UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

PERU

PROJECT PAPER

AGRICULTURAL PLANNING AND
INSTITUTIONAL DEVELOPMENT

AID/LAC/P-158

Loan Number:527-T-083
Project Number:527-0238

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Amendment Number: — DOCUMENT CODE: 3

COUNTRY/ENTITY: PERU

3. PROJECT NUMBER: 527-0238

4. BUREAU/OFFICE: Latin America and Caribbean [05]

5. PROJECT TITLE (maximum 40 characters): Ag. Planning and Institutional Dev.

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 08 DD 30 YY 88

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 83 B. Quarter 4 C. Final FY 86

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

A. FUNDING SOURCE	FIRST FY 83 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total	1,410	500	1,910	10,507	6,493	17,000
(Grant)	(410)	(--)	(410)	(6,000)	(--)	(6,000)
(Loan)	(1,000)	(500)	(1,500)	(4,507)	(6,493)	(11,000)
Other U.S. 1.						
Other U.S. 2.						
Host Country					8,500	8,500
Other Donor(s) World Bank	200	---	200	200		200
TOTALS	1,610	500	2,110	10,707	14,993	25,700

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) ARDN	180	053	053			250	1,500	6,000	11,000
(2)									
(3)									
(4)									
TOTALS						250	1,500	6,000	11,000

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 052

11. SECONDARY PURPOSE CODE:

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

A. Code	BR	TNG	BL	BS			
B. Amount	12,700	7,300	2,000	1,000			

13. PROJECT PURPOSE (maximum 480 characters)

The purpose of the Project is to increase GOP capacity to formulate sound, coherent agricultural sector policies, and to manage implementation of these policies effectively.

14. SCHEDULED EVALUATIONS
Interim MM 11 YY 84 MM 11 YY 86 Final MM 07 YY 88

15. SOURCE/ORIGIN OF GOODS AND SERVICES
[X] 000 [X] 941 [X] Local [ ] Other (Specify)

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

N/A

17. APPROVED BY
Signature: John A. Sanbrailo
Title: Mission Director
Date Signed: MM 06 DD 14 YY 83

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

PROJECT AUTHORIZATION

Name of Country: Peru

Name of Project: Agricultural Planning and Institutional Development

Number of Project: 527-0238

Loan Number: 527-T-083

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Agricultural Planning and Institutional Development project for Peru involving planned obligations of not to exceed Eleven Million United States Dollars ($11,000,000) in loan funds ("Loan") and Six Million United States Dollars ($6,000,000) in grant funds ("Grant") over a five and one half (5 1/2) year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is sixty-five months from the date of initial obligation.

2. The project ("Project") consists of assistance to the Government of Peru to strengthen its capacity to formulate sound agricultural sector policies and effectively manage the implementation of those policies.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. 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 A.I.D. may deem appropriate.

a. Interest Rate and Terms of Repayment

The Cooperating Country shall repay the Loan to A.I.D. in U.S. Dollars within twenty five (25) years from the date of first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The Cooperating Country shall pay to A.I.D. in U.S. Dollars interest from the date of first disbursement of the Loan at the rate of (i) two percent (2%) per annum during the first ten (10) years, and (ii) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

b. Source and Origin of Commodities, Nationality of Services (Loan)

Commodities financed by A.I.D. under the Loan shall have their source and origin in Peru or in countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services financed under the Loan shall have Peru, or countries included in A.I.D. Geographic Code 941 as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Loan shall be financed only on flag vessels of Peru or countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing.

c. Source and Origin of Commodities, Nationality of Services (Grant)

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

d. Conditions Precedent to Disbursement

(1) Condition Precedent to Disbursement for Project Components (Loan)

Prior to any disbursement, or to the issuance of commitment documents under the Project Agreement to finance any activity under a Project Component, except for the procurement of vehicles, trailbikes, and activities under the Information Support Component, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., an implementation plan for such activity to be carried out under the applicable Component in 1983.

(2) Condition Precedent to Disbursement for Project Activities in Calendar Year 1984 (Loan)

Prior to any disbursement, or to the issuance of commitment documents under the Project Agreement to finance Project activities in calendar year 1984, except for activities under the Information Support Component and the Human Resource Development Support Component, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(i) a description of the initial procedures it will implement under the Project to provide adequate salaries for Project personnel in the Ministry of Agriculture and the public agricultural agencies and universities, holding senior positions in management, policy development, teaching, extension and research.

(ii) an implementation plan and budget for the life of the Project which describes Project activities to be carried out and financed and which details Project activities under each Component to be carried out and financed in calendar year 1984.

(3) Condition Precedent to Disbursement for Project Activities in Calendar Year 1985 (Loan)

Prior to any disbursement, or to the issuance of commitment documents under the Project Agreement to finance Project activities in calendar year 1985, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(i) a detailed description of the mechanism institutionalized by the Government of Peru for providing adequate salaries during and after the Project, for personnel in the Ministry of Agriculture and the public agricultural agencies and universities, holding senior positions in management, policy development, teaching, extension, and research.

(ii) a budget which details how Project activities under each Component will be financed in calendar year 1985.

(4) Recurring Condition Precedent to Disbursement (Loan)

Prior to any disbursement, or the issuance of commitment documents under the Project Agreement for each calendar year of the Project after calendar year 1985, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., an annual budget which details how Project activities under each Component will be financed in such year.

e. Covenants

The Cooperating Country shall covenant that, unless A.I.D. otherwise agrees in writing:

(1) It will submit a periodic report regarding the actions implemented as a result of the recommendations (of the studies and other documents) made by the Agricultural Policy Analysis Group and approved by the Government of Peru.

(2) It will create a Policy Analysis Unit within the Ministry of Agriculture and appoint members to serve on the Unit.

John R. Sanbrailer
Mission Director

8/24/83
Date

Clearances:
OARD:DBathrick: (in draft)
CD:EKadunc: (in draft)
DR:GWachtenheim: (in draft)
PROG:RMaushammer: (in draft)
CONT:MRogal: (in draft)

Drafted by:RLA:DAAdams:pdc

AGRICULTURAL PLANNING AND INSTITUTIONAL DEVELOPMENT PROJECT

PROJECT NUMBER: 527-0238

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* Not published with this Propect Paper. Copies on file in USAID/Peru, CD Division, and in LAC/DR.

I. SUMMARY AND RECOMMENDATIONS

A. Facesheet

B. Recommendations

1. It is recommended that a loan be authorized to the Government of Peru (GOP) in the amount of $11,000,000 with a 25-year term, including a ten year grace period at two percent interest, and three percent thereafter. The loan will be incrementally funded over two fiscal years.

2. It is recommended that a grant be approved in the amount of $6,000,000, to be incrementally funded over four fiscal years.

C. Background

In 1968, a military government was established in Peru that attempted to carry out a dual transformation of the country's economy. First, foreign enterprises were expropriated in an attempt to harness their activities more directly to the needs of the domestic economy. Second, major haciendas were expropriated and reestablished as different types of cooperatives. The objective of these measures was not only to improve the distribution of society's resources, but also to promote higher productivity. Worker self-management was the model of the moment, and regulations and controls on the private sector were increased. In the initial years of the military government, nationalism and the worker management ideology offered a new coherence to agricultural policy and, concomitantly, the private sector became more and more marginalized. As time went on, however, the government became increasingly dependent on high public sector, deficits and heavy external borrowing, large numbers of professionals emigrated, and the capacity of public sector institutions eroded severely. By 1974, government policy had lost its coherence and, until 1980, a continuous process of internal political realignment took precedence over sound agricultural policymaking. The most dramatic evidence of this shift was the interference of the government's political arm, SINAMOS, in virtually all aspects of economic organization and, ultimately, the creation of a separate Ministry of Food.

Since 1980, the Belaunde government, which returned Peru to democratic rule, has blunted or reversed much of the public-sector-oriented policy direction of the military government. The current administration has made the market with its price signals its fundamental principle of policy coherence and has selected the private sector as its vehicle for dynamizing agriculture. The transition has not been an easy one to make, however. As the Mission's FY 1984 Annual Budget Submission indicated, "The present administration, upon taking office in mid-1980, was confronted with a depressed agricultural sector, a large and listless agricultural bureaucracy, and a complicated, confusing set of government institutions and regulations which made doing business extremely difficult for farmers and agro-industrialists alike...." In any period, reducing inflation, redirecting subsidies, and stimulating agricultural production are all difficult. The current worldwide recession, slow growth in demand for exports, low

international prices for most agricultural commodities, and severe droughts and floods complicate even more the management of the transition process. Consequently, management of Peru's agricultural sector represents an enormous challenge to the country's policymakers. The problems that beset agriculture in Peru are both complex and widespread. They cut across a broad spectrum of activities that are essential for effective sector performance, from the formulation of policy through to its implementation.

D. Problem, Rationale, and Strategy

The Agricultural Planning and Institutional Development Project is a direct outgrowth of the U.S. Presidential Agricultural Mission to Peru. In accordance with the recommendations of the Mission, it recognizes that sound agricultural policymaking is essential to sector performance and, consequently, attaches high priority to the need for solid analysis of policy alternatives and the formulation of policy in a clear and consistent fashion. In contrast to other projects that AID has supported, however, it recognizes that policymaking does not take place in a vacuum. Rather, it views policymaking as only one stage in the overall process of agricultural sector management -- a stage that cannot be divorced from other stages of the process.

The principal constraints that Peru faces in making its transition to a market-oriented economy for agriculture are:

1. Limited capacity to analyze policy alternatives and to formulate coherent policy directions;

2. A virtual absence of reliable information to guide decisionmaking in both the public and private agricultural sectors;

3. Public sector management systems that are inadequate to identify problems, what the causes of the problems may be, and what remedies may be called for;

4. A debilitating shortage of well trained and experienced administrative and technical management talent in the agricultural sector; and

5. A lack of effective mechanisms for dialog between the public and private agricultural sectors and limited capacity of the private sector to participate in agricultural policy formulation.

The Agricultural Planning and Institutional Development Project sees these various constraints as interlocking pieces of the overall problem of formulating and implementing agricultural policy in a period of economic transition. The Project design recognizes explicitly that policy formulation and policy implementation are two sides of the same coin and that neither makes sense without the other. Furthermore, the Project is novel -- and, presumably, more realistic than other projects of a similar nature -- in that the private sector is not seen as a passive appendage to the policy formulation and management process. Among the constraints to be addressed by the Project are constraints that affect the participation of the

private sector, not only in the execution of policy, but in its formulation as well.

In addition to taking an integrated, holistic approach to policy formulation and management, the Project builds directly on the lessons of a recent comprehensive evaluation of agricultural sector planning activities in Latin America and the Caribbean over the last decade. The key finding of the evaluation is that lack of demand for data and analysis to support sound policy formulation is a critical bottleneck that often frustrates attempts to promote effective agricultural policy analysis, formulation, and implementation. In light of this finding, the design of the Agricultural Planning and Institutional Development Project has paid particular attention to assessing the current demand for policy analysis in Peru. Intensive review suggests that this demand is substantial, and Project design has consciously incorporated mechanisms to stimulate additional demand in the future.

In sum, the Project is designed in such a way as to lay the basis for development and implementation of coherent agricultural policy. It will support the high priority that the GOP attaches to the establishment of a coherent policy framework for agriculture, the improvement of management practices in the sector, upgrading of professional skills, and forging linkages with the private sector. It will do this by meeting and expanding demand for information and analysis for agricultural policymaking, improving the information base for policy analysis, improving the capacity of the GOP to conduct policy analysis, upgrading the management practices of sector institutions, expanding professional talent, and establishing links between private producer organizations and policymakers.

E. Project Description

The goal of the Agricultural Planning and Institutional Development Project is to increase agricultural production, raise farmer incomes, and satisfy consumer demand. The purpose of the Project is to increase GOP capacity to formulate sound, coherent agricultural sector policies and to manage implementation of these policies effectively. The Project purpose will be achieved through:

- Meeting current demand and stimulating increased demand for information and analysis for agricultural policymaking;

- Upgrading the capacity of the GOP to conceive and assess the pros and cons of agricultural policy alternatives;

- Improving the information base for agricultural policymaking;

- Strengthening the capacity of public agricultural sector institutions to perform their mandated functions efficiently and effectively;

- Broadening t[illegible]uman resource base of technical and management talent in Peru; and

- Creating mechanisms for effective participation of the private sector in the policy formulation process.

The Project will consist of five interrelated components. The components correspond to, and address, the constraints to the formulation and implementation of agricultural policy discussed above. Within each component, there will also be one or more specific activities. The components of the Project, together with their associated activities are:

Component I: Agricultural Policy Analysis Support

Activity 1: Creation of Agricultural Policy Analysis Group in Ministry of Agriculture. A permanent, capable Agricultural Policy Analysis Group will be established in the Ministry of Agriculture. The Ministry, through the Group, will have the lead responsibility within the government for development and assessment of alternative medium- and long-term agricultural sector strategies and policies.

Activity 2: Support of Division of Economic Studies in Ministry of Economy, Finance, and Commerce. The Ministry of Economy, Finance, and Commerce will have the technical capability to assess the impact of macroeconomic policies specifically on agriculture.

Activity 3: Support of Monitoring and Evaluation Capability of Agricultural Sector Planning Office. The Agricultural Sector Planning Office of the Ministry of Agriculture will have systems in place for monitoring and evaluating the impacts of agricultural sector policies, programs, and projects.

Component II: Information Support

Activity 1: National Rural Household Survey. A national rural household survey will be conducted to obtain up-to-dated information on the socioeconomic characteristics of rural households. The data from the survey will be used extensively in analysis of agricultural policies.

Activity 2: Continuous System of Area and Production Statistics. A continuous system of area and production statistics will be established. The system will provide reliable estimates of areas planted in different crops and of the production that can be expected from these plantings.

Activity 3: Agroclimatic Impact Assessments. Capacity will be developed to provide early-warning information on the impact of weather and climate on agricultural production. Concise agroclimatic impact assessments will be prepared every ten days of the anticipated impact of weather conditions on the agricultural sector.

BEST AVAILABLE

Component III: Management Support

Activity 1: Improving Management of Ministry of Agriculture. The Ministry of Agriculture will have institutionalized mechanisms to identify and resolve management problems. A long-term Personnel Management Strategy will be developed and implemented.

Activity 2: Salary Support for Public Agricultural Sector Administrators: The Ministry of Agriculture will have institutionalized a mechanism to provide adequate salaries to retain highly qualified management personnel, attract new management talent, and motivate high performance.

Activity 3: Strengthening Managerial Effectiveness of National Institute for Agricultural Research and Extension. The National Institute for Agricultural Research and Extension will have established administrative tools -- policies, systems, and procedures -- to carry out its programs in an effective and efficient way.

Component IV: Human Resource Development Support

Activity 1: Advanced Training. The Ministry of Agriculture will have an ongoing, active advanced training program. The number of Ministry personnel with advanced training will increase dramatically.

Activity 2: Support of National Agrarian University. The National Agrarian University will be revitalized as a center of graduate education in agriculture. Its faculty will be stabilized and developed, supporting infrastructure will be expanded, and active linkages will be established with U.S. academic institutions.

Activity 3: Support of University of the Pacific. The University of the Pacific, through its M.S. program in economics, will be a center of expertise for training of public and private sector personnel in agricultural policy analysis.

Component V: Private Sector Support

Activity 1: Strengthening Participation of Producer Organizations in Agricultural Policy Formulation. An Agricultural Policy Analysis Unit will be established in the private sector. The Unit will be a mechanism for diffusion of information and analysis on issues of policy importance, a center for studies of agricultural policies, and a conduit for studies by a broad spectrum of rural organizations.

F. Summary Financial Plan

Summary Financial Plan - Table I-1
(Thousand U.S.$)

Component/Activity	A. Loan	I. Grant	D. Total	GOP	Total
I. Agricultural Policy Analysis Support					
- Creation of APAG in MOA	1011	710	1721	1495	3216
- Support of MEFC	51	335	386	168	554
- Support of OSPA	130	400	530	425	955
	1192	1445	2637	2088	4725
II. Information Support					
- National Rural Household Survey	608	650	1258	208	1466
- Continuous System of Area Prod. Statist.	1268	760	2028	759	2787
- Agroclimatic Impact Assessment	411	-	231	642	
	2287	1410	3697	1198	4895
III. Management Support					
- Improving Management of MOA	450	970	1420	740	2160
- Salary Support to Ag Sector	450	-	450	1050	1500
- Strengthening INIPA	-	400	400	-	400
	900	1370	2270	1790	4060
IV. Human Resource Develop. Support					
- Advanced Training	2203	-	2203	1072	3275
- Support of UNA	3573	-	3573	1282	4855
- Support of The Pacific University	-	530	530	(25)1/	530
	5776	530	6306	2354	8660
V. Private Sector Support					
- Strengthening Producer Organization	-	990	990	(164)1/	990
Sub-Total	10155	5745	15900	7430	23330
Evaluation	-	165	165	-	165
Inflation & Contingencies	845	90	935	1070	2005
Grand Total	11000	6000	17000	8500	25500
			67%	33%	100%

1/ Amounts to be contributed by the Pacific University and ONA, respectively.

G. Project Issues

A number of issues were raised as the time of the PID review in AID/W. These issues appear in Annex I, Exhibit F, and the Mission's responses appear in Annex II, Exhibit B.

During the Mission's review of this Project Paper, a number of additional issues were raised. Although each of these issues is addressed in the body of the Paper, it is useful to summarize here how the major issues that were raised at that time are addressed in final Project design.

Mission review identified three major issues. The three issues, together with the ways in which they are addressed, are as follows:

Issue 1. The Project is complex, and its scope broad. Consequently, it is likely to be difficult to implement. Would it not be advisable, therefore, to reduce its scope?

Response. The scope of the Project is indeed broad and the complex of activities that make up the Project will not be straightforward to implement. Nevertheless, the Mission believes that there is not much flexibility for reducing the scope of the Project without jeopardizing achievement of Project objectives. One possibility might be to reduce the scope of individual activities across the board, but each activity appears to be reasonably designed relative to what it is intended to accomplish. A second possibility might be to eliminate some activities entirely, but, on this score, the Mission is convinced of the importance of the interrelationships among Project constraints discussed in Part II of the Project Paper and sees the need to address them in some kind of integrated manner. A third possibility might be to phase Project activities in a staggered fashion, but, realistically, there is relatively little latitude over and beyond the phasing that is already built into Project design. A fourth possibility might be to split the Project into a number of separate projects, but such a change would really be no more than cosmetic. If one is convinced of the need to take an integrated approach to address the variety of constraints to effective agricultural policy formulation and implementation in Peru -- as the Mission is -- than whether the Mission's response is packaged as one project or as a number of projects, the implications for implementation are virtually the same. In either case, approximately the same degree of management attention is required, which leads to the second major issue raised at the Mission's review.

Issue 2. Given the broad scope and ambitiousness of the Project, considerable management attention will be required. Are the implementation arrangements that are proposed for the Project consonant with its scope and complexity?

Response. If one accepts the need to implement the different activities that are proposed, then this issue is key, both for GOP and USAID/Peru management.

GOP Management Project design calls for Project coordination to be exercised by the Agricultural Sector Planning Office (OSPA) of the Ministry of Agriculture. During Project design, a number of other institutional arrangements were considered. Of these, the most attractive alternative was a proposal to set up a Special Project Office similar to the Special Project Offices that have proven to be effective in other Mission-supported projects. The rationale for rejecting such an arrangement in this case has to do with the nature of the Agricultural Planning and Institutional Development Project. In contrast to other projects in the Mission's portfolio, the proposed Project has the objective of institution building as its core. Virtually all Project activities are designed to continue beyond the life of the Project as part of institutional entities that either exist currently or will be created under the Project. To create what would be essentially an ad hoc unit to coordinate such activities would be anomalous, to say the least. Moreover, experience to date under the IDB-supported Agricultural Sector Program suggests strongly that donor support to projects of this kind should generally be channeled through existing institutions, if it all possible, not through Special Project offices. Additionally, in the case of the Agricultural Planning and Institutional Development Project a Special Project Office would not have a unique role to play. Since OSPA is charged by law with the responsibility for coordination of internationally financed technical assistance, it is the natural candidate for assuming responsbility for coordination of Project activities. Furthermore, it is interested in doing so. As discussed in Part V of the Project Paper, each Project activity will have its own Activity Manager and OSPA, through its Project-funded Project coordinator, will be charged with coordinating their activities in such a way that the Project's integrated objectives can be achieved. Furthermore, for support required and the highest executive level of the Ministry, the Project Coordinator will be able to call on the assistance of the Vice-Minister's Special Assistant for Management Improvement, who will also be funded under the Project.

USAID/Peru Management In deciding to go ahead with this Project, the Mission is fully cognizant of the management burden that its decision carries with it. Consequently, it is prepared to assign a Project Manager full time to the Project, and Assistant Project Manager full time to the Project, and two other personnel part time to the Project as well.

Issue 3. Low public sector salaries are a, if not the, major deterrent to the public agricultural sector attracting and retaining highly qualified personnel and motivating high performance. Since the Project is premised on attracting and retaining such personnel, how sanguine can one be as to the Project's long-term institutionalization impact?

Response. Needless to say, the Agricultural Planning and Institutional Development Project, by itself, cannot effect a wholesale improvement in Peru's public sector salary structure. This is particularly so in light of the country's current severe fiscal crisis. Nor can the Project simply put on "rose-colored glasses" and assume that things will gradually get better. The Project therefore takes a middle ground. Specifically, it calls for a number of different activities that not only address pressing short-term constraints

but, in concert, also have the potential for creating an environment in which significant policy changes can be made for the long-term. The activities in question include: financing of a number of key administrative and technical personnel during the Project's life; conduct of studies leading to recommendations on options for affecting long-term changes; development of a Personnel Management Strategy for Ministry of Agriculture employees that takes salary constraints explicitly into account; development of permanent institutional mechanisms through which at least key public agricultural sector personnel can be compensated adequately; and formulation of policies to assure continuity of financial support to keep such mechanisms operational over the long-term.

H. Summary Findings

The Project Development Committee has reviewed all aspects of the proposed Agricultural Planning and Institutional Development Project and concluded that the project is institutionally, financially, economically, technically, socially, and environmentally sound and consistent with the development objectives of the GOP and with Mission strategy and objectives.

I. USAID/Peru Project Development Committee

Loan Officers:	Edward Kadunc	
	Cesar Espino	
	George Wachtenheim	
Agricultural and Rural Development Officers:	David Bathrick	
	David Flood	
Program Officer:	Robert Maushammer	
Controller:	Michael Rogal	
Regional Legal Advisors:	Thomas Geiger	
	Annette Adams	
AID/W TDY:	Richard Whelden	
TDY Assistance:	Abt Associates	IADS
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II. BACKGROUND

A. Country Setting

In 1968, a military government was established in Peru that carried out a large-scale agrarian reform and socialized much of the economy. Many private activities were replaced by state enterprises, and regulations and controls on the private sector were increased. Large numbers of professionals emigrated. Agricultural education, research, and extension institutions were severely weakened as priority was given to the agrarian reform. High public sector deficits, savings-investment gaps, and heavy external borrowing were the norm.

The Belaunde government, which returned the country to democratic rule in July 1980, has blunted or reversed much of the public-sector-oriented policy direction of the military government. Since that time, a greater reliance on the market place has been expressed and demonstrated. In order to stimulate agricultural recovery, the government lowered duties on agricultural inputs in April 1981 and opened an expanded line of credit for agricultural loans the following July. Import duties on many food products have been reduced. The GOP has also adopted a policy of gradual elimination of price controls on producer prices of foodstuffs. As of March 1, 1981, price controls on most agricultural commodities were dropped. The exceptions were rice, sugar, low-cost bread and noodles, and evaporated and recombined milk. Many problems persist, however, despite these important new policy directions: high inflation; substantial distortions of price, interest rate, and tax incentives; widespread unemployment and underemployment; sluggish overall development; and weakness and rigidity in public administration. Of all sectors, the agricultural sector has probably borne the heaviest brunt of these problems. Furthermore, the recent drought in the southern part of the country and the excessive rains in the northern part of the country have served to exacerbate the impact of these problems still further.

B. Project Setting

The Belaunde administration has selected the market with its price signals as its overall principle of policy coherence and looks to the private sector as its vehicle for restoring dynamism to Peruvian agriculture. The transition from heavy government intervention to reliance on the market has not proven to be easy, and a number of problems persist into the administration's third year.

The Ministry of Agriculture has been subject to several dramatic reorganizations, redirections, and changes in national economic and agricultural policy over the last decade. Within the last four years alone, there have been three major reorganizations that have caused confusion, uncertainty, and general demoralization of Ministry personnel.

Expansion of agricultural production is severely constrained by extremely limited cultivable land. This constraint is exacerbated by high proportions of long-term fallow land in the Sierra and inefficient water management throughout the country. The country is also plagued with frequent

droughts -- a costly three-year drought in the northern part of Peru ended in late 1980 and a current drought has reached crisis proportions in the southern part of the country. Production in the Sierra is also affected by frosts, and by severe erosion and flooding caused by deforestation, overgrazing, and inappropriate land use. The prevalence of diverse micro-climates in the Selva and Sierra further complicates technology development and transfer.

Weak and ill-conceived or mismanaged "support" services have hindered agricutural development in a variety of ways. Research and extension services have been severely limited since the dismantling and integration into the Ministry of Agriculture of the Agricultural Research and Promotion Service (SIPA) in 1969. Policies of the military government resulted in a loss of significant numbers of qualified personnel, as well as a steady decline in operating budget funds, equipment maintenance, and operating standards. Management of agricultural enterprises created by the agrarian reform program has been affected adversely by the transfer of "ownership" to large numbers of inexperienced former laborers on large haciendas. Many of the new organizations have hired managers to oversee operations, but conflicts between workers and hired management have had negative effects on production.

