

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE

3

2. COUNTRY/ENTITY
PERU

3. PROJECT NUMBER

527-0274

4. BUREAU/OFFICE
LAC

5. PROJECT TITLE (maximum 40 characters)

OPG ACP - Micro Enterprise Development

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
11 23 87

7. ESTIMATED DATE OF OBLIGATION
(Under "B" below, enter 1, 2, 3, or 4)

A. Initial FY 84 B. Quarter 4 C. Final FY 85

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(61)	(139)	(200)	(191)	(523)	(714)
(Loan)	(61)	(139)	(200)	(191)	(523)	(714)
Other U.S.						
Host Country						
Other Donor(s)						
TOTALS		155	155	-	366	521

9. SCHEDULE OF AID FUNDING (\$000)

1,235

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SDA	713	840				714		714	
(2)									
(3)									
(4)									
TOTALS						714		714	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

819 839 867

11. SECONDARY PURPOSE CODE

720

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code BUW PVON
B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

The purpose is to expand ACP's ongoing credit and technical assistance program from one office in the Pueblos Jovenes of southern Lima to an additional three offices in other Pueblos Jovenes through the financing of additional technical assistance, beneficiary training programs and administrative costs of the new field offices.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
0 6 8 5 0 9 8 6 1 2 8 7

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

17. APPROVED BY

Signature: John Sanbrailo
Title: Director

John Sanbrailo

Date Signed MM DD YY
8 4

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF UPDATING

MM DD YY



AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES AID MISSION TO PERU

C/O AMERICAN EMBASSY

LIMA, 1 PERU

TELEPHONE: 286200

CABLE: USAID/LIMA

July 31, 1984

Mr. Manuel Montoya Larios
Executive Director
Acción Comunitaria del Perú

Subject: Acción Comunitaria del Perú
Operational Program Grant (OPG) 527-0274
Micro Enterprise Promotion

Dear Mr. Montoya:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby grants to Acción Comunitaria del Perú (hereby referred to as "ACP" or "Grantee"), the sum of \$200,000 to support a program of Micro Enterprise Promotion as described in the Schedule of this grant, Attachment 1 and Attachment 2, entitled "Program Description." This grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Grantee in furtherance of program objectives during the period beginning with the effective date and ending June 30, 1985.

This grant is made to ACP on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1, entitled the Schedule, Attachment 2, entitled "Program Description," and Attachment 3 entitled "Standard Provisions," which have been agreed to by your organization.

Please sign all six (6) copies of the grant acknowledging your receipt of the grant and return five (5) to the USAID Program Office.

Sincerely yours,



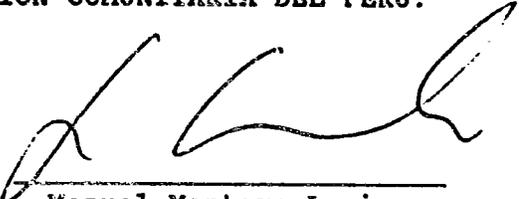
John A. Sanbrailo
Director

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions

ACKNOWLEDGED:

ACCION COMUNITARIA DEL PERU:

By: 

Manuel Montoya Larios

Title: Director Ejecutivo

Date: July 31, 1984

FISCAL DATA:

Appropriation : 72-1141021
Budget Plan Code : LDAA-84-25527-DG13
Project Number : 527-0274
Total Estimated Amount: \$714,174
Total Obligated Amount: \$200,900

SCHEDULE

A. Purpose of the Grant:

The purpose of this Grant is to expand credit and technical assistance opportunities for small scale and micro business persons in the Pucblos Jovenes of Lima, as more specifically described in Attachment 2 to this Grant entitled "Program Description."

B. Period of the Grant:

1. The effective date of this Grant is the date of this Letter. The expiration date of this Grant is December 31, 1986.

2. Funds obligated hereunder are available for program expenditures for an estimated one year period from the effective date of the Grant, as shown in the Financial Plan below.

C. Amount of Grant and Payment:

1. The total estimated amount of this Grant for the period shown in B.1 above is \$714,174.

2. AID hereby obligates the amount of \$200,000 for program expenditures during the period set forth in B.2 above and as shown in the Financial Plan below.

3. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 3 Standard Provision 9A, entitled "Payment Periodic Advance."

