allocated to zones and NEC's based on operational plans.
4. Monitor data collection in region and report to OSPE.

5. Assist in carrying out and monitoring research efforts.
6. Evaluation of educational programs in region.
7. Organize and carry out short-term seminars on education planning.

ZONAL OFFICES

Three people trained in general education planning, budgeting and statistics will function at the zonal level carrying out the following tasks:

1. Provide regional offices with annual plans for the zone to be part of Regional operational plans.
2. Develop an education information bank for the zone.
3. Determine educational priorities of zones.
4. Assist NEC's to develop and monitor experimental projects for both formal and non-formal programs.
5. Ensure the dissemination of information on experimental programs throughout the NEC's.
6. Evaluate results of educational efforts.

NEC OFFICES

One individual trained in general education planning including budgeting and programming will function at the NEC level. Because this individual is likely to be the best qualified educator in the NEC, he will function in an advisory capacity to the community council and NEC director. NEC planners will carryout the following tasks;

1. Ensure carrying out of national scholastic census.
2. Advise NEC director and council on NEC program possibilities, cost of current programs, project costs for future requirements including innovations that might be carried out.
3. Monitor expenditures of all schools.
4. Promote relations between the school and community.
5. Help coordinate school programs with other government priorities and encourage sharing of facilities amongst government, evaluation programs and private agencies.
6. Assist community in program selection and curriculum modifications.

7. Assist zonal offices in developing zonal operational plans.

RESEARCH

The project will finance research related to the planning and decentralization processes. The research studies to be carried out under this project will have as their primary objectives the development of a sound data base for educational planning and the exploration of cost saving and cost sharing techniques in education that planners may initiate at the various administrative levels. A secondary objective of the research conducted is to provide additional training to approximately 30 OSPE and regional level staff in the methods and techniques of educational research.

The following are examples of the studies to be carried out under this project.

Community Involvement in Education - Consistent with the Peruvian philosophy of community involvement and participation in development, OSPE will analyze the various techniques that have been used to involve communities in the educational process. This will include the solicitation of support, and participation from private citizens, parents, cooperatives, government concerns and private enterprises.

The results of the study will provide NEC planners with various alternative approaches to encouraging community participation.

Socio-Economic-Education Sample Frame - A study will be designed and carried out to develop a sample frame which will allow periodic evaluations of the progress of education programs and their relative impact on the socio-economic system in Peru. This sample frame is a matrix which will use social and economic information to do comparative analysis of educational programs. A national sample frame will assist national level planners in determining which formal and non-formal programs are having the desired impact on social and economic development programs. Among the uses of the sample frame will be to evaluate:

- a) Educational service demands with reference to sex, age, geographic situation in urban and rural areas.
- b) Behavior of students in formal and non-formal education programs: for example, drop-out and repeater rates, achievement levels, etc.
- c) Success to be measured taking into consideration: number of students graduated, fields of study, employment, economic status.
- d) Financing of education: by the family, private enterprise, central government.
- e) Efficiency of the Peruvian system of education; traditional versus reform.

EDUPERU Simulation Model - (See also explanation of model in next section). Support will be continued to the improvement of the EDUPERU model which is designed to assist planners in projecting student flows and relating them to requirements for and costs of teachers, buildings and equipment.

Exploring Alternative Domestic Sources of Financing Education- Using as a guide the recently completed Education Finance study conducted by Harvard University (financed by AID), OSPE will conduct a similar study within Peru to determine alternative sources of funding for educational programs. A manual will be written based on the results of the study for use by NEC planners.

Improving and Standardizing Education Statistics - Until recently the various annual educational statistics reports have included a wide variety of statistics in education but in many cases the methodology of presentation has changed from year to year. For example, some years' statistics have included urban and rural breakdowns and other years they have not. This effort will attempt to standardize the educational data base in Peru by bringing about a standardized form for the collection, compilation and reporting of educational statistics. It will provide researchers and planners with an adequate data base to carry out more reliable research and planning activities.

Study of the Feasibility of Introducing an Education Service Center Concept in Selected Areas of Peru - This study which will provide baseline information for a possible AID loan (see also PID) in 1977 and determine the feasibility of centralizing educational services such as library facilities, laboratories and workshops in a central location to be used by various schools in a given NEC. The study will identify geographic locations where student population and communications make such a center feasible. Priority attention will be given to those areas of Peru where existing educational services are limited or non-existent.

In addition to the service centers concept explorations, the study will attempt to prescribe other potential cost saving mechanisms such as double sessions, year-round schools, etc. that relate to the utilization of existing facilities.

Commodities - The project will finance a minimum of equipment to all regional, zonal and selected NEC offices. Manual typewriters and adding machines will be provided to 96 of the least developed NEC's where no such equipment now exists and which will enable these NEC level planners to carry out their planning tasks more efficiently.

In addition manual typewriters and adding machines will be provided to the zonal offices and regional offices where required. Calculating machines and typewriters for OSPE will fulfill the equipment requirements of that office.

Technical Expertise - Support for expertise from the US and third countries makes up a substantial portion of the AID support provided for this project. Because of the inordinately high costs for such expertise we have been extremely selective in identifying technical expertise requirements.

Only one long term (12 months) technician is being considered. He will possess a general background in education planning and administration and assist OSPE staff in coordinating training and research activities.

Short term personnel identified in Part 3 "inputs" will be recruited and employed at such times when they can serve a dual role of providing advice on research projects as well as participate in the in-country training programs and seminars.

1. a) Goal Statement

The goal of this project is to make the Peruvian education system more responsive to the needs of local communities.

b) Measurements of Goal Achievement

The following measurements of goal achievement can only be determined with any degree of significance after five years from the project's inception.

- Increase in the percentage of people in school. Increased from 57% to 65% (school age population - Age 5-24).

- Program content being developed at local levels and reflecting local needs.

- Lower levels of underemployment among graduates of system. (decreased from 40% to 35%).

- Individuals from local communities are involved in determining their educational needs and there is greater community participation and support of activities in education.

Verification of this information can be obtained by comparing present and future MOE budget allocations, studying census data and analyzing samplings of education nucleos.

b) Assumptions of Goal Achievements

- The GOP is financially and philosophically committed to the concept of developing relevant education programs, and national level planning offices will be responsive to local level education demands.

- Planning and budgeting of education programs at local levels will result in meeting local community education needs.

- Educational planners can be trained to assist in developing more relevant education programs.

By decentralizing and institutionalizing educational planning as stated in the following project purpose the GOP will be able to transfer more authority and responsibility to the local level and consequently allow for the development of more appropriate and relevant education programs.

2. a) Project Purpose

The purpose of this project is to decentralize educational planning and to provide the institutional basis for a more relevant education system.

b) Conditions Expected at the End of Project

Trained personnel occupying key positions in educational planning. Trained people functioning in these positions will be key technicians in the decentralization process and will be used to train other personnel in the system.

OSPE - 133 functioning as statisticians, cost analysts and general planners of which 15 trained under this project.

Regional - 36 functioning as general coordinators of zonal programs of which 7 trained under this project.

Zonal - 108 functioning as supervisors of NEC planners and processing information for regional offices of which 20 trained under this project.

Nucleo Educativo Comunal - 819 functioning as general planners assisting NEC Director in program development and budgeting processes of which 210 trained under this project.

Support Areas - 6 planners located in other education departments outside OSPE and providing OSPE with specific planning information.

- Share of education budget decreasing at central offices and increasing at Regional, Zonal and NEC levels from 60 to 80 percent.

- Increased decision making authority for planners at Regional, Zonal and NEC levels as reflected in MOE policy guidelines.

- Planning unit in MOE undertaking training of additional 400 NEC level planners and continuing to provide training for staff where required in other areas.

- EDUPERU model expanded and being utilized on a disaggregated basis at Regional and Zonal levels.

- Regional, Zonal, NEC planners collecting data on a systematic basis.

- Research information available and being applied at each level and reflected in formulation of policy.

- Rate of turnover of technical staff trained under this project does not exceed ten percent per year.

It is assumed that:

- a) Training of personnel is one of the major requirements for decentralizing educational planning.

- b) GOP stated policies to decentralize educational planning will remain in effect.

The outputs stated in Part 3 correspond directly to each condition identified in the preceding section and relate to those end of project conditions as follows:

- Trained planning staff will provide the required trained technicians.

- Establishing a training unit will provide the continuing training capacity and help establish a capability to decentralize.

- Equipping the various offices will help in initiating the decentralizing process.