Marketing of agricultural and livestock products has been disrupted by pervasive and often inconsistent government interventions -- price controls, regulations, subsidies, and actual takeover by the State of numerous marketing functions, several on a monopoly basis. Sources of medium- and long-term agricultural credit, including those for short-term relending, have virtually disappeared in recent years. The one exception is the Agrarian Bank (BAP). In 1979, BAP credits covered only 19.7% of land under cultivation. Producers of cotton, rice, corn, and coffee accounted for 72.2% of this total, and associative enterprises received 56% of total BAP lending in 1980.

Many of the problems of public enterprises and operating agencies are a function of the structure and quality of management. For large public enterprises such as the government marketing agencies and the government food retailing system, these problems exist at the national headquarters level, at the regional distribution center level, at the subsidiary or affiliated company level, as well as at the local outlet level. Many public functions in agriculture have been turned over to semi-autonomous institutes. Restricted budgets, low salaries, political patronage, and the limited pool of capable talent, however, all contribute to serious weaknesses in the ability of these institutions to attract and keep capable administrative and technical management personnel.

The national policy making apparatus for the agricultural sector includes a number of actors. The majority pertain to the Ministry of Agriculture: the Office of the Minister, the Agricultural Sector Planning Office, the Office of Agricultural Statistics, and various semi-autonomous institutes. In addition, other public entities participate in the public agricultural policy making process: the National Food Council, the National Planning Institute, the Departmental Development Corporations, the Agrarian Bank, the Ministry of Economy, Finance, and Commerce, etc.

During the military government, the policy making function was weakened severely as many former management and technical level personnel were

removed for political reasons and others were reassigned to manage agrarian reform activities. Many others left during the mid-to late-1970s because of the personal financial squeeze caused by high inflation and low public sector salaries.

This severe "brain drain" and "executive flight" resulted in the departure of leading Peruvian public agricultural sector professionals to work in agencies such as the World Bank, IDB, OAS, IICA (Interamerican Institute for Agricultural Cooperation), FAO, UNDP, and the private sector. In addition, many farm owners, managers, and technicians who worked on farms expropriated during the agrarian reform were forced into other occupations in Peru or emigrated to other Latin countries, where they started their own farms or worked for existing farm enterprises. The lack of capable management -- administrative and technical -- throughout the policy making structure is critical. Adequate upgrading cannot be achieved with many existing personnel, and only a limited number can be attracted from other sectors and from foreign positions.

In short, the problems of the agricultural sector are complex. Moreover, they are widespread. They cut across a broad spectrum of activities that are essential for effective sector performance, from the formulation of policy through to its implementation.

C. Statement of the Problem

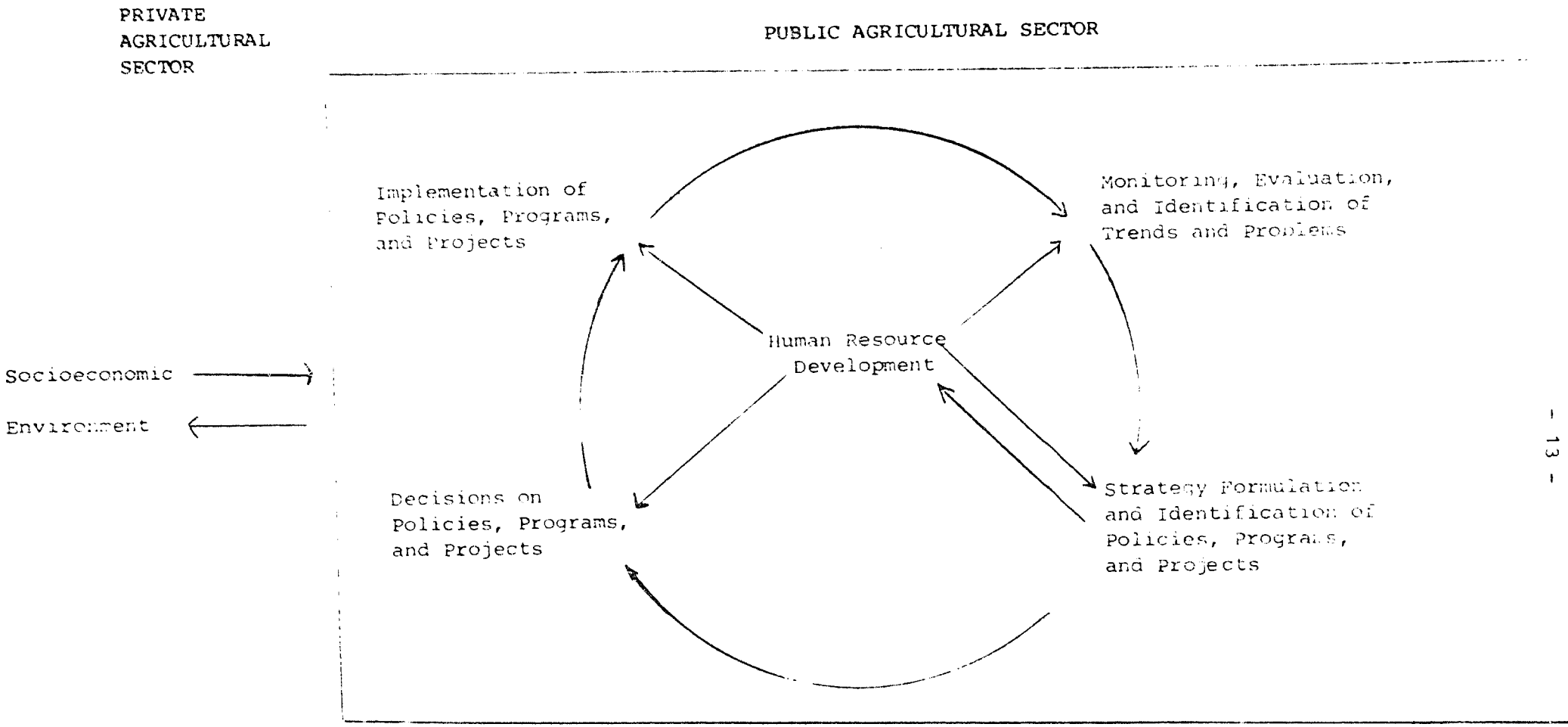
As just discussed, the problems that the Belaunde administration faces in redynamizing Peruvian agriculture are not unidimensional; they are multifaceted and interrelated. As the Mission's FY 1984 Annual Budget Submission indicated: "The present administration, upon taking office in mid-1980, was confronted with a depressed agricultural sector, a large and listless agricultural bureaucracy, and a complicated, confusing set of government institutions and regulations which made doing business extremely difficult for farmers and agro-industrialists alike ...."

Schematically, the various activities that take place in an agricultural sector can be depicted as in Table II-1. The table is obviously simplified, but it does have the advantage of highlighting the principal functions that are performed by the public agricultural sector and its relationships with the private sector. In abbreviated form, the public agricultural sector can be seen as engaged in a continuous series of interrelated activities -- the monitoring, evaluation, and identification of trends and problems; strategy formulation and the identification of policies, programs, and projects; making decisions on policies, programs, and projects; and implementation of policies, programs, and projects. Central to the performance of each of these activities are capable personnel, which in turn is influenced by the public agricultural sector's human resource development strategies and policies.

Ultimately, the performance of the agricultural sector is a function of the behavior of agricultural producers -- or, in more general terms, of the socioeconomic environment in which agricultural production takes place. The public agricultural sector interacts with the socioeconomic environment in two

Table II-1

THE AGRICULTURAL SECTOR 1/



1/ Adapted from Abt Associates Inc., "Final Report: Evaluation of Agricultural Sector Planning Activities in Latin America and the Caribbean," Cambridge, Massachussets, June 1982.

ways: it affects the performance of the private sector by the policies that it formulates and implements, and it also reacts to sector problems and the various interests and pressures that the private sector generates.

In the case of Peru, the Agricultural Planning and Institutional Development Project is designed to address the key problems that affect the performance of each of the different activities in Table II-1. These problems are discussed in the following section, entitled, "Constraints." The Project design recognizes explicitly that policy formulation and policy implementation are two sides of the same coin. Neither takes place in a vacuum, and each makes sense only with the other. Furthermore, the project is novel -- and, presumably, more realistic than other projects of a similar nature -- in that the private sector is not seen as an appendage to the policy formulation and management process. Among the constraints to be addressed by the Project are constraints that affect the participation of the private sector, not only in the execution of policy, but in its formulation as well.

Since the catalog of constraints that follows can be seen as painting a somewhat disheartening picture, it is important to stress that problems offer opportunities as well. As the "Report of the U.S. Presidential Agricultural Mission to Peru" notes: "The Government has already done much, but there is more to be done. The private sector need only be given the chance to function, to re-generate itself, to respond to incentives. The most powerful incentive of all, is to improve one's way of life. There is no doubt about the presence of that incentive in Peru's farmers. We observed it over and over during our two weeks in Peru. If they are turned loose, and helped in a modest way, they will respond eagerly and effectively to Peru's leadership, broad policy orientation, and determination. We are optimistic about the future of Peruvian agriculture and agroindustry."[1/] The report also stated that: "The challenge of getting the most out of the Peruvian agricultural sector is an awesome one, but the opportunity is there."[2/]

Such a context offers an environment in which one can be relatively sanguine about the potential impact of a project that is geared to strengthen Peru's policy formulation and management capability. Moreover, experience in other countries suggests that demand for such capability is the key to such a project's success and, as discussed below, there is ample evidence that actual and potential demand are both substantial.

1/ "Report of the U.S. Presidential Agricultural Mission to Peru," p. 4, April 1982.

2/ Ibid., p. 1.

D. Constraints

The principal constraints to managing the transition to a market-oriented economy for agriculture are as follows:

1. Policy Analysis and Formulation Capability

Institutionally, agricultural policy is not given the direct attention that is given to exchange rate, inflation reduction, and tariff and subsidy policies, nor are the effects of these policies on the agricultural sector given thorough analytical attention. Thus, there is a lack of well defined options, as well as systems and mechanisms for setting agricultural policy.

2. Information

There is no data base that permits solid analytical work to be carried out. Significant structural changes have occurred in Peru since the 1972 Agricultural Census, but there has been no quantification of these changes. Crop projections cannot be made. Supply elasticities are not available. This not only makes policy discussions opinion forums, but also impedes the functioning of markets, since producers and entrepreneurs do not have information on which to make planting and investment decisions.

3. Management Systems

At the present time, neither the Ministry of Agriculture nor its decentralized institutes have adequate systems to identify programs and projects that are going off track, what the causes of the problems may be, and what remedies may be called for. Management of projects is plagued by a lack of sound procedures and trained personnel to deal with activity specification, scheduling, resource allocation, organizational arrangements, reporting, monitoring, etc. Information from field levels arrives too late for timely executive consideration, is too detailed, fails to identify key problems, and does not lay out alternatives for corrective action. Moreover, financial data are not related to physical progress, and administrative support systems are not responsive to program needs. This is particularly the case for budgeting, accounting, supply, and personnel systems. In addition, no systems are set up to deal with emergencies as they arise. During the past year, the Ministry's response to the series of crises that have plagued the country -- avalanches, floods, drought, supply shortages, etc. -- can be characterized, at best, only as ad hoc.

4. Human Resources

The shortage of well trained and experienced administrative and technical management talent is a serious constraint to economic and social development in Peru. This talent is in especially short supply in the agricultural sector for the following reasons:

- Agrarian reform activities and political attitudes against the "oligarchy" during the military government forced a higher proportion of

management talent out of the agricultural sector (into less politically sensitive sectors and outside Peru) than was the case for most other sectors of the economy.

- In general, the agricultural sector has not been able to compete with more dynamic sectors such as mining and energy because salaries and perquisites are low, limited opportunities exist for advancement and job satisfaction, and many positions require living in rural areas or small towns where social amenities, services, and living conditions are much less attractive than in Lima and other major cities.

- There is a traditional attitude that a career in agriculture does no carry the status of a career in many other sectors.

- According to a recent publication by the International Service for National Agricultural Research (ISNAR) concerning resource allocations to national agricultural research programs, Peru has on a percentage basis one of the lowest levels of advanced degree agricultural scientists in Latin America. This contrasts sharply with the high level that it enjoyed in the 1960s.

Thus, there is an absence of personnel within the public sector with the capability to carry out the analytical work required to give voice and presence to the development of agricultural policies and to implement the programs and projects that flow from policy decisions.

5. Linkages with the Private Sector

No mechanism exists for information to flow back and forth between government and producers. This inhibits producers from influencing policy and deprives the government of direct and timely communication with producers. The capacity, responsiveness, and indeed the definition of the private sector are unclear, and no effective mechanism exists for private sector groups to participate in the formulation of agricultural policies.

E. Project Rationale

The current government's expressed desire to implement broad policy changes that will have profound and lasting effects on the agricultural sector and the limited success that the GOP has had to date in identifying and, more importantly, implementing these policy initiatives point to the need for a systematic way of identifying and implementing new policy directions. The GOP views the agricultural sector as the key to sustained development in the country, and the stimulation and expansion of private sector activity as an important component within this strategy. In contrast to the interest of the GOP, the response of the private agricultural sector has been disappointing to government policy makers. They now realize that many of the policies of the government, although intended to produce a sharp increase in production through private farming and agroindustrial activities, have produced at best only feeble responses and at worst have created disincentives to increased investment and production. There now exists a significant awareness on the

government's part that in order to develop and implement policies that produce intended effects, prior analysis and review of policies is required, as well as consultation with affected private sector organizations.

This type of analysis is most appropriately the responsibility of the Ministry of Agriculture, yet organizationally and technically, it is the least qualified of the many institutions that now influence agricultural policy to carry out this responsibility. This lack of capacity and the awareness at the highest levels of the Ministry of Agriculture, the Ministry of Economy, Finance, and Commerce, the Central Reserve Bank, and private sector agricultural organizations that it is crucial that the Ministry of Agriculture possess this capacity have produced the objective conditions under which a project of this nature can have its greatest impact.

The U.S. Presidential Agricultural Mission to Peru took a careful look at the principal issues facing Peruvian agriculture. Its report, which was very well received in Peru, made a number of statements relevant to the present project. It is worthwhile to quote one section at some length.

> In this regard the establishment of a clear and consistent agricultural policy is of fundamental importance. This should start with an evaluation of Peru's production prospects for both the domestic and the international markets. Such analysis should provide a basis for establishment of a sound agricultural price policy which gives reasonable price security to producers and reasonable supply security to consumers. To accomplish this, goals and objectives need to be long-term -- perhaps established in a five-year plan -- to develop public confidence and reduce uncertainty. Where support prices are necessary or desirable for public policy reasons, they should reflect production efficiencies and should be established prior to planting time.
>
> It would also be desirable to establish a mechanism for maintaining a dialogue with the private sector and obtaining its input, understanding and acceptance of policy decisions. This could be done through an advisory committee system (similar to the one used in the U.S. for trade negotiations) with an overall policy committee chaired by the Minister of Agriculture with representation from the major interest groups and individual commodity committees for the major crops. Committee representation should span the entire marketing spectrum from producer to consumer. Open discussion should be encouraged, but it should be clear that the committee recommendations are 'advisory' to the Peruvian government.

> In evaluating Peru's agricultural policymaking apparatus, the issue of staffing immediately comes to the fore. President Belaunde and others who are deeply immersed in policy formulation simply cannot make sound decisions unless they have top level staff support. Today there is just not enough depth or breadth of analytical talent in the Peruvian Government to provide the quality of analysis that is needed. The inadequacies are particularly apparent in the Ministry of Agriculture, which does not have sufficient trained people to do economic analyses essential to considered decisionmaking.1/

A recent comprehensive evaluation of agricultural sector planning activities in Latin America and the Caribbean over the past decade points to a critical bottleneck that often frustrates attempts to promote effective agricultural policy analysis, formulation, and implementation.2/ This is the absence of a demand for data and analysis to support sound policy formulation. In light of this experience, the question of demand must be faced squarely.

There are three elements that can be examined to assess the current demand for policy analysis in Peru. The first is general expression of interest. On this account, the environment appears quite supportive. Second, the objective conditions in Peru seem to be supportive as well. The government is pushing forward with agricultural development as the center of many of its programs. Policy is changing quite rapidly, but without the benefit of data or analysis. Thus, the need for data and analysis as inputs to sound decisions is great. Finally, the regime is attempting to involve producer associations as participants in the policy formulation and implementation process. One way of doing this is to provide them with the benefits of public sector data and analysis and to support the capacity of producer associations to initiate and review policy studies. Thus, the objective conditions are quite favorable for a positive response to an improvement in broad-based data and policy analysis capability.

The third element, and ultimately the most important, is an estimate of the effective demand for data and policy analysis. Although no such estimate can be firm, there are a number of aspects that can be integrated into a positive or negative indicator of final demand. If conditions are favorable, as they appear to be in Peru, and if the process is designed so that use of data and policy analysis is an explicit objective,

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1/ Ibid., p. 8

2/ See Abt Associates Inc., "Final Report: Evaluation of Agricultural Sector Planning Activities in Latin America and the Caribbean," Cambridge, Mass., June 1982.

then the lack of demand that has beset many such projects in the past can be expected not to materialize. Rather, the anticipation will be that potential users of the products of data and policy analysis will see them as useful and demand for such products will be further developed.

Examination of existing documentation and interviews with a wide spectrum of government and private sector personnel reveal positive expressions of interest by a large number of groups of all kinds. The breadth and consistency is impressive. In some cases, the expressions are an outgrowth of Mission support, for example, recommendations of the University of Minnesota price policy study team headed by Dr. Edward Schuh. In others they are contained in documentation that expresses the desires of particular groups. And, finally, there are the specific points of view that were expressed in interviews with the Minister and Vice Minister of Agriculture, private sector agricultural organizations, Ministry of Economy, Finance, and Commerce personnel, Regional Development Corporation officials, etc. Particularly noteworthy is the broad-based concern for sound agricultural policy expressed by representatives of various producer groups throughout the country. These diverse expressions of interest indicate that there is a potential effective demand that can be cultivated and increased by the results of the policy analysis process. A significant preliminary indicator is the additional demand for analytical work that has followed the University of Minnesota team visit.

F. Project Strategy

The strategy that the Mission has chosen for the design of this Project focuses on assisting the GOP to implement the many policy reforms required to remove existing constraints to expanding private sector activities in agriculture. It builds on the recommendations of the Presidential Agricultural Mission, the September 1982 initiative in entering into the Agricultural Sector Planning Limited Scope Grant Agreement, and the price policy study conducted by the University of Minnesota team. The project will assist the GOP to identify and execute agricultural sector policy reforms through policy analysis, the development of key policy initiatives, and the implementation of programs that flow from them.

In order for rational policy development to take place, the Ministry of Agriculture will carry out studies to develop the necessary policy initiatives. The study will address such issues as pricing policies for agricultural commodities, water tariffs, input prices, public sector management systems, the role of the private sector, etc., to name just a few. In order to carry out these studies, a data collection system, analysis capability, and trained manpower are required. Thus, to respond to this challenge the Ministry of Agriculture will require an organizational structure and trained personnel capable of dealing with issues at the highest policy levels. This necessitates not only training, but initially a structured experience in carrying out such policy studies and in obtaining the political endorsement required for successful implementation. Trained personnel will be needed at all levels, in both the public and private sectors, in order for the agricultural sector to respond appropriately to policy initiatives.

The Mission strategy is to bring these various components together to provide the Ministry, and through it the rest of the government and the private sector, with the tools to analyze rationally and objectively the policy initiatives that are required to carry out national economic policy. This requires having the means to evaluate the costs and benefits of each such proposed action and taking decisions based on as full knowledge as possible of the effects of each such policy.

Thus, the Project will provide the basis for development and implementation of coherent agricultural policy. It will support the high priority that the GOP attaches to the establishment of a coherent policy framework for agriculture, the improvement of management practices in the sector, upgrading of professional training, and forging linkages with the private sector. It will do this by meeting and expanding demand for information and analysis for agricultural policy making, improving the information base for policy analysis, improving the capacity of the GOP to conduct policy analysis, upgrading the management practices of sector institutions, expanding professional training, and establishing links between private producer organizations and policy makers. These are all themes that were highlighted by the Presidential Agricultural Mission as being particularly important in resolving Peru's agricultural problems.

G. Relationship to USAID Development Assistance Strategy

1. Relationship to Overall Strategy

In assessing the appropriateness of the proposed Project at this time, it is clear that it forms an integral part of the Mission's agricultural sector development strategy and that it is consonant with the Mission's overall development priorities. The Project is an operational endorsement of the recommendations of the Presidential Agricultural Mission and is in full accordance with recent evolution of Mission thinking on the importance of agricultural policy reform to Peruvian development. As noted in the FY 1984 ABS: "One of the principal constraints still facing private producers and the Ministry of Agriculture is the lack of agricultural data necessary for long, medium, and short-term planning. The Ministry needs a competent staff for effective policy formulation. In addition, producers, processors, and marketers need production and marketing information if the marketing system is to be effective and efficient. To overcome these serious constraints to carrying out policies aimed at making agricultural production and resource allocation responsive to market forces, it is necessary to create a capability to gather and analyze agricultural data which can be used by farmers, agro-industrialists, other processors, marketers, and the government."

The FY 1985 ABS further highlights the importance of the Project: "Since 1980 the GOP has made fundamental economic policy changes to implement a market-led development strategy. Yet further changes are needed in key sectors while pressures to retrogress on progress to date are increasing. An important objective of USAID/Peru will be to undertake a cross-sectoral policy dialogue with the GOP to support policies necessary for

sound, broadly based development. The Mission will . . . assist the GOP to implement more rational agricultural producer price policies and enhance the rational use of scarce resources. Through the Agricultural Planning and Institutional Development Project, a sectoral analysis group will be established within the Ministry of Agriculture to advise the Minister on key policy areas ... Through the Group and direct conversations, USAID will maintain a continuous dialogue on agricultural policy both with the Ministry of Agriculture and its dependencies (particularly the Agrarian Bank) and with other agencies influencing sector policies (particularly the Ministry of Economy, Finance, and Commerce)."

Thus, the Mission clearly perceives the need for the Agricultural Planning and Institutional Development Project, and it provides an important opportunity for AID to assist the GOP in carrying out policy reform designed to stimulate private sector agricultural growth.

2. Relationship to Other AID Projects

The Agricultural Planning and Institutional Development Project is related in a number of ways to other AID-supported activities. Its most immediate relationship is with the Agricultural Sector Planning Limited Scope Grant Agreement that was signed in September 1982. The purpose of the agreement is "to strengthen the agricultural planning, analytical, and implementation capacity of the Ministry of Agriculture through the provision of consulting services, the financing of studies and seminars, and the financing of training visits of selected high level Peruvian personnel to counterpart organizations in the United States (and vice-versa)." The first activity to be financed under the agreement was a study of price policy for major crops by the University of Minnesota. Given the high priority that is attached to policy reform by both the Mission and the GOP, the Mission has recently approved financing of nine other studies of policy importance that will be carried out under the agreement in coming months.

There are four other projects in the Mission's portfolio that have a relationship to agricultural policy analysis, statistics, planning, sector management, and human resource development. The first is the ONERN - Land Use Inventory and Environmental Planning Project, which is organizing aerial photography and satellite imagery for natural resource planning. The second is the Agricultural Research, Extension, and Education (REE) Project which is designed to support INIPA in revitalizing Peru's REE system, including planning of the system, and on-the-job and academic training. The third is the Upper Huallaga Area Development Project, which provides for short- and long-term training, as well as upgrading of regional university academic and support facilities. The fourth is the Central Selva Resource Management Project, in which a regional development policy support unit in the Office of the Prime Minister is charged with developing a long-run development Strategy for the Selva.

The FY 1983 Title I Sales Agreement and Memorandum of Understanding include two innovations related to this Project that are important steps toward the Mission's objective to use Title I as a versatile

development tool. The first innovation was to include specific self-help measures dealing with the implementation of AID-supported (and, to a lesser extent, other-donor-supported) programs and projects. The second innovation was to secure GOP commitment to undertake studies on how best to change several key agricultural sector policies. The policy reforms to be examined are interest rates charged by the Agrarian Bank, support prices for important crops, charges for use of irrigation water, consumer food subsidies, and the role of the State in agricultural input and output marketing. In the case of interest rates and support prices, the GOP also committed itself to change its policies in ways consistent with the Title I sponsored studies.

In addition to the above activities, the Mission is currently in the process of conducting a nutrition sector assessment. The assessment will result in the articulation of a strategy for future Mission-supported nutrition sector activities, including their interrelationships with agricultural policies and concerns.

There are also two AID/W projects that have a direct bearing on the Agricultural Planning and Institutional Development Project. One is the S&T/N-financed Consumption Effects of Agricultural Policies (CEAP) Project. S&T/N has just let a contract to study the impact of agricultural policies on Peruvian consumption patterns over the last decade. The study is expected to be performed with existing data in collaboration with the Agricultural Policy Analysis Group to be created under this Project. The Mission has suggested informally to S&T/N that it may also want to consider supplementing the resources of the Agricultural Policy Analysis Group to finance additional analytical work that may appear to be called for once the initial study is completed in about two years. Since follow-on work, if any, would be a function of the findings of the S&T/N-funded study, however, no provision is made in this Project Paper for any funding of such work.

The second AID/W project that is related to the Agricultural Planning and Institutional Development Project is the LAC Training Project, which will be used to send up to three M.S. degree training candidates to the United States.

