

PD-PAF-994

UNITED STATES GOVERNMENT

Memorandum

File

5270184004401

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TO : Mr. Paul McGuire
LA/DP/FVO

DATE: March 19, 1979

FROM : H. Robert Kramer *HRK*
Assistant Program Officer

SUBJECT: Documentation CARE OPG 527-0184; Community Food Production ar
Nutrition

I am sending for your information and files (1) the signed approval memorandum and (2) signed PAF (Part I and II). Please contact SER/CM, ask if they need copies, and advise.

Thanks .

DALPNA Community Food Production OPG/PVO

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS PART I

1. TRANSACTION CODE: **A** (ADD), C (CHANGE), D (DELETE)

2. DOCUMENT CODE: **PAF**

3. COUNTRY ENTITY: **PERU**

4. DOCUMENT REVISION NUMBER:

5. PROJECT NUMBER (7 digits): **527-0184**

6. BUREAU/OFFICE SYMBOL: **LA**, CODE: **05**

7. PROJECT TITLE (Maximum 60 characters): **OPG - CARE Community Food Prod. & Nut.**

8. PROJECT APPROVAL DECISION: **A** (APPROVED), D (DISAPPROVED), DE (DISAUTHORIZED)

9. EST. PERIOD OF IMPLEMENTATION: YRS **3**, QTRS

10. APPROVED BUDGET AID APPROPRIATED FUNDS (\$000):

A. APPROPRIATION	9. PRIMARY PURPOSE CODE	PRIMARY TECH CODE		E. 1ST FY 79		H. 2ND FY 80		K. 3RD FY 81	
		C. GRANT	L. LOAN	F. GRANT	G. LOAN	GRANT	LOAN	L. GRANT	M. LOAN
1. FN	140	070		100		100		100	
2.									
3.									
4.									
TOTALS				100		100		100	

A. APPROPRIATION	N. 1ST FY		O. 2ND FY		P. LIFE OF PROJECT		11. PROJECT FUNDING AUTHORIZED	
	C. GRANT	L. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	1. CENTER APPROPRIATE CODE	2. A. GRANT
1.					300		1. LIFE OF PROJECT	
2.							2. IN-RENTRAL, LIFE OF PROJECT	2
3.							C. PROJECT FUNDING AUTHORIZED THRU	
TOTALS					300			fy 81

12. INITIAL PROJECT FUNDING ALLOTMENT REQUESTED IS \$00:

A. APPROPRIATION	B. ALLOTMENT REQUESTED
1. FN	100
2.	
3.	
4.	
TOTALS	100

13. FUNDS RESERVED FOR ALLOTMENT:

14. SOURCE ORIGIN OF FUNDS AND SERVICES: OUL, 84, LOCAL, OTHER

15. FOR AMENDMENTS NAME OF CHANGE PROPOSED: _____

16. TYPED NAME (Last, First/Initial): _____

SIGNATURE: _____

DATE: _____

BEST COPY AVAILABLE

17. ACTION REFERENCE (Optional)	18. ACTION REFERENCE DATE
MM DD YY	MM DD YY

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

PART II

Name of Country/Entity: Peru/CARE, Inc.

Name of Project: Local Community Food Production and
Nutrition (DALPRA)

Number of Project: 527-0184

Pursuant to Part I, Chapter 1, Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Grant to CARE, Inc., the "Grantee", of not to exceed one hundred thousand United States Dollars (\$100,000) the "Authorized Amount" to help in financing certain foreign exchange and local currency costs of goods and services required for the project as described in the following paragraph.

The project is designed to assist the Ministry of Agriculture's National Office of Food Support conduct a pilot project to increase the local production of high protein and caloric indigenous foods, thereby reducing the dependence on donated food and improving the nutritional status of the campesino community population. A revolving fund for production credit will be established and technical assistance will be provided.

I approve the total level of A.I.D. appropriated funding planned for this project of not to exceed three hundred thousand United States Dollars (\$300,000), which will be grant funded including the funding authorized above, during the period FY 1979 through FY 1981. I approve further increments during the period of Grant funding up to \$200,000 subject to the availability of funds in accordance with A.I.D. allotment procedures.

I hereby authorize the initiation of negotiation and execution of the Operational Program Grant Agreement by the officer to whom such authority has been delegated in accordance with A.I.D. regulations and Delegations of Authority subject to the following essential terms and covenants and major conditions; together with such other terms and conditions as A.I.D. may deem appropriate:

a. Source and Origin of Goods and Services

Goods and services financed by A.I.D. under the project shall have their source and origin in the Cooperating Country or in the United States except as A.I.D. may otherwise agree in writing.

b. Prior to any disbursement, or the issuance of any commitment documents under the Grant Agreement, Grantee shall furnish in form and substance satisfactory to A.I.D., a contract agreement between it and the National Office of Food Support (ONAA) specifying the responsibilities of both parties in the fulfillment of project activities.