- Publications developed will provide the guidance and authority to the various planning offices to carry out the planning functions.

- Research on community involvement in education will provide planners with a better understanding of how to secure the educational services of interested parties, secure their support and have them determine the appropriate programs for communities.

- The EDUPERU model will allow for a better understanding of long range programing requirements.

- The Socio/Economic/Education sample frame will be based on typical population samples in Peru and assist planners in maintaining an understanding of relationships between the education sector and the economy.

- The guide on alternative funding sources for education will assist local planners in determining what community resources may be used to support education progress.

- The educational statistics manual will facilitate planning and evaluation at all education levels.

- The feasibility study on centralized education services will allow local planners to determine whether such centers may be beneficial to their zone, region or NEC.

3. <u>OUTPUTS</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>TOTAL</u>
- Trained personnel					
OSPE	5	5	5	-	15
Regions	3	2	2	-	7
Zones	8	4	4	4	20
NECS	65	50	60	35	210
Other Organizations	1	3	1	1	6
- Training Unit in MOE capable of continual training and upgrading	-	-	1	-	1
- NEC Planning Offices equipped for programing and planning	32	32	32	-	96
- Zonal Offices equipped for programing and planning	3	3	3	3	12
- Regional Offices equipped for programing and planning	3	3	3	-	9
- National Office equipped for programing and planning					1
- Publications Manual with refined policy guidance on authority and responsibility of various planning organisms	Begin	_____	_____	_____	1
- Hand Books on Planning Methodology	Begin	_____	_____	_____	Manual 1
- Glossary of planning terminology	1	-	1	-	Hand Book 2

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>TOTAL</u>
- Spanish translation of planning texts and publications	4	3	3	-	10
- <u>RESEARCH</u> (examples of possible activities).					
- Study of possible approaches to involve communities in support of edu.	Begin		1	-	1
- Socio/Economic/Edu Sample Frame	-	Begin	-	1	1
- Simulation Model EDUPERU fully developed	Continue	-	-	1	1
- Guidebook on alternative Peruvian funding sources in education	Begin	-	-	1	1
- Standards Manual on Edu. Statistics	Begin	-	-	1	1
- Report on Feasibility of using Edu. Service Centers to improve edu. opportunities at lower unit costs	1	-	-	-	1

4. INPUT - SUMMARY
(EXPENDITURES)

	<u>TOTAL</u>		<u>1976</u>		<u>1977</u>		<u>1978</u>		<u>1979</u>	
	<u>US</u>	<u>/ GOP</u>	<u>US</u>	<u>/ GOP</u>	<u>US</u>	<u>/ GOP</u>	<u>US</u>	<u>/ GOP</u>	<u>US</u>	<u>/ GOP</u>
a. Technicians										
US & Third Country	213	-	35	-	105	-	45	-	28	-
Peruvian	-	98	-	24	-	24	-	25	-	25
b. Equipment and Books	204	135	65	40	74	40	45	35	20	20
c. Training US & Third Country	204	96	51	25	69	35	42	18	42	18
d. Other Costs										
Training in Peru	80	120	20	30	30	30	15	30	15	30
Seminars	10	49	10	19	-	10	-	10	-	10
Research	246	51	149	5	35	10	40	15	22	21
	<u>957</u>	<u>549*</u>	<u>330</u>	<u>143</u>	<u>313</u>	<u>149</u>	<u>187</u>	<u>133</u>	<u>127</u>	<u>124</u>

* GOP contribution does not include salary costs for anyone other than those involved in providing training and conducting research.

INPUTS - US	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>TOTAL</u>
a) Technicians US & Third Country					
1 Long term Education Planning Administrator (12 M/M) will assist with administration of decentralization process and training.	15	30	-	-	45
3 Short term technicians in General Education Planning (up to 12 M/M) to assist with training programs and research efforts.	12	14	12	12	50
1 Short term technician specialized in sample survey techniques (3 M/M) to assist in developing the research sample frame, data collection and training.	-	8	4	-	12
1 Education Economist with experience in the study of various funding sources for education (3 M/M) to assist with research and training.	-	5	5	-	10
1 Short term technician in education cost analysis and simulation models (8 M/M).	-	12	12	8	32
2 Technicians with specialization in the techniques of data collection, data processing and census surveys plus teaching capabilities (up to 8 M/M) to carry out research and training.	-	16	8	8	32
2 Technicians with specialization on systems of management analysis and organization of educational structures (up to 8 M/M) to assist with research and training and assist with streamlining of planning function.	8	20	4	-	32
Expertise TOTAL	35	105	45	28	213

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>TOTAL</u>
b) Equipment					
- Typewriters for Núcleo Offices (96 in total)	16	15	15	-	46
- Typewriters for zonal, regional and OSPE offices (50 in total)	12	24	6	6	48
- Adding machines for Núcleo Offices (96 in total)	8	7	7	-	22
- Adding machines and calculating equipment for Zonal, Regional and OSPE offices (50 in total)	15	10	10	10	45
- Audio visual aids for training programs	5	10	-	-	15
- Miscellaneous office equipment and supplies	4	4	3	2	13
- Books	5	4	4	2	15
EQUIPMENT TOTAL	65	74	45	20	204
a) Training					
US and Third Country					
- Long term (1 year)					
7 specialists in General Education Planning for OSPE and Regional level	18	18	18	9	63
3 specialists in education finance and budgeting for OSPE level	9	9	9	-	27
3 specialists in statistics for OSPE level	9	9	-	9	27
2 specialists in Education Economics for OSPE level	-	9	-	9	18
1 Manpower planning, for OSPE level	-	9	-	-	9
- Short term					
12 specialists in General Education Planning for national and regional department heads (3 M/M) each	15	15	15	15	60
TRAINING TOTAL	51	69	42	42	204

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>TOTAL</u>
d. Other Costs					
Training in Peru. Support for two workshops and one seminar for planners at NEC level	30	30	15	15	90
- Research and Evaluation					
Community participation in Education	15	5	5	-	25
Modelo EDUPERU	16	10	12	9	47
Exploring alternate funding sources in Education	12	5	5	-	22
Development of Socio/Economic/Education Sample Frame	-	7	10	3	20
Standardizing Ed. Statistics	6	8	8	10	32
Feasibility study of utilizing central service concept in Ed	100	-	-	-	100
OTHER COSTS TOTAL	179	65	55	37	336
<u>INPUTS GOP</u>					
- Personnel	24	24	25	25	98
- Participant Training	25	35	18	18	96
- Support for 4 training programs for Regions Zones and NEC's	30	30	30	30	120
- Equipment and Publications	40	40	35	20	135
- Seminars and Workshops	19	10	10	10	49
- Research	5	10	15	21	51
TOTAL	143	149	133	124	549

PART III - PROJECT ANALYSIS

A. Technical Analysis

Commitment - The GOP has committed itself to the development of an educational system responsive to all Peruvians and has placed education high on its list of priorities for bringing about economic and social reform. The second highest percentage (18.5% for 1975-76) of the national budget goes to education (The highest percentage is allocated to the Ministry of Economy and Finance). The GOP has committed itself to the concept of community participation in the decision making process and has made substantial efforts to decentralize education. The MOE has established the administrative framework for the process of collaborative and integrated educational planning between the national level offices and the regions, zones and nucleos. It has established approximately 1100 education planning positions to carry out the planning functions. It has made appointments to all of these positions.

Organizational Base for Project

Educational planning has also been made a part of the system of national planning. The central organism of this system is the National Planning Institute (Instituto Nacional de Planificación). Directly related to this Institute are the systems of sectoral planning, which include educational planning. The systems of sectoral planning are physically located within and administratively related to the Ministries dealing with the content of the plans they prepare: for example, the system of sectoral planning in Education is in the Ministry of Education.

The system of sectoral planning in Education consists of:

- a) The Department of Sectoral Planning, OSPE
- b) The advisory committee on educational planning
- c) Programing units in the other departments, e.g. Primary Education, Secondary Education, Non Formal Education, etc. of the central administration
- d) Planning units in the regional, zonal and nucleo organisms;
- e) Planning units in the semi-autonomous entities related to the MOE including the National Council of Universities.

The Process of Education Planning

The planning process in Peru has as its objective the preparation, implementation and control of three types of interrelated plans: medium-term plans with implementation periods of four years; short-term plans that subdivide the medium-term plans into two sections of two years each and operational plans of one year each.