H. Relationship to Other Donor Activities

The GOP has just negotiated a five-year project with the World Bank to strengthen the capacity of the National Agrarian University (UNA) to expand its human resource development and research responsibilities. The $17.0 million loan will provide improved campus facilities; outreach, research, and extension facilites; laboratory and support equipment; and advanced degree training to 56 faculty members (37 at the M.S. and 19 at the Ph.D level), all of whom will have responsibilities for strengthening the University's graduate program. Through the project UNA will triple its level of graduating M.S. agriculturalists over a five-year period. The main constraint confronting the University as it undertakes this project is its ability to simultaneously develop the academic programs to assure graduation of quality M.S. degree

students, while sending 56 faculty members on long-term training. The Agricultural Planning and Institutional Development Project directs its attention to filling this void.

The Agricultural Planning and Institutional Development Project also complements a second World Bank project, which is directed to improving annualoperating planning and budgeting throughout the public sector. Under this project, the World Bank is financing 2,000 public administration traineeships for public sector employees to study at the School of Advanced Studies in Business Administration (ESAN) and the University of the Pacific.

The GOP is the recipient of an $80 million loan from the Inter-American Development Bank that is entitled "Agricultural Sector Program." The program is set up as a Special Project Offfice in the Ministry of Agriculture and funds a broad range of infrastructure activities. The program contains a $2.0 million grant component that will fund long-term consultants whose responsibilities will be complementary to the activities to be performed under the Agricultural Planning and Institutional Development Project. Thus, IDB-financed technical assistance in statistics is directed toward the establishment of a computer data bank, not toward data collection; assistance to the Agricultural Sector Planning Office is directed toward the reestablishment of the office's large agricultural sector model; assistance is provided to establish a market information system, but not to develop more reliable production information. As can be seen from Part III, therefore, the IDB-supported project will likely use data from the Project supported by USAID, but the two projects are complementary, not competitive.

The Interamerican Institute for Agriculture Cooperation has recently entered into a broad technical cooperation agreement with the National Development Foundation, a private research institution. The agreement touches upon a number of issues related to agricultural development in Peru, and includes a component for technical cooperation under the IDB-supported project. The agreement is again complementary to the Agricultural Planning and Institutional Development Project in that it offers a potential source of related technical expertise.

In sum, there are a variety of other donor activities that bear some relationship to the Agricultural Planning and Institutional Development Project. In the main, however, the vast majority of other donor support to the agricultural sector focuses on area development, irrigation, credit, etc., and only peripherally on policy. The Agricultural Planning and Institutional Development Project is designed to fill this significant gap, as well as to serve as a cornerstone for the Mission to conduct an effective dialogue on agricultural policies with the GOP in the future.

III. DETAILED PROJECT DESCRIPTION

A. Project Goal and Purpose

The Agricultural Planning and Institutional Development Project is a direct response to the recommendations of the U.S. Presidential Agricultural Mission. It supports the high priority that the GOP attaches to the establishment of a coherent policy framework for agriculture and the expansion of capacity to translate this framework into effective action. It is designed to meet and expand demand for sound agricultural policymaking, to strengthen the capacity of the GOP to conduct policy analysis, to improve the information base for such analysis, to upgrade the management capacity of agricultural sector institutions, to expand the base of professional competency in the sector, and to forge effective links with the private sector in the policy formulation process.

The goal of the Project is to increase agricultural production, raise farmer incomes, and satisfy consumer demand. The purpose of the Project is to increase GOP capacity to formulate sound, coherent agricultural sector policies, and to manage implementation of these policies effectively. The Project purpose will be achieved through:

- Meeting current demand and stimulating increased demand for information and analysis for agricultural policymaking;

- Upgrading the capacity of the GOP to conceive and assess the pros and cons of agricultural policy alternatives;

- Improving the information base for agricultural policymaking;

- Strengthening the capacity of public agricultural sector institutions to perform their mandated functions efficiently and effectively;

- Broadening the human resource base of technical and management talent in Peru; and

- Creating mechanisms for effective systematic participation of the private sector in the policy formulation process.

B. End-of-Project Status

The Project will result in a number of outcomes that, in combination, will indicate achievement of the Project purpose. These outcomes will be:

1. Strengthened GOP capacity to conduct policy analysis:

a. A permanent, capable Agricultural Policy Analysis Group will be established in the Ministry of Agriculture. The Ministry, through the Group, will have the lead responsibility within the government for development and assessment of alternative medium- and long-term agricultural sector strategies and policies.

b. The Ministry of Economy, Finance, and Commerce will have the technical capability to assess specifically the impact of macroeconomic policies specifically on agriculture.

c. The Agricultural Sector Planning Office of the Ministry of Agriculture will have systems in place for monitoring and evaluating the impacts of agricultural sector policies, programs, and projects.

2. An improved information base for policy analysis:

a. A national rural household survey will be conducted to obtain up-to-date information on the socioeconomic characteristics of rural households. The data from the survey will be used extensively in analysis of agricultural policies.

b. A continuous system of area and production statistics will be established. The system will provide reliable estimates of areas planted in different crops and of the production that can be expected from these plantings.

c. Capacity will be developed to provide early-warning information on the impact of weather and climate on agricultural production. Concise agroclimatic assessments will be prepared every ten days of the anticipated impact of weather conditions on the agricultural sector.

3. Increased capacity of public agricultural sector institutions to manage implementation of agricultural policies, programs, and projects:

a. The Ministry of Agriculture will have institutionalized mechanisms to identify and resolve management problems. A long-term Personnel Management Strategy will be developed and implemented.

b. The Ministry of Agriculture will have institutionalized a mechanism to provide adequate salaries to retain highly qualified management personnel, attract new management talent, and motivate high performance.

c. The National Institute for Agricultural Research and Extension will have established administrative tools -- policies, systems, and procedures -- to carry out its programs in an effective and efficient way.

4. An expanded base of well qualified professional personnel:

a. The Ministry of Agriculture will have an ongoing, active advanced training program. The number of Ministry personnel with advanced training will increase dramatically.

b. The National Agrarian University will be revitalized as a center of graduate education in agriculture. Its faculty will be stabilized and developed, supporting infrastructure will be expanded, and active linkages will be established with a variety of U.S. academic institutions.

c. The University of the Pacific, through its M.S. program in economics, will be a center of expertise for training of public and private sector personnel in agricultural policy analysis.

5. Increased private sector participation in the formulation of agricultural policies:

An Agricultural Policy Analysis Unit will be established in the private sector. The Unit will be a mechanism for diffusion of information and analysis on issues of policy importance, a center for studies of agricultural policies, and a conduit for studies by a braod spectrum of rural organizations.

C. Project Activities

The Project will consist of five interrelated components. The components correspond to, and address, the constraints to the formulation and implementation of agricultural policy discussed in Part II D. Within each component, there will also be one or more specific activities.

The components of the Project, together with their associated activities, are:

Component I: Agricultural Policy Analysis Support ($4,740,000)

Activity 1: Creation of Agricultural Policy Analysis Group in Ministry of Agriculture ($3,216,000)

Activity 2: Support of Division of Economic Studies in Ministry of Economy, Finance and Commerce ($554,000)

Activity 3: Support of Monitoring and Evaluation Capability of Agricultural Sector Planning Office ($970,000)

Component II: Information Support ($5,103,000)

Activity 1: National Rural Household Survey ($1,466,000)

Activity 2: Continuous Ssytem of Area and Production Statistics ($2,772,000)

Activity 3: Agroclimatic Impact Assessments ($865,000)

Component III: Management Support ($4,060,000)

Activity 1: Improving Management of Ministry of Agriculture ($2,160,000)

Activity 2: Salary Support for Public Agricultural Sector Administrators ($1,500,000)

Activity 3: Strengthening Managerial Effectiveness of National Institute for Agricultural Research and Extension ($400,000)

Component IV: Human Resource Development Support ($8,660,000)

Activity 1: Advanced Training ($3,275,000)

Activity 2: Support of National Agrarian University ($4,855,000)

Activity 3: Support of University of Pacific ($530,000)

Component V: Private Sector Support ($990,000)

Activity 1: Strengthening Participation of Producer Organizations in Agricultural Policy Formulation ($990,000)

The dollar values in parentheses reflect the AID and GOP counterpart contributions, under the Project, to the different components and activities. Some activities will also receive financing from sources other than the financing approved in this Project Paper. Specifically, the activities that will receive additional financing are:

- National Rural Household Survey -- An additional $45,000 will be financed under the Agricultural Sector Planning Limited Scope Grant Agreement.

- Continuous System of Area and Production Statistics -- An additional $30,000 will be financed under the Agricultural Sector Planning Limited Scope Grant Agreement.

- Agroclimatic Impact Assessments -- An additional $160,000 will be financed with AID/W grant funds (OFDA/NOAA).

- Strengthening Managerial Effectiveness of National Institute for Agricultural Research and Extension -- An additional $438,000 will be financed with AID loan funds under the Agricultural REE Project, $699,000 will be financed with GOP counterpart funds under the Agricultural REE Project, and $200,000 will be financed with grant funds from the World Bank.

- Support of University of the Pacific -- An additional $25,000 will be contributed by the University.

- Strengthening Participation Producer Organizations in Agricultural Policy Formulation -- An additional $164,000 will be contributed by private sector producer organizations.

Each of the activities listed above, is described in detail in what follows.

1. Agricultural Policy Analysis Support

a. Creation of Agricultural Policy Analysis Group in Ministry of Agriculture

i. Statement of the Problem

Article 188 of the Constitution singles out agriculture as the priority sector of the Peruvian economy. The Agrarian Development and Promotion Law and the Organic Law of the Agricultural Sector both reinforce this emphasis and charge the Ministry of Agriculture with lead responsibility for formulation and direction of agricultural sector policy. Far from exerting policy leadership, however, the Ministry is commonly seen as simply a weak sister to the Ministry of Economy, Finance and Commerce (MEFC). In practice, it is limited technically in its ability to assess the pros and cons of MEFC proposals on exchange rate, inflation reduction, tariff and subsidy policies and to trace out the anticipated impacts of such alternatives on the agricultural sector. Its ability to set price policy, which falls under its own purview, is similarly constrained. Consequently, the Ministry is not seen as a leader with a sense of direction. On the contrary, it is seen largely as an entity that does little more than react to external events -- an image that has been accentuated even further by the Ministry's need to respond to the series of crises that have plagued Peruvian agriculture over the past year.

Within the Ministry, the Agricultural Sector Planning Office (OSPA) is the unit that is nominally responsible for analysis of policy alternatives and taking the lead in policy formulation. As a day-to-day matter, however, the bulk of its time is taken up with short-term, "firefighting" activities. It only has two personnel with advanced degrees, both M.S.s. At the present time, OSPA plays only a marginal role in the limited policy analysis work that is conducted by the Ministry and one cannot be sanguine about the potential for OSPA to assume the leadership for policy formulation for the agricultural sector for the foreseeable future. In sum, therefore, although the Ministry is tasked with the responsibility for leadership in formulating agricultural policy, it lacks the technical and institutional wherewithall to do so.

ii. Response to the Problem

The various entities of the GOP that are concerned with agriculture, Peru's private sector, and the Mission have all become increasingly convinced that the revitalization of Peruvian agriculture depends critically on the capacity of the government to set sound agricultural policies to create an environment in which the "rules of the game" are clearly defined and incentives are structured appropriately to meet agricultural sector objectives. At the present time, such capacity is, at best, embryonic. Consequently, the Project will take concerted action to establish this capacity. Specifically, it will establish an Agricultural Policy Analysis Group in the Ministry of Agriculture that will have the lead responsibility within the government for development and assessment of alternative medium- and long-term agricultural sector strategies and policies.

In making the establishment of a new Agricultural Policy Analysis Group within the Ministry the focal point of its strategy to respond to the pressing constraints to effective agricultural policy formulation in Peru, the Mission has been influenced heavily by the findings of the recent regionwide evaluation of agricultural sector planning activities. 1/ As discussed in Part II, the key lesson of the evaluation is that agricultural sector policy analysis and planning projects must focus on demand for information and analysis for agricultural policymaking. The evaluation concludes that lack of demand has been the central constraint to effective agricultural sector planning in the past and suggests that AID-supported activities be geared explicitly to the generation of demand in the future. Fortunately, the substantial and widespread demand for information and analysis for agricultural policymaking in Peru at the current time bodes well for implementation of the Agricultural Planning and Institutional Development Project. Moreover, the Project is designed in a conscious attempt to stimulate additional demand in the future.

The regional agricultural sector planning evaluation 2/ also suggests a number of other lessons for Project design. Among the lessons that have influenced the modus operandi that is proposed for the Agricultural Policy Analysis Group are the following:

- AID's conventional emphasis on capacity building is generally well placed. Nevertheless, if conflicts emerge between the objectives of institutionalization of capacity and the production of outputs, it is recommended that the balance be tipped toward production. Decisionmakers will only come to "want" policy analysis if they see that policy analysis is useful. Furthermore, the dynamics of capacity building can be expected to go much more smoothly if decisionmakers are convinced of the need for it.

- Data-related activities have not proven to be an effective lever for triggering analytical work, nor for stimulating demand for analysis. In the future, therefore, it is recommended that AID shift its support priorities toward more directly analytical work. Future AID support of data-related activities should be seen as buttressing the demand process, but not stimulating it.

- It is often through compliance with unappealing, short-term requests that analysts can establish their credibility and spark interest in more thought-out analysis. To the extent that AID can provide support in meeting these requests, it may contribute to the ultimate objective of demand generation.

- As a rule, agricultural policy analysis units should concentrate on fast turn-around, highly focused, problem-oriented studies. Long-term data-intensive activities are wont to run into technical

1/ Abt Associates, Op. Cit.
2/ ibid.

difficulties and often cost far more than initially estimated. If and when agricultural policy analysis units engage in long-term studies, they should produce real, "live" findings on a periodic basis and engage in short-term analytical work as well.

- Analytical methods need to be kept simple. In technology transfer activities, the absorptive capacity of host-country technicians must be kept clearly in mind. There is a real danger that esoteric techniques may never be used after AID support ceases. Thus, as a rule, therefore, analytical methods should be kept simple.

- Effective agricultural policymaking requires leadership and continuity of technically capable personnel. Most countries have problems in attracting and retaining qualified people. Ideally, a critical mass of strong senior and middle-level staff must be created in agricultural policy analysis units.

- Many AID projects pay considerable attention to the number of counterpart personnel that host countries assign to policy analysis units. This emphasis on quantity may overshadow the question of quality. The key is to have a critical mass of well qualified people and, at least after a certain point, numbers may be relatively unimportant.

- Policy analysis cannot be divorced from politics. Internal and external political support is almost a precondition for the effectiveness of a policy analysis unit. A systematic "public relations campaign" can be critical to the maintenance of political support for agricultural policy analysis.

iii. Institutional Arrangements

The Project will support the creation of an Agricultural Policy Analysis Group in the Ministry of Agriculture. Organizationally, the Group will respond directly to the Minister, but will also be guided by a Steering Committee, to be established under the Project, composed of representatives of the public and private sectors. The Group will respond directly to the Minister, Vice-Minister, General Directorates, OSPA, and other staff offices on requests for short-term analytical assistance. The medium- and long-term activities of the group will be defined by the Steering Committee.

The Minister of Agriculture will be the chairman of the Steering Committee of the Agricultural Policy Analysis Group. The Committee will be vice-chaired by a policy-level representative of the Ministry of Economy, Finance, and Commerce. It will also include representatives of such entities as the Central Reserve Bank, the National Institute of Planning, the General Directorates of the Ministry of Agriculture, the Agrarian Bank, other decentralized agricultural sector institutions, Departmental Development Corporations, the National Agrarian Organization, other private sector producer groups, universities, and private research institutions. The Committee will meet every three months to review progress over the previous quarter, to suggest mid-course adjustments to ongoing work, and to approve proposals for new work.

Committee will meet every three months to review progress over the previous quarter, to suggest mid-course adjustments to ongoing work, and to approve proposals for new work.

The Agricultural Policy Analysis Group itself will consist of high-level Peruvian analysts and will be relatively small in size. In accordance with the directives of the Minister and the Steering Committee, the Group will have the primary responsibility in the Ministry for agricultural policy studies, but will not necessarily conduct all such studies itself. Where appropriate, the Group will draw on resources elsewhere within the Ministry. Furthermore, to meet analytical needs that exceed the capacity of the Ministry, the personnel resources of the Group will be supplemented by contracted experts. Under the Project, the Agricultural Policy Analysis Group will have an Agricultural Policy Analysis Fund to contract with Peruvian universities, research institutions, and individuals on an as-needed basis. Already established procedures will be used to permit rapid and flexible procurement of such analytical expertise. Consideration will be given to the establishment of Basic Ordering Agreements with key institutions that have established expertise in agricultural policy analysis. If required, the funding available to the Group will also be able to be used to contract short-term technical assistance outside of Peru.

Upon completion of each medium- and long-term policy study, the Ministry will inform AID in writing of the action that it proposes to take as a result of the study. The intent of this feature of the Project, which will be incorporated as a covenant in the Project Agreement, is not only to facilitate effective Mission dialog with the GOP on agricultural policy issues, but also to minimize the danger of policy study recommendations simply sitting on shelves.

Within the Ministry, the Agricultural Policy Analysis Group will have its major working-level contacts with OSPA and with the Sectoral Statistics Office (OSE). It will provide short-term analytical assistance to OSPA to assist it in performing its short-term consultation function and will receive statistical and data processing support from OSE.

The Agricultural Policy Analysis Group will also maintain close contact with producer organizations and other rural groups. This will provide these entities with an established channel of communication to make their policy concerns known to the government. It will also give the government a mechanism to communicate with the private sector, to diffuse information and analysis, and to involve the private sector in policy deliberations.

Institutionally and operationally, the Group will be set up in such a way as to strike a balance between the need for responsiveness and the need for analytical independence. The Group will be expected to respond to perceived policy issues, and to be attuned to private sector concerns.

iv. Outputs

The Agricultural Policy Analysis Group will be an advisory service to the Minister of Agriculture on matters of agricultural

policy. For purposes of definition, "agricultural policy" is understood to consist of all policies that bear on the performance of the agricultural sector. Thus, it includes not only those policies within the purview of the Ministry of Agriculture, such as input and output prices, but also other economic policies that affect agriculture: exchange rates, tariffs, consumer subsidies, etc.

The Agricultural Policy Analysis Group will produce two broad classes of outputs: brief memoranda to the Minister, Vice-Minister, General Directorates, OSPA, and other staff offices, typically in response to immediate, pressing issues; and reports of medium- and long-term policy studies that will receive broad distribution in both the public and privates sector.

The specific studies to be performed or sponsored by the Agricultural Policy Analysis Group will be defined on a periodic basis by the Group's Steering Committee. The complex of policy issues currently confronting the GOP, the recommendations of the U.S. Presidential Agricultural Commission, the report of the University of Minnesota price policy team, and work to date under the Agricultural Sector Planning Limited Scope Grant Agreement suggest that, at least in the first year of the Project, high priority will be attached to studies such as the following:

(a) Supply elasticities for principal commodities. In an economy that depends on market incentives, supply elasticities are a key price of information for informed policy making. Theodore Schultz once commented to the effect that a broad range of priority agricultural policy questions could be addressed if one were given a good set of supply elasticities.

(b) Analysis of rice and wheat subsidies. A pressing issue in the current administration is how to escape from the rice/wheat-bread subsidy trap. Rice is currently being sold to consumers at approximately one half the price paid to producers. This represents an enormous cost to the Public Treasury and, depending on relevant demand elasticities, probably has a negative effect on Sierra potato producers. Unless the GOP is able to find a way to raise consumer prices without affecting low-income groups disproportionately, subsidy reduction will come at the expense of domestic producers. Subsidy reduction is a policy imperative for freeing price policy. Yet given the lack of information on demand elasticities and consumption of rice by different income groups, no solution for escaping from the subsidy trap has a yet been found.

(c) Analysis of policies to strengthen the agricultural export sector. Despite the government's desire to stimulate exports across the board, the combination of an overvalued sol (as of the writing of this paper) and implicit and explicit agricultural export taxes has resulted in an undervaluation of resources used in the agricultural export sector of approximately 25 percent.

(d) Analysis of tariff policies. Two examples suffice. The tax on imported fertilizer was raised from 3 to 15 percent to

protect a fertilizer plant in Cuzco. The cost in terms of foregone output may be significant, yet the Ministry of Agriculture was unable to present MEFC with analytical arguments against the increase. Tariffs on plastic tubing required for new irrigation technology increase costs by $440 per hectare.

(e) Price and marketing studies by region. The administration's emphasis on high jungle development, together with a policy of regionally uniform prices, subsidized credit, and subsidized fertilizer, may be exacting an environmental toll by inducing more land to be cleared than would otherwise be called for. The policies in question have the effect of raising fertilizer costs for coastal producers, may have induced inappropriate cropping patterns in the high jungle, and may have reduced credit availability in the Sierra and coast. The costs and benefits of these policies have not been analyzed, nor have their implications for research and extension priorities in the high jungle been explored.

(f) Analysis of the impact of inflation on the agricultural sector. Peru appears to be settling into a period of chronic inflation, yet little analysis has been performed of its differential impact on outputs and inputs.

(g) Analysis of the economic costs of the salary structure of the public agricultural sector. One of the effects of continuing inflation has been a decline in the real incomes of Ministry of Agriculture and other public sector employees. By all accounts, this deterioration in purchasing power has been a major determinant of the flight of well qualified professionals from public service. The impact on remaining and new staff is severe: morale is low and many employees work second, if not third, jobs, thus reducing still further the motivation that is brought to the workplace. No attempt has been made to estimate the economic costs of this decline in real incomes in relation to public agricultural sector performance. This topic is obviously a difficult one to address in quantitative terms. An attempt to do so, however, could have considerable payoff in raising consciousness of the severity of the problem and giving additional impetus to attempts to devise creative solutions to deal with it. Consequently, the Project will finance studies of this nature. The studies will be structured in such a way as to lead to specific recommendations not only for providing adequate compensation for public agricultural sector employees, but also for introducing flexibility into civil service regulations so as to give public sector administrators more latitude to manage efficiently and effectively. At least two such studies are anticipated to be conducted, one specifically for the Ministry of Agriculture and one specifically for the National Agrarian University.

(h) Analysis of agricultural credit policy. The recent rise in the nominal interest rates that the Agrarian Bank charges for agricultural credit has created considerable controversy throughout the agricultural sector. In some quarters, the argument is advanced that depressed regions require subsidized credit in order to stimulate agricultural production. In other quarters, there is appreciation of the need of the Bank to move toward market interest rates, but resentment that output prices are

not freed to move with the market as well. Institutionally, formulation of credit policy is performed in isolation from the formulation of other agricultural policies and the anticipated impacts of the one kind of policy in relation to the other are not traced out beforehand.

(i) Analysis of institutional and economic options for optimizing use of water. Lack of water availability at the time that it is needed is one of the major constraints to agricultural production in Peru. On the other hand, misuse of water resources can have and, in fact, has had serious environmental consequences. Considerable analysis is required of the pros and cons of alternative institutional and economic options for economizing on this scarce resource and maximizing returns to its use.

(j) Analysis of relationship of domestic prices to international prices. At the present time, support prices for agricultural commodities are based primarily on costs of production. Little consideration is given to border prices of the respective commodities. As the University of Minnesota price policy team argues, greater economic efficiency can be obtained by having domestic agricultural prices follow movements in world price levels. The GOP is amenable to moving in this direction, but lacks the analytical underpinning to move aggressively on specific commodities.

(k) Analysis of agricultural cooperatives. Under the agrarian reform program of the military government, a variety of agricultural cooperatives were formed. As of 1982, it was estimated that agricultural cooperatives owned approximately 60 percent of agricultural land and produced about 40 percent of agricultural output. Despite their major role in the agricultural sector, there has been no comprehensive analysis of the factors that are associated with successful cooperatives and with unsuccessful cooperatives. Furthermore, although the recent trend toward parcelization of cooperatives has become an issue of policy significance, little formal analysis has been performed to address the pros and cons of the trend. Fortunately, a potentially rich data base exists on the cooperative subsector. In 1981, the National Cooperative Institute (INCOOP) sponsored a census of all cooperatives in the country. Technical assistance was provided by the Cooperative Development Institute (IDECOOP) of the University of Lima. At the present time, the data from the census have been coded and edited, but only a portion of the data has been keypunched. Some basic tabulations have been run, but no formal analysis has been performed. Under the Project, the Agricultural Policy Analysis Fund will be used to finance completion of keypunching and subsequent analysis of the data. A preliminary proposal has already been prepared. Under the proposal, INCOOP would complete keypunching of the data at IDECOOP. A technical committee would also be formed of representatives of the Ministry of Agriculture (the Agricultural Policy Analysis Group, the General Directorate for Agrarian Reform, OSPA and OSE), INCOOP, IDECOOP, the National Agrarian University (UNA), and Catholic University. Catholic University would take the lead role in the actual performance of analytical tasks. The specific tasks to be performed would consist of a comprehensive analysis of the factors that affect cooperative performance, supplementing the census data with up-to-date information on parcelization, and the design of streamlined procedures for periodic collection of data on cooperatives in the future.

v. Inputs

The Agricultural Policy Analysis Group will consist of: one Director, two short-term policy analysts, one macroeconomic and international analyst, one microeconomic analyst, one marketing analyst, one agricultural finance analyst, three research assistants, one administrative assistant for office management and information diffusion, three secretaries, one chauffeur, one messenger, and one long-term expatriate policy and rural household survey analysts. For the Group's analyst positions, adequate salaries will be provided to attract and retain highly qualified personnel. AID will loan fund 75 percent of these salary costs in the first year of the Project, 50 percent in the second year, and 25 percent in the third year. In the fourth year, the GOP will assume responsibility for all salary costs. The same scheme will be used for financing of the Group's requirements for in-country travel and per diem.