4. Additional funds up to the total amount of the grant shown in C.1 above may be obligated by AID subject to the availability of funds, and to the requirements of the Standard Provision of the Grant, entitled "Revision of Financial Plans."

D. Financial Plan:

The following is the Financial Plan for this Grant, including local cost financed items. Revisions to this Plan shall be made in accordance with Standard Provision of this Grant, entitled "Revision of Financial Plans."

	<u>Obligated Amount</u>		<u>Estimated Additional</u>		<u>Total Estimated</u>	
	<u>US\$</u> 7/84 - 7/85	<u>Local Currency</u> 7/85	<u>US\$</u> 8/85 - 7/87	<u>Local Currency</u> 7/87	<u>US\$</u>	<u>Local Currency</u>
<u>AID</u>						
Operating Costs	-	72,858	-	258,616		331,474
Office Supplies, Equipment & Materials	19,500	38,100	3,000	24,000	22,500	62,100
Technical Assistance	41,942	9,600	126,558	48,000	168,500	57,600
Indirect Cost	-	18,000	-	54,000	-	72,000
	61,442	138,558	129,558	384,616	191,000	523,174
	<u>US\$200,000</u>		<u>US\$514,174</u>		<u>US\$714,174</u>	
<u>ACP</u>						
Indirect Costs	-	105,532	-	211,064	-	316,596
<u>AITEC</u>						
Indirect Costs		18,000	-	31,000	-	49,000

E. Reporting and Evaluation:

Financial Reporting shall be made as set forth in the Standard Provisions to the Grant.

In addition, ACP hereby agrees to provide AID with copies of the following reports and any other reports as AID may reasonably deem necessary during project implementation.

1. Quarterly reports on the implementation of project advisory services (visits) and training programs indicating number of entrepreneurs visited and number of participants in the training programs.

2. On a semi-annual basis, a summary report on project implementation progress toward achieving project's objective of self-financing.

3. On an annual basis a report summarizing total credits granted and number of beneficiaries, and summarizing its actions regarding the covenants listed in Section V.B.

4. After three months of signature of OPG Letter of Agreement, ACP will submit to AID on a quarterly basis reports indicating funds received by source, funds expended and funds liquidated, according to major budget categories.

Approximately one year after opening of new offices, ACP will collaborate with AID in carrying out an evaluation to measure project progress. Approximately three evaluations should take place during the life of the project or as considered necessary by AID and/or ACP.

F. Special Provision:

1. Standard Provisions for Non-U.S. Grantees and Non-U.S. Subgrantees Non Profit Organizations - Other than Educational Institutions Form AID 1420-54 (2-82) are modified as follows: delete provisions 8A, 8B, 9B, 12B, 15B and 15C.

2. To assist in the implementation of the project, AID, from time to time, will issue Project Implementation Letters furnishing additional information about matters or requirements stated in this Letter of Agreement.

G. Title to Property:

Title to any property purchased under this Grant will be vested in the Grantee, in accordance with Standard Provision 15A of Attachment 3, Standard Provisions.

PROGRAM DESCRIPTION

I. Purpose of the Grant

The purpose of this Operational Program Grant (henceforth, "The Grant") is to expand ACP's ongoing credit and technical assistance program from one office in the Pueblos Jovenes of southern Lima to an additional three offices in other Pueblos Jovenes through the financing of additional technical assistance, beneficiary training programs and administrative costs of the new field offices.

II. Goal and Objectives

A. To generate employment and improve family incomes in the Pueblos Jovenes of Lima by providing technical assistance, training and credit to micro enterprises operating in the informal sector.

B. Objectives:

1. To operate three additional ACP offices in the Pueblos Jovenes of Lima.

2. To provide basic business training (bookkeeping, etc.)

3. To offer advisory services to micro-entrepreneurs through visits to the workshops.

4. To offer special courses to participating beneficiaries to increase their technical skills in subjects such as: marketing, business administration and other related courses.

III. Project Implementation and Responsibilities of the Grantee and Participating Entities

ACP will implement the project over a period of approximately three years beginning with the date of the Letter of Agreement. At this time, ACP will assume responsibility for overall project implementation, utilization of Grant funds and coordination of all technical aspects of project implementation.