Clearances:

PROG:LFSmucker LS date 3/15/79
CONT:JDavison JM date 3/14/79
FFD:JRodriguez-Acevedo JR date 3/15/79

Signature: 
Leonard Yaeger
Director, USAID/Peru

UNITED STATES GOVERNMENT

Memorandum

TO : Mr. Leonard Yaeger
Director

DATE: January 23, 1979

FROM : Howard R. Kramer, Program Office *HAK*

SUBJECT: CARE OPG - Local Community Food Production in Ancash
(DALPRA)

Introduction

The OPG project proposal described below was submitted by CARE (Cooperative for American Relief Everywhere) and is designed to assist the Ministry of Agriculture's National Office of Food Support (ONAA) conduct a pilot project, called DALPRA (Desarrollo Alimentario Local de Poblaciones Rurales Andinas) in the Department of Ancash, whose purpose is to increase the local production of high protein, caloric indigenous foods, thereby reducing the dependence on Title II donated food and improving the nutritional status of the comunidad campesina population. This OPG responds to ONAA's request for CARE's participation in demonstrating the feasibility of the DALPRA concept. CARE is requesting OPG assistance in the amount of \$300,000 over a period of three years.

Background

Our analysis in the DAP has demonstrated that food supplies and nutritional status are rapidly deteriorating in Peru and that malnutrition is increasing as real incomes decline due to inflation and stagnating production. In addition, nutritional surveys prepared in the past 10 years indicate that child malnutrition in Peru is much more prevalent than the average for Latin America.

An assessment of the nutritional situation in Peru by the National Institute of Nutrition (INN) describes certain characteristics of the Peruvian diet that indicate major nutritional deficiencies, especially in caloric intake. While the nutritional situation is poor for the country as a whole, it is even more pronounced in the rural areas. The severely unbalanced diet in the rural Sierra is caused by the insufficient production of foodstuff, especially cereals, vegetable milk, eggs and fats, which has been aggravated in the past years as a result of the lower annual rate of production of these foods in relation to the population increases



For example, in the 1972-76 period, aggregate agri-production increased an average 2.3% while population increased 3.17% and the demand for food grew by 4.6%. Production problems include the inaccessibility or high cost of farm inputs, lack of agricultural credit, and the absence of adequate technical assistance. Another important factor that contributes to nutritional deficiency is the existence of poor nutritional consumption habits and the lack of knowledge which mitigate against the rational choice of food consumption patterns.

The National Survey of Food Consumption (ENCA, 1972) indicates that approximately one-half of all Peruvian children are malnourished and the majority of these are found in the sierra departments of Cajamarca, Puno, Ancash, Junin, Cuzco - the five departments which the GOP has identified as having the most severe nutritional problems and which have a tradition of cooperation at the community level, and potential for increased local food inputs to nutrition programs.

Within the rural sierra population, the segment that is most vulnerable to malnutrition is the impoverished comunidades y grupos campesinos. The indigenous population residing in these communities primarily consume what little they produce themselves. Residents of CC's and grupos campesinos represent nearly 40% of the rural sierra population. The bulk of these people have been totally excluded from any benefits of the Agrarian reform. These families, generally the poorest of the Peruvian poor, live under traditional cultural and production patterns and have been ignored by government assistance programs. Credit for production and capital investment has not been made available, nor has the Ministry of Agriculture and Food had the capacity to provide them with extension services. Reaching this Comunidad Campesina population is the first priority for the DALPRA project.

The DALPRA project represents the first recent attempt in Peru to provide campesino communities with greatly needed agricultural production assistance, as well as the first effort to both plan for replacement of donated food in feeding programs and link agricultural production activities directly to the improvement of nutrition. Production assistance and related consumer nutritional education will be carried out simultaneously. The methodology to be used emphasizes community participation, taking advantage of the cooperative tradition of indigenous campesino communities to encourage food production possibilities, community decision on optimal inputs to achieve these goals and communal disposition of expanded production through various kinds of community feeding programs.