AID grant funds will also finance short-term expatriate technical assistance under the Agricultural Policy Analysis Fund. The remainder of the Fund will be financed with loan funding (on the same declining cost basis) and GOP funding (on an increasing cost basis).

Office space, materials, equipment, publication, distribution, communications, data processing, and other local costs will be borne entirely by the GOP. The one exception will be the acquisition of two microcomputers and a word processing system, which will be loan funded.

The Project will grant fund, for three years, one long-term resident expatriate analyst for the Agricultural Policy Analysis Group. The analyst will be responsible for assisting in the design and analysis of the National Rural Household Survey, for facilitating use of the survey data by all members of the Group, and for assisting in other forms of policy analysis. The Group will also receive short-term consultation on an as-needed basis from the long-term expatriate resident advisors to be funded under the Project's MEFC and OSPA support activities, from the two long-term, U.S. faculty who will be funded under the Project's UNA support activity, and from the visiting U.S. professors to be financed under the Pacific University support activity.

In addition to assisting in analysis, the resident advisor to the Agricultural Policy Analysis Group will serve as Chief of Party of all technical assistance funded under the Project. With the exception of the technical assistance to be provided under Component II, all technical assistance will be procured under one institutional contract (see Part V.D.).

To build in long-term continuity of trained personnel for the Agricultural Policy Analysis Group, the Project will loan fund long-term Ph.D. training activity, but is budgeted under this activity. The six trainees will conduct their Ph.D. dissertations on issues bearing on agricultural policy in Peru. Upon completion of their training, the trainees will then be integrated either directly (as members) or indirectly (under

contract financed by the Agricultural Policy Analysis Fund) with the Group. To assure that such integration actually takes place, adequate salaries will be guaranteed for the trainees on their return to Peru. In addition, routine provisions for scholarship recipients to serve a stipulated number of years of public sector employment upon completion of studies will be enforced rigorously. Short-term training will also be eligible for funding under the Agricultural Policy Analysis Fund.

The total cost of this activity will be $3,216,000. The GOP will fund $1,495,000 and AID will fund $1,721,000. AID's contribution will consist of $1,011,000 of loan funds and $710,000 of grant funds. For detail on costs, see Annex II, Exhibit E.

b. Support of Division of Economic Studies in Ministry of Economy, Finance, and Commerce

i. Statement of the Problem

At the current time, the MEFC is without question the dominant actor in the formulation of public policy, and is likely to continue to be so even beyond the Belaunde administration. In light of the macroeconomic straits in which Peru has found itself in the recent past, the MEFC has attached highest priority to market liberalization, strengthening the country's balance of payments position, and restoring its fiscal health. In doing so, it has not always been able to anticipate the wake of effects that its policies can have on individual sectors. This is particularly true in the case of agriculture. The MEFC recognizes this deficiency and is anxious to take steps to correct it.

The MEC's medium- and long-term analysis arm is its Division of Economic Studies. The Division is staffed with well qualified personnel, principally macroeconomists and international trade and finance specialists. It has no one with formal training in agricultural policy analysis. Consequently, although MEFC is cognizant of the need to take agricultural sector concerns into account in the formulation of macroeconomic policy, it is limited in its technical capacity to do so.

ii. Response to the Problem

In contrast to the majority of agricultural policy analysis activities that AID has supported in Latin American and Caribbean countries, the Project recognizes explicitly that many of the policies that have an appreciable impact on the agricultural sector are not policies that fall under the purview of the sector itself. As the University of Minnesota price policy team report convincingly argues, this is especially the case with international economic policies. As a consequence, the Project will not limit its support solely to the Ministry of Agriculture. Rather, its strategy is to view the need for agricultural policy analysis support in a holistic macroeconomic context and to recognize the central role that the MEFC plays in that context.

Unlike the Ministry of Agriculture, the MEFC already has a functioning policy analysis unit. As a result, this activity involves no major modifications to existing institutional arrangements. The Project will provide funding to recruit a highly qualified Peruvian agricultural economist to work in the Division of Economic Studies of the MEFC. In addition, it will fund a long-term resident expatriate analyst with expertise in agricultural policy and international economics. The Peruvian agricultural economist, together with the resident analyst, will be charged with analyzing the anticipated impacts of macroeconomic policy alternatives on the agricultural sector and with maintaining an open channel of communication with the Agricultural Policy Analysis Group in the Ministry of Agriculture.

iii. Institutional Arrangements

This activity will take place in the Division of Economic Studies of the MEFC, whose permanent staff will be increased by one Peruvian agricultural economist. The agricultural economist will respond directly to the Chief of the Division. He will also communicate regularly and collaborate on an as-needed basis with the Agricultural Policy Analysis Group in the Ministry of Agriculture.

Short-term technical assistance will be available to the Division of Economic Studies through the Agricultural Policy Analysis Fund. Requests for such assistance will be channeled through the Agricultural Policy Analysis Group's Steering Committee, on which the MEFC will be represented.

iv. Outputs

In analogous fashion to the case of the Agricultural Policy Analysis Group, the outputs of the professional personnel to be financed under this activity will typically be brief memoranda on issues of short-term importance and reports of medium- and long-term studies on interrelationships between agriculture and macroeconomic policy. In more of an ultimate sense, the outputs of this activity are anticipated to be policies that are well thought out in terms of their impact on the country's agricultural sector.

v. Inputs

The Peruvian agricultural economist to be financed under this activity will be an agricultural economist with a macroeconomic rather than a microeconomic bent. As with the Agricultural Policy Analysis Group, AID loan funds will be used to finance decreasing portions of the salary of this individual over the life of the Project.

The long-term resident expatriate advisor with expertise in agricultural policy and international economics will provide technical assistance over a two-year period. The advisor will be financed with AID grant funds. AID loan funds will finance procurement of one microcomputer for use in the MEFC's agricultural policy analysis work. Office

space, materials, equipment, diffusion of studies, logistical and data processing support, and other local costs will be borne by the GOP.

The total cost of this activity will be $554,000. The GOP will fund $168,000 and AID will fund $386,000. AID's contribution will consist of $51,000 of loan funds and $335,000 of grant funds. For detail on costs, see Annex II, Exhibit E.

c. Support of Monitoring and Evaluation Capability of Agricultural Sector Planning Office

i. Statement of the Problem

A major ingredient to effective public sector agricultural policy formulation is monitoring and evaluation of the impacts of the sector's policies, programs, and projects. In other words, a capability is required to track progress, learn from experience, and reach informed judgments on what policy measures appear to work, and under what circumstances.

In Peru, the responsibility for monitoring and evaluation of agricultural policy lies with OSPA. At the present time, its capacity to perform this function is extremely limited. This is so for two reasons. First, personnel tasked with monitoring and evaluation responsibilities have been diverted to the more pressing need to respond to the crises that have beset the sector over the past year. Second, OSPA's monitoring and evaluation systems are fledgling in nature. It has succeeded in routinizing a system for cataloguing the various laws, regulations, norms, etc., that bear on the agricultural sector and tracing out relationships among them. The system is a manual one, however, and unless a switch is made over to computerization, it will become increasingly cumbersome to manage as it expands over time. A start has also been made in tracking the progress of policies, programs, and projects on a quarterly basis. Beyond that, however, little other impact evaluation is performed.

ii. Response to the Problem

Given the importance of timely feedback as an input to the formulation of policy for the short, medium, and long term, the Project will provide support to upgrade OSPA's capacity to monitor and evaluate the impacts of policies, programs, and projects on a continuing basis. The Project will develop operational tracking systems geared to identify the extent to which policy measures are having their intended effect. As a byproduct, the systems will also highlight key management problems that require resolution. The Project will also support the development of an ongoing program of impact evaluations to shed light on the relative effectiveness of alternative policy measures in accomplishing sector objectives.

iii. Institutional Arrangements

This activity will build on the institutional infrastructure for monitoring and evaluation that currently exists in OSPA.

No new personnel will be hired. The Director os OSPA will assign two personnel -- personnel who are presently charged with monitoring and evaluation responsibilities -- to this activity full time. Office priorities will be rearranged to shield these personnel from short-term "firefighting" work. Other OSPA personnel will also participate in impact evaluations that are related to their annual operating planning, programming, and budgeting responsibilities.

The Project will finance a long-term expatriate resident advisor to assist OSPA in the upgrading of its tracking systems and in the development of its impact evaluation program. OSPA will also have access to two months of short-term expatriate technical assistance per year (ten person-months in total) for monitoring and evaluation purposes.

iv. Outputs

The outputs of this activity will be operational tracking systems and an ongoing program of impact evaluations. Both of these outputs are anticipated to assist the Ministry of Agriculture in identifying policies, programs, and projects that are particularly effective in accomplishing sector objectives.

v. Inputs

The GOP will fund the salaries of OSPA personnel participating in this activity. Office space, materials, equipment, logistical support, publication and distribution expenses, and other local costs will also be borne by the GOP.

AID grant funds will be used to finance a long-term resident expatriate advisor for 1 1/2 years. Ten person-months of short-term expatriate technical assistance will also be financed with AID grant funds. AID loan funds will be used to purchase a microcomputer and related software for computerizing OSPA's progress tracking systems, office equipment, and one vehicle. The Project Coordinator for implementation of Project activities will be located in OSPA and will be financed with AID loan funds. The functions of the Project Coordinator are discussed in Part V.A., and his salary is budgeted here.

The total cost of this activity will be $955,00. The GOP will fund $425,000 and AID will fund $545,000. AID's contribution will consist of $145,000 of loan funds and $400,000 or grant funds. For detail on costs, see Annex II, Exhibit E.

2. Information Support

a. National Rural Household Survey

i. Statement of the Problem

The capability of the GOP to formulate sound agricultural policies depends critically on the extent to which it has

reliable information at its disposal. At the current time, the information base on agriculture is extremely weak. It is so weak, in fact, that it is probably not an exaggeration to say that the lion's share of agricultural policy formulation in Peru takes place in a virtual information vacuum.

During the last decade, the GOP took three major initiatives to improve agricultural data and statistics on rural households. One was designed to provide information on an ongoing basis, but, unfortunately, lost momentum and is now practically moribund. The other two initiatives were "one-shot" affairs. The information that they produced was useful for a time but is now seriously outdated.

In the mid-1970s, the Sectoral Statistics Office (OSE) of the Ministry o Agriculture developed what came to be known as the National Food Statistics System (SINEA). The system consisted of seven statistical subsystems dealing with: (i) crop production units; (ii) costs of production; (iii) livestock production units; (iv) agricultural processing and distribution units; (v) grain mills, slaughter houses, and storage units; (vi) producers of agricultural inputs; and (vii) urban consumption units. By 1977, the system was close to being operational. From 1977 on, financial resources became increasingly unavailable and, by 1979, SINEA was complying with only a fraction of its mandate. Since 1979, financial support has deteriorated even further and the infrastructure that had been mounted to collect agricultural statistics on a continuing basis has virtually disappeared.

In 1972, an agricultural census was taken by the National Statistics Institute (INE) at a cost of 3.5 million dollars. The census included data on land use, crops produced, number of livestock, capital goods, and other basic data on 1,390,877 agricultural units. Although INE has proposed a new census in its annual budget requests in each of the past four years, the proposals have been set aside in each case for lack of financing. Realistically, it is highly unlikely that the GOP will be able to afford a census for years to come. Further, the projected cost of an agricultural census, five million dollars, may be high relative to the benefits that can be obtained from collecting a small amount of data on each farm.

In 1971 and 1972, a National Food Consumption Survey (ENCA) was conducted. The survey was managed by a multi-institutional committee and included approximately 8,000 households nationwide, of which about half were rural. ENCA provided comprehensive data on consumption and nutrition. Although nutrition analysts proposed that ENCA become a quinquennial survey, there are no plans underway to repeat it in its entirety. On a number of occasions, INE has proposed launching a periodic National Multi-Purpose Survey program (ENAPROM), but, at least to date, the Institute has been constrained by lack of funding. Furthermore, although ENAPROM would focus on household expenditures, relatively little attention would be paid to other nutrition concerns. To address these shortcomings, the Mission, together with the World Bank and the German government, is about to provide support for a nationwide nutrition and health status survey. The survey will provide benchmark information for future analysis of nutrition and health policies, permit functional classification of nutritionally disadvantaged groups, and facilitate comparision of the nutrition status of

the rural farm population with that of other population groups. It will not, however, allow for extensive investigation of interrelationships between agricultural and nutritional variables.

ii. Response to the Problem

The National Rural Household Survey is one of three activities to be financed under the information support component of the Project. Its specific objective is to address the current lack of up-to-date information on the socioeconomic characteristics -- particularly income and employment -- of rural households. It is designed to provide data as quickly as possible for the Agricultural Policy Analysis Group and for other potential users.

The survey will collect data on three different types of households: rural farm households, rural nonfarm households, and households of producers who live in urban areas. The data to be collected will include such variables as household size and composition, education of household members, nutrition status of children (as measured by arm circumference), farm size, land use, crop mix, production, distribution of production, input use, market access, marketing arrangements, use of credit and technical assistance, and nonfarm employment and income. The survey will interview a sample of approximately 5,000 households, which will result in estimates with reasonable degrees of precision for the nation as a whole, for the Coast, Sierra, and Selva, and for seven agricultural production zones.

Preparatory work for the survey will begin within one month after signing of the Project Agreement. This will permit field work to begin in July 1984. Clean data tapes will be available in March 1985 and basic tabulations in July of that year.

iii. Institutional Arrangements

INE will have overall management responsibility for the survey, but OSE, the Agricultural Policy Analysis Group, and OSPA will also play significant roles. The lead responsibility for the analytical design of the survey will lie with the Agricultural Policy Analysis Group, specifically, with the Group's microeconomic analyst. At the initiation of preparatory work for the survey, a committee will be formed of representatives of INE, OSE, the Agricultural Policy Analysis Group, OSPA, and other potential users. This "survey and questionaire design committee" will deal with conceptual issues related to units of analysis to be studied, specific variables to be included, definitions of terms, and other concerns that bear on the overall analytical design of the survey. Under the leadership of the representative of the Agricultural Policy Analysis Group, the committee will be responsible for designing basic tabulation formats and outlining potential analyses to be performed with the survey data. This will assure that the survey data can be expected to satisfy user requirements.

Most technical aspects of the survey -- sampling, questionnaire formating, preparation of field manuals and control forms, quality control, data editing, and computer processing -- will be the

responsibility of INE. OSE staff with experience in agricultural data collection will be relied on heavily for assistance related to sample stratification, questionnaire semantics, establishment of codes, and agricultural terminology.

Primary responsibility for field work will lie with OSE. INE and OSE will plan the field together, but OSE, together with other units of the Ministry of Agriculture, will be responsible for providing vehicles and field staff for interviewing.

iv. Outputs

The outputs for the survey, per se, will fall into three categories: (a) methodological documentation; (b) statistical tables, including variances for key variables; and (c) data tapes. In addition, the Agricultural Policy Analysis Group, as well as other users, will produce analytical reports that will interpret the findings of the survey and lay out implications for policy.

The methodological documentation of survey will provide a thorough description of all aspects of the survey enterprise. It will include the origins and objectives of the survey, its administration, sample design, questionnaire design, data collection, data processing, and comments on data accuracy. This will help analysts understand how the data can be used and what are their limitations.

The statistical tables will include the basic set of tabulations previously defined by the survey and questionnaire design committee. A series of statistical reports will be produced that will summarize survey findings. Aside from comprehensive statistical volumes for technical use, a series of brief pamphlets will be distributed widely to acquaint the public at large with the surveys's results.

The data tapes will be made available (without information to identify individual respondents) to interested users. They will be accompanied by documents that will not only describe their content and format in detail, but also include a guide that will lay out how the data can be accessed easily. The guide will give a description of all codes and recodes, an explanation of weights and how they should be used, unit-count tallies that present the number of observations per variable, and variances for selected key variables. A short course will also be developed to teach potential users how to access the data.

v. Inputs

The total cost of this activity will be $1,466,000. AID will contribute $1,258,000 and the GOP, $208,000. AID's contribution will consist of $650,000 of grant funding and $608,000 of loan funding. An additional $45,000 will be financed under the Agricultural Sector Planning Limited Scope Grant Agreement to complement activities financed with grant funds approved under this Project. For detail on costs, see Annex II, Exhibit E.

AID grant funds will finance short-term expatriate technical assistance to help in survey design and in assuring that quality standards are met and that all survey tasks are carried out on schedule. Grant funding will also be used to finance short-term expatriate technical assistance in data editing and computer processing. AID loan funds will be used to purchase equipment and materials -- vehicle replacement parts, gasoline, office and field supplies, computer tapes, etc. Loan funds will also finance slightly more than 70 percent of local salaries and service costs such as per diem for field work, vehicle maintenance, and local transportation. The remaining portion of these costs will be borne by the GOP.

The rationale for use of Limited Scope Grant Agreement funds mentioned above is as follows. The seasonality of agricultural production in Peru, together with the urgency to collect socioeconomic data on rural households, dictates that field work for the survey must begin in July 1984. In order for this deadline to be met, survey preparations must begin no later than August 1983. At that point, agricultural policy analysis activities will have begun with financing under the Limited Scope Grant Agreement and, thus, the survey and questionnaire design committee will be able to be formed. Since the Project Agreement is expected to be signed at virtually the same time, however, Project funds will not be able to be used to contract the short-term expatriate technical assistance that is required at that juncture. Consequently, financing from the Limited Scope Grant Agreement will be used to finance expatriate technical assistance during the months of August and September. Specifically, six person-weeks of a survey statistician, three person-weeks of a mathematical statistician, and three person-weeks of a rural household survey analyst will be contracted. From October on, the Project Agreement will permit the use of Project funds to finance technical assistance requirements. For disbursements beyond December 31, 1983, INE will submit a detailed survey implementation plan.

In contrast to the other two activities in this component of the Project, the National Rural Household Survey has an almost exclusively product orientation. Since a survey of this nature does not need to be repeated more often that once every five years, institutionalization of capacity is secondary to the objective of generating as expeditiously as possible the socioeconomic data for which there is such a need. As a consequence, formal education and training are not required for this activity. Nevertheless, some formal classes may be given in conjunction with short-term technical assistance, particularly in the development of table and edit specifications and in the use of edit and tabulation packages.

b. Continuous System of Area and Production Statistics

i. Statement of the Problem

Agricultural policymaking in Peru is based on information that is: (a) not timely, (b) not accurate, (c) not objective, and (d) not adequately comprehensive.

The past months have provided an opportunity to witness the consequences of planning without facts. Largely because of drastically changed weather conditions throughout most of the country, Peru is presently faced with domestic production insufficient to satisfy domestic demand (at current price levels) for sugar, rice, and potatoes. The political and social significance of the price and availability of these commodities is obvious.

(a) Sugar Shortage

The Minister of Agriculture, who was installed in January 1983, was caught unaware of the impending sugar shortage. The sugar cooperatives had not informed the Ministry of likely production shortfalls. Rather, in requesting export licenses to sell to the U.S. at prices above both domestic and world market levels, the cooperatives had estimated that production would be sufficient to meet domestic consumption. The response to the shortage, which reached crisis proportions in February and March 1983, came late. The basic questions of how much to import, when, and what the foreign exchange requirements would be were simply unanswerable.

(b) Rice Shortage

The rice shortage that Peru confronts as of this writing (May 1983) is the result of lost production due to flooding in Piura, yield changes related to weather in Chiclayo, area and yield changes in Selva rice, and the impact on demand for rice of the potato shortage that is expected in August and September 1983. Reliable information on these phenomena could assist the government in estimating farm gate prices of rice, consumer rice prices, and foreign exchange needs. The Ministry's Office of Sectoral Statistics sees no shortfall; the General Directorate of Marketing is estimating a shortfall of 100,000 MT; and the U.S. Agricultural Attache estimates a shortfall of 150,000 MT. All three estimates are based on conversations with knowledgeable people, producer groups, information from field offices as to whether areas planted are up or down from last year, and historical average rules of thumb for estimating yields. Despite the social, political, and economic significance of a rice shortfall, there is at present no objective, accurate, statistically sound estimate of expected rice production.

(c) Costs of Production

Although the number of commodities that are subject to price controls has been drastically reduced, price controls and support prices are likely to remain important for basic foodstuffs. In general, the setting of controls and support prices is related to production costs. The setting of production costs has, therefore, important implications for price levels and the magnitude of subsidies. In practice, production cost data are not gathered; they are negotiated with producer representatives. Differences in levels of technology and yields obviously impact strongly on production costs. There is, however, no objective, accurate, up-to-date system for providing costs of production estimates.

The sugar shortage, the rice shortage, and the use of production costs as a reference point in establishing controls and support prices all illustrate the kinds of problems that the Ministry of Agriculture faces, its need for objective, accurate, and timely information, and the costs associated with lack of adequate information. Continued dependence on windshield observation and judgments of presumably knowledgeable advisors produces information that is not objective, that is not accurate when it is aggregated, that does not anticipate problems, and that is not sufficiently comprehensive to describe the movement of other variables associated with a given problem.

The Ministry's Sectoral Statistics Office (OSE) is responsible for the collection, processing, and publication of agricultural statistics. The central office in Lima has a staff of 103 people. Of this number, 31 are professional personnel -- 1 sampling and mathematical statistician, 3 cartographic experts, 14 survey/census or data collection experts, and 13 computer programmers.

OSE's field staff includes 160 data collection personnel who are distributed among 19 of the Ministry's 24 Agrarian Regions. Field data collection activities are constrained by: (a) lack of a sound methodology for data collection; (b) lack of an organizational work plan for carrying out its current methodology; and (c) lack of transportation.

Despite its data collection constraints, OSE has made significant progress in data processing and publication in the past two years. Agricultural Statistical Reports for 1978, 1979, 1980, and 1981 have been processed and published. During the past year, a series of monthly statistical bulletins have been published that cover crop production, livestock production, and marketings. These reports and bulletins represent the first national series of published agricultural data since 1977. The major problem with the publications is the accuracy of the data, and that is largely associated with the lack of a sound data collection methodology.

ii. Response to the Problem

The costs of making decisions -- or of not knowing that decisions need to the made -- that are based on inaccurate, out-of-date, biased information have been highlighted in recent months. The Project will build the capacity of OSE to provide objective, accurate, and timely agricultural statistics that are relevant to user needs and that are sufficiently comprehensive to be of use to analysts and decisionmakers in the public and private sectors.

The response is twofold:

(a) Technology Transfer -- development and construction of an Area Sampling Frame for the collection of agricultural statistics. The transfer of the ASF technology will involve technical assistance and training.

(b) Operating Cost Support -- provision of budgetary support to the Sectoral Statistics Office to enable it to carry out the construction of the ASF, undertake periodic surveys, and edit, summarize, and supply data on a timely basis.

The basic ingredient for building OSE's capacity is the construction of a cost-effective sampling frame that is particularly useful for estimating variables on land use. In very general terms, the construction of an ASF involves dividing the total land area of a country into small geographic blocks with no omissions or overlaps. A random sample of blocks is selected, and data are collected in the selected blocks. Since land is fixed, the frame does not deteriorate as rapidly as a frame that is based on lists of households. The ASF methodology will be applied to Peru and will provide the basic sampling frame for all agricultural statistics for the next decade.

iii. Institutional Arrangements

(a) Implementing Agency

The Sectoral Statistics Office will be responsible for implementing construction of the area sampling frame, for undertaking periodic surveys (four per year), and for editing, summarizing, and publishing results. The transition to the ASF system is anticipated to take two years. While the groundwork for the ASF is being established, OSE must continue to produce periodic statistical bulletins. The development of the new system, together with continuation of ongoing work, will represent a severe constraint on professional staff time. To help bridge the transition, a high-level, experienced Peruvian statistician will be contracted as Technical Director for this Project activity. The Technical Director will be responsible for advising the Director of Statistics on the implementation of the activity, for organizing and implementing the operational and technical aspects of the activity, and for coordination with the other two activities in this Project component and the three activities in the Project's agricultural policy analysis support component.

(b) Policy Information Coordination

A Data Users Committee (DUC) will be formed of a representative of the Agricultural Policy Analysis Group, the Director General of Marketing, a representative of the Division of Economics Studies in MEFC, and a representative of ONA. The economic advisor to the Agricultural Policy Analysis Group will be an advisor to the Data Users Committee. The DUC will have three principal tasks:

- to review and evaluate current data sets for their adequacy and responsiveness to policy issues;
- to make recommendations on questionnaire content; and
- to review survey designs and results for their adequacy and responsiveness to policy issues.

(c) Financial Administration

Timeliness in financial management is essential in carrying out survey work. OSE will contract a full-time accountant and a full-time administrative assistant to handle flows of funds, prepare vouchers, liquidate expenditures, and make disbursements to field offices. Each Agrarian Region will name an accountant who will be responsible for maintaining Project accounts in the field and preparing liquidations for OSE.

OSE will open separate accounts for loan funds and for counterpart funds. AID loan funds will flow directly to OSE for deposit in their respective account. GOP counterpart funds will be deposited in the counterpart account. Each Agrarian Region will also open up a separate account for AID loan funds.

(d) ASF Construction

Sample frame construction will be carried out by ten current employees of OSE under the guidance of a long-term resident expatriate ASF technician. OSE will also contract part-time personnel to assist in frame construction. At least one person from each Agrarian Region will be brought to Lima to assist in the frame construction for the Region in question.