A. ACP will:

1. Obtain new capital of \$550,000 from other sources to cover the credit needs anticipated from loans to be generated by the additional three offices.

2. Coordinate with AITEC or another appropriate source of technical assistance to obtain the required advisory services to open the new offices.
3. Contract the services of three qualified local consultants to assist ACP in the operation of the new offices.
4. Attempt to secure official recognition from the Ministry of Education for the diplomas granted to participants of training programs.
5. Cover at least 73% of the indirect costs.
6. Provide the necessary staff and logistic support from ACP's central office as required by the project.

IV. Project Budget and Release of Funds

The proposed project budget calls for Grant financing over a period of three years not to exceed \$714,174 with an initial obligation of \$200,000. Grant funds will be used to pay for salaries of advisory services, training equipment and materials, operational costs in connection with the establishment of new offices for three years, and for the purchase of vehicles.

US dollar costs are contemplated under the project to pay for the salary of the AITEC advisor and the purchase of a project vehicle and office equipment. See Section D of the Schedule, Attachment 1, for an illustrative project budget and an estimate of ACP and AITEC contributions.

Release of Grant funds under this Agreement shall be in accordance with Article 9A of Attachment 3, Standard Provisions. Shifts of more than 20% among USAID financed budget line items cannot be made without the prior written authorization of USAID.

V. Conditions and Covenants

A. Source and Origin of Commodities, Nationality of Services

Commodities financed by AID under the project shall have their source and origin in Peru or the United States, except as AID may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Peru or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

B. Conditions Precedent to First Disbursement

Prior to any disbursement or the issuance of commitment documents under the Grant, ACP shall, except as AID may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID: (1) evidence of a loan/grant commitment in the amount of \$550,000 which will provide the credit needed for loans expected to be authorized by the new offices and (2) a signed contract for the provision of technical assistance to the project.

C. Covenants

ACP covenants that, except as AID may otherwise agree in writing, it will:

(1) charge the highest interest rates on loans to small businesses and commercial traders consistent with the terms under which it obtained these funds, until commercial rates are achieved;

(2) seek the participation of "Programa Progreso" in Industrial Bank of Peru small enterprise credit programs; and

(3) present an annual report to AID on its actions regarding these Covenants.

ACTION MEMORANDUM

DATE: July 31, 1984

TO: John A. Sanbrailo, USAID Director

THRU: Robert J. Maushammer, Program Officer 

FROM: Mark Silverman, Acting DR Officer 

SUBJECT: Proposed Acción Comunitaria del Perú (ACP)
Operational Program Grant (OPG) 527-0274
Micro-Enterprise Promotion

Attached for your review and approval is a proposal submitted by ACP which requests \$714,174 in grant funds to implement a three-year continuation and expansion of its micro-enterprise promotion activities.

ACP's program generates employment and improves family incomes in the pueblos jóvenes of Lima by providing technical assistance, training and credit to micro-enterprises operating in the informal sector. The proposed Micro-Enterprise Promotion OPG, with expected support from Acción Internacional/AITEC and, possibly, the IDB and the Inter-American Foundation, will strengthen and enlarge the participation in ACP's program.

I. Background

ACP was organized as a non-profit organization in 1969. The majority of its financial support has come from the Peruvian commercial private sector. They have also received assistance under Acción Internacional/AITEC's Matching Grant from AID and some support from Private Agencies Collaborating Together (PACT). The proposal requests AID support to introduce their programs in areas of Lima previously unserved by ACP's "Programa Progreso."

"Programa Progreso" provides technical, training and credit to individuals working within Peru's informal sector who generally do not have access to such inputs from other sources. ACP works with two distinct groups of clients in Lima's pueblos jóvenes: micro-empresas and micro-negociantes. They define micro-empresas as small-scale productive enterprises (shoemaking, furniture, etc.) employing up to 5 people. Micro-negociantes are individuals (usually women) selling fruit, vegetables, etc., from either ambulatory or stationary locations.