The preparation of the medium-term plans in education begins with the determination of Policy Guidelines (Lineamientos de Política) that are set jointly by the Institute of National Planning and the Ministry of Education. These Policy Guidelines are qualitative and provide the basic principles that should be followed in the preparation of the contribution that the Ministry makes to the Policy Guidelines.

The Department of Sectoral Planning within OSPE sets preliminary quantitative and qualitative targets for education and evaluates the resources needed to achieve them. These targets are derived from the Policy Guidelines and pre-plans prepared by the regional educational planning offices and the programming units of the other departments within the central administration of the MOE. The targets and estimates of resources become definitive after approval from the higher political authorities of the Ministry and the Council of Ministries.

The medium-term targets and the estimates of the resources required to achieve them, together with the evaluation of performance in the previous two-year plans, become the basis for the preparation of the two year plans. These plans include detailed two-year budgets that are discussed with the Ministry of Economy and Finance, and finally approved by the Council of Ministers.

In the preparation of the two-year plans, and particularly in the discussions with the Ministry of Finance, the problems created by a scarcity of financial resources and the existence of competitive claims on them must be confronted. The targets set for the medium-term plans may need revision due to resource availability; alternate ways to achieve targets, using less scarce resources, might have to be developed, depending on the outcome of these discussions.

The one-year operational plans are refinements of the two-year plans. Their preparation provides an opportunity to prepare careful evaluations of the performance of the previous one or two-year plan.

Evaluations of each annual plan take place on a quarterly basis to determine the progress of various activities.

In order to determine the criteria used by the educational planners in their discussions with the higher central authorities of the Ministry of Education, models of the educational process are used. These models permit an evaluation of the consequences of different educational policies or different allocations of resources.

The objective of the education simulation model, EDUPERU, is to forecast the number of students in the different subdivisions of the educational system in Peru and in the different grades in each subdivision. Using these forecasts as a starting point, estimates of the requirements in quantity and qualifications of teachers, equipment and buildings can

be obtained. These requirements can be used to evaluate the financial resources that should be available for education. An important feature of the model EDUPERU is that the estimates of future numbers of students, and as a consequence, of teachers and equipment, can be made using different assumptions of either the autonomous or the planned growth of the educational system. With this capability, it is possible to analyze the changes that have to be made in the educational system in order to match the resources with the targets.

The manpower model CONUP, not supported by this project, is designed to apply the principles of educational planning based on the needs of the economy for employed persons having different levels and specialties within university education.

Technical Judgements on this Project - The above processes in educational planning have been functioning for the past two years. They have functioned well at the national level and less than satisfactorily in the regions, zones and specifically the NECs. Training, research and equipment have been identified as the major weaknesses in the system.

USAID/Peru conducted an Education Sector Assessment during FY 1975 which included a thorough analysis of education planning by Dr. Hector Correa of the University of Pittsburgh. His analysis, a part of which is the description of the processes outlined above, suggested that the GOP has adopted a sophisticated planning process and has been successful thusfar in carrying out the process as it is described.

Dr. Correa further indicated that extensive educational planning is a critical requirement in the successful implementation of the new education reform. As mentioned earlier the GOP has committed itself to an education system responsive to all Peruvians. It has set enrollment targets of 100% of the age group for grades 1-6 to be accomplished by 1980 and has committed itself to a nationwide non-formal education system. With the relatively high percentage of the national budget already provided to education and given that this percentage is not likely to increase, improved planning, more efficient education programs and reduced unit costs will be critical prerequisites to the successful reform of education.

USAID/Peru feels that this project for which the GOP has requested support represents a critical area in the education sector that will affect educational progress throughout the system. We feel that the project is ready for implementation given the administrative structure that is in place, the existence of GOP policies which favor planning, the commitment to education and the two years of experience with planning which has identified the weakness in the system.

In conclusion we feel that the benefits of this project to Peruvian education will greatly enhance the possibilities of developing an education system responsive to the needs of all Peruvians.

Environmental Implications - There are no significant environmental implications inherent in this project.

Cost Estimates - An elaborate breakdown of project costs has been included in Part II, B above. Cost estimates for U.S. inputs have been calculated. With regard to the selection of the appropriate technology to be applied to achieve the objectives of the project we consider the mix of in-country and out of country training (although not a strict interpretation of technology) to be appropriate for the development of a planning capacity. We can see no other approach that would be useful to achieve this objective.

B. Financial Analysis and Plan

1. Financial Rate of Return/Viability

See Economic Analysis

2. Recurrent Budget Analysis of Implementing Agency

The recurrent operating and maintenance costs for this project are reasonable well assured, (See also Economic Analysis). In the context of the total education budget these costs are minimal. All staff have been assigned and are on board in the various planning offices and being supported by funds from current year budgets.

The general estimates for annual operating expenses when this project is finished are shown below for the various levels of the planning organization. Note that personnel costs are not attributable to this project specifically since planning staff is on board and costs will be incurred regardless of this project.

<u>Personnel Salaries (Annual)</u>		
OSPE	133 specialists at 5,000 annual	\$ 665,000
REGIONS	36 specialists at 4,200 annual	151,200
ZONES	108 specialists at 3,600 annual	388,800
NECS	819 specialists at 3,600 annual	2,949,400
	1096	<u>4,153,400</u>

The above calculations indicate a recurrent operating expense for personnel by 1980 of 4.1 million.

Research

Research will also have to be considered as a recurrent expenditure which by present practices we can estimate to be approximately \$100,000 annually by the end of the project.

Equipment Maintenance

Annual equipment maintenance should cost approximately \$50,000 by the end of the project.

Training

Seminars and workshops will be continuous even after all personnel have received training. This can be estimated at approximately \$250 per person. If half the planning personnel (550) participate each year it will cost approximately \$137,000 per year.

The total recurrent operating expenses for a decentralized planning system would thus be broken down as follows:

Personnel	\$ 4,153
Research	100
Equipment Maintenance	50
Training	137
	<u>\$ 4,440</u>

This expense would be considered low in the context of a projected 1980 education budget. If the annual education budget continues to rise at 9.5% per year 640 million would be available to education in 1980. Thus, the 4.4 million planning budget in 1980 would amount to less than 1% of the total education budget or approximately the same percentage of the total education budget that education planning currently receives.

One might also consider the implications of a more relevant curriculum in terms of additional funds required. However, current planning is that most changes in educational programs will result in a better utilization of existing school facilities and staff plus the integrating of education programs with learning resources available and donated by the community. The requirement of additional capital outlay will be minimal and not a significant increase in a given school budget.

Additional Capital and Other Investments

Additional capital investments will have to be made after this project is terminated. Additional staff will have to be trained for the NEC levels, and equipment will have to be purchased. Although OSPE anticipates local NEC's to purchase or obtain much of the equipment from resources other than the MOE, the estimate of these total capital and other costs are shown below:

Training for approximately 400 NEC level planners at \$2,000 each.	\$ 800,000
Equipment for approximately 586 NEC's at approximately \$800 each NEC.	<u>468,000</u>
	\$1,268,800

COSTING OF PROJECT OUTPUTS/INPUTS

(\$000 or equivalent)

PROJECT #: 527-11-670-067.6

TITLE: DECENTRALIZING EDUCATIONAL PLANNING

✓ ~~NEW~~
REV.# _____

PROJECT INPUTS	PROJECT OUTPUTS					TOTAL
	Trained personnel	Equipped Offices	Research	Service Center Feasibility Study		
<u>AID Appropriated</u>						
- Participant training programs	204	--	--	--		204
- Commodities	--	174	30	--		204
- Expertise	102	--	107	4		213
- Other Costs	90	--	146	100		336
<u>Host Country</u>						
- Participant training programs	96	--	--	--		96
- Equipment	--	135	--	--		135
- Expertise	48	--	50	--		98
- Other Costs	169	--	45	6		220
TOTALS	709	309	378	110		1,506

Commitment of Funding

All funds to be contributed to this project during the first two years are included in the approved budget stated in the "Plan Bienal Sector Educaci3n 1975-1976". Funding for future year activities has been assured by OSPE. The actual commitment of funds for the final two years of the project will take place in 1977.

3. Financial Plan/Budget Tables

Summary Cost Estimate and Financial Plan (expenditures) (US\$ 000)

USE/SOURCE	AID		HOST COUNTRY		OTHERS	TOTAL
	FX	LC	FX	LC		
Technicians						
US and Third Country	213	-	-	-	-	213
Peruvian	-	-	-	98	-	98
Training						
US and Third Country	204	-	-	96	-	300
in Peru	-	80	-	120	-	200
Seminars	-	10	-	49	-	59
Equipment	204	-	-	135	-	339
Research	-	246	-	51	-	297
TOTAL	621	336	-	549	-	1506

Note: In addition to above costs the GOP is paying salaries to over 1100 project staff

As stated previously, the U.S. has provided support to various educational planning activities which included consultants, training and research. This amounted to approximately \$250,000 over the past three years.