(e) Data Editing, Processing, and Publication

These subactivities will be carried out by the Data Processing Unit in OSE under the direction of OSE's Technical Director. A Peruvian programmer will be contracted by OSE to work with the Unit to manage data processing activities.

iv. Outputs

The primary output of this activity will be periodic bulletins of objective, accurate data on national crop and livestock production: areas planted, expected yields, crop projections, areas harvested, yield obtained, livestock inventories, and marketings. Once a year, special surveys will be conducted on specific issues such as costs of production, farm income, farm capital, and labor usage. At the end of each year, the data from the bulletins will be integrated into an annual statistical abstract for agriculture. In order to produce these publications, secondary outputs of this Project activity will include: (a) the construction of an area sampling frame; (b) the design of crop and livestock survey questionaries; (c) instruction manuals for survey enumerators; (d) training courses for enumerators; (e) instruction manuals for editing, summarizing, and publishing data; (f) operating plans for statistical data gathering in each Agrarian Region; and (g) software programs for editing and summarization of incoming data.

The bulletins and statistical abstracts will be distributed to relevant offices and decentralized institutions of the Ministry of Agriculture. In accordance with current practice, they will also be sold to individuals, private businesses, and producer organizations. At the end of

each survey, OSE and the Agricultural Policy Analysis Group will prepare a short memoradum to the Minister of Agriculrure describing signficant changes in production estimates and identifying other atters of policy significance.

v. Inputs

The total cost of this activity will be $2,772,000. The GOP will fund $759,000 and AID will fund $2,013,000. AID's contribution will consist of $1,253,000 of loan funds and $760,000 of grant funds. In addition to the Project's grant contribution, $30,000 will be financed under the Agricultural Sector Planning Limited Scope Grant Agreement. As in the case of the National Rural Household Survey, Limited Scope Grant Agreement funding will be used to finance short-term expatriate technical assistance -- in this case, two person-months -- to facilitate rapid startup of this activity. For detail on costs, see Annex II, Exhibit E.

Inputs for this activity will include technical assistance, equipment and vehicles, training, and support costs. The distribution of these inputs is as follows.

(a) Technical Assistance (G $790,000)

AID grant funding will finance 48 person-months of long-term technical assistance: 24 person-months of a mathematical statistician experienced in the design and implementation of ASF methodology and 24 person-months of an ASF technician. Project grant funds will also be used to finance six person-months of short-term technical assistance, and the Limited Scope Grant Agreement will finance two person months of such assistance. The assistance will be provided in sampling, survey implementation, and data processing.

(b) Equipment and Vehicles (L $787,000)

Loan funds will finance procurement of frame construction equipment such as map storage archives and drawing tables. They will also finance the purchase of 29 vehicles and 200 motorcycles for OSE field offices for survey implementation. In addition, loan funds will be used to purchase an offset printer.

(c) Support Costs (L $481,000; GOP $759,000)

AID loan funds will finance the salary of OSE's Technical Director. On a declining cost basis, loan funds will also finance the salaries of the activity's accountant and administrative assistant and the salaries of part-time personnel engaged in sample frame construction, survey enumeration, and data entry. On the same basis, loan funding will be used to finance costs of OSE personnel to travel to and from Lima, gasoline and per diem, and miscellaneous office supplies. Finally, loan funds will finance purchase of the SAS software program.

c. Agroclimatic Impact Assessments

i. Statement of the Problem

As events over the past year have demonstrated dramatically, climate and weather variability are critical determinants of the performance of Peru's agricultural sector. Wide microclimatic variations within each major climatic zone -- Coast, Sierra, and Selva -- determine what crops can be grown and affect the appropriateness of different technological packages. Even in optimum cropping zones, year-to-year variations in weather -- drought, frosts, and flooding -- can damage crops, decrease farm income, and have ripple effects throughout the economy. At the other extreme, bumper crops can also have unforeseen negative effects -- severe drops in prices and the creation of a need to overhaul marketing strategies, for example.

At the present time, the Ministry of Agriculture has virtually no capacity to anticipate the impacts of weather variability on the sector. The sugar and rice shortages discussed above are only the most recent examples of the consequences of this lack of capacity. The Ministry needs reliable weather information to meet both short- and long-term objectives. In the short term, early-warning information on the anticipated impact of weather conditions could guide Ministry management in taking actions to overcome expected losses or to maximize economic gains. In the long term, historical weather information could assist the Ministry in designing development programs that take climate risk explicitly into account.

ii. Response to the Problem

An operational weather-based management information system will be established to improve agricultural statistics, economic forecasts, and policy analysis capability within the Ministry of Agriculture. The system will be based on weather analysis and agroclimatic impact assessment technology. The system will provide the Ministry with:

(a) a capability for continuously monitoring and reliably assessing the impact of weather (frost, drought, floods, favorable conditions, bumper crops, variations in expected regional supplies, etc.) on agriculture throughout most of Peru;

(b) an additional information source to complement and supplement other systems that forecast crop production;

(c) an early-warning capability to assess crop failure due to severe drought at least 30 to 60 days before harvest or to provide advance indications of potential bumper crop conditions;

(d) short-term economic benefits resulting, for example, from strengthened bargaining positions on import and export terms;

(e) critically required technical resources and information to help Ministry policymakers take a leadership role in managing weather-sensitive activities in the agricultural sector and in coordinating

the proper application of climate information within long-term programs to increase food production; and

(f) an information system to help establish links among the Ministry, other GOP agencies, agribusiness, and the farm.

The system is designed as a cost-effective mechanism for implementing agroclimatic impact assessment technology within two Project years, successfully testing the system in the third Project year, and demonstrating significant benefit-cost ratios so that the system will be maintained and expanded after the activity is completed at the end of five years.

Agroclimatic impact assessment technology can be made immediately available in Peru. The required data and technical resources are available. The system is relatively inexpensive to develop and operate. Peru can benefit from similar systems already in operation throughout the world. Previously conducted agroclimatic modeling and assessment studies of the Mantaro Valley and other areas of the country have demonstrated that the technology will work in Peru. Furthermore, expert technical assistance is available to contribute to the process.

iii. Institutional Arrangements

The principal participants in this activity will be the National Meteorological and Hydrological Service (SENAMHI) and the Sectoral Statistics Office (OSE) of the Ministry of Agriculture. The National Agrarian University (UNA) will participate as well. The roles of these institutions will be as follows:

(a) SENAMHI

SENAMHI will develop, publish, and disseminate at cost an historic weather data base on up to 100 weather stations. The data will be formated on a daily, ten-day, and monthly basis. A team of experts from OSE, SENAMHI, and UNA will select the stations and define the period of record -- probably, 1962-1983. The stations will include all 28 synoptic stations operated by the Peruvian Civil Aeronautics Corporation (CORPAC) and up to 72 SENAMHI stations for which historic data are available. SENAMHI will provide the historic data base to OSE at no cost. The data will be used as a basis for weather analysis by SENAMHI and for agroclimatic impact assessments by OSE. Procedures will also be established to obtain operational weather data by voice radio, teletype, and telegraph from at least 70 of the 100 stations in the historic data base. Such information will be available routinely in Lima on a daily basis. The 70 stations will include the 28 CORPAC stations, at least 8 of SENAMHI's 16 stations that are currently being upgraded with voice radio communications with assistance from the U.S. National Oceanic and Atmospheric Administration (NOAA) and the World Meteorological Organization (WMO) Voluntary Cooperation Program, and 34 other SENAMHI stations that will be able to communicate with Lima by telegraph. Each working day, SENAMHI will provide operational data (including data on weekends and holidays) to OSE at no cost. In addition, SENAMHI will develop a

"Weather Data and Analysis Bulletin" that will be issued every ten days and made available at no cost to both the public and the private sectors.

(b) OSE

An Agroclimatic Modeling and Impact Assessment Section will be established within OSE. The Section will report directly to OSE's Director General. It will be responsible for developing and using operationally suitable agroclimatic models to provide agroclimatic impact assessments. The Section will coordinate these assessments with other sections of OSE, as appropriate. Three types of impact assessments will be issued:

(i) Concise, one-page impact assessment statements will be issued in daily briefings to report the first indications of drought, frost, flooding, or other anomalous weather events that impact the sector;

(ii) Formal briefings and detailed "Agroclimatic Impact Assessment Reports" will be provided routinely to Ministry officials every ten days; and

(iii) Special assessment reports on major weather impacts (favorable and unfavorable) will be prepared to meet special requests of Ministry officials.

(c) UNA

In addition to consulting in the design of this activity, UNA will also give short courses in agrometeorology to SENAMHI, OSE, and other Ministry of Agriculture personnel. Courses of this kind will be financed under this activity. It is also anticipated that UNA will participate in two other ways: by providing formal courses in agrometeorology with financing under the advanced training activity of the Project and by conducting special studies with financing from the Agricultural Policy Analysis Fund.

iv. Outputs

This activity will generate information that can be used to make more informed policy decisions. Specifically, it will produce the following outputs:

(a) SENAMHI

SENAMHI will develop and be responsible for quality control of the historic weather data base from at least 100 stations. The data base will be formally disseminated to users in official SENAMHI publications (data listings and statistical summaries) as well as on magnetic computer tapes. Approximately 70 of these 100 stations (including the 28 CORPAC stations) will constitute the basis for operational work under this activity.

Daily weather data (amounts of rainfall, maximum and minimum tempratures) will be obtained in three ways: SENAMHI will obtain data from personnel at CORPAC; SENAMHI will use WMO-funded voice communications for 8 of the 16 stations that are being upgraded; and daily telegraph reports will be sent from 34 SENAMHI stations through ENTEL-PERU and then simultaneouly delivered by land-line teletype to SENAMHI and OSE. SENAMHI will quality control all data and deliver data to OSE each day.

SENAMHI will also develop and issue a "Weather Data and Analysis Bulletin" that will be disseminated every ten days. The Bulletin will contain daily amounts of rainfall, maximum temperatures, and minimum temperatures for each station. SENAMHI's Weather Analysis Section will describe general weather conditions during the report period, rainfall patterns, anomalous weather events, and, particularly, the locations where flooding, frost, or drought are in occurrence. The Bulletin will be distributed within three working days of the end of each reporting period.

(b) OSE

OSE will develop operationally suitable assessment models based on historic meteorological data (daily rainfall, minimum temperature, and maximum temperature), climatological normals, information on agricultural practices (local crop calendars), basic soils information (gross estimates of crop rooting depth and available water capacity of the soil), and information on the weather and non-weather factors that determine potential crop productivity and year-to-year changes in productivity.

OSE will use real-time weather data to operate the models and then prepare concise, clearly written agroclimatic assessments that report the impacts of weather on the agricultural sector. Brief one-page reports will provide early-warning information on weather impacts as soon as they are detected. In addition, a regular Agroclimatic Impact Assessment Report will be prepared and disseminated within the Ministry every ten days. It will include all impacts during the ten-day period, an update on previous impacts, and verification from supplemental information sources. The ten-day report will contain maps and tables showing model output results, as appropriate. The Agroclimatic Modeling and Impact Assessment Section will assist agricultural statisticians and economists in the interpretation and application of agroclimatic/crop conditions indices. The Section will provide regular weather impact briefings to Ministry officials and prepare special assessments as required -- for example, after major weather impact.

Finally, OSE will maintain a complete file and record of all types of assessments. It will continously obtain supplementary information to verify and improve assessments. Economic savings to the GOP will be documented and used to develop an economic benefit/cost analysis.

v. Inputs

The total cost of this activity will be $865,000. AID will contribute $411,000 and the GOP, $454,000. AID's contribution will

consist of $411,000 of loan funding under this Project. An additional $160,000 in AID/W grant funds will be provided by OFDA. The distribution of costs by participating institutions is: SENAMHI, $185,000; OSE, $399,000; UNA, $58,000; and short-term expatriate technical assistance, $160,000. For detail on costs, see Annex II, Exhibit E.

The AID/W contribution will be used to finance short-term expatriate technical assistance costs. Project loan funding will finance the salaries of SENAMHI and OSE personnel on the same declining cost basis as in other activities. It will also fund international travel for short-term training in the U.S., domestic air travel, and procurement of teletype equipment, three microcomputers, and a weather data strip chart digitizer. GOP funds will be used to finance salaries of SENAMHI and OSE personnel on an increasing basis, as well as other local costs -- operating communications costs, publication costs, and miscellaneous equipment, materials, and supplies.

3. Management Support

a. Improving Management of Ministry of Agriculture

i. Statement of the Problem

The Ministry of Agriculture is suffers from an inability to deal effectively with the problems that beset the agricultural sector. Some problems are external in nature and affect the country as a whole: floods, avalanches, inflation, unemployment, the world-wide recession, civil unrest, and banking crises, to name but a few. Other problems are directly related to the institutions of the government: low salaries, budget cutbacks, and nonresponsive governmental structures. Still other problems stem from causes internal to the Ministry: lack of cohesive strategies, overly complex organization, rigid and nonresponsive systems and procedures, and faulty coordination, all of which cause delays in implementation of projects, operations, and support activities such as accounting, budgeting, procurement, and personnel.

The role of the Minister of Agriculture is that of Rector of the Sector. As such, he is responsible for the activities of the Ministry and for decentralized public institutions such as the National Institute for Development of the Agricultural Frontier (INAF) and the National Institute for Agricultural Research and Extension (INIPA) that implement most agricultural production, research, and extension projects. The Ministry also has two other decentralized institutes, the National Forestry Institute (INFOR) and the National Institute for Agroindustrial Development (INDA). The Ministry is responsible for formulation of sound policies, effective carrying out of these policies, and evaluation of their impact. The policies in question affect producer and consumer prices, availability and quality of inputs, regulation of markets, project selection, etc. To manage and control the process of policy implementation, the Ministry must deal with administrative issues such as internal organization, personnel policy, and operational procedures. The Ministry is less directly responsible for the management of agricultural projects that are carried out by decentralized institutions.

The Ministry is ultimately judged on how it manages the sector by the quality and impact of its policy decisions. Other sections of this Project Paper deal with the problems of policy determination, the lack of data and analysis to facilitate prudent and timely policy decisions, and the need to strengthen the Ministry's professional competence. This activity deals with the ineffectiveness of the Ministry's management and control of agricultural sector policies and programs

In examining the adequacy of the Ministry's management systems to deal with the severe problems that affect the agricultural sector and with the constraints to its own effective operation, several basic deficiencies must be taken into consideration:

(a) Ineffective and Inefficient Coordination Among Units of the Ministry.

One of the principal reasons for the Ministry's inability to deal effectively with the problems of the sector is poor coordination among its component units.

The organizational structure of the Ministry is complex and responsibilities often overlap. There is a lack of flexibility and decentralized authority for developmental, regulatory, and support operations. In spite of a decentralization structure, there has not been a real decentralization of decisionmaking authority. The result is that top executives in the Ministry have too wide a span of control and become involved in too many activities at various levels. For example, when conflicts arise among functional units at the regional level, they are often brought to the attention of the Vice-Minister for resolution. These disputes should normally be resolved in the regional offices themselves. There is a lack of clear, accurate, and timely communication of instructions, regulations, and requests for action among the various levels. Procedures are unclear and cumbersome. Low morale and poor attitudes are further contributors to decreased cooperation among offices and result in substantial delays in accomplishment of tasks and processing of information.

(b) Deficiencies in the Input and Use of Information.

Another basic deficiency is the Ministry's inability to identify and address critical issues. Information systems do not generate enough relevant information to enhance managerial effectiveness at operating and executive levels.

There are three shortcomings of the Ministry's information systems at present. Information is not received on a timely basis, so any possible feedback is no longer relevant. The scope of the information that is presented is in too great detail and is often incomplete. The accuracy of the information that is generated is very poor. Currently, the information from field levels all the way up the chain of command is months late, is too detailed, does not identify key problems, and does not present alternatives for decisionmaking appropriate to each level. Moreover, financial information is separate from physical progress reports so that an

integral picture cannot be obtained. For example, evaluations of budget execution are presented six months after reporting periods and are so detailed and voluminuous that busy executives ignore them. The principal reasons for the dysfunctional nature of these systems are lack of clear instructions and procedures and the use of manual data management technologies that can no longer handle the flow of information required by the Ministry's scale of operations. Most importantly, no capability exists to evaluate achievements, monitor individual activities, or evaluate job performance. The consequences are delays in execution, delays in use of international donor funds, lack of coordination among support activities such as budget, personnel, and supply, increased costs due to inefficiency, and reduced effectiveness in producing outputs. Many of the current crises of management result from the absence of such systems.

(c) Lack of Emergency Preparedness Planning

The Ministry is required repeatedly to take rehabilitative actions made necessary by disruptions in the normal production and distribution of agricultural products. The disruptions may be caused by flood, avalanche, drought, abrupt price changes for commodities on the international market (cotton, coffee, sugar, etc.), or strikes and conflicts In such instances, the Ministry of Agriculture is confronted with a critical need to restore food supplies, arrange feed and transportation for affected livestock, provide emergency credit to farmers, adjust price policies, or develop new technological packages for producers. There are at present no systems, no contingency plans, and no personnel alerted and ready to respond in the event of such emergencies. All is improvised. The consequence is costly in terms of human suffering, and in terms of political cost to the Ministry, which is seen as nonresponsive and ineffective. The political impact on the Minister of the current sugar shortage is illustrative of this effect.

(d) Lack of Management Systems

Many of the Ministry's implementation problems result from a lack of sound procedures and trained field personnel dealing with activity specification, scheduling, organization, resource allocation, reporting, and monitoring. The lack of agreed upon procedures and trained personnel virtually assures failure for any Minister who attempts to execute programs efficiently.

(e) Severe Operating and Support Constraints

The common complaints of operating officials and external advisors are: where is the supply, where are the personnel, why is the money late, etc.? A large portion of the obstacles to efficient conduct of activities comes from the systems of budgeting, supply, personnel, accounting, and information flow. The root causes of these obstacles are many: some come from the lack of financial strategies and rigid government budgeting procedures; others from confusing procurement systems; and, finally, still others from the number, quality, lack of training, and poor motivation of the personnel who perform support functions. Personnel

strategies are dysfunctional. Assignment and promotion of personnel within the Ministry is often based on political considerations. Although administrative personnel outnumber technicians, they are overworked because of inefficient procedures and poor coordination. As a result, technicians in the field lack the supplies and financial resources to implement the Ministry's programs.

The conclusion to be drawn from review of these deficiencies is that managerial constraints are a top-priority problem and that there is a need to improve procedures, accelerate flow of information, increase numbers of trained personnel, and raise morale.

ii. Response to the Problem

The Ministry must resolve both the current crises it faces and undertake the longer-term institutional strengthening that is needed to improve its effectiveness. The issue is how to do both. The underlying strategy of this activity is to focus attention on the critical short-run problems of the Ministry and, in the process, propel necessary longer-run changes.

This activity deals with improving the managerial competence of the Ministry of Agriculture so that it can perform its mandated functions more efficiently and effectively. There are natural linkages between this activity and the following activity, the INIPA support activity, the advanced training support activity, and the UNA support activity that will also be financed under the Project. These linkages are traced out below.

This activity will consist of two subactivities to improve Ministry management of the public agricultural sector. They are:

(a) Improving management practices in three ways. First, a Committee for Management Improvement will be established to identify priority managerial constraints and draw attention at the highest levels of the Ministry to those that are susceptible to improvement. Second, a permanent position for management improvement will be established in the Vice-Minister's Office. The incumbent will have a broad mandate to improve the Ministry's management and to enhance the Ministry's capacity to respond to crises. Third, support will be provided to the Ministry's Office of Rationalization (OGR) to assist other offices of the Ministry in identifying specific constraints and in improving their management systems. The requirements of decentralized institutes will also be taken into account under the Project. Those of INIPA will be addressed in the third activity of this Project component. Of the remaining three institutes, INAF has responsibility for the widest array of projects and has by far the largest development project budget. It has special need for support to strengthen its project management capability and, consequently, will be one of the priority recipients of assistance from the Office of Rationalization and the action training discussed below. The other two institutes, INFOR and INDA, carry out activities of a lesser magnitude. Although they will benefit from general management upgrading in the Ministry and from action training activities, they will play a smaller role in the Project than either INAF or INIPA.

(b) Support to the Ministry's Office of Personnel to develop and implement a long-term Personnel Management Strategy, to sponsor and coordinate action training, and to assume operational responsibility for the advanced training to be provided under Component IV of the Project.

iii. Institutional Arrangements

This activity will be implemented through the following institutional arrangements. An interagency Committee for Management Improvement will be created. It will be composed of the Vice-Minister and the heads of OSPA, OGR, the Office of Administration, and the General Marketing Directorate. The Chairman of this Committee will be the Vice-Minister, who is charged by law with the responsibility for executive direction of Ministry activities. The mandate of the Committee will be to identify important management problems, to focus attention at the highest levels of the Ministry on the resolution of these problems, and to coordinate measures to resolve them. The Vice-Minister will be supported in his role as Chairman by a special Assistant for Management Improvement. This highly qualified Peruvian, who will report directly to the Vice-Minister, will have a broad mandate to dig into managerial problems. This individual will work in close consultation with three regional offices that will be chosen to field test improved management methods, systems, and procedures on a pilot basis before extending them to other units. In coordination with the Vice-Minister, this person will also establish priorities and write "terms of reference" for OGR, for the Office of Personnel, and for other offices of the Ministry. He will monitor management improvement activities and evaluate changes in managerial style, procedures, and methods for their desired effects. The Special Assistant for Management Improvement will propose and, as needed, make mid-course corrections. Two of his earliest priorities will be the design and implementation of emergency preparedness plans for the Ministry and development of a long-term Personnel Management Strategy.

The Office of Rationalization will work in close coordination with the Special Assistant for Management Improvement. OGR will act as a service unit to other Ministry offices and provide them technical assistance to identify and resolve managerial problems. It will also assist the Office of Personnel in the application of action-training methods to develop streamlined administrative procedures and norms. OGR will develop Management Information Systems (MIS) for responsibility centers and priority programs in accordance with requests by the Special Assistant for Management Improvement and the Vice-Minister. OGR, in close collaboration with the Special Assistant for Management Improvement, will design emergency preparedness plans with the assistance of expatriate consultants. It will also be the mechanism for channeling resources to the Office of Personnel for development of the Ministry's long-term Personnel Management Strategy and will assist the Office of Personnel by identifying action-training requirements. OGR will also channel technical assistance in project management to offices of the Ministry, INIPA, INAF, and the other semi-autonomous institutes. In short, OGR will be the primary mechanism for directing resources, whether in house or from outside entities, to improve Ministry management practices.

The Office of Personnel will have responsibility for the design and implementation of the Ministry's long-term Personnel Management Strategy. It will also have responsibility for contracting for trainers of action-training coordinators and trainers and for selecting, placing, and monitoring participants in the various action-training programs that it will sponsor.

iv. Outputs

This activity is designed to provide the Ministry of Agriculture with the capacity to implement its policy and program priorities more efficiently and effectively. To accomplish this objective, two major outputs will be in place by the end of the Project period.

(a) Policy and Program Management Improvement

This output will include an institutional framework for identifying key constraints, focusing attention on them, and directing resources needed to resolve them. The framework will consist of a Committee for Management Improvement, the Special Assistant for Management Improvement, who will be located in the Office of the Vice Minister, and an enhanced support capability on the part of the Office of Rationalization. Many of the individual outputs to be produced under this activity will be created jointly by these entities and other offices and units of the Ministry. The multi-level articulation and coordination of the Ministry's objectives, strategies, and procedures make it difficult to define each such output separately. Outputs will take both tangible and intangible forms and will include inter alia:

(i) A management policy framework to identify and help strengthen the Ministry's operations and the achievement of the objectives of its policy and program decisions.

(ii) Coordination linkages among organizational units of the Ministry will be studied and appropriate changes will be made to increase efficiency. The objective will be to improve coordination among and within organizational units and to delegate authority so that each unit can be a true responsibility center that is accountable for meeting mutually agreed upon and well defined objectives. The Office of Rationalization will consult with each office, provide technical assistance, and, through the Office of Personnel, channel action training to design and test new means of coordination, logistics systems, and support procedures, and to extend the effective use of proven procedures.

Among other things, this output will leave contingency plans, institutional capacity for rapid response to crises, and early-warning systems. This output deserves high priority because of the many rehabilitative actions required of the Ministry in dealing with the aftermath of floods, landslides, drought, severe price fluctuations, food scarcities, etc. This output does not deal with disaster relief -- the Civil Guard through the National Civil Defense System and the newly created National Development Institute have responsibility for such actions -- but with actions

that the Ministry must take to deal with regulation of supplies, prices, transport of endangered animals, special credit to affected farmers, production technologies to deal with agroclimatic changes, etc.

(iii) The identification of bottlenecks that affect both line and staff offices, and the testing of new procedures to remove these bottlenecks. Priority attention will be given to implementation activities in three pilot regions.

(iv) Management Information Systems will be designed and installed to improve the flow and use of data for priority activities and responsibility centers at regional and national levels. The systems will be used to monitor and control the implementation of policies and programs. The systems will be output-oriented and generate information in such a way as to compare results with implementation plans. Such systems will also aggregate data and produce analytical reports for operating-level, mid-level-management, and top-level executives. Whenever possible and economical, computers will be used to simplify data management and processing for responsibility centers. This output will provide: stream-lined data management procedures; trained users of the procedures and related data processing equipment; and systems analysts in the Office of Rationalization to specify norms and provide technical assistance and training.