OPG Proposal

The project will focus on the establishment of a revolving loan fund to provide production credit for campesino communities and groups. CARE's use of revolving funds in marginal communities has had notable success in other areas, especially in Colombia, and would mitigate the problems that arise in a direct grant of inputs to the poorer farmers, i.e. it has been found that if a campesino must pay something in return for an input, the assistance will be more highly valued and consequently put to better use. This project will test the feasibility of the revolving credit fund concept in the context of the Peruvian sierra as the basis for a possible future AID projects aimed at providing agricultural services for the campesino communities. Communities will repay production credit from the fund, using their increased food production - a certain percentage will be delivered to ONAA to be used in an ongoing Title II community feeding program (pre-school, maternal-child or school lunch) or to establish a new one that the community would approve. Another percentage would be sold and the proceeds used to replenish the fund.

In order to diminish the element of risk which would ordinarily limit the campesinos' participation in the program, any risk to the farmer would be minimized since no repayment would be expected until the inputs result in increased production. If the community decides that an inexpensive capital improvement is required to increase production, and this decision is corroborated by a production expert provided under the project, then the fund will provide financing for construction of small irrigation networks or small animal granjas.

Technical assistance in food production which has not been previously provided for these groups is essential for project success. TA will be provided by one or both of two sources - the National Agrarian University (La Molina) which has 3-experimental farms in the Callejón de Huaylas, and by ORDENOR-CENTRO, whose technicians have provided outstanding TA to AE's and small farmers under Loan #057. Agronomists will consult with the communities to help them decide which mix of inputs will lead them to optimize their food outputs. The exact pattern of extension services, number of visits required and specific techniques required will be determined after the promotor's initial experiences and dialogue with the communities. The strength of the DALPRA project lies precisely in this flexibility of response to the communities' needs.

A community nutrition education program will also be provided by ONAA to insure that the greatest nutritive value is derived by the types of high caloric and protein foods produced and consumed.

Other information to be disseminated in the nutrition education program will include promotion of breast feeding practice, information on weaning foods, food preparation demonstration, and home storage. The most effective method to carry out the education program in small, relatively isolated communities -- discussion in mothers' groups -- will be utilized. If these groups do not already exist, ONAA will work with community leaders to create them.

In the selection of communities to participate in the project, CARE and ONAA have evolved criteria which strike a balance between the selection of those most deprived, with little potential for improvement, and the selection of others which might be slightly better off, though still among the poorest, and have some potential for nutritional self-sufficiency. Among the criteria to be used in selecting the communities are the following: (a) accessibility, to permit extension services at reasonable costs in time and expense; (b) few currently existing services; (c) low level of farm and livestock technology; (d) organization and interest of the community. Participation in PL 480 feeding programs may be an additional criteria.

Upon the signing of the project agreement between CARE and AID, CARE will enter into an agreement with ONAA under which ONAA will provide certain personnel (see project budget) and logistic support, conduct a baseline production/nutrition survey as well as final evaluation in the communities selected, and provide nutrition education and organizational assistance to community nutrition programs, e.g. food hygiene, preparation and consumption. After communities are selected and while the initial survey work is being undertaken, ONAA will assist selected communities in forming a committee to work with CARE and ONAA in deciding on community production priorities and promoting the revolving fund with loan recipients. CARE will enter into a contract with the committee to devise a local food distribution scheme.

Implementation Capacity - Responsibilities

CARE in Peru has had considerable and successful experience in carrying out programs with campesino communities. In an on-going ORG (No. 0177), CARE is combining water/sewage systems construction with health education in the Department of Ancash. CARE has also had prior experience working with CC's in Puno and Cuzco. It is one of very few institutions that has actively worked with the rural poor residing in indigenous communities.

Decree Law 21788 which created ONAA as a semi-autonomous agency within the Ministry of Agriculture and Food, provided that the institution develop adequate methodologies to substitute donated food

with domestic products in programs of food assistance. ONAA's strategy for achieving this goal in rural areas is precisely that of the DALPRA project -- to increase local production of foodstuffs, to substitute for donated goods, and permit communities to take over their feeding programs, or to make them unnecessary.

The project will be administered by CARE and implemented by both CARE and ONAA over a 3-year period. Communities in Ancash (the Callejón de Huaylas and Conchucos) will be selected by a team from CARE and ONAA based on the criteria discussed above and approximately 10-12 will be chosen the first year. A committee will be established in each community, headed by either the President or Administrator of the community to act as spokesman for the comuneros.