USAID/Peru has also recently submitted a PID for a \$10 million loan which will assist the GOP to develop Education Service Centers. Funds to support a feasibility study for that effort are contained in this project.

4. Summary Opinion

Based on the above analysis we feel that this project does not represent a significant additional burden on MOE financial resources. We also consider the advantages of decentralized planning (See also Economic Analysis) to far outweigh the costs involved.

We feel that funding for the project is reasonably well assured and that the necessary efforts to complete the training and equipping of NEC level offices and staff will take place as planned. We will also encourage OSPE (and will help when possible) to seek additional funding from other sources to assist with the equipping and training required.

C. Social Analysis

1. Project Beneficiaries

a. Peruvian children and adults in the 210 NECs are the indirect target group for this project. Since the NECs have responsibility for all citizens within their jurisdiction, individuals from all income groups will benefit by the project. The 210 NECs to be affected by this project will in part be selected on the basis of their containing large percentages of individuals from low income groups. It is anticipated, for example that few, if any, NECs from the Lima area will be included in the project. It is particularly difficult to estimate the size of the target group since NECs are responsible for both formal schooling and out of school programs. All citizens living within a NEC therefore become potential beneficiaries.

b. Individuals affected by this project will benefit by playing an active role in determining the quantity and quality of the education they and their children receive. Peruvian education has traditionally had an urban elitist orientation which is highly irrelevant to the majority of the urban and rural poor. It is anticipated that as individuals from low income groups participate in the educational planning process, the education that they and their children receive will better prepare them for higher paying jobs and for other roles in their society.

The Peruvian revolution stresses local level participation by all citizens in the institutions that affect daily living. If successful, this project should reinforce the government's efforts to encourage citizens to participate in other institutions besides education. By encouraging participation the government hopes that individuals from lower socio-economic groups will increase their share of the benefits derived from national development.

Within the life of this project 210 NECs will be affected. As part of the education reform the GOP and OSPE are already committed to extending the project to all remaining NECs within the country. In the design of the project OSPE and USAID/Peru agreed that it would not be feasible

to work with more than 210 NECs within the life of the project. At the end of this project OSPE will have the capability to train all remaining NEC level planning staff. It is estimated that it will be 6 years before all NECs are operating in the manner prescribed in the Education Reform Plan.

c. The fundamental idea behind the decentralization process is that planners at the local level are in a better position than those in Lima to assist citizens in the determination of their educational needs. Since no predetermination of needs is being made, it is likely that the decentralization process will make education more responsive to the expressed needs of the people.

2. Obstacles to Success

Peruvian governments have traditionally suffered from excess centralization. Despite the existence of some regional and local government institutions, rarely were decision making authority and responsibilities transferred to these institutions. The GOP has begun a process of decentralization which in large measure is transferring much of government power out of Lima to regional and local level institutions. An example of a reasonable successful decentralization program has occurred in ORDEZA, a regional development organization in charge of administering the resources which are being used in the area affected by the 1970 earthquake.

All GOP entities working in the area are required to work with and through ORDEZA. Given this and other examples of decentralization, it is reasonable to assume that OSPE will be willing to transfer decision making power and responsibilities to regional, zonal and NEC level offices. To illustrate OSPE's willingness to decentralize one can cite OSPE's plans which call for delegating some of the training functions and responsibilities to regional, zonal and NEC offices as the project progresses.

Another potential obstacle to the success of the project deals with the lack of a tradition within Peru of participation by citizens in the institutions which affect daily living. Those from low income groups usually view the government as a patron from whom favors are to be obtained. In return for these favors the citizen does not take an active participating role in dealing with government institutions.

The present GOP recognizes the need to break the pattern of the patron-client relationship and that this relationship is incompatible with the Peruvian Revolution's expressed goals of participation. Recognizing the need to change attitudes and mobilize the populace, the GOP created the National System of Support to Social Mobilization (SINAMOS) in 1971. One of SINAMOS' goal is to train and encourage citizen participation and communication between the government and the people. While more needs to be done in this area, SINAMOS' success to date and the experiences of other GOP institutions suggests that people at the local level are beginning to take a more active role in dealing with government institutions and that therefore there is a high probability of obtaining citizen participation in the educational system.

3. Role of Women

This project has the potential for enhancing the role of women. Female professionals and technicians work at all levels of OSPE. They make up the following percentage of staff within the four levels in OSPE:

	No. of Professionals and Technicians	Percentage Female
Lima, Main office	133	28
Regional	36	12
Zonal	108	20
NEC	819	30

If one disregards the main office in Lima, females make up a significantly higher percentage of professional-technical staff as one moves to the more local level. Since this project will result in transferring greater authority and responsibility to more local levels of OSPE, female professionals and technicians should occupy increasingly important positions. This is especially true at the NEC level where we already know that 246 NEC planners are women.

The project also has the potential for enhancing the role of women in that women from the community who participate in the educational planning process will have a direct role in determining the kind of education which is made available to women. The more local the curriculum of the regular school system and out of school programs, the more likely that women will be afforded equal opportunities in education.

D. Economic Analysis

1. Summary

In this section, cost-benefit, cost-effectiveness, and internal efficiency approaches to an economic analysis are considered as ways of analyzing the proposed project. It will be shown that the project's effect on increasing the internal efficiency of the educational system should be sufficient to make the project economically justified.

2. Applicability of the Net Present Value or Cost-Benefit Approach

If the decentralization project were intended to produce revenue as its main or side effect, we could attempt to project the potential net financial benefits (the additional monetary benefits less the additional costs), discount, and determine the present value. Alternatively, the project could be analyzed from the cost-benefit point of view to see if the new monetary earnings to be expected from it seemed to offer sufficient improvement in the external efficiency of the education system to justify the costs.

The decentralization of educational planning and administration is intended to affect income (or economically measurable production) indirectly by providing students with an education which will better prepare them to be productive members of their society. However, the linkages between decentralized education planning and administration and increased individual income or national production are too tenuous and difficult to measure to support a conventional cost-benefit type of analysis.

3. Applicability of Cost-Effectiveness Approach

A full cost-effectiveness type of analysis of the project would require the existence of one goal, unambiguously stated in quantitative terms, or several goals of that type with a relative value placed on each. We would then attempt to find the best (usually the least costly) path to that goal among the available paths or programs. Since the goals for this project are complex and not readily quantifiable, the cost-effectiveness approach is not applicable as an overall methodology for economic analysis of the project. Certain partial cost-effectiveness studies can be made of separate aspects of the project as they develop.

4. Internal Efficiency Approach

We turn therefore to a more limited approach to the economic analysis. We shall attempt to identify and estimate some of the probable effects of the project on the internal efficiency of the education system. It will be shown that the cost of current inefficiency is very large and that only a small percentage improvement in efficiency would be necessary to justify the planned expenditures on this project. One advantage of this approach is that any favorable effects on internal or external efficiency other than those considered here can be added to the calculation without invalidating the estimates of the effects already considered.

The following rationale can be presented for one likely major source of improvement in the internal efficiency of the education system as a result of the project.

(1) Decentralization of educational planning and administration is likely to lead to the development of educational programs better suited to local needs than are curricula provided by centralized education planning and administration. Decentralization works in several ways: local administrators, planners and teachers adjust course content to give greater emphasis to the development of skills, knowledge and attitudes of importance in the students' own environment; schools are able to use teaching techniques, cite examples, and recall or create experiences for the student that are based on things familiar to the student: regions or districts are able to adjust the school calendar to fit around important local events (e.g. harvesting); and parents and community leaders find it worthwhile contributing their efforts when they see the opportunity of affecting their childrens' education.

(2) An increased local relevance of the curriculum will lead to a reduction in student dropout and/or grade repetition since these are at least partially caused by a mismatch between the actual curriculum offered and the student-client's own perceived needs.* Experience in the U.S. and other countries supports the existence of this relationship.

(3) This reduced dropout and grade repetition increases the internal efficiency of the educational system by reducing the real resources required to produce graduates from the various educational cycles.

Our central paradigm or model is thus: decentralization leads to improved relevance, which in turn reduces drop-out and repetition, which means that fewer educational resources will be required per graduate.