Micro-empresa credit promotion and training programs are carried out in communities within the pueblos jóvenes. Potential borrowers are identified, at least in part, through their reputation within the community as honest, productive workers. Loans of up to \$1,000 are made to each small business, which are then repaid over a 13-month period. First loans are usually smaller. However, appropriate utilization and prompt repayment of initial loans can lead to second, and even third, slightly larger loans. Funds are

generally used to purchase more or better-quality raw materials, and the business is expected to create one new position as a result of the expansion. Training in simple bookkeeping, cash flow management, etc., is provided. The micro-empresas are expected to pay a small fee for the training received. ACP's present \$500,000 revolving fund was instituted with funds from the IDB, which insisted that loans be made at subsidized interest rates of 60-70%. The current repayment rate on these loans is about 85%. However, ACP does not agree, in principle, with subsidized interest credit, and would prefer to make loans at commercial interest rates (which would also help prevent decapitalization of the fund). AID-funded technical assistance will examine ways and, where appropriate, institute mechanisms for ACP to employ real interest rates in their micro-empresas lending program.

Eighty percent of the micro-negociante program participants are women. In order to qualify for short-term loans, participants organize themselves into groups of five for mutual support and as guarantors of each other's loans. These loans, of approximately \$1,000 each, are made for a six to eight week term at commercial (positive) interest rates which are substantially less than the rates normally available to them from lenders in the informal sector. The women generally use the money to buy more or better produce, thus increasing their turnover and/or profit margin. ACP arranged for a local commercial bank to set aside \$200,000 for this purpose. The program has a near 100% repayment rate and is considered so highly successful that graduates are being spun off to another (for profit) organization.

ACP is presently working only in Lima's southern cone. They wish to expand, locating one "branch office" in pueblos jovenes in the other three cones of greater Lima. Their OPG proposal requests AID to provide 58% of the operating funds required for the expansion, or \$714,174. The remaining funds will come from ACP's local sources, AITEC, and the small fees charged for the training programs. In addition, they have requested the IDB and the Inter-American Foundation to provide a total of \$550,000 as the basis for the revolving credit fund for the expanded program. As a condition precedent to first disbursement, ACP must secure evidence of an additional \$550,000 credit facility.

II. Project Description

A. Purpose

To expand credit and technical assistance opportunities for small-scale business persons in the pueblos jovenes of Lima.

B. End of Project Status

1. Three new ACP "branch" offices will be firmly established and fully operational.

2. ACP's program is expected to be substantially self-sustaining (at least 70%) and, as soon as possible, lending at commercial (real) interest rates.

C. Project Inputs

1. AID will finance:	
- Technical Assistance (External \$168,500) (Peruvian \$57,600)	\$226,100
- Program Administration (salaries, promotion, overhead)	72,000
- Establishment of 3 Offices (equipment, office supplies, etc.)	84,600
- Operating costs (salaries, materials, etc.) of 4 Offices and Beneficiary Training Program	<u>331,474</u>
	714,174
2. ACP will finance a portion of the Program administrative costs	316,596
3. AITEC will fund part of the administrative costs (AITEC technical assistance to ACP)	49,000
4. Through training program fees, beneficiaries will provide for part of the training program costs	<u>155,047</u>
TOTAL	\$1,234,817

D. Project Outputs/Targets

1. During the life of the project, ACP expects to provide technical assistance and training to approximately 4,300 small businesses. A total of approximately 5,800 loans will be made to these businesses.

2. Each micro-empresa receiving credit is expected to create one new position. Approximately 3,500 new jobs will be created during the life of the project.

3. During the life of the project, approximately 890 new groups of micro-negociantes will have been formed, involving up to 4,450 individuals. These groups will receive up to 2,470 loans during the life of the project.

III. Recommendation

ACP'S request for assistance meets the requirements for OPG programs. The GOP actively supports the program, and ACP coordinates its activities with the National Planning Institute. With your signature of Attachment V, ACP Application for PVO Registration, ACP has completed all the documentation required to register as an eligible non-U.S. PVO.

The waiting period on the Congressional Notification expired on June 21, 1984. Budget allowance has been received by the Mission for the initial increment of \$200,000 for FY 1984.

Therefore, it is recommended that:

1. You sign the attached ACP application for PVO Registration.
2. You sign the attached Project Authorization and Project Paper Data Sheet signifying your approval of this request and authorizing up to \$714,174 for an OPG to support the ACP Micro Enterprise Promotion OPG.
3. You sign the attached Letter of Agreement which describes the project and obligates \$200,000 of FY 1984 funds to fund the first increment of the Grant.