Initially CARE will establish and administer the revolving credit fund with the assistance of ONAA which is expected to learn how the fund operates and assumes its administration after the first two years. At the same time, contracts for TA services will be negotiated between CARE and La Molina and/or ORDENOR-Centro. A dialogue will be held between the project personnel, a representative of the TA team and each community committee to discuss how the fund operates and to decide on priorities for inputs that will increase production, and the kinds of crops which should be produced for maximum nutritional value. The CARE promotor will insure that both inputs and TA are provided on an effective and timely basis throughout the production campaign. Toward the end of the campaign, ONAA will begin its nutritional education promotion which will include food hygiene and preparation techniques. The community and ONAA will decide either to establish a new feeding program or use surplus production to substitute for donated food in a program already operating. The community committee will be in charge of the sale of the rest of the produce and will deliver a portion of the profits to CARE to replenish the revolving fund. CARE will be responsible for overall production supervision and periodic project evaluation.

Evaluation Plan

CARE will submit to USAID its detailed Plan of Implementation and Evaluation (PIE) in carrying out the formal annual evaluation requirement in addition to regular trimester monitoring reports. An in-depth project review will be held with USAID at the end of each project year to measure performance against stated targets in the Implementation Plan to be submitted by CARE prior to initial disbursement of funds. A line item for "evaluation" will be included in the project agreement to finance participation in the evaluation of a nutrition planning expert. ONAA nutritionists will carry out a nutritional sample survey in the communities selected to collect baseline data required to be able to measure improvement in nutritional status at the end of the project. At the end of the project, a survey of production will be undertaken to measure the

project's impact on production and local communities contribution to the feeding programs. A nutrition/consumption survey will also be carried out to determine if the nutrition supply available to the community has increased. Measurements will be compared to data obtained at the initiation of the project by production/nutrition baseline studies.

Beneficiaries

The primary beneficiaries of the project will be those families in the communities receiving production credit. In addition, the communities will benefit as a whole from the small infrastructure projects (e.g. irrigation systems) and the excess food produced when channeled into either an existing feeding program or in a newly established program. In the section on Background, there is a discussion of the nutritional status of the target group. Residents of the Campesino Communities, along with individual minifundistas and landless workers, comprise the most marginal group of Peruvians. These campesinos have received minimal or no services from the government, nor are they, in many cases, integrated into the national or regional market. Nevertheless, many of these groups are receiving food donated by the U.S. in PL 480 programs, which permits the supply of certain nutrients which would otherwise be totally absent from their diets.

The total number of consumer agricultural families living in the sierra is 345,000. There are presently 148 legally recognized comunidades campesinas in the Department of Ancash, with a total of 10,156 heads of households working in agriculture. A very small percentage (11.5%) of all comunidades received any additional land as a result of the reform and the land held by the comunidades is generally less productive than that of the AE's. Comunidades own proportionately large amounts of natural pasture and wateland, with cultivated land accounting for less than 2% of total CC holdings. Only a little more than half of all comunero families own their own plot of cultivated land; the remaining families must depend for their livelihood on their individual livestock herds, employment in comunal enterprises and agricultural labor employment on surrounding individual farm units. These families, while not receiving production credit, will ultimately benefit from DALPRA through the distribution of excess food throughout the comunidad.

If the revolving fund concept is proved successful in increasing food production, it is expected that DALPRA will be replicated in CC's throughout the Sierra.

Project Financial Plan and Responsibilities of the Parties

Following is an illustrative project budget which indicates the AID OPG funding requirements and contributions from CARE and ONAA.

ILLUSTRATIVE PROJECT BUDGET
(in thousands)

<u>I. AID OPG Grant Contribution</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>Total</u>
1. Project administration (salaries and other personnel expenses)	10	10	10	30
2. Material, Production Inputs, and Equipment (financed under revolving fund)	60	56	56	172
3. Technical Assistance (*)	15	20	20	55
4. Project Evaluation	--	6	6	12
5. Project Vehicle	7	--	--	7
6. CARE overhead	8	8	8	24
Total:	<u>100</u>	<u>100</u>	<u>100</u>	<u>300</u>
<u>II. CARE Contribution</u>				
1. Material and Equipment (contribution to revolving fund)	10	10	10	30
2. Project administration (salaries and other personnel expenses)	7	7	8	22
Total:	<u>17</u>	<u>17</u>	<u>18</u>	<u>52</u>
<u>III. ONAA Contribution</u>				
1. Material and Equipment	10	10	10	30
2. Project administration (salaries and other personnel expenses).	7	7	8	22
Total:	<u>17</u>	<u>17</u>	<u>18</u>	<u>52</u>

Total Counterpart \$ 104,000

(*) TA requirements (U.S. & local) will be determined in CARE's detailed budget required as condition precedent to initial disbursement of funds.

The above is exclusive of such in-kind contributions as ONAA personnel, office space and warehousing of material, in addition to community labor.