Estimates of the potential additional costs to the GOP for the decentralization project and the increased efficiency (savings) that would be required to offset these costs are given in the next two sections.

a. Potential Additional Costs

The costs of decentralization consist of capital and recurrent expenditures. We will amortize capital expenditures and treat them as recurrent costs in order to arrive at a single estimate of annual project cost. The annual cost can then be compared with the probable stream of project benefits.** The source of funding (GOP, AID, or local) is not of importance for this analysis.

* See "Report of the International Seminar on Problems of Early School Leavers," United Nations (ESA/OTL/SEM/74/1), 1974.

**We have not calculated the Present Value of the costs and benefits since they are believed to remain constant over time (i.e. discounting would not change the relative importance of the costs and benefits) and because to do so might suggest a degree of rigor which is not present in the analysis.

Basic training, facilities, and equipment can all be considered capital costs of this project. The costs of these items are estimated to be approximately \$2.8 million, \$1.5 million occurring under the AID project and \$1.3 million in follow-on GOP investment in equipment and basic training. Although the useful project life of the educational resources (including people) will vary considerably, for simplicity we have assumed an amortization period of fifteen years. Assuming straight-line depreciation, annualized capital cost would be about \$187,000.

The additional recurrent costs generated by the decentralized system include expenditures for additional personnel required, periodic retraining of personnel, maintenance of equipment and facilities, and research. The cost of these services has been estimated at \$4,440,000/year. (See Financial Analysis). Adding to this the annualized cost of capital expenditures yields a total estimated cost of \$4,627,000 per year.

b. Potential Savings

The Peru Education Sector Assessment reported that the average number of student-years of education that were required to produce a graduate of the various education cycles had improved during past decade, but was still considerably greater than the nominal minimum length of the various curricula. In other words, the relatively high levels of student drop-out and repetition mean that the educational system must provide many more than six student years of education to produce a sixth grade graduate, more than three additional years to take a sixth grade graduate through ninth grade, etc.

Some examples of the magnitude of this form of wastage may be cited from the education assessment (pages III: 118-121). Nine and one-half years of instruction were needed on the average to produce each graduate of the six-year primary education cycle. Seven and one-fifth years of education were required per graduate of the nominal five-year secondary education cycle, according to a case study made in Lima in 1975. Twenty years of instruction were provided on the average for each graduate of the nominal nine-year Basic Education cycle (grades 1-9).

We will use the 1975 case study of internal efficiency of Peruvian secondary education, the most efficient (or least inefficient) of the cycles on which we have data, as a starting point for making a global estimate of potential cost savings that could be achieved as a result of the project. This will yield a conservative estimate of potential savings since the existing level of inefficiency is known to be higher at other levels and is likely to be much greater in rural primary schools where the project will have its principal impact.

The cost of providing 7.2 years of secondary education instruction per graduate is 44% above the cost of providing the minimum nominal five-year secondary education. (This extra 2.2 years of instruction is equal to 44% of the nominal 5 year curriculum.) Looked at from the viewpoint of the budget, 31.4% of the existing secondary expenditures support students who will drop-out before completing the cycle or are repeating a class.

The excess cost due to drop-out and repetition is not known for all educational levels. Nor is the per cent of the wastage that can specifically be attributed to drop-out, repetition, or other causes. In the 1975 secondary education case study, it was found that drop-out alone accounted for somewhat less than half of the total wastage, with repetition accounting for most of the remainder.

The amount and cause of wastage varies from one educational level and geographic area to another. Lacking hard data on the relative importance of various causes of wastage, we have sought to determine what minimal level of improvement in the wastage rate would be necessary to justify the costs of decentralization. This is not to suggest that reducing wastage will be the only benefit. The generation of local participation in educational activities is itself a Peruvian social and political goal. Moreover, as was suggested above, the more relevant curriculum which will be generated should permit those receiving the education to become more economically productive. These other benefits would be in addition to the expected improvements in internal efficiency.

An analysis of the cost of the wastage in the educational system shows that a reduction of 2%, i.e. from 44% to 42%, would yield a savings of approximately \$5.6 million/year. In other words, if the project results in an improved curriculum which reduces wastage in the system by that amount, the saving to the educational system would be about \$5.6 million. - \$1 million per year more than the estimated project costs.

c. Implications

The purpose of this analysis has been to suggest one way in which the economic benefits could justify the costs of the decentralization project. Existing data does not tell us how much of the existing inefficiency in the education system is due to its urban-oriented curricula lack of concern for local problems, and other factors directly related to the highly centralized planning and administrative systems. Evidence from other countries does suggest that these factors are important in explaining wastage in education, and data from Peru show that a 2% improvement in the wastage rate would result in sufficient savings to justify the project. In addition, other economic benefits are likely to result from providing Peruvian youth with a stronger base of skills and attitudes with which to enter the labor market.

PART IV IMPLEMENTATION ARRANGEMENTS

A. Analysis of the Recipients and AID's administrative arrangements

1. Recipient

The educational planning mechanisms have been described in previous sections. OSPE is the center of the activities for this project. This project will be carried out under the complete administrative control and authority of OSPE.

OSPE functions as the General Directorate of Planning, Budgeting and Analysis in the Ministry of Education. It is the main screening area for all education programs submitted for consideration to the Minister of Education and the Peruvian Advisory Council on Education and consequently represents a powerful administrative body in the MOE. The administrative structure of OSPE is shown on page 37.

The General Director of OSPE and the upper echelon staff (Directorate Chiefs) are well trained, experienced educational planners. They are held in high esteem by their colleagues.

The Director General of OSPE, an AID participant in 1961, has a long history of involvement and leadership in Peruvian Education. Starting as an elementary school teacher, he has held positions as an educational supervisor, Regional Director and Sub-Director, and Director General of the entire education system.

AID's relationship with OSPE in carrying out past educational activities has been excellent. Tasks are carried out by OSPE effectively and efficiently. For this reason we anticipate no implementation delays due to administration problems in this project.

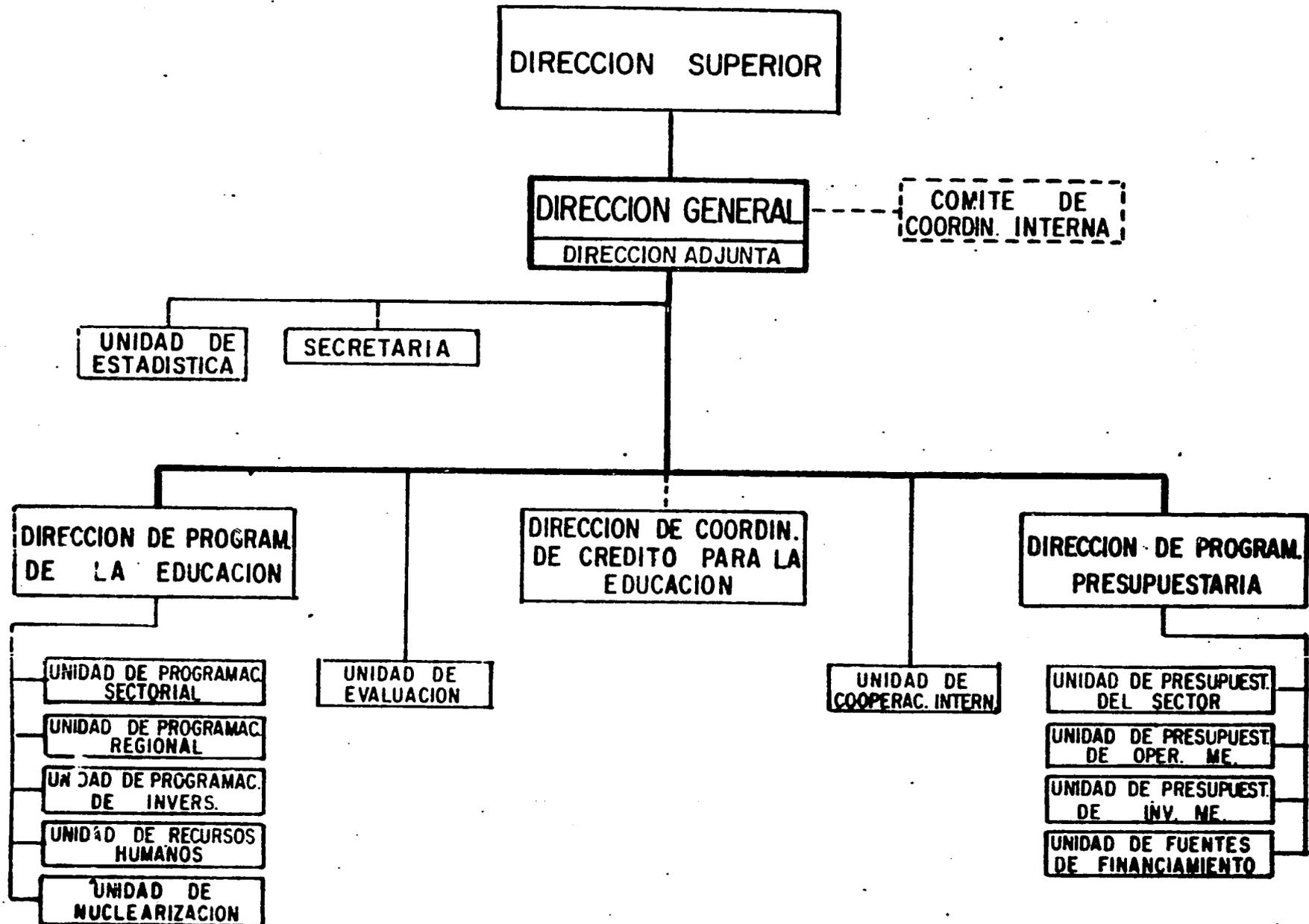
One local research contract will be carried out under the project. Selection of the contractor and monitoring of the scope of work will be a joint AID/OSPE responsibility. Past OSPE performance in a joint AID/OSPE supervised contract was efficient, effective and highly satisfactory. Other research conducted under this project will be carried out internally under the auspices of OSPE's Directorates of Programming and Budgeting. No problems are foreseen in this administrative arrangement.