Attachments:

- I : Project Authorization
- II : Project Data Sheet
- III: ACP OPG Letter of Agreement
- IV : ACP OPG Program Grant Proposal
- V : ACP Application for PVO Registration

PROG:LDouris:vs

Date Application: 8/22/83

Name of PVO: **Acción Comunitaria del Perú (ACP).**

Mailing Address: **Av. República de Chile 683, Lima 11, Perú**

President of Organization: **Daniel Rodríguez Hoyie**

ALO Officer:

Fiscal Year: 1984 Income: \$627,500 Expenditures: \$597,645

Status: A. Receiving _____ B. Seeking: \$714,174

1. Is the organization a legal entity within the country in which it is domiciled: Describe the purpose, noting whether the organization is philanthropic and/or public service oriented and non-profit, non-governmental, non-political.

ACP is a private, non-profit association found January 13, 1969 by a group of Peruvian businessmen. The purpose of the association is to contribute to the organized development of low-income communities in order to improve their living standards.

2. What types of governmental approvals, licenses, etc., and/or Articles of Incorporation, By-laws affirm the legal status, purpose and non-profit, non-governmental, non-political nature.

ACP was inscribed with the Ministry of Economy, Finance and Commerce as a tax exempt entity (Resolution No. 084-82-EFC/74-20) on March 24, 1982 and was recognized as eligible to receive tax-deductible donations on December 19, 1981. On July 9, 1976 it was recognized by the Ministry of Health as a private institution for social welfare and assistance, and was included in the register of private national and international assistance institutions (Resolution No. 0053-76-SA/DPS). Under Directorial Resolution No. 0040 dated January 20, 1984, ACP was included in the Ministry of Foreign Affairs register of private international technical cooperation institutions.

Title I, Article 4 of ACP's by-laws stipulate that: "Acción Comunitaria del Perú" will not participate in any political party or religious activity. Also, it will not distribute profits, income, improvements or extra pay among its management members, promoters or associates, applying the totality of the income obtained in the country and/or abroad in furtherance and development of its socio-economic purposes in Peru." In addition, Title 9, Article 38, paragraph 3 of the by-laws requires that "Should there be any remainder, it will be delivered to a charitable institution operating that moment in the country, as chosen by the Board of Directors".

3. Describe the method of operation, nature of normal functions, areas of expertise; constituency; years in operation; size of staff; and programs and budget projected for its next fiscal year.

ACP has a twenty-person Board of Directors and a salaried manager. They currently have 18 technical and administrative staff members working in their central office and in the existing field office in Lima's southern cone. The proposed project will enable ACP to hire the additional staff necessary to expand their programs throughout Lima.

ACP has been working in low-income communities in Lima for 14 years, providing technical assistance, training and credit to individuals working within Peru's informal sector who generally do not have access to such inputs from other sources. Their basic philosophy is to teach beneficiaries how to earn their own living, rather than provide them with subsidized assistance. ACP's method is based on the concept of "learning while making." Beneficiaries are provided with working capital (on a loan basis) and technical guidance on how to improve and expand small businesses.

At national level, ACP contributes to the solution of socio-economic problems in low-income communities. At a regional level, it maintains close contact with similar entities in neighboring countries in order to share experiences and improve existing techniques. ACP performs directly, or through third parties, the following functions: (a) The execution of all types of studies, as well as the development and implementation of socio-economic plans; (b) Coordination and provision of technical assistance services to lower income communities; (c) Mobilization of the necessary financial and human resources for the completion of its purposes.

ACP develops programs in three areas: urban, educational, and socio-economic development.

A. Urban development includes:

- 1) Training at all levels.
- 2) Development of topographic plans, cadastral surveys, etc.
- 3) Plans for housing construction, sanitary and electrical installations, etc.

B. Educational development includes:

- 1) Preparation of educational projects in coordination with private entities and national and international agencies.
- 2) Execution of courses and seminars related to ACP projects.
- 3) Preparation of audiovisual aids and publications to be utilized in ACP programs.

At present, ACP is planning the establishment of an academic consulting center which will provide advice to entities which develop similar activities.

C. Socio-economic development includes:

- 1) Development of technical and financial feasibility studies.
- 2) Identification of industrial and/or artisania activities which may generate employment opportunities and improve productivity.
- 3) Technical assistance to improve the productive process.
- 4) Training in administrative management of micro-enterprises.