Over one-half of OPG funds will be used to finance production inputs (seeds, fertilizers, tools, pesticides, etc.) and other equipment and material. These funds will be placed in a credit fund for this purpose. TA funds will be provided to CARE to contract with ORDENOR-Centro and/or the National Agrarian University to insure the timely and effective provision of agricultural expertise as required by each community. The vehicle will be used by CARE and ONAA project personnel to provide the mobility required to reach the relatively inaccessible communities as often as possible, as well as transport materials and equipment. A portion of the TA funds will be earmarked for either US or third country consultants to assist ONAA with the nutrition/baseline survey and train ONAA nutritionists in the methodologies to be used in implementing the nutrition education campaign. A US or third country nutritionist will be contracted to assist in the second and final project evaluations.

CARE will contract with ONAA to provide adequate project personnel. Both CARE and ONAA will initially identify the project communities, and assist in the organization of community committees. ONAA will be responsible for preparing the nutrition/production surveys and "contracting" with the committees to supply food to the community feeding programs. In addition, ONAA will supply nutritionists and materials to carry out the nutrition education program and assist the community in establishing a feeding program where none previously exists.

ONAA's investment budgets contains a special fund for the DALPRA project, demonstrating the high priority assigned DALPRA by the GOP.

GOP Interest & Concurrence (See letter attached from Lt.Col. Guillermo Gallardo Bracesco, of ONAA in support of the DALPRA project).

The DALPRA project was originally conceived by ONAA in 1977 in response to its mandate to increase production of food in the most marginal sierra areas. ONAA has requested USAID and CARE assistance since it has neither the experience working with campesino communities on revolving loan funds nor the ability to provide TA of the kind required for DALPRA.

Issues and Recommendations

The major issues involved in DALPRA is whether (1) the Comunidades will be receptive to outside assistance and can be organized to receive it; (2) whether limited TA can effectively lead to increased production, and (3) whether the revolving loan concept is the most feasible method for providing inputs.

Given our almost complete lack of knowledge of socio-economic conditions and work relationships (Division of Labor) in CC's, the only method for testing these variables is through a small experimental project such as DALPRA. We do know that direct transfers of inputs as gifts have not been valued and consequently have been poorly utilized by campesinos. The revolving fund will permit the campesino to purchase his own inputs and give him the opportunity to make a decision on the type of inputs and crops he will produce. We also realize that subsistence farmers in CC's can usually only make use of technologies and cultural practices that require minimal cash but that improve productivity of their scarce land and expand utilization of their abundant labor. The TA provided will concentrate on counseling the campesinos on the purchase and use of relatively inexpensive and generally available inputs.

The CARE proposal for OPG assistance substantially meets the criteria for OPG programs and merits AID support. Project beneficiaries fall well within Peru's poor majority. The GOP enthusiastically endorses the project and has already invested considerable time and effort in designing DALPRA. CARE has ample experience working with campesino communities, and has the necessary administrative capacity to successfully implement the project. In view of the above, your approval of the CARE OPG request is recommended.

*Being implemented
- recommendations from an internal review
- site visiting should be helpful*

Approved

[Handwritten Signature]

Date:

3/16/79

Disapproved

Date:

Annex 1. An important objective of this pilot project is to test the economic feasibility of providing limited agricultural inputs and technical assistance to campesino communities for the purpose of improving and increasing agricultural production. In addition, the project will assess the nutritional benefits (increase in caloric and protein intake) to be accrued as a result of increased production. The target group's nutritionally deficient diet has already been confirmed by consumption surveys. For this reason, the need to derive correlations between production and nutrition increments is an especially important objective of the project.

Accurate and current data on the amounts and costs of agricultural production by crop in the campesino communities have remained uncollected. The GOB, due more to the lack of resources than to disinterest, has not devoted much effort to either determining the production patterns of or providing inputs to these communities. ONAA, which has recently received the mandate to increase agricultural production in the CC's to improve nutritional status, is looking to DALPRA as a means of demonstrating to the GOB that the methodology is viable in both economic and nutritional terms, and that DALPRA can eventually be replicated throughout the Peruvian sierra.

Economic and nutritional research will consequently play a decisive role in determining the feasibility of the concept. Technical assistance will be contracted at the initiation of the project to conduct agricultural production/nutrition baseline studies in each CC selected. These surveys will be updated each year and the information collected will serve as the basis for economic and cash flow analyses to be undertaken by an agricultural economist assigned to the project by CARE. Of particular interest will be the economic feasibility of the agriculture production fund contemplated under the pilot project. Analysis of the nutritional benefits will be done by CARE's resident nutritionist and by the ONAA staff.