2. AID

This project does not present any unusual administrative features which require additional AID staffing. The Mission Human Resources Division, staffed by two officers currently on board, with specialities in education will be responsible for monitoring project activities.

Expertise outside of the country required for the project will be hired through AID contracts and be recruited for the most part from

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U.S. institutions currently involved in AID sponsored educational planning activities.

All participants will be processed through AID's participant training programs. Commodities will be purchased in accordance with Agency procurement regulations.

The disbursement of Other Cost funds for this project will be carried out in accordance with customary AID/Mission practice.

Project Monitoring

The responsibility of monitoring this project for the GOP will be the Director General of OSPE or his designate. AID's responsible monitor will be the Human Resources Officer (Education). The OSPE and AID officers will have responsibility for ensuring that activities are carried out in a timely and expeditious manner. Other than evaluation scheduling, no formal monitoring schedule except the P.P.T. (attached) appears necessary for this project.

B. Implementation Plan

FY 1976

Expertise

1. Recruit and hire general education planner for one year of of service. September
2. Arrive central services consultant (2 mm). October
3. Arrive short term general education planner. (2 mm) December
4. Arrive short term system analyst. (2 mm) February

Training

1. Select and send two long term participants in general education planning, one long term participant in budgeting and one long term participant in education statistics. January
2. Carry out a two month planning methodology course for 40 NEC planners. February-March
3. Select and send three short term participants in general planning. June

4. Carry out a two month course in basic planning for 50 NEC planners. May-June

Seminars

1. Carry out first education workshop for planners from NEC's, regions, and zones. October
2. Carry out a national seminar on education planning. January

Equipment

1. Order typewriters and adding machines for 32 NEC offices. November-December
2. Order equipment for 3 regional and 4 zonal offices. November-December
3. Order OSPE equipment. November-December

Research

1. Sign contract to carry out feasibility study on Education Service Centers. September
2. Continue work on EDUPERU Model. September-June
3. Design study on community participation in education. March-April
4. Begin statistical study. March-April

Evaluation

1. Carry out joint AID/OSPE evaluation of progress of first year activities as a prelude to signing second year agreement.

FY 1977

Expertise

1. Arrive cost analyst to work on EDUPERU (3 mm). July
2. Arrive sampling and survey specialist to help in community participation study and participate in training of NEC Planners. (2 mm) September
3. Arrive general education planner to assist with Trujillo seminar. (1 mm) October

4. Arrive education economist to assist with training and research (1st mm). October
5. Arrive specialist in data collection and census surveys to work on Socio Economic Sample Frame (2 mm). February
6. Arrive general education planner to participate in multinational training course (2 mm). May

Training

1. Carry out two month course in basic planning for 50 NEC planners. October-November
2. Select and send two long term participants in general education planning and one long term participant each, in finance and budgeting, statistics, education economics and manpower planning. December-January
3. Carry out planning methodology course for 40 NEC planners. February-March
4. Select and send three S.T. participants in general education planning. March
5. Begin multinational training course of 13 months duration in general education planning. March

Seminars

1. Carry out planning workshop in Trujillo for 60 NEC level planners. November

Equipment

1. Order typewriters and adding machines for 32 NEC offices. August-September
2. Order equipment for three regional and four zonal offices. August-September
3. Order second year equipment for OSPE. August-September

Research

1. Complete feasibility study on education service centers. July
2. Continue work on EDUPERU model. July-June

3. Complete design and begin study for community participation programs. July-June
4. Begin exploration study on alternative sources of financing education. August
5. Continue work on standardization of educational statistics. July-June
6. Begin work on Socio Economic Education Sample Frame. February

Evaluation

1. Conduct joint AID/OSPE evaluation of activities for second year activities. June

FY 1978

Expertise

1. Arrive EDUPERU specialist (3 mm). July
2. Arrive sampling and survey specialist (1 mm). September
3. Arrive education economist (2 mm). November
4. Arrive specialist in data collection and analysis (2 mm). March
5. Arrive general education planner (3 mm). March

Training

1. Select and send three short term participants in general education planning. October
2. Select and send two long term participants in general education planning and one long term participant in finance and budgeting. December-January
3. Complete multinational training course. April

Seminars

1. Carry out planning workshop in Iquitos. May

Equipment

1. Order typewriters and adding machines for 32 NEC planning offices. August

2. Order equipment for 3 regional and 4 zonal planning offices. August

3. Order OSFE equipment. August

Research

1. Continue work on EDUPERU model. July-June

2. Continue and complete community participation study. July-January

3. Complete study on alternate sources of financing education. June

4. Continue work on education statistics. July-June

5. Continue work on socio-economic sample frame. July-June

Evaluation

1. Carry out third year evaluation. June

FY 1979

Expertise

1. Arrive EDUPERU specialist (2 mm). July

2. Arrive specialist in data collection (3 mm). September

3. Arrive general education planner (3 mm). September

4. Arrive system analyst (2 mm). June

Training

1. Begin second multinational training course. August

2. Select and send three short term participants in general educational planning. October

3. Select and send one long term participant each in general education planning, statistics and education economics. December-January

Seminars

1. Carry out second multinational seminar on education planning. September
2. Carry out final planning workshop in Cuzco. November

Equipment

1. Order equipment for OSPE and regional offices. August

Research

1. Continue and complete work on EDUPERU model. July-June
2. Complete work on Socio Economic Education Sample Frame. January
3. Complete study on educational statistics. January

Evaluation

1. Carry out joint AID/OSPE final evaluation of project. June

C. Evaluation Arrangements for Project

The nature of this project and the fact that it has quantifiable outputs allows for the effective utilization of the Agency PAR evaluation system. The Mission intends to use this mechanism to carry out joint annual evaluations of project activities.

In addition it is planned that each training program carried out within Peru will conduct its own internal evaluations of the respective training programs.

In-depth evaluations of the project are planned to be conducted at the end of the first two years, and at the end of the project. Follow up studies will be done on participant trainees and equipment use. Research projects will be evaluated to determine the ways in which the results are being applied.

An over-all management analysis of the planning system will be carried out during project implementation to ensure that appropriate use is being made of available talent and to evaluate the nature of the contributions made by trained personnel.

OSPE will be in charge of carrying out annual evaluations with appropriate collaboration from AID. The evaluation schedule will be made a part of AID/GOP project documentation.

D. Conditions, Covenants and Negotiating Status

There are no special conditions which must be satisfied before this project can be initiated.