(b) Personnel Management Strategy

The Office of Personnel will carry out studies to examine the Mininstry's personnel recruitment, promotion, assignment, and human resource development practices. As a result of these studies, as well as of projections of future skill and occupational requirements, the Office of Personnel will design and implement a long-term Personnel Management Strategy. Specific outputs of the strategy will include:

(i) The establishment and implementation of effective policies for recruiting, transferring, and promoting individuals in order to enhance compatibility between job requirements and employee qualifications;

(ii) Job specifications for job positions;

(iii) The design, testing, and implementation of guidelines for providing non-monetary and low-cost incentives for better performance, motivation, and retention of employees;

(iv) Action-training workshops, briefings, and orientations that change attitudes, help create and test simplified new support procedures, and extend the scope of the effective use of proven procedures;

(v) In-service management training courses through linkages with the School of Advanced Studies in Business Administration (ESAN) and ohter local training centers; and

(vi) Coordinated plans for reducing the overall number of Ministry employees via attrition while recruiting new talent and meeting skill and occupational requirements.

The strategy will be developed in the context and full recognition of the Ministry's salary constraints. It will emphasize identifying competent and qualified individuals and assigning them to priority positions. It will identify the personnel requirements of organizational units that carry out key activities, and strengthen them by transferring more qualified personnel from units whose activities are not as critical. It will also reward integrity and competence. Among other things, personnel policies and guidelines will be based on non-monetary and low cost incentives for building morale such as: (i) work that is significant, meaningful, and consistent with a person's abilities and aspirations; (ii) continuous and varied training and educational opportunities; (iii) support resources; and (iv) personal and group recognition for outstanding work. The effectiveness of this subactivity will depend greatly on the interpersonal skills of staff in the Office of Personnel. It will also depend on the management improvements that are instituted under the Policy and Program Management Improvement subactivity.

v. Inputs:

The total cost of this activity will be $2,160,000. A.I.D.'s contribution will be $1,420,000, which will consist of $450,000 of loan financing and $970,000 of grant financing. The GOP contribution will be $740,000. For detail on costs, see Annex II, Appendix E.

(a) Technical Assistance (G $970,000; GOP $100,000). Both expatriate and Peruvian technical assistance will be provided. There will be 48 person-months of long-term expatriate technical assistance and 40 person-months of short-term technical assistance (20 expatriate p.m.s and 20 Peruvian p.m.s).

(i) Long-Term Technical Assistance (G $670,000). Two long-term resident expatriate advisors will be financed under this activity for two years each. One long-term resident advisor will assist the Office of Rationalization. He will be a management advisor with expertise specifically in organization and methods. The second resident advisor will be a specialist in personnel management with experience in action training. This individual will assist the staff of the Office of Personnel.

(ii) Short-Term Technical Assistance (G $300,000; GOP $100,000). Short-term foreign and Peruvian technical assistance will be provided in the areas of emergency preparedness planning (four expatriate person-months immediately); management improvement; personnel management; organization and methods (O&M); organizational development; decisionmaking; procurement, budgeting, accounting, and management information systems design and use; micro-mini computer applications; experiental training, including action training; personnel management; needs assesments; and human resource development.

(b) Equipment (L $120,000; GOP $20,000). Loan funds will finance audio-visual equipment ($20,000) and micro-mini computers ($100,000) for OGR and priority responsibility centers, including software as appropriate for word processing, data base management, financial planning, and statistical analysis applications. The GOP will finance needed office equipment ($20,000).

(c) Support Costs (L $330,000; GOP $620,000). The Project will fund salaries (L $225,000; GOP $525,000) of the Special Assistant for Management Improvement in the Vice-Minister's Office, an Information Systems Coordinator in OGR, and one Action Training Coordinator in the Office of Personnel. Local transportation for in-country travel costs and per diem of salaried personnel (L $50,000; GOP $50,000) will also be financed. Training materials to be funded (L $30,000; GOP $20,000) will include participant work books, trainer materials, audio-visual packages, and translation of training materials. Finally, computer and audio-visual equipment maintenance (L $25,000; GOP $25,000) will also be financed.

b. Salary Support for Public Agricultural Sector Administrators

i. Statement of the Problem

Closely related to the management practices of the Ministry of Agriculture are the caliber and motivation of the personnel who are charged with Ministry management responsibilities. As discussed in the previous section, the first activity of this Project component includes provision for in-service management training to upgrade the managerial skills of Ministry personnnel. The human resource development support component of the Project is designed to address deficiencies in the techical competence of Ministry employees. As argued at some length in the discussion of Component IV, however, low salaries are perhaps the key bottleneck that frustrates the Ministry's ability to attract, retain, and motivate highly qualified personnel. This is particularly the case for the principal management positions in the Ministry.

ii. Response to the Problem

The Project recognizes the pervasiveness of the salary problem and proposes to attack it in a multifaceted fashion. As discussed above, the issue of salaries will be one of the priority topics for study by the Agricultural Policy Analysis Group. Moreover, the studies to be performed will be structured in such a way as to lead to specific recommendations not only for providing adequate compensation for Ministry personnel but also for introducing flexibility into civil service regulations so as to give public sector administrators more latitude to manage efficiently and effectively. The recommendations may include the creation of a senior executive service, as proposed by the World Bank, to free top executive-level employees from civil service salary restrictions. In addition, the Personnel Management Strategy to be developed and implemented by the Ministry will be designed to take salary constraints explicitly into account. Furthermore, a number of Project activities make provision for remunerating key technical personnel on a scale corresponding to their talents and responsibilities.

This activity addresses the low salaries of key management positions in the Ministry. On a declining cost basis, AID will provide salary supplements to assist the Ministry in retaining highly qualified managers, attracting and retaining "new blood," and motivating high performance. Subject to final negotiations with the Ministry, the positions for which salary supplements will be provided are as follows:

Office of Administration	Director General
	Deputy Director
Office of Accounting	Director
Office of Budget	Director
Office of Personnel	Director
Office of Supply	Director
Office of Documentation	Director
Office of Rationalization	Director General
	Deputy Director
Agricultural Sector Planning Office	Director General
	Deputy Director
Sectoral Statistics Office	Director General
	Deputy Director
Cadaster Office	Director General
Legal Office	Director General
Marketing Directorate	Director General
	Deputy Director
Directorate of Agriculture and Livestock	Director General
INAF	Chief

To complement this short- and medium-term financial solution to the problem, the Project will also take steps to institutionalize a mechanism to provide adequate compensation to key public agricultural sector personnel. The Project Agreement will call for the Ministry to establish a mechanism as a Condition Precedent for initial disbursement of AID funds for this activity. At this writing, reliance on the recently created "Public Sector Development Foundation" appears to be the most likely alternative, although the World-Bank-proposed senior executive service may be the appropriate longer-term solution. In addition, the Project Agreement will call for a decision by the GOP with regard to a permanet mechanism and the provision of adequate budget resources to support such a mechanism as a Condition Precedent for disbursement of AID funds beyond December 31, 1984.

iii. Institutional Arrangements

This activity does not involve creation of a new unit in the Ministry or a sizable accretion of responsibility on the part of existing units. The Vice-Minister will be responsible for implementation of the activity, assisted, as appropriate, by the Special Assistant for Management Improvement and the Ministry's Office of Administration.

iv. Outputs

This activity will give the Ministry the remunerative capability to retain highly qualified management personnel, as

well as the flexibility to fill vacant management positions with capable people. As a result of this activity, a higher proportion of Ministry management positions will be in the hands of capable managers. The activity is anticipated to have a positive impact on the motivation that affected individuals bring to the workplace -- and, as a corollary, on the management of Ministry operations.

v. Inputs

The total cost of this activity will be $1,500,000. Over the life of the Project, the GOP and AID will contribute $1,050,000 and $450,000, respectively, to the salary supplements for key public agricultural sector administrators. The entirety of AID's contribution will be loan funded. For detail on costs, see Annex II, Exhibit E.

c. Strengthening Managerial Effectiveness of National Institute for Agricultural Research and Extension

i. Statement of the Problem

Over the past five years, the GOP has taken dramatic steps to revitalize the country's agricultural research and extension capability. The National Institute for Agricultural Research and Extension (INIPA), created bya the Belaunde administration as a semi-autonomous institute of the Ministry of Agriculture, has a 1983 budget of approximately S/.31 billion [3/] and is the recipient of $75 million of long-term lending from IBRD, IDB, and AID. The problem is that INIPA's management systems are currently limited in their ability to handle resources of this magnitude. Thus, the positive steps that have been taken to reverse the country's deterioration of agricultural research and extension capacity -- and these steps are really only a start -- are in jeopardy.

INIPA's administrative deficiencies are causing inefficiencies in program implementation. Field personnel often have to modify their activities due to shortages of supplies and materials, lack of funds, and coordination shortfalls. INIPA suffers from severe financial constraints, insufficient and inadequate management control systems, and poor coordination among its organizational units.

ii. Response to the Problem

INIPA's administrative problems will be addressed through a concentrated two-year program of technical assistance. The technical assistance to be provided will focus on the following: administrative policy, financial management, internal control systems, program monitoring and evaluation, organizational structure, human resource management, and operational procedures. Although expenditures will be concentrated in a two-year period, the activity will have a five-year life.

[3/] $18.2 million at a mid-year exchange rate of US$1 = S/.1,700

During the latter three years, annual evaluations will be performed to assess progress and to recommend mid-course corrections.

As a result of this activity, INIPA will have the administrative tools -- policies, systems, and procedures -- to carry out its programs in an effective and efficient way. Nevertheless, the accomplishment of the activity's objectives cannot be expected to depend only on the quality of technical assistance. Management's will to manage is the most important prerequisite. In the final analysis, the successful implementation of all policies, systems, and procedures will depend on top management's leadership, dedication, involvement, and skill to obtain needed government support and the desired response from INIPA's personnel.

iii. Institutional Arrangements

The technical assistance team to be financed under this activity will function as an advisory organizational unit to INIPA's Chief Executive and his Deputy. The latter will also be the manager of this activity, and will receive support from INIPA's Planning Unit. A top-level ad-hoc committee will be established to monitor the activity's progress, assure needed support from INIPA's top management and donors, and coordinate the interventions of each party concerned with the activity. The committee's members will be INIPA's Director and his Deputy, donor representatives, the Chief of Party of the North Carolina State University team that is funded under the Mission-supported Agricultural Research, Extension and Education (REE) Project, and the Chief of Party of the INIPA management technical assistance team funded under this activity.

A Working Committee will be established to coordinate: (a) the support needed by the technical assistance team from INIPA's organizational unit; and (b) the implementation of new tasks, systems, and procedures. The members of this committee will be department heads and two CIPA (Regional Office) representatives.

iv. Outputs

The objective of this activity is to strengthen INIPA's management and streamline its operations in a period of two years. It is expected that at the end of the second year, INIPA's programs will be carried out without any serious administrative constraints. Annual program plans will be designed to optimize the productivity of INIPA's human resources, and will be implemented as planned; responsibility centers will be accountable to accomplish well defined objectives and will receive timely feedback and support from their superiors; and top management will have adequate information to take timely decisions, overcome potential problems, and take actions to minimize the negative impact of problems outside its control.

The specific outputs of this activity will relate to (a) financial policy, (b) financial management control, (c) internal control systems, (d) program monitoring and evaluation, (e) organizational structure, (f) human resource management, and (g) communications.

(a) Financial Policy

A financial policy framework will be implemented to help streamline INIPA's operations and achieve the objectives of its programs. The new policy framework will set strategies related to the following:

Mobilizing Financial Resources

INIPA's capability to mobilize financial resources will be increased. A combination of alternatives will be considered in order to accomplish this objective. Some alternatives may not be viable unless the Congress modifies certain laws. Among the alternatives to be considered are:

- INIPA's capacity to negotiate its budget requirements with the government could be strengthened. INIPA could support its requests with quantitative and qualitative information with regard to the impact of its programs on agricultural production, balance of payments, and government revenues. On the other hand, it could also document the probable negative impact or losses of resources already invested that could result from a budget appropriation smaller than what is desirable.

- INIPA could negotiate an agreement with the government to obtain legal rights to negotiate and obtain short-term loans from the banking system. This financial flexibility could be used by INIPA to overcome temporary cash shortages.

- INIPA could study the possibility of changing fees for some of its services or of increasing the fees that it is already charging. For example, INIPA could enter into agreements with private farmers or farmers' associations to provide research and extension services -- INIPA could provide technical personnel, and the farmers could pay the cost of per diem, transportation, and materials.

- INIPA could negotiate an agreement with the government to maintain INIPA's capital above a predetermined minimum level.

Disbursement of Budget Funds

Every year INIPA will prepare a monthly cash flow plan for its next fiscal year. The budget will provide adequate financial resources to optimize the outputs of INIPA's permanent technical personnel working in the field. INIPA will prepare a schedule for disbursing budgeted funds in a manner that will suit its cash flow requirements and will provide convincing arguments to justify it. INIPA will also negotiate agreements with one or more banks in order to obtain efficient banking services. Through improved banking services, INIPA will expedite the transfer of funds from Headquarters to Regional Offices.

Use of Funds

INIPA will justify a request to the government to obtain flexibility in cash management. INIPA's responsibility will be to manage its liquidity effectively and efficiently rather than to comply with an inflexible item-by-item budget.

Cost

INIPA will minimize its administrative costs. At present, administrative costs appear to be variable costs -- that is, they vary in close proportion to the size of INIPA's programs. The strategy will be to make them fixed costs as much as possible. This can be accomplished through the implementation of efficient administrative systems and procedures, and electronic data processing.

(b) Financial Management Control

The objectives will be to: (i) obtain the financial resources needed to use INIPA's human resources and physical infrastructure productively, (ii) assure a timely flow of funds to responsibility centers in charge of program implementation, and (iii) assure that financial resources are allocated and used efficiently. To achieve these objectives, a number of manuals will be produced and their procedures implemented.

The manuals that will be produced are described below. They will be designed with active participation of INIPA personnel, and the personnel who will be in charge of implementing the procedures specified in the manuals will be properly trained in their implementation. Prior to full implementation of the new manuals, a comprehensive audit of INIPA's finances will be carried out. The audit will also include identification of any weaknesses or shortfalls in INIPA's internal control system.

Accounting - INIPA's accounting manual will be analyzed and, if necessary, amended within the framework of present laws. In the future, the accounting system will generate relevant information for financial management and for monitoring reponsibility centers. A study will be carried out to determine whether accounting records should be kept centralized at Headquarters, as they are at present, or should be decentalized. If decentralized, each Regional Office will keep its own accounting records. Under the latter alternative, each Regional Office would prepare and send to Headquarters a daily statement of transactions (properly coded) and a monthly trial balance. The design of voucher forms and the flow of information will be revised if necessary to suit the needs of electronic data processing (EDP).

Budgeting - This manual will establish budgeting criteria, procedures, formats, and a schedule of activities for the preparation of the budget.

Reporting - The Financial Management Control Manual will have the format, procedures, and the information system design to produce meaningful analytical reports for management. The information system design will be fully comprehensive. It will identify input information, and establish procedures for each step from the collection of data to the presentation of financial reports.

Data Processing - At Headquarters, accounting data will be processed by computer. The input data will be coded, and computer programs will be designed to generate output data according to each user's needs (INIPA, the Ministry of Agriculture, the Ministry of Economy, Finance, and Commerce, and donors). INIPA has already purchased several minicomputers, and thus the computer program design will have to fit INIPA's computer configuration. The possibility of installing computers in Regional Offices will also be studied taking into consideration the number of transactions and the volume of program data to be processed. The study will also take into consideration INIPA's sunk costs: (i) it already has purchased minicomputers for its Regional offices, and (ii) Regional Offices have a large number of permanent clerical personnel who post and process information manually.

(c) Internal Control Systems

INIPA's financial internal control systems will be revised and modified if necessary. The systems will strengthen the aspects of auditability, accountability, and integrity with regard to asset management and financial transactions.

(d) Program Monitoring and Evaluation

A system will be designed and installed in order to monitor and control program implementation. The system will generate information on project activities, events, and results, and will compare them with implementation plans. The system will also produce analytical reports for operating-level, middle-management, and top-level executives. Whenever viable and economical, computer programs will be designed to process the program and project data of each responsibility center.

(e) Organizational Structure

INIPA's organizational structure will be studied and it is likely that a number of changes will be made. The objective will be to improve coordination among organizational units, and to make each one of them a true responsibility center that is accountable for meeting well defined and agreed upon objectives. Among other changes, it is expected that it will be necessary: (i) to establish a Technical Director position to whom INIPA's three program directors will report; and (ii) to establish an Operations Manager position to whom Regional Offices will report. The Operations Manager will have a staff to follow up and coordinate project implementation.

An Organization and Methods (O&M) Unit will be appropriately located in INIPA's organizational structure. It will design efficient logistical support systems for INIPA's field operations, and keep INIPA's operational procedures updated. Similarly, and EDP unit will keep EDP programs updated and will design new computer programs requested by management of the Technical Director.

(f) Human Resource Management

Human resource management will be strengthened, in part, by establishing and implementing: (i) adequate hiring and promotion policies in order to enhance the compatibility between job requirements and employee qualifications, (ii) job specifications for job positions, and (iii) a human resources development plan.

(g) Communications

A study will be carried out to determine the exact configuration of communications equipment required to suit INIPA's needs. Examination to date suggests that a combination of a telex and radio system may be the most cost-effective alternative.

v. Inputs

Only a portion of this activity will be financed with funds approved in this Project Paper. Although the Project's contribution to the activity is relatively small, support to INIPA is intimately linked, both conceptually and operationally, with the financial support to be provided under the Project to strengthen public agricultural sector capacity to implement agricultural policy and is seen as an integral part of the Mission's strategy in this regard.

AID will contribute $400,000 of grant funds from this Project, to this activity, the entirety of which will be used to finance expatriate technical assistance. However, the total cost of this activity will be $1,737,000, which will be financed as follows: $200,000 of World Bank grant funds will be used to finance additional technical assistance; and through reprogramming of funds under the Agricultural REE Project, $438,000 of AID loan financing and $699,000 of GOP counterpart financing will be provided. For detail on costs, see Annex II, Exhibit E.

All told, 170 person-months of technical assistance will be financed. Of this amount, 48 person-months will be long-term expatriate technical assistance, 8 person-months will be short-term expatriate technical assistance, and 114 person-months will be Peruvian technical assistance.

AID loan funds will finance Peruvian technical assistance, local professional services -- accounting support personnel, external auditors, and computer programmers -- and calculating machines.

The GOP will provide professional counterparts with suitable qualifications for producing activity outputs. At least 144 person-months of professional counterpart time will be provided. The GOP will also finance secretarial services, chauffeurs, office space and supplies, and fuel and vehicle maintenance costs.

4. Human Resource Development Support

a. Advanced Training

i. Statement of the Problem

The current status of professional personnel in the Ministry of Agriculture can be described in various ways. In the context of economic development, the most useful characterization is, to put it simply, one of severe decapitalization of human resources.

Until the end of the 1960s, Peru made substantial investments in human capital. Since 1969, however, these investments have been sharply curtailed, and the country is to a very great extent living off its capital. Erosion of this capital stock has been substantial, and there has been a veritable flight of professional talent from Peru, from both the public and private sectors. Little remains in the Ministry of Agriculture and associated institutions and yet Peru is currently attempting to mount a nationwide agricultural research program with an entity that has five Ph.D.s and 42 M.S.s. That is barely two advanced degrees for each of the country's 24 Agrarian Regions, but, of course, they are concentrated in headquarters and favored regions.

While this decapitalization of human resources was taking place, Peru expanded the number of its universities that award the bachelor's degree. Fifty percent more bachelor's degrees were turned out in 1980 than in 1970, even though there were fewer professors with advanced degrees to offer such education. A law passed in 1969 drastically reduced the salaries of professors at public sector educational institutions, placing them under the civil service regulations that govern salary levels in the rest of the public sector. Not surprisingly, highly trained professors joined the flight of professionals elsewhere, though perhaps not to the same degree.

The Ministry of Agriculture, which is expected to act as the "rector" of the agricultural sector, relies largely on generalist ingenieros agrónomos and has only a handful of personnel formally trained in management. OSPA has only two personnel with advanced technical degrees. The General Directorate for Water, Soils, and Irrigation has no advanced degree holders in its central office. Its only personnel with advanced degrees are employed in a donor-financed Special Project -- and many of them were lured away from the National Agrarian University, which, as a consequence, has virtually terminated graduate teaching and research in irrigation and drainage. Aside from a limited number of professionals in the Ministry's Office of Administration, advanced administrative skills are relatively unknown. For example, the National Institute for Agroindustrial Development (INDA) only has one employee with an advanced degree in administration.

The government's salary structure is a large part of the problem. Analysis performed for this Project reveals that the purchasing power of Lima-based government employee in December 1982 was 31 percent of its 1979 equivalent. Even at this reduced level of real expenditures, many public agricultural sector institutions have virtually no operating funds left once they have paid salaries.

The problem of low salaries is exacerbated even further by still other structural problems. The government has more people on its payroll than it can afford. To increase the government budget in piecemeal fashion is no real solution. The increases that are needed to have a significant impact are of such magnitude that there is no reasonable expectation that such an action would be taken. The second problem is that there is no way for managers of public entities to manage their away around the salary constraint. If they reduce staff, they cannot take advantage of the savings. The personnel budget is not under their control.

These problems have implications which are not, at first, apparent. One is that the salary structure simply precludes development and maintenance of well trained personnel. Another is that, in the presence of low salaries and virtually no discretionary operating funds, enthusiasm and morale cannot be maintained. Furthermore, procedures for carrying out Ministry activities are so cumbersome that it is often impossible to avoid delays in operations. Dysfunctional support systems have a negative impact on efficiency, contribute to poor morale, and, thus reduce productivity even further. The combined effect of these shortcomings is such that the low salary levels that are paid to government employees may actually exceed employee productivity. In other words, as scarce as public resources are, government policies and procudures may be causing some to be wasted.

Personnel find a variety of ways to cope. University professors develop sources of supplementary income and it is by no means a rarity for Ministry employees to hold second, and even third, jobs. For its part, the government relies heavily on consultants for professional skills. Donor-financed Special Projects employ a certain contingent of well qualified professionals who migrate with opportunity, but they do not institutionalize capacity. Many of these individuals were educated before 1970 and are well trained and seasoned. The country has not been filling in behind them, the generation gap is getting larger and larger, and age will soon start to exact its toll.

In 1982, the Ministry of Agriculture had 1554 permanent professional positions, 564 in Lima and 990 in its 24 Agrarian Regions. These figures exclude the Ministry's institutes. It is estimated that advanced degrees are critical for 54 Lima positions. Only 20 Lima personnel have M.S. degrees and none have Ph.D.s. Moreover, not all M.S. degree holders hold critical jobs. No data are available on the number of advanced degree holders in the Agrarian Regions, but the probability is high that a goodly portion of regional personnel were trained in regional universities, where the quality of education is relatively low, even by local standards.

In the Ministry's four institutes, INIPA, INAF, INFOR, and INDA, there are 644 professional personnel. Advanced degree training is estimated to be critical for 191 of these positions, but only 54 institute personnel hold such degrees -- 50 M.S.s and 4 Ph.D.s. The situation is analogous in the case of management expertise. A recent Ministry personnel survey points up the lack of well qualified personnel in accounting, budgeting, procurement, personnel management, etc. Furthermore, although there is substantial interest in management training, opportunities are few. Thus, in all, there are at least 397 Lima-based and 867 regional personnel in positions for which there are advanced training needs.

Given the severity of salary constraints, there is little institutional interest in the Ministry in releasing personnel for full-time advanced degree training. It takes the best people out of operations for two years and returns them with highly marketable skills. Within a little while, these personnel are gone. There is a regulation that a scholarship recipient must serve two years for every full-time year he studies. This indenture can normally be paid off, however, by repaying the salary received while in study. Recipients of scholarships funded under this activity will not have this option. Further, there is no formal Ministry policy or program for in-service training of professional personnel. There is some activity, but it is ad hoc and largely a function of the initiative of employees to track down opportunities on their own.

ii. Response to the Problem

The Project's response to the public agricultural sector's critical shortage of skilled professional manpower is to structure a creative program of advanced training to address pressing needs in the short and medium run. It takes into account the severe constraints -- especially, the salary constraints -- that affect the Ministry at the current time. The response is admittedly only a start to meeting the Ministry's long-term professional personnel needs. Nevertheless, in conjunction with the long-run Personnel Management Strategy to be developed under the management support component of the Project, it will lay the basis for a more concerted expansion of professional capability as the environment for professional employment within the Ministry improves in the future.

A one-shot infusion of highly skilled personnel into the Ministry will have little long-term impact. Rather, an approach is needed that responds to both immediate and long-term concerns. In the absence of a coordinated strategy, all one can expect is that freshly trained personnel will work under the same system, with the same lak of operational resources, and with colleagues who offer little inspiration. The management support component of this Project will assist the Ministry in getting at the root of key management problems and in proposing and implementing feasible solutions. As part of its mandate, it will develop a coherent set of personnel policies and procedures and design a long-term strategy for personnel management. Among other things, the strategy will address the key issue of

salaries. While the response of this activity of the Project must fit the poverty of the current situation, it must also reflect an optimism that as Peru copes with the legacy of a full decade of anti-intellectual military government, conditions will steadily, if slowly, improve.

Intensive review has resulted in a rethinking of the strategy proposed in the PID to upgrade professional skills in Peruvian agriculture. Until the Ministry of Agriculture can afford to attract and retain substantial numbers of well qualified personnel, one cannot be optimistic as to the extent to which the Ministry will benefit directly from a large-scale U.S. long-term training program for its employees. In contrast to the anticipation in the PID, therefore, the Project will de-emphasize U.S. and other foreign training, which is both expensive and prestigious and substantially enhances employee marketability and mobility, even to the international market. Rather, the Project will focus on in-country training. In particular, it will stress provision of the best technical education available in Peru on an incremental basis through part-time study. This strategy, which is based on the recommendations of an IADS team and the President of Oregon State University, is judged to have the highest potential for steadily improving the Ministry's professional capability, having a positive impact on morale, and compensating the Ministry for released time for study.