During the next year ACP will continue its "Programa Progreso" of credit and technical assistance to micro-enterprises in Lima's southern cone. The proposed project will enable them to expand the program to include Lima's three other cones. An economic and financial feasibility study will be undertaken for the credit and administrative assistance program which ACP hopes to provide in other provinces of Peru. ACP will also explore the feasibility of establishing a center to provide training for micro-enterprises in financial management, administration and marketing.

BUDGET FOR 1984

1. Income Budget for 1984 (in thousands of soles)

1.1. International financing	282,400	45%
1.2. Self-financing	188,300	30%
1.3. National sources	<u>156,800</u>	25%
TOTAL	627,500	
	=====	

2. Expense Budget for 1984 (in thousands of soles)

2.1. Local purchases	67,600	11%
2.2. Personnel costs	111,220	19%
2.3. Contract services	116,453	19%
2.4. Taxes	113	-
2.5. Administrative costs	213,959	36%
2.6. Other costs	14,440	2%
2.7. Financial costs	<u>73,860</u>	13%
TOTAL	597,645	
	=====	

4. Are the activities the organization is engaged in voluntary charitable or development assistance operational in nature of a type consistent with the FAA or PL-480? Yes X; No _____. Are the operations consistent with the purposes described in the application and supporting documents submitted to AID: Yes X; No _____.

5. Describe the activities expected to be conducted with AID funding. Are these other than religious in nature? Yes X; No _____. Discuss any pertinent aspects, as necessary.

Yes, ACP's activities are secular, rather than religious in nature.

ACP's "Programa Progreso" provides technical assistance, training and credit to two groups of clients in Lima's pueblos jovenes; small scale productive enterprises (shoemaking, furniture, etc.) employing up to 5 people and individuals (usually women) selling fruit, vegetables, etc. Working within Peru's informal sector, such micro-enterprises rarely have access to such inputs from other sources. AID funding will enable ACP to hire the technical and administrative staff required to expand this program throughout Lima. Small fees charged for training programs and technical assistance will enable the program to become self-sustaining.

6. If the organization is tax exempt, what is the effective date and duration of the exempt status, the nature of the authorizing entity, and the key factors in the determination.

The Ministry of Economy, Finance and Commerce inscribed ACP as a tax-exempt institution on March 24, 1982 by means of Resolution 084-82-EFC/74-20 presumably on the basis of both ACP's stated purpose of contributing to the development of low-income communities and its statutes which state that ACP's income can only be used for the purposes for which the organization was created and cannot be distributed to its management members, promoters, or associates.

7. If the organization is not currently engaged in voluntary charitable or development assistance operations, does it have the potential for becoming so engaged: Yes ____; No _____. Summarize the indicators supporting the conclusion.

ACP is currently engaged in such operations, and has been so involved for 14 years.

8. What reviews of financial accounts have taken place? For example: Are financial statements rendered by chartered accountants in accordance with generally accepted accounting principles? What conclusion can be drawn regarding the financial viability of the organization?

See attached memo from the Controller's Office. Audits are performed annually by Moreno and Patiño, associated with Price Waterhouse and Peat Co.

9. Summarize grounds for concluding whether or not the organization has financial resources and demonstrated management capability of sufficient substance to enable it to perform its normal functions in the absence of AID support.

ACP's accounting system is sound, financial controls are adequate and statements regularly and accurately prepared and audited. Based on recent financial statements, ACP has been well managed and is a solvent PVO. (Also see Controller's memo of December 16, 1983, copy attached.)

10. How are the operations of the organization controlled? Describe the nature, authorities and obligations of the governing body, the functions it performs, actions it takes, number and regularity of meetings, presence/absence of quorum and other factors relevant to the question of the effectiveness of the policy and administrative control of the governing body.

ACP is governed by its Assembly, the Board of Directors, the Executive Staff and the Executive Director. The Assembly is the major body of the Association and it is called together once a year by the President. The purpose of this meeting is to take note of the Annual Report and to elect one-third of the Board of Directors. The Assembly also meets on other occasions when the Board of Directors deems it necessary or whenever one-fifth of the assembly request it.