ANNEXES

- A. AID/W PRP Approval Message
Not applicable
- B. Project Technical Details
Not applicable
- C. Environmental Assessment
Not applicable
- D. Logical Framework Matrix
Attached
- E. Project Performance Tracking Network Chart
Attached
- F. Statutory Checklist
Attached
- G. USAID Director Certificate
Not applicable
- H. Grantees Application for Assistance
To be included at a later date
- I. Project Description to be Used in Project Agreement
See page 2.

country:	project no.:	project title:	date:	/X/ original	apprvd:
PERU	527-11-690-0676	EDUCATION PLANNING		/ - / revision #	

CPI NARRATIVE

<u>ACTION AGENT</u>	<u>ACTION</u>	<u>DATE</u>
USAID/GOP	1. Pro Ag & PIO/T signed	10/15/75
GOP	2. Begin first Education workshop for planners from NECs, zones, & regions.	10/31/75
USAID	3. General Education Planner arrives in Peru for one year.	11/30/75
USAID/GOP	4. Feasibility Study on Education Service Centers begins	1/01/76
GOP	5. Statistical study begins	3/15/76
GOP	6. 50-90 NEC planners complete 2-month training courses	7/15/76
USAID/GOP	7. Complete evaluation of first year activities	9/30/76
USAID/GOP	8. Pro Ag & PIO/T signed	10/15/76
GOP	9. Begin study on community participation	10/31/76
GOP	10. Begin exploration study on alternative sources of financing.	11/30/76
GOP	11. Begin work on socio-economic education sample frame.	2/28/77
GOP	12. Additional 100-140 NEC planners complete training courses (in addition to #6)	4/31/77
USAID	13. 50% equipment for NEC, zonal, regional, & OSPE offices ordered.	6/30/77
USAID	14. Training of 6 ST participants completed; 7 long term participants completed or in training.	9/30/77

<u>ACTION AGENT</u>	<u>ACTION</u>	<u>DATE</u>
USAID/GOP	15. Complete in depth evaluation of project activities, including PPT revision.	9/30/77
USAID/GOP	16. Sign Pro Ag & PIO/T for FY 78 and FY 79 (forward funding).	10/15/77
GOP	17. Complete first multinational course	4/30/78
GOP	18. Complete project involvement in EDUPERU	7/31/78
USAID/GOP	19. Complete third year evaluation, which will include status of office equipment procurement and delivery.	9/01/78
GOP	20. Complete final planning workshop.	1/31/79
GOP	21. Completion of all project-financed studies.	2/28/79
USAID	22. Complete training of 12 ST participants and 15 long term participants complete or in training.	6/01/79
USAID/GOP/AID/W	23. Begin in-depth evaluation of project.	6/30/79

AID 1240-2 (5-74)

CHECKLIST OF STATUTORY CRITERIA

(Alliance for Progress)

In the right-hand margin, for each item, write answer or, as appropriate, a summary of required discussion. As necessary, reference the section(s) of the Capital Assistance Paper, or other clearly identified and available document, in which the matter is further discussed. This form may be made a part of the Capital Assistance Paper.

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended.

FAA, 1973 - Foreign Assistance Act of 1973.

App. - Foreign Assistance and Related Programs Appropriation Act, 1974.

MMA - Merchant Marine Act of 1936, as amended.

BASIC AUTHORITY

1. FAA § 103; § 104; § 105;
§ 106; § 107. *Is loan being made*

a. for agriculture, rural development or nutrition;

b. for population planning or health;

c. for education, public administration; or human resources development; c. For Education and Human Resources Development.

d. to solve economic and social development problems in fields such as transportation, power, industry, urban development, and export development;

AID 1240-2 (5-74)

e. in support of the general economy of the recipient country or for development programs conducted by private or international organizations.

COUNTRY PERFORMANCE

Progress Towards Country Goals

2. FAA § 208; §.251(b).

A. Describe extent to which country is:

(1) Making appropriate efforts to increase food production and improve means for food storage and distribution.

The GOP has an active agricultural credit program. A top priority activity of the GOP is the Agrarian Reform program which is designed to bring new lands under cultivation.

(2) Creating a favorable climate for foreign and domestic private enterprise and investment.

In the context of its industrial reform program (Industrial Law) and its balance of payment management, the GOP is seeking foreign and domestic private investments in areas identified as being essential to growth.

AID 1240-2 (8-74)

(3) *Increasing the public's role in the developmental process.*

(4) (a) *Allocating available budgetary resources to development.*

(b) *Diverting such resources for unnecessary military expenditure (See also Item No. 20) and intervention in affairs of other free and independent nations.) (See also Item No. 11)*

(5) *Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.*

(6) *Adhering to the principles of the Act of Bogota and Charter of Punta del Este.*

Programs in Industry (Industrial Law), fishing (Fishing Law), mining (Mining Law), Agrarian Reform, and Social Property are especially designed to achieve this objective. Enhancement of community participation in education is a specific objective of this project. Sizeable portions of the GOP national budget are being allocated to the top priority programs of educational, agricultural and industrial reform (18%, 10% and 5% respectively).

"See item No. 19

While freedom of press and of expression has been curtailed in recent years, tax collection have improved, laws are enforced and land reform has been given high priority. The Industrial Community and Social Property concepts are supportive of the rights of workers.

Sound monetary and fiscal policies leading to real growth in GNP, coupled with significant economic and social reforms designed to restructure the Peruvian society along more equitable lines, indicate Peru's compliance with Alliance for Progress goals.

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(7) Attempting to repatriate capital invested in other countries by its own citizens.

Recent decrees requiring full repatriation of foreign capital of Peruvians have had an important impact on the balance of payments and make available resources for investments in Peru.

(8) Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.

The GOP appears to be responding to the economic, political and social concerns of its people, particularly the poor, and has intensified selfhelp efforts as indicated above.

B. Are above factors taken into account in the furnishing of the subject assistance?

Yes.

Treatment of U.S. Citizens by Recipient Country

3. FAA § 620(c). If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?

No known instance.

4. FAA § 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

Outstanding expropriation claims have been settled to satisfaction of GOP and USG. A potential exception is the expropriation of Marcona Mining Company decreed by the GOP July 24, 1975. It is too early to tell, however, if this nationalization will or will not be revolved to the mutual satisfaction of all parties.

AID 1240-2 (5/74)

5. FAA § 620(o); Fishermen's Protective Act. § 5. *If country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters,*

a. *has any deduction required by Fishermen's Protective Act been made?*

No deduction has been required.

b. *has complete denial of assistance been considered by A.I.D. Administrator?*

The Administrator has taken into consideration prior seizures of U.S. fishing vessels by the GOP in his determination to continue to furnish assistance to Peru. There have been no such seizures or sanctions since the 1972-73 fishing season.

Relations with U.S. Government and Other Nations

6. FAA § 620(a). *Does recipient country furnish assistance to Cuba or fail to take appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba?*

No significant trade or assistance.

AID 1240-2 (5-74)

7. FAA § 620(b). If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement? Yes.

8. FAA § 620(d). If assistance is for any productive enterprise which will compete in the United States with United States enterprise, is there an agreement by the recipient country to prevent export to the United States of more than 20% of the enterprise's annual production during the life of the loan? N.A

9. FAA § 620(f). Is recipient country a Communist country? No.

10. FAA § 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression? No.

11. FAA § 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property? No.

AID 1240-2 (5-74)

22. FAA § 620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, in convertibility or confiscation, has the A.I.D. administration within the past year considered denying assistance to such government for this reason?

The Administrator has taken Peru's limited guaranty program into consideration in determining to continue to furnish assistance to Peru.

23. FAA § 620(n). Does recipient country furnish goods to North Viet-Nam or permit ships or aircraft under its flag to carry cargoes to or from North Viet-Nam?

No.

24. FAA § 620(q). Is the government of the recipient country in default on interest or principal of any A.I.D. loan to the country?

No.

25. FAA § 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No.

26. FAA § 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget?

According to data available in Peru, Peru is current on all U.N. payments, except for small amounts to be contributed to specialized agencies.

AID 1240-2 (5-74)

17. FAA § 481. Has the government of recipient country failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?

No. The GOP has taken such measures as are within its capacity to control narcotics traffic and is cooperating with U.S. efforts to eliminate production and trade in narcotics.

18. FAA, 1973 § 29. If (a) military base is located in recipient country, and was constructed or is being maintained or operated with funds furnished by U.S., and (b) U.S. personnel carry out military operations from such base, has the President determined that the government of recipient country has authorized regular access to U.S. correspondents to such base?

Not applicable.

Military Expenditures

19. FAA § 620(e). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points is to be coordinated with the Bureau for Program and Policy Coordination, Regional Coordinators and Military Assistance Staff (PPC/RC).)

Of the two-year 1973-74 budget 14.6% was earmarked for military expenditures.