Although the Mission has concluded that heavy reliance on in-country training is called for at this time, it is important to stress that the strategy proposed in the PID is likely to resurface as an appropriate response in the future. Once the bottleneck of the Ministry's inability to retain more than a minimum number of well trained personnel is resolved, the Mission will be prepared to consider future programs with heavy reliance on U.S. long-term training.

It is also important to stress the viability of the strategy of this activity of the Project even under the "worst-case" scenario in which no appreciable improvement takes place in the environment for professional employment in the Ministry. In such case, employees will eventually attain a level of competence that opportunities outside the Ministry will induce them to leave. In the interim, however, the Ministry will be able to benefit from the increased knowledge that employees gain during the course of their studies. The Ministry will admittedly be a training ground for others, but as personnel leave, the program is structured so that others can replace them.

In addition to expanding the Ministry's professional competence, this activity will also forge important linkages between the Ministry and local educational institutions. It will rely heavily on such institutions, especially those that survived the 1970s in relatively strong fashion. The Ministry will not only be giving them more business, but a mechanism for collaboration will be established -- a mechanism that the Ministry badly needs. The Ministry's Office of Personnel will create a Technical Training Division (TTD), which will be contracted, in its entirety, with the National Agrarian University (UNA) for implementation. The contract

is directly related with UNA. The contract will also have the advantage of placing management of training in the hands of professionals. At the same time, advanced training will be integrated into the Ministry by a Training Committee (see Institutional Arrangements below).

This activity deals exclusively with technical training that earns credit toward a degree. This is a major need. It is also a major undertaking. The activity expressly excludes short courses and all other forms of in-service training. This is done for only one reason -- to improve chances of success. The Ministry's Office of Personnel is already taking on a heavy responsibility for in-service management training under the management component of this Project. Adding in-service technical training (to technical training for graduate credit) would simply overburden the system and greatly reduce chances of success in any one part of the program. There is no question of need, and if the Office of Personnel demonstrates an ability to handle an in-service technical training program in the future, it can be added.

This activity also excludes advanced degree training in management. The rationale for the exclusion is not one of lack of need, but a recognition that substantial amount of this kind of training will be offered under World Bank financing.

Specifically, this activity has five elements:

(a) Organization and development of a Technical Training Division in the Office of Personnel to be staffed and managed by the National Agrarian University. This unit will administer the Ministry's technical training program.

Dependence on UNA does not imply that it will offer all in-country graduate work under this activity. The TTD will be responsible for determining needs for formal training in collaboration with the heads of Ministry offices and individual employees, and under the general supervision of the Office of Personnel and the guidance of the Technical Committee (TC). Subject to the direction of Ministry officials, the TTD will be responsible for arranging for graduate training at other in-country institutions in fields in which UNA does not have predominant capability.

(b) Graduate training in the United States in technical fields in which the need for advanced training is critical, is recognized as such by the GOP, and cannot be satisfied in country.

(c) Full-time graduate training in Peru.

(d) Part-time technical graduate training for Ministry personnel based in Lima, essentially through released time to study in conventional graduate programs in local universities.

(e) Part-time technical graduate training for Ministry personnel based in the 24 Agrarian Regions, essentially through intensive courses of about four weeks each.

iii. Institutional Arrangements

This activity will be housed in the Office of Personnel in the Ministry of Agriculture. Its Technical Training Division, for which UNA will have responsibility, will direct all formal training activities. A Training Committee will also be formed to enable the Ministry to develop and maintain integrity in its professional personnel development program.

The Training Committee will consist of the Director of the Office of Personnel, the Director of Agricultural Sector Planning Office, the Director of the Office of Rationalization, the Director General of one of the Ministry's five General Directorates, the Director of one of the Ministry's four semi-autonomous institutes, the Coordinator of Graduate Studies at the National Agrarian University, and a representative of the Council on Science and Technology (CONCYTEC). For all training supported by this Project, the committee will also include the USAID project manager.

This activity will give the TTD and the TC adequate experience to establish themselves well in the Peruvian context. All graduate training under this Project, including all United States training, will be managed through the TTD and the TC. In the future, all advanced training of Ministry personnel that is supported under USAID projects will be handled through the TTD-TC mechanism. This policy will not necessarily apply to graduate training of institute personnel, although this option is not foreclosed. This reliance on the TTD-TC institutional arrangement will allow a common set of procedures and criteria to be developed and coherent program of advanced training to become institutionalized.

The Technical Training Division will be created under contract with the National Agrarian University. This contract will give the Ministry constant access to the only expertise in graduate education in Peru. It will also give UNA a much greater appreciation of needs of the Ministry and greater responsibility for Peru's agricultural personnel needs.

This activity is limited to formal advanced training in technical fields related to agriculture. The limitation is significant. Peru needs technical training of all kinds, but the chances of success of this activity are greatly enhanced if the scope is limited. Advanced training is particularly needed as opposed to undergraduated training since Peru has no shortage of bachelor's degrees in agriculture. It faces a serious problem, however, in the erosion of its elite, that relatively small group essential for leadership and innovation. Erosion in the past has resulted largely form migration, and soon it will result from death and retirement. Thus, emphasis is placed on graduate credit to enforce discipline and quality control and as an incentive for raising productivity and morale.

The institutional arrangements for this activity are designed to enable it to link easily with two other activities of the Project. One is the in-service management training supported under the Project's management support component. The other is the activity designed to increase the National Agrarian University's graduate training capacity.

iv. Outputs

The outputs of this activity will be trained people and the institutionalization of capacity in the Ministry of Agriculture to manage a coherent professional personnel development program.

(a) Establishment of Technical Training Division - Through the Project the Division will have five years of experience in designing and managing a professional personnel development program. The Ministry's Training Committee will also have shared in the experience. The Ministry of Agriculture will have projections of its future long-run needs for advanced training, as well as plans for meeting these needs. The Ministry of Agriculture will have a coherent advanced training policy as part of its long-run Personnel Management Strategy.

(b) U.S. graduate training - This subactivity will produce four Ph.D.s and 11 M.S.s.

(c) Full-time graduate training in Peru - Allowing for some attrition, the output of this subactivity will be 15 Master's degrees, plus 10 students with credits toward degrees.

(d) Part-time technical graduate training for Lima personnel - Under this subactivity, 150 professionals will complete more than 3,000 credit hours of courses and earn 45 M.S. degrees.

(e) Part-time technical graduate training for regional personnel - Under this subactivity, 400 professionals will complete approximately 2,600 credit hours of courses and earn ten M.S. degrees.

v. Inputs

The total cost of this activity will be $3,275,000. AID will contribute $2,203,000; the GOP will contribute $1,072,000. AID's contribution will be entirely loan funded. For detail on costs, see Annex II, Exhibit E.

AID will finance professional salary costs of the Technical Training Division, costs of coursework and related training activities, and short-term technical assistance. The GOP will finance support costs of the TTD and salary costs of trainees.

Short-term academic technical assistance will include six weeks of consultation per year to the TTD to assist in planning and evaluation of its training program. In addition, the TTD will receive three person-months of academic technical assistance in defining long-term advanced training needs.

The distribution of costs by subactivity is: (a) establishment of TTD -- $279,000; (b) U.S. graduate training -- $806,000; (c) full-time graduate training in Peru -- $388,000; (d) part-time technical graduate training for Lima-based personnel -- $921,000; and (e) part-time technical graduate training for regional personnel -- $881,000.

b. Support of National Agrarian University

i. Statement of the Problem

The National Agrarian University (UNA) has, along with most other institutions of higher education in Peru, suffered substantial losses in quality during the past 14 years. Along with much of the rest of the agricultural sector, the human resources of this vital institution (the only one granting graduate degrees in agriculture and forestry in the country) have been depleted by the flight of faculty to often more lucrative positions in Peru and elsewhere.

During the 1950s and 1960s, the GOP and various donors made substantial investments in the development of UNA. By the late 1960s, many departments were staffed by faculty who had received M.S. and Ph.D. degrees in the United States and Western Europe. The general consensus is that at this time UNA was one of three major centers of agricultural and natural resources higher education in all of Latin America. Although a significant portion of this investment in human capital has been lost to UNA, a good case can be made that most of these agricultural professionals are still contributing to agriculture, but, in many cases, not in Peru.

Fortunately, a substantial number of this earlier cadre of professionals remains in UNA until this day. Some departments have nearly a full complement of Ph.D.s educated during the development period. Indeed, it is rather remarkable that despite what in retrospect appears to have been a particularly negative attitude toward UNA during the first phase of the military government, there is a good base of facilities, equipment, and personnel on which to begin the task of restoration. Knowledgeable people testify that UNA has been the most stable of all the institutions in the public agricultural sector and continues to be so today.

The University has developed interesting ways to cope with its very modest financial resources. One factor that severely limits its capacity, however, is the requirement that faculty compensation be equivalent to that paid in the public sector generally. As a result, the most able and creative faculty spend a significant amount of their time supplementing the modest salaries paid by UNA.

For the life of this Project, there appears to be no lack of opportunity for faculty of UNA to study for graduate degrees abroad. There is more than adequate financing for overseas training from a major World Bank loan and from other donors. Indeed, the problem may well be one of too many opportunities in a relatively short time span. If current plans are fully executed, in the academic years 1984-85, 1985-86, and 1986-87 there will be a significant deficit of resources -- both personnel (because of the absence of trainees) and financial (because the World Bank loan requires UNA to pay regular salaries while trainees are studying abroad, thus leaving no funds for replacement personnel). Some of this deficit can be made up by greater efficiencies in the use of remaining faculty, but a significant stress will be placed on the institution, which will particularly impact its graduate faculty.

Although some departments have fared relatively well over the past decade, several departments have been so severely affected by the resignation of qualified graduate faculty as to create a serious problem of quality. In addition to being a problem, however, this deficiency also permits reorientation into directions more appropriate to the needs of Peru in the decades ahead.

Resources from a variety of sources will restore the physical plant at La Molina to a level of adequacy. The World Bank loan also provides for construction at the University's Regional Development Institutes, which are strategically located in various agricultural regions of the nation. Although some support services are adequate for quality graduate education, there are serious deficiencies in library and information retrieval services, in analytical equipment for research in several critical fields, and in instrumentation maintenance and repair services. Augmentation of the existing computer with additional memory will be required if the growing demand for services is to be met.

There is a substantial attrition of degree candidates in the graduate program, some of which is attributable to inadequate preparation and reasonably rigorous standards of performance. A good deal of the loss, however, occurs after students have sucessfully completed all the course work for the Master's degree. If fellowships and modest research support could be provided, a significant increase in the number of students completing the M.S. could be achieved.

At the present time, adequate opportunities do not exist for preparation in the English language for UNA faculty (and, ultimately, students) to study for advanced degrees abroad. There will be a continuing need for a technically oriented English Language Institute in Peru. Its location at UNA would be logical, since it could serve not only the University but the technical staff of the Ministry of Agriculture and of INIPA as well.

ii. Response to the Problem

The response strategy that is proposed is flexible and attempts to deal with the diversity of problems that UNA faces. Some of these problems are short-range and are anticipated to be significantly alleviated by the major investment in advanced education of faculty that will be concurrent with the five-year span of this Project. Others are more fundamental and, in the final analysis, will require a significant reordering of national priorities insofar as higher education is concerned. The approach of this Project will be to fill in gaps in critical areas essential for the professional needs of Peru's agricultural sector. Some actions deal with the more acute problems of the present. Other actions attempt to develop needed capabilities or to redirect emphases in ways that long-range quality will be enhanced.

Responding to an immediate and most urgent need are actions designed to reduce loss of faculty with advanced degrees to normal

levels and to enhance faculty morale generally. Some necessary actions have already been taken or will be taken shortly -- for example, the rehabilitation and reconstruction of physical plant, which will significantly enhance the University's teaching and research environment. Unless some action is taken during the life of the Project to deal with the issue of inadequate faculty salaries, however, it is likely that abnormally high attrition of senior faculty will continue. For this reason, the Project will include modest provision for faculty salary support. It will also provide support for other means to stabilize faculty.

Once the process of education of some 80 faculty members is under way, a significant stress will be placed on UNA to maintain the quality of its undergraduate and graduate programs. Consequently, the Project will provide funding for temporary replacement of faculty, particularly during the most critical period, from 1984 to 1987.

The Project will also take steps to enhance faculty quality at regional universities. During the "transition" period at UNA, the Project will provide teaching fellowhips for 20 regional university faculty for 24 months each. Recipients of fellowships will render part-time instructional service at La Molina and, at the same time, complete the requirements for an UNA M.S. degree.

This activity relies heavily on the already significant educational, research, and administrative capability of UNA. In critical areas where this capability is weak, this activity will take steps to address key short- and long-term needs. Since UNA's needs are varied -- and since certain needs are already being addressed with funds from other sources, the subactivities that are described below may appear at first glance to be discrete and separable. They are not. Rather, they form part of an overall strategy to revitalize UNA as a center of academic excellence and to improve the quality of technical agricultural education available in Peru to both the public and private sectors. The activity will consist of five subactivities:

(a) Faculty Stabilization Faculty stabilization will be encouraged in a variety of ways to make continued employment at UNA more attractive. As a start to addressing the pervasive problem of inadequate salaries, this subactivity will provide salary supplements for key UNA faculty. This will complicate University management, but if the erosion of qualified and experienced graduate faculty continues, the success of UNA's rebuilding program will be seriously jeopardized. The logic of this support is the expectation that Peru's economic health will have improved by the end of the life of the Project and, at that time, a more adequate University salary structure will be able to be sustained.

To complement this short-term financial solution to the problem of inadequate University salaries, the Project also includes provision, as discussed above, for the Agricultural Policy Analysis Group to make the issue of the structure of remuneration at UNA one of its priority topics for study. In addition, the Project includes a Condition

Precedent for disbursement of AID funds to this activity beyond December 31, 1984, this parallels the corresponding Condition Precedent discussed for the public agricultural administration salary support activity. To meet this Condition Precedent, UNA will establish a permanent mechanism to provide adequate compensation for faculty and will take steps to assure continuity of financial support to keep the mechanism operational over the long term.

This subactivity will also support expatriate faculty in two departments of UNA that are most in need of revitalization, the Department of Agricultural Economics and Farm Management and the Department of Irrigation and Drainage. It is anticipated that these professors will be role models for UNA faculty, support and assist in curricular revision, and collaborate in joint research -- all of which will contribute to better faculty morale.

One of the major frustrations for faculty at UNA is the unavailability of funds for research. Small research grants will be provided to current faculty with advanced degrees and to younger faculty as they return from M.S. or Ph.D. training and need "start-up" research funds.

(b) Faculty Development If current UNA and donor plans are implemented in their entirety, a total of 80 faculty will go abroad for advanced education in the next five years. In the peak year of 1985-86, a total of 68 persons will be absent simultaneously. This program, as necessary as it is, will obviously have a significant impact on an already weakened faculty. If quality of both undergraduate and graduate programs is to be maintained, various types of "transitional faculty" will be needed. This subactivity responds to this need in two ways:

(i) A portion of the shortfall of instructional capacity can be met through the employment of part-time, temporary-hire faculty. A significant number of well educated professionals reside in the Lima area and the conventional wisdom is that many would be pleased to teach (some to return to the classroom) at La Molina. Employment of such part-time professors will be staged in such a fashion as to compensate for the loss of instructional personnel through advanced study in the United States and elsewhere.

(ii) A second, imaginative way of obtaining "transition faculty" involves increasing the capability of faculty at regional universities as well. This can be done by providing fellowships for experienced faculty at regional universities to teach at La Molina. Under this subactivity, a total of 20 such Faculty Teaching Fellowships will be provided.

(c) Graduate School Infrastructure There are a number of kinds of support infrastructure in which significant gaps will be filled:

(i) National Agricultural Library and Information Center. The virtual completion of a new library building on the campus of the University affords an opportunity to achieve the goal of a

"National Library of Agriculture." The main research station of INIPA is adjacent to the university campus. Its admittedly inadequate collection is miserably housed. In light of resource scarcities across the board, the Ministry of Agriculture, INIPA, and UNA have expressed interest in pooling their resources in a single national agricultural information center managed by UNA. This subactivity will provide support to facilitate institution of such a center, and support the upgrading or INIPA's library funded under the REE project by providing for the consolidation of both libraries.

(ii) Instrument Repair and Maintenance. A significant portion of UNA's scientific equipment is not fully functional because of lack of adequate repair and maintenance capability. This subactivity will provide support for UNA to contract on a regular basis with a private firm for such repair and maintenance.

(iii) Central Analysis Center. Certain basic but costly analytical equipment is either not available or poorly used. This subactivity will support creation of a centralized analysis center. It will be provided with essential basic equipment and staffed with capable technicians. After a start-up phase, a portion of its ongoing operating costs will be derived from user fees.

(iv) Graduate Research Fellowships. Two thirds of UNA's graduate students successfully complete all course works for their degrees but do not finish their theses. This subactivity will finance "Graduate Research Fellowships" for 80 students during the life of the Project to address this problem. Since this implies additional expenses for UNA a "cost of thesis" allowance of $2,500 per year will be provided. Additionally, fellowships will be provided for up to ten UNA faculty who have completed all course work and other requirements for the Ph.D., but still have theses to complete.

(v) Technical English Language Laboratory Faculty and students who wish to study abroad do not have adequate opportunity to become sufficiently fluent in the English language. A "Technical English Language Laboratory" will be created to serve the fluency needs not only of UNA, but also of the Ministry of Agriculture, INIPA, and other semi-autonomous institutes.

(d) Advisory and Consulting Services - A senior advisor with broad experience in agricultural research, graduate education, and university administration will be provided to the administration of UNA to assist in the overall coordination of the various elements of USAID's program (including the Small Ruminants CRSP) that affect UNA. The senior advisor will also be available to assist UNA in making effective use of other resources, including those of the World Bank project. The senior advisor will make a long-term commitment to make semi-yearly visits over the life of the Project to follow progress at UNA and make suggestions for modifications and improvements.

Short-term technical assistance will be provided in several critical areas in which expertise is currently lacking. Outside assistance will be tapped at the initiation of various tasks and to monitor equipment maintenance and English language training.

(e) Institutional Linkages The diversity of agricultural sector problems in Peru argues against attempting to repeat in the 1980s and 1990s the highly successful linkages that were made with essentially one U.S. academic institution -- North Carolina State University -- in the 1950s and 1960s. No single U.S. institution has the competence to match the current interests and needs of Peruvian counterparts at UNA. Hence, this subactivity will provide modest resources to permit exchange of faculty between a variety of U.S. institutions and UNA. Five such exchanges will be supported per year. If experience confirms the value of this kind of relationship, the Mission will consider continuing such support over the longer term.

iii. Institutional Arrangements

Since the primary beneficiary of this activity will be UNA, most institutional arrangements will be internal to the University. Although some modification in the internal structure of UNA will be necessitated by the creation of new support units, the overall management structure will not be affected.

One inter-institutional arrangement will be the creation of a Joint Committee of the principal users of the National Agricultural Library and Information Service -- UNA, INIPA, and the Ministry of Agriculture. The Committee will provide oversight and policy guidance for this subactivity. The Committee will report to the Rector of UNA but will deal primarily with the manager of the library. Other entities -- for example, INAF, INFOR, INDA, and the International Potato Center (CIP) -- will also be represented on the Committee to give it broad balance.

The advanced training activity of the Project includes provision for creation of a Technical Training Division by the Office of Personnel in the Ministry of Agriculture. This Division will be managed by UNA for the Ministry on a contract basis. Management of the Ministry's technical training program will naturally require coordination internally between the Technical Training Division and the Graduate School Administration of UNA. The Director of Graduate Programs at UNA will also be represented on the Training Committee that will oversee all advanced training financed by this Project.

The education of regional university faculty that will be supported under this activity will require coordination between UNA and the regional universities in question. This will be particularly the case in the process of candidate selection.

iv. Outputs

In an overall sense, the output of this activity will be a stronger and more effective national resource for education, research, and service at the National Agrarian University.

Specific elements that will produce measurable outputs are: (a) graduate teaching fellowships -- 20 M.S.s for faculty of

regional universities; (b) graduate research fellowships -- 75 M.S. degrees; (c) international linkages -- 20 additional linkages established, 5 existing linkages strengthened, and, (d) English language training -- 100 students provided assistance in attaining sufficient competence in English to pass the TOEFL test for entry into graduate study in the U.S. with 80 successful completions.

There are also non-specific outputs of a qualitative nature that can be evaluated during and at the conclusion of the Project. These include: (a) a greatly improved and unified National Agricultural Library and Information Service operated by UNA for the agricultural professionals of the nation; (b) a Central Analysis Center at UNA; (c) a functional English Language Laboratory at UNA with emphasis on technical English; and, (d) a strengthened Department of Agricultural Economics and Farm Management and a strengthened Department of Irrigation and Drainage, with modern curricula at both the Ing. Agr. and M.S. levels of education.

v. Inputs

The total cost of this activity will be $4,855,000. AID's contribution will be $3,573,000; the GOP's contribution will be $1,282,000. AID's contribution will be entirely loan funded. For detail on costs, see Annex II, Exhibit E.

The breakdown of cost by subactivity is: (a) faculty stabilization -- $2,843,000; (b) faculty development -- $738,000; (c) graduate school infrastructure -- $916,000; (d) advisory and consulting services -- $236,000; and, (e) Institutional linkages -- $122,000.

AID will provide funds to supplement salaries of UNA faculty. It will also finance transitional faculty, grants, fellowships, international travel, training assistance, and equipment. The GOP will finance local salaries, office space, classrooms, laboratories, equipment, materials, in-country travel, and other local costs.

The training assistance to be financed by AID will be of two different types. The first will be two long-term visiting faculty from the United States for four years each to assist the Department of Agricultural Economics and Farm Management and the Department of Irrigation and Drainage. The second type will be short-term consultantships of varying lengths in areas in which the current capability of UNA personnel is limited.

Limited support for equipment acquisition is provided to fill in key gaps unmet by other sources and to provide capability critical to the development of graduate study and research in the agricultural sciences.

c. Support of University of the Pacific

i. Statement of the Problem

Although there is a cadre of well-trained Peruvian personnel with expertise in agricultural policy analysis -- much of it trained

under the Iowa State University and North Carolina State University programs that AID supported in the past, the cadre is small and a sizeable proportion of it is located out of country. Moreover, the across-the-board shortage of training opportunities over the last decade has created somewhat of a "generation gap" in this field. There is a base of agricultural policy analysis talent, but the base is small and needs expansion and new blood.

The University of the Pacific (El Pacífico), a private sector institution, has just completed a feasibility study and is about to institute an M.S. program in economics. One of the specializations to be offered will be agricultural economics. The Pacific agricultural economics program will stress agricultural policy analysis and, thus, can be seen as complementary to the farm management emphasis to be developed at UNA.

The M.S. degree program, which will take two years to complete, will be somewhat unconventional. There will be a strong emphasis on application, an extensive use will be made of the case-study method of instruction. Admission policy will be geared largely, though not exclusively, toward professionals from both the public and private sectors. Since the program will be of two years' duration, only students with and adequate background in quantitative methods will be admitted, but most of the course work will be offered in the late afternoon and evening so as to accommodate the part-time student.

Extensive use will be made of "external, part-time" faculty, particularly during the second year of the program. These experts will offer the seminar-style courses related to their specialties. Much of the course content will be transmitted by using Peruvian case studies appropriate to the subject in question. Hence, the program will have a clear "tilt" toward the practical application of economic theory in the decision making process in both the public and private sectors.

During the feasibility study, a substantial number of potential students were contacted to assess their interest in such a program. The conclusion reached is that there is a sufficiente demand for a high-quality master's degree program to justify its initiation and to provide sufficient student input on a continuing basis. The Pacific program will not compete with the M.S. program in agricultural economics at UNA, nor with the existing M.S. program at Catholic University. The program at Catholic University, though it has more of an interdisciplinary orientation, is more traditional in its style of instruction and seeks to serve a different clientele of students, namely, full-time students, particularly from areas other than Lima.

The full-time faculty currently at The Pacific are capable of initiating a program of adequate quality. There are eight members of the Department of Economics who hold doctorates from institutions in the United States and Western Europe. Several received their Ph.D.s with USAID assistance and majored in departments with a strong agricultural economics emphasis.

El Pacífico has an Institute of Economic Research that conducts grant and contract research on a self-sustaining basis. A significant number of publications have resulted from this research. The studies of the Institute will provide some of the material for the case studies to be used in the M.S. program. It will also provide part-time employment opportunities for full-time graduate students.

The M.S. program at El Pacífico has the potential of playing a significant role in addressing the need to expand the base of agricultural policy analysis capability in Peru. In light of the support to be given to agricultural policy analysis under other components of the Project, El Pacífico's initiative comes at a most opportune time and creates increased opportunities for linkages with policy analysis work elsewhere. The design of the program is well thought out and it is feasible financially. Nevertheless, there are four ways in which the program could be strengthened to improve the quality of education that will be offered. External support would be useful and welcome in: (a) broadening the quality of education through a visiting professor program; (b) increasing the range of library materials available to students; (c) expanding the spectrum of enrollment through provision of fellowships for M.S. students who would otherwise be unable to participate in the program; and (d) increasing faculty salaries to permit them to devote more time to teaching and research.

ii. Response to the Problem

The Mission views El Pacífico's initiative as a promising vehicle for expanding capacity, in both the public and private sectors, to conduct informed and reasoned agricultural policy analysis. It sees El Pacífico as a growing center of academic excellence in this field and, consequently, regards support of the University as an integral part of its strategy to expand and deepen quality agricultural policy analysis expertise in Peru.