The Board of Directors establishes policies according to ACP's purposes. It controls and direct activities, organizes the organization's offices and determines their budgets. The Board of Directors consists of a president, vice-president, two secretaries and two treasurers.

The Executive Director is nominated by the Board of Directors and may also be a member of the Board. He is responsible for ACP's day-to-day administration and for the direction of socio-economic activities. He represents ACP legally, signs contracts and correspondence, draws checks and drafts and has oversight responsibility for accounting reports.

11. Summarize the evidence submitted/available relative to whether or not the organization establishes its own priorities and programs. Does the organization obtain, expend and distribute funds and resources in conformity with accepted ethical standards in the country or countries in which it operates? Yes X ; No _____. Describe the essential standards in the context of the host country.

Yes. ACP has been established with its own statutes and governing structure, as detailed above. Its Board of Directors is not subordinate to any other organization. ACP does coordinate its programs with the National Planning Institute to ensure that ACP's priorities are in accordance with the national planning system. ACP provides donors with descriptions of objectives, activities and accomplishments in sufficient detail so that donors know how their funds are being utilized in low-income communities. "Essential standards" for Peru with respect to acquisition and use of resources imply

open requests for support, fund raising efforts, etc., systematic accounting of funds, and carrying out projects in an effective manner.

12. Note costs for promotion, publicity, fund raising and administration. In registering U.S. organizations, the cost of fund raising is figured as a percentage of cash and in-kind contributions - 20% or above being sufficient to warrant seeking explanatory information. Administrative costs (including fund raising costs) are reviewed on a case-by-case basis; where program expenditures are less than 50% of total expenditures, the situation is explored to identify the contributing factors.

ACP is a non-U.S. organization. Of ACP's total budget for 1983, 78.8 percent covered program operational expenses and 21.2 percent was used for fund raising and administration.

APPROVAL:

Name:



John A. Sanbrailo

Title:

Director

Date:

7/31/84

PROJECT AUTHORIZATION

Name of Country: PERU
Name of Project: OPG Acción Comunitaria del Perú
Micro Enterprise Promotion
Number of Project: 527-0274

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Operational Program Grant Micro Enterprise Promotion project for the Accion Comunitaria del Perú (ACP) involving planned obligations of not to exceed Seven Hundred Fourteen Thousand One Hundred Seventy Four United States Dollars \$714,174 in grant funds over a three year period from the date of authorization, subject to the availability of funds in accordance with the AID OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is three years from the date of initial obligation.

2. The project consists of support to expand ACP's ongoing credit and technical assistance program from one office in the Pueblos Jovenes of southern Lima to an additional three offices in other areas of Lima through the financing of technical assistance, beneficiary training programs and administrative costs of the new field offices.

3. The Project Agreement, which may be negotiated and executed by the officers to whom such authority is delegated in accordance with AID regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as AID may deem appropriate.

a. Source and Origin of Commodities, Nationality of Services

Commodities financed by AID under the project shall have their source and origin in Peru or the United States, except as AID may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Peru or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

b. Conditions Precedent to First Disbursement

Prior to any disbursement or the issuance of commitment documents under the project, ACP shall, except as AID may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID:

(1) Evidence of a loan/grant commitment in the amount of \$550,000 or more which will provide the credit needed for loans expected to be authorized by the new offices, and

(2) A signed contract for the provision of technical assistance to the project.

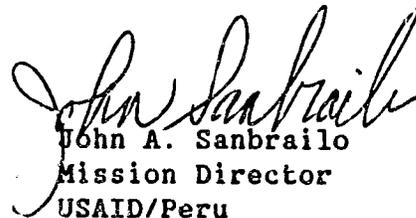
c. Covenants

ACP covenants that, except as AID may otherwise agree in writing, it will:

(1) charge the highest interest rates on loans to small businesses and commercial traders consistent with the terms under which it obtained these funds, until commercial rates are achieved;

(2) seek the participation of "Programa Progreso" in Industrial Bank of Peru small enterprise credit programs; and

(3) present an annual report to AID on its actions regarding these Covenants.


John A. Sanbrailo
Mission Director
USAID/Peru

PROG:ECVarillas:vs

Clearances:

PROG:LDouris: (draft)

RLA:AAdams: (draft)

CD:MSilverman: MS

PS:MJohnson: MS SAA