Best estimates indicate that in the 1973-74 budget biennium Peru spent \$167 Million in foreign exchange on military expenditures, and nothing for sophisticated weapons systems.

AID 1240-2 (5-74)

CONDITIONS OF THE GRANT

General Soundness

20. FAA § 201(d). Information and conclusion on reasonableness and legality (under laws of country and the United States) of lending and relending terms of the loan. N.A.
21. FAA § 251(b)(2); § 251(e). Information and conclusion on activity's economic and technical soundness. If grant is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to A.I.D. an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner? For the reason given in the grant paper the project is considered economically and technically sound. An application with appropriate assurances is in process and will be appended to this paper.
22. FAA § 251(b). Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects. N.A.
23. FAA § 251(b). Information and conclusion on availability of financing from other free-world sources, including private sources within the United States. MOE is receiving assistance from other free-world sources for carrying out aspects of its reform program. Such assistance is not available for activities covered by this project.

AID 1240-2 (5-74)

24. FAA § 611(a)(1). Prior to signing of loan will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the United States of the assistance?

Yes, to the extent applicable.

25. FAA § 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of loan?

No additional legislation required.

26. FAA § 611(e). If loan is for Capital Assistance, and all U.S. assistance to project now exceeds \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?

N.A.

Grant's Relationship to Achievement of Country and Regional Goals

27. FAA § 207; § 251(a); § 113. Extent to which assistance reflects appropriate emphasis on: (a) encouraging development of democratic, economic, political, and social institutions; (b) self-help in meeting the country's food needs; (c) improving availability of trained manpower in the country; (d) programs designed to meet the country's health needs;

Activity is designed to improve the availability of trained manpower by improving the relevancy of the education curriculum. It will also promote community participation in education decision making. A significant percentage of education planners are women (approximately 25%) and special consideration will be given during project implementation to upgrade the skill of these planners and/or increase their percentage.

AID 1240-2 (5-74)

(e) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws; or
(f) integrating women into the recipient country's national economy.

28. FAA § 209. Is project susceptible of execution as part of regional project? If so why is project not so executed? Not susceptible.
29. FAA § 251(b)(3). Information and conclusion on activity's relationship to, and consistency with, other development activities, and its contribution to realizable long-range objectives. The project will be consistent with other GOP development activities, will contribute to development of the rural sector, and is consistent with A.I.D. activities and goals.
30. FAA § 251(b)(7). Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth. Improvement in the relevancy of the Education Curriculum will directly contribute to self-sustaining growth.
31. FAA § 209; § 251(b)(8). Information and conclusion whether assistance will encourage regional development programs, and contribute to the economic and political integration of Latin America. The assistance is not expected to have a significant impact on the economic and political integration of Latin America.

AID 1240-2 (574)

32. FAA § 251(a); § 111. *Information and conclusion on use of loan to assist in promoting the cooperative movement in Latin America.*
- Activity will not have a direct effect on cooperativism.
33. FAA § 251(h). *Information and conclusion on whether the activity is consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress in its annual review of national development activities.*
- The IBRD Consultive Group Meeting on Peru in April 1975 emphasized the justifiable need of international assistance to Peru's development programs.
34. FAA § 281(a). *Describe extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the country, through the encouragement of democratic, private, and local governmental institutions.*
- The enhancement of local participation in Education decision making is a specific objective of the activity.
35. FAA § 281(b). *Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.*
- The proposed program is responsive to the particular needs of the people and will support civic participation in governmental processes.

AID 1240-2 (5-74)

36. FAA § 601(a). Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

The project will have no direct effects in these areas.

37. FAA § 619. If assistance is for newly independent country; is it furnished through multilateral organizations or plans to the maximum extent appropriate?

Peru is not a newly independent country.

Grant's Effect on U.S. and A.I.D. Program

38. FAA § 251(h)(4); § 102. Information and conclusion on possible effects of loan on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving the U.S. balance of payments position.

Project does not involve production of commercial goods. To the extent project commodities and services are procured from U.S. a positive effect on the U.S. economy will be realized.

39. FAA § 252(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources.

The grant will not go to private enterprise directly. There will be significant procurement of goods and services from private sources, however, both U.S. and Peruvian.

AID 1240-2 (5-74)

40. FAA § 601(b). Information and conclusion on how the loan will encourage U.S. private trade and investment abroad and how it will encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). See item 38.
41. FAA § 601(d). If a capital project, are engineering and professional services of U.S. firms and their affiliates used to the maximum extent consistent with the national interest? N/A
42. FAA § 602. Information and conclusion whether U.S. small business will participate equitably in the furnishing of goods and services financed by the loan. Information for or about small businesses will be made available in accordance with A.I.D. policies.
43. FAA § 620(h). Will the loan promote or assist the foreign aid projects or activities of the Communist-Bloc countries? No.
44. FAA § 621. If Technical Assistance is financed by the loan, information and conclusion whether such assistance will be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on All U.S. goods and services will be procured from the private sector. No utilization of other USG agencies is anticipated.

whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs.

Loan's Compliance with Specific Requirements

45. FAA § 110(a); § 208(e). Has the recipient country provided assurances that it will provide at least 25% of the costs of the program, project, or activity with respect to which the Loan is to be made? Over 35% of project costs will be met by the GOP. Project Agreements executed for this activity will confirm GOP commitments in this regard.
46. FAA § 112. Will loan be used to finance police training or related program in recipient country? No.
47. FAA § 114. Will loan be used to pay for performances of abortions or to motivate or coerce persons to practice abortions? No.
48. FAA § 201(d). Is interest rate of loan at least 2% per annum during grace period and at least 3% per annum thereafter? No.
49. FAA § 604(a). Will all commodity procurement financed under the loan be from the United States except as otherwise determined by the President? Yes.
50. FAA § 604(b). What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U.S. market price? N/A/

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51. FAA § 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will loan agreement require that marine insurance be placed in the United States on commodities financed by the loan? N/A
52. FAA § 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? N/A
53. FAA § 604(f). If loan finances a commodity import program, will arrangements be made for supplier certification to A.I.D. and A.I.D. approval of commodity as eligible and suitable? N/A
54. FAA § 608(a). Information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items. Consideration of excess availabilities will be given at time of procurement.
55. FAA § 611(b); App. § 101. If loan finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962? N/A

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56. FAA § 611(c). *If contracts for construction are to be financed, what provision will be made that they be let on a competitive basis to maximum extent practicable?* N/A
57. FAA § 612(b); § 636(h). *Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services.* No excess U.S. owned foreign currencies are available in Peru. About 60% of direct local project costs will be borne by the GOP.
58. App. § 113. *Will any of loan funds be used to acquire currency of recipient country from non-U.S. Treasury sources when excess currency of that country is on deposit in U.S. Treasury?* No. Peru is neither an excess nor a near excess currency country.
59. FAA § 612(d). *Does the United States own excess foreign currency and, if so, what arrangements have been made for its release?* No U.S. owned excess foreign currencies available
60. FAA § 620(g). *What provision is there against use of subject assistance to compensate owners for expropriated or nationalized property?* N/A

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61. FAA § 620(k). If construction of productive enterprise, will aggregate value of assistance to be furnished by the United States exceed \$100 million? N/A
62. FAA § 636(i). Will any loan funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction? N/A
63. App. § 103. Will any loan funds be used to pay pensions, etc., for military personnel? No.
64. App. § 105. If loan is for capital project, is there provision for A.I.D. approval of all contractors and contract terms? All contracts financed by project funds will be subject to AID approval.
65. App. § 107. Will any loan funds be used to pay UN assessments? No.
66. App. § 109. Compliance with regulations on employment of U.S. and local personnel. (A.I.D. Regulation ?). No contracts for construction activities are programmed under the project.

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67. App. § 110. Will any of loan funds be used to carry out provisions of FAA §§ 209(d) and 251(h)?

No.

68. App. § 114. Describe how the Committee on Appropriations of the Senate and House have been or will be notified concerning the activity, program, project, country, or other operation to be financed by the Loan.

Project is described as a component of the Manpower and Education activity in the current and previous Congressional Presentation.

69. App. § 601. Will any loan funds be used for publicity or propaganda purposes within the United States not authorized by the Congress?

No.

70. MMA § 901.b; FAA § 640C.

(a) Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed with funds made available under this loan shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.

U.S. procurement and shipping will be administered by AID.

(b) Will grant be made to loan recipient to pay all or any portion of such differential as may exist between U.S. and foreign-flag vessel rates?

No.