The Project will fill in gaps in El Pacífico's M.S. program in economics in three of the four ways noted above. To reinforce the focus of the program on agricultural policy analysis, the Project will finance visiting U.S. professors with such expertise. The professors in question will teach courses, assist in future curriculum development, advise graduate research on agricultural policy issues, and provide short-term consultation to the Agricultural Policy Analysis Group in the Ministry of Agriculture in areas related to their expertise. The Project will also provide modest assistance to expand the University's library holdings on agricultural policy analysis and formulation. Finally, it will finance 15 fellowships for M.S. students to broaden the clientele able to participate in the program.

iii. Institutional Arrangements

This activity will take place in the Department of Economics of El Pacífico. The visiting professors to be financed under the Project will report to the Head of the Department and Project-supported fellows will be students within the Department. The library holdings to be acquired under the Project will be identified by the Department and housed within the University's central library.

Arrangements will be worked out between The Pacific University and UNA to accredit courses taken in the other university in cases when a student's core program would benefit from such cross-fertilization. In addition, criteria for selection of M.S. follows will be developed in consultation with the Technical Training Division of the Ministry of Agriculture and with private rural organizations in order to strengthen the linkages between this activity and other activities of the Project.

iv. Outputs

The outputs of this activity will be four graduate courses in agricultural policy analysis that the Department would otherwise not be able to offer, a substantial increase in reference sources (library holdings) on agricultural policy analysis and formulation, and 15 M.S. graduates with specializations in agricultural policy analysis.

v. Inputs

AID's contribution to this activity will be financed through a Specific Support Grant. Grant funding will be used to finance one year in Peru for each of two visiting U.S. professors, to acquire library holdings, and to finance 15 M.S. fellowships for two years each. The Pacific University will fund counterpart faculty salaries, office space, equipment, materials, reproduction, logistical and data processing support, and other local costs.

The total cost of this activity will be $555,000. The Pacific University will contribute $25,000, and AID $530,000. AID's contribution will consist entirely of grant funds.

5. Private Sector Support

a. Strengthening Participation of Producer Organizations in Agricultural Policy Formulation

i. Statement of the Problem

In making the market with its price signals its fundamental principle of overall policy coherence, the Belaunde administration looks to the private sector as its principal mechanism for revitalization of the Peruvian economy. Through the creation of a favorable policy environment, its expectation is that latent private sector initiative will respond appropriately to market incentives and restore economic dynamism.

In practice, the Belaunde administration has not found it easy to make the transition from an economy dominated by centralized decisionmaking to one in which the private sector can responde bouyantly to market incentives. Although it has made its guiding philosophy abundantly clear, the specific measures that it has adopted to implement this philosophy have not always been well thought out and internally consistent. On the contrary, they have often been ad hoc and apparent crosspurposes. In some instances, changes in policy have been jarringly abrupt. In others, the government has created the impression that its left hand is unaware of what

its right hand is doing. In sum, despite its best intentions, the government has not succeeded in giving the private sector clear, unambivalent signals to respond to.

During intensive review for this Project, a broad spectrum of private rural organizations were contacted. As might be expected, many of the concerns that they expressed dealt with specific, localized problems -- their inability to obtain emergency relief to compensate for the effects of flooding or drought, their belief that Agrarian Bank interest rate policy was jeopardizing local production, the inaccessibility of production credit even at high interest rates, the lack of financing for investment projects that had already been determined to be viable, the high cost and inaccessibility of agricultural inputs, their inability to market produce, a desire for worker ownership of local agroindustry, etc., etc. Running throughout this litany of local problems, however, was one predominant concern, the breadth and depth of which were simply remarkable. In virtually all contacts that were made, rural organizations identified one issue as their most crying need, namely, the need for a sound, coherent agricultural policy framework that they could take as a given in making production and investment decisions. To be sure, local groups wanted direct government support to address specific problems. Indeed, agricultural cooperatives were particularly vociferous in their condemnation of the government for shifting overnight from a style of paternalism to one of abandonment -- and that, in the absence of direct government support at the local level, they were left in the lurch to pick up the pieces. Overriding all such complaints, however, was the concern that policy signals from Lima were inconsistent, lacked continuity, and failed to create an overall environment in which producers could make rational, farsighted decisions. Practically all producer groups that were contacted saw such an environment to be of highest priority -- and were anxious to contribute to its creation themselves.

At the present time, producer organizations do in fact have some voice in the formulation of agricultural policy in Peru. The Peruvian press is remarkably pluralistic and furnishes considerable opportunity for expression of a broad spectrum of views. Indeed, the magazine, "Agronoticias," offers a forum specifically for articulation of producer interests. To a very large extent, however, the level of public debate on agricultural policy issues in Peru is disparate, focused on issues of immediate concern, and based less on solid analysis of policy alternatives than on political partisanship. The private agricultural sector makes use of a variety of outlets to voice its complaints to the government, but it lacks both the analytical capacity to trace out the likely consequences of policy options on various interested parties and, with such analysis as ammunition, the skill and the experience to negotiate constructively for policy changes. Furthermore, the private sector has no formal mechanism for unified negotiation with the government. Although Peruvian law makes provision for a private sector National Agrarian Coordination Council to advise the Minister of Agriculture on policy issues, the Council exists on paper, not in fact.

The recent National Unitary Agrarian Congress (CUNA), sponsored by the National Agrarian Organization (ONA), Peru's largest private sector producer organization, gathered together, for the first time in

Peru, virtually all rural groups concerned with agriculture in the country. The Congress was remarkable for its success in creating a forum in which a broad spectrum of rural interest groups -- often opposing interest groups -- met in an atmosphere of mutual respect and collaboration to work out their differences and present a unified voice to the government on agricultural policy. The Congress also took steps to create an institutional mechanism to facilitate coordination among organizations in the future. In this connection, consideration was given to the possibility that this mechanism could evolve into the National Agrarian Coordination Council called for by law. The Congress has given momentum to increased participation of the private sector in the formulation of agricultural policy in Peru -- a momentum that creates an unprecedented opportunity for effective AID support.

ii. Response to the Problem

This activity complements and reinforces other Project activities. It recognizes explicitly that the private sector is much more than a passive appendage to the process of policy formulation; on the contrary, it sees the private sector as having an active, participatory role to play. The activity, which is endorsed by the Ministry of Agriculture, is designed to broaden the base of demand for sound agricultural policymaking in Peru. It is seen as reducing still further the risk that lack of demand might jeopardize Project impact -- thus attacking in an additional way what the Abt Associates regional evaluation concluded to be the critical bottleneck to the effectiveness of agricultural policy analysis activities.

The objective of this activity is to contribute to the improvement of the process of agricultural policy formulation in Peru. Its strategy is to raise the level of public debate on agricultural policy issues and to increase the capacity of the private sector to demand sound policy decisions. Leadership for the activity will reside in ONA, but other producer organizations will have ample opportunity to participate as well.

Specifically, the activity will support the creation of an agricultural policy analysis unit in the private sector; private sector sponsorship of studies on issues of policy importance; popularization and diffusion -- by television, radio, and the print media -- of analytical work sponsored by the private sector; and private sector sponsorship of forums -- seminars, workshops, etc. -- for broad-based discussion of analytical work produced by both the public and private sectors. The activity will have a five-year life and is designed so that the private sector can maintain its policy analysis capability once AID funding ceases.

iii. Institutional Arrangements

There are a host of private rural organizations in Peru that could conceivably participate in one way or other in this activity. From an internal management perspective, it would be prohibitive for the Mission to enter into separate agreements with more than a handful of these organizations. Consequently, some mechanism must be devised that can meet the dual objectives of facilitating broad-based participation and minimizing management burden. The ideal solution would be to enter into an agreement

with an organization that represented the majority of rural groups, but, as noted above, no such organization currently exists. Thus, a choice must be made among existing organizations.

Management of this activity will reside in the National Agrarian Organization, which is known by its Spanish acronym, ONA. The choice of ONA is dictated by a variety of considerations:

- It is recognized officially by the government.
- It is stable and is likely to remain so beyond the Belaunde administration.
- It is the producer organization with the broadest and most diverse base of representativeness.
- Its membership is growing.
- It is cohesive and has a well defined identity.
- It is credible to its membership and, to a large extent, on the outside.
- Of all national producer organizations, it is the closest to being apolitical -- it is a pressure group, but one that is relatively pluralistic and objective.
- It has the potential of being an effective negotiating agent with the public sector -- it can represent producers' interests but also appreciate the views of others.
- It took the leadership in organizing the National Unitary Agrarian Congress.
- It will be the key actor in the evolution toward an institutional mechanism for broader producer representativeness.
- It has the administrative infrastructure to manage studies on agricultural policy issues.
- It appreciates the need for solid analysis of issues of policy importance -- in 1982, it made an abortive attempt to establish its own Office of Planning and Economic Studies.
- It is organized as a non-profit institution and would be eligible for a Specific Support Grant.

According to its statutes, ONA has four mandates:

- to organize all Peruvian farmers for the protection, promotion, and development of the agricultural sector;
- to promote agricultural production, marketing, processing, and research;
- to represent its membership and to provide them services on a non-profit basis; and
- to stimulate government coordination with the private agricultural sector in matters related to agricultural policies.

This activity will support ONA's capability to carry out the last of these mandates. It will create an Agricultural Policy Analysis Unit within ONA. The Unit will conduct and sponsor studies on issues of policy importance, will serve as a channel for other rural organizations to sponsor studies, and will diffuse information and sponsor forums for broad-based discussion of policy issues.

The Agricultural Policy Analysis Unit will be small in size. It will conduct studies itself, contract with consultants to perform studies, and administer a Private Sector Analysis Fund through which other rural organizations can sponsor studies. To gain access to the Fund for sponsorship of a study, a potential sponsoring organization will first submit a request for financing to ONA. ONA will design application forms to facilitate this process. ONA will review the request for financing and provide AID with a summary description of the applicant organization, the objectives and scope of the study, and an estimated budget. It will also give AID its recommendation on whether to approve the request for financing. If AID approves, ONA will then work with the sponsoring organization to develop detailed terms of reference, a detailed budget, and agreements with the consultants who will perform the study. Once the contract is executed, ONA will provide AID with a signed copy. Signatories to the contract will be ONA, the sponsoring organization, and the participating consultants.

ONA and the sponsoring organization will have joint responsibility for monitoring progress of the study and authorizing payments to consultants. In the event of a disagreement between ONA and the sponsoring organization, it will be arbitrated by a committee consisting of representatives of ONA, the sponsoring organization, and UNA, or another institution of higher education approved by AID. Although ONA and AID will receive copies of each study that is completed, the sponsoring organization will have exclusive distribution rights. ONA and AID will not distribute copies of the study or release information concerning its findings without the sponsoring organization's written consent. In many instances, it will be in the sponsoring organization's interest to have ONA disseminate information on the study through established channels.

For a rural organization to sponsor a study, it must meet the following criteria:

- It must be a legal entity.
- It must represent at least 300 farmers or rural workers who would be affected by the policy issue or issues to be studied.
- It must provide evidence that it provides useful services to its members.
- It must have annual revenues of at least $ 10,000.
- It must have an accounting system and present financial statements.
- It must deposit $ 250 with ONA upon presentation of its request for financing. This amount will be adjusted to ten percent of the cost of the study once the final budget is prepared and approved by AID. These moneys will be the sponsoring organization's contribution to the study.

iv. Outputs

The ultimate output of this activity will be the formulation of policies that are well thought out and whose impacts on agriculture and other sectors are anticipated beforehand. In a more narrow sense, the activity will produce three classes of outputs: (a) the establishment of an Agricultural Policy Analysis Unit in ONA; (b) agricultural

policy studies; and (c) dissemination of information on agricultural policy issues.

(a) Establishment of an Agricultural Policy Analysis Unit in ONA - This activity will finance the creation of an Agricultural Policy Analysis Unit in ONA. The Unit will have the responsibilities discussed above. At the end of the life of the Project, the Unit will be securely established and capable of continuing without AID support.

(b) Agricultural Policy Studies - Two different kinds of studies will be produced: (i) studies on issues of importance to the agricultural sector at large; and (ii) studies on issues that are related to specific agricultural products, specific regions of the country, and specific types of producers.

(i) Studies on Issues of Importance to the Agricultural Sector at Large. The majority of these studies will be conducted either by ONA or under its direct sponsorship. Under the direction of ONA's General Manager, it is anticipated that the Agricultural Policy Analysis Unit will conduct studies of the following kinds:

- Analysis of Determinants of Farmer Profitability ONA will launch an ongoing program to identify key variables that affect productivity in different regions under different technologies. It will also assess the impact of government policies on profitability and make appropriate recommendations. The Agricultural Policy Analysis Unit will design and implement a methodology for the program. Data will be collected at the end of each agricultural cycle from a sample of farmers in ONA's base-level organizations. The farmers will keep records in accordance with the Unit's instructions. The sample of farmers will consist of producers of at least five of Peru's most common crops: corn, cotton, potatoes, rice, and sugarcane.

- Prefeasibility Studies of Export Potential The Agricultural Policy Analysis Unit will examine market possibilities abroad and identify local products with likely export potential. It will then conduct prefeasibility studies to assess this potential in greater detail.

- Assessment of Government Policy Proposals The Agricultural Policy Analysis Unit will analyze bills under consideration in the legislature and make its findings known. It will take similar action on norms and regulations under consideration in the Ministry of Agriculture and MEFC.

- Other Studies Among other potential candidates for study are alternative long-term agricultural development strategies, the compatibility of monetary and fiscal policies with agricultural development, incentives for investment in agriculture, Andean common market opportunities, social security and housing taxes, and

and public sector support services. It is anticipated that the Agricultural Policy Analysis Unit or its consultants will produce at least six studies of this nature during the life of the Project.

(ii) Studies on Issues That Are Related to Specific Agricultural Products, Specific Regions of the Country, and Specific Types of Producers. The majority of these studies will be sponsored by organizations other than ONA with financing from the Private Sector Analysis Fund. ONA's base-level organizations will be eligible to sponsor studies in cases of issues of specific interest to them.

- Product Policies - The Private Sector Analysis Fund will offer a mechanism by which producers of particular products can assess the impact of government policies on their farm operations. Among policies to be studied are price controls, support prices, export taxes, market regulations, and research and extension. It is anticipated that at least ten studies of this kind will be completed during the life of the Project.

- Regional Policies - Some agricultural policies affect some regions more than others. Studies of "regional policies" will focus on these differential impacts. Issues of importance in this connection include water management and costs, marketing mechanisms, storage facilities, input availability, and credit policy. During the life of the Project, at least five regional policy studies will be produced.

- Policies Related to Specific Types of Producers - The obvious example here is agricultural cooperatives. Many cooperatives are currently in financial crisis and productivity is low. These studies will assist cooperative groups in articulating reasoned policy proposals that are compatible with their circumstances, interest, and preferences. At least two studies of this kind will be completed during the life of the Project.

(c) Dissemination of Information on Agricultural Policy Issues - ONA will diffuse information and analysis through public information programs and other means. Information will be channeled to the private agricultural sector and the public at large through "Agronoticias", format letters, radio, television, newspaper, and other print media. ONA will also organize seminars, workshops, and panel discussions. Information will be channeled to the government through meetings with government officials, joint committees of the public and private sectors, and written communications.

v. Inputs

The total cost of this activity will be $1,154,000. AID will finance $990,000 and ONA, $164,000. AID's contribution will be financed with funds approved in this Project Paper, but will be authorized and implemented through a Specific Support Grant. For detail on costs, see Annex II, Exhibit E.

AID support will be used to establish the Agricultural Policy Analysis Unit in ONA. The Unit will consist of a chief, two agricultural economists, one research assistant, and two secretaries. AID funds will also be used to finance studies and to disseminate information. AID will fund the entirety of the Unit's operating costs in the first year of the activity. Thereafter, ONA will assume responsibility for increasing proportions of operating costs.

AID will also finance office furniture and equipment, two microcomputers, and one vehicle for the Unit. In addition, it will fund short-term expatriate technical assistance. The technical assistance will be used for three purposes: to help ONA with its studies; to help ONA design systems and procedures for reporting progress and for processing purchases and disbursements in accordance with AID regulations; and to carry out evaluations at regular intervals.

IV. PROJECT ANALYSES

A. Institutional Analysis

The institutional beneficiaries of the project will include the Ministry of Agriculture, the Ministry of Economy, Finance, and Commerce (MEFC), the National Statistics Institute (INE), the National Meteorological and Hydrological Service (SENAMHI), the National Agrarian University (UNA), the National Institute for Agricultural Research and Extension (INIPA), the University of the Pacific, and the National Agrarian Organization (ONA).

1. Ministry of Agriculture

a. Background

The pre-1950 research and extension institutions of the Ministry of Agriculture were structured to serve a limited clientele of large commercial haciendas, as well as related factor and product firms. The shift away from this clientele was initiated in the late 1950s and early 1960s with attempts to build research, extension, and agricultural capacities to serve various groups. By the late 1960s, increased capacities had emerged to adapt reserach knowledge to Peruvian conditions and began to deliver technical options to clientele groups extending from subsistence to small, medium and large farmers. A major component of this emerging capacity was that of an experienced administrative structure. In the 1970s, a third phase focused on asset redistribution. The implementation of the political decision to alter the asset structure came at the expense of institutions that had been built and had begun to function in the previous period. For various reasons, production-increasing institutional capacities were eroded by a lack of budgetary and political support. The consequence was a loss of programmatic effectiveness, trained human resources, and an uncoordinated set of institutions.

b. Organization

The Ministry has been the object of what would seem to be almost permanent reorganization. At one time during the 1970s it was split into two ministries, which were later consolidated into one organization. At the beginning of the Belaunde administration four major elements were decentralized into semi-autonomous institutes. The four institutes deal with agricultural research and extension (INIPA), forest and wildlife (INFOR), frontier land development (INAF), and agroindustrial development (INDA). Each corresponds to a General Directorate within the Ministry, although there is one General Directorate that has no corresponding institute, the General Directorate for Land Reform and Rural Settlements. The Directorates are considered line agencies and are charged with developing policies, norms standards, rules, and regulations for Peru's agriculture. However, limited funds are available for monitoring or evaluating implementation, and as a result, the Ministry is expected to look after all aspects of the nation's agriculture, much of the business of the Ministry is virtually unmanaged.

c. Management, Policy Analysis and Information Capacity

(1) Management Capacity

The Ministry of Agriculture suffers from an inability to deal effectively with the problems that besett the agricultural sector. Some problems are external in nature and affect the country as a whole: floods, avalanches, inflation, unemployment, the world-wide recession, civil unrest, and banking crises, to name but a few. Other problems are directly related to the institutions of the government: low salaries, budget cutbacks, and nonresponsive governmental structures. Still other problems stem from causes internal to the Ministry: lack of cohesive strategies, overly complex organization, rigid and nonresponsive systems and procedures, and faulty coordination that causes delays in the implementation of projects, operations, and support activities such as accounting, budgeting, procurement, and personnel.

A review of Ministry functions and activities and discussions with Lima-based and regional Ministry personnel have pointed up the severity of the managerial constraints that the Ministry faces. Support for the management support component of the Project is widespread and the outlook for proposed activities is very favorable. Even if Ministers change, any effective political executive will need to see that his policies and programs have their desired impact.

The Vice-Minister has responsiblity for the carrying out of Ministry Programs. At present, he is unable to carry out this function effectively. The Project will place a Specialist Assistant for Management Improvement in his office to be his right-hand man for management. It is crucial to the effective operation of the Ministry that there be someone to assist the Vice-Minister in the management of priority programs and to bring high-level attention to resolving management problems. The Project will also establish a Committee for Management Improvement. The Committee will identify management problems, will discuss priorities and proposed solutions, and will monitor the implementation of improved policies, strategies, systems, and procedures.

The objetive of the Ministry's Office of Rationalization (OGR) is to improve the organizational efficiency and effective management of the Ministry and to support similar rationalization activities in the decentralized institutes and parastatal enterprises of the public agricultural sector. The principal functions of OGR include: carrying out studies to improve administrative procedures and systems; revising administrative norms; supervising and evaluating the impact of rationalization activities to further the process of administrative deconcentration; and establishing the requirements and qualifications needed to carry out activities to improve the management of the Ministry and the smooth working of its procedures and systems. The Office of Rationalization has a staff of 13 professionals. It is the lead unit in the Ministry for changing administrative structures, policies, and procedures that bear on production-oriented activities. The Director of OGR perceives the role of this office, together with the other major institutional entities of the Ministry, as that of catalyst for change.

The Director of OGR and his Deputy have been thoroughly involved in the design of the management support component of the Project The office is anxious to obtain better qualified personnel and to enhance its impact on Ministry management. It is therefore highly motivated to proceed. The Office is correctly positioned in the structure of the Ministry and has legal authority for the functions called for under the Project. The notion of an OGR training/consulting team to work with field and support units is highly desired.

The Office of Personnel has responsibility for personnel management -- selection, assignment, development, benefits, etc. Its Director is very interested in improving its ability to implement these functions. In collaboration with OGR and other Ministry units, the Office of Personnel will have prime responsibility for the design and implementation of a Personnel Management Strategy. The Office will also be responsible for advanced technical training and action-training programs. With the technical assistance to be provided under the Project, it is believed that the Office of Personnel will have the ability to carry out these functions. There is full accord and understanding by both the Office of Personnel and OGR as to have the two offices can collaborate an appropriate tasks.

(2) Policy Analysis Capability

An Agricultural Policy Analysis Group will be established to conceive a basic strategic framework for the sector's development, and to formulate agricultural policy. Several alternative administrative arrangements were considered in order to strengthen the GOP's policy formulation capability. The rationale for choosing to establish a new unit is presented in Annex II, Exhibit B.

The Agricultural Policy Analysis Group will be staffed with qualified personnel, and will received technical assistance through long- and short-term consultants. The Director of the Group will report directly to the Minister, and will also receive guidance from a Steering Committee that will be composed of representatives of both the public and private sectors.

The Project will also provide technical assistance to enhance OSPA's capabilities to monitor and evaluate the impact of the sector's polcies, programs and projects. OSPA's activities will also generate feedback for the Agricultural Policy Analysis Group.

(3) Information Capability

Statistics on agricultural production, yields, inventories, and prices are necessary in order to monitor agricultural sector performance and to take timely decisions with regard to agricultural policies. The continuous System of Area and Production Statistics will generate the data that are needed under the direction of the Ministry's Sectoral Statistics Office (OSE).

At the current time OSE's capacity to launch a nationwide continuous system of area and production statictics is limited.

For this reason, the Project will provide resources to expand staff, will furnish expatriate technical assistance, and, in addition, will contract a highly qualified Peruvian to direct the area sample frame enterprise. The Project will take similar steps in the case of the agroclimatic impact assessment activity. In the judgement of the Project Development Committee, these measures will be adequate to raise OSE's capacity to implement its Project activities effectively.

2. Ministry of Economy, Finance, and Commerce

The Ministry of Economy, Finance, and Commerce (MEFC) will obtain Project support to strengthen its capability to anticipate and evaluate the impact of macroeconomic policy alternatives on the agricultural sector. The MEFC is currently very strong institutionally, and the Project will broaden this strength to encompass analysis and formulation of policy alternatives that bear on issues specifically of concern to the agricultural sector.

3. The National Statistics Institute

The national rural household survey will produce baseline data for the Agricultural Policy Analysis Group that will be established in the Ministry of Agriculture. The National Statistics Institute (INE) will be responsible for carrying out the survey and processing data and OSE will provide needed subject-matter and logistical support.

The planning and implementation of the survey will require expertise and experience in the following areas: (i) economic analysis of agricultural data and knowledge of the Peruvian agricultural sector; (ii) sampling and mathematical statistics; (iii) planning, development, management, and implementation of censuses or statistical surveys, including the development of survey materials; (iv) fieldwork involving collection of agricultural statistics in rural areas in Peru; (v) computer processing of censuses or statistical surveys. Expect for expertise in agricultural subject matter and fieldwork in rural areas, INE is the institution most competent to implement the technical work of the survey. The exact breakdown of responsibility by survey activity between INE and OSE is contained in Annex II, Exhibit J.

4. The National Meteorological and Hydrological Service

The National Meteorological and Hydrological Service (SENAMHI) is part of the Peruvian Air Force, but is managed and staffed by civilians. SENAMHI is responsible for archiving all meteorological and hydrological records; conducting meteorological, hydrological, and agrometeorological studies; and performing synoptic analysis, including making weather forecasts available to the public.

In general, SENAMHI does not have sufficient, qualified meteorologists. Most expertise is invested in computer applications. Many SENAMHI staff require substantial updating of past training. Despite these limitations, SENAMHI can, in line with its capabilities, make valuable

contributions to the Project including i) the historic data base, which is a good resource, and the daily data from SENAMHI stations are very important; (ii) existing and planned radio communications and computer facilites are a definite asset; iii) technical personnel charged with operating the computer system and maintaining data are very competent; iv) there are dedicated, skilled technicians within SENAMHI -- for example, the Agrometeorology Division is quite small, but very dedicated; v) at least one UNDP/WMO expert is available to assist SENAMHI; and vi) there is the growing awareness among managers in SENAMHI that development of user services (products such as analysis reports, not just historic data) and cooperating with other agencies are key to SENAMHI's future.

5. The National Agrarian University

The National Agrarian University (UNA) is one of the bright spots in what is currently a rather dim picture institutionally in the public agricultural sector. UNA is technically in the education sector, but deals almost totally with agriculture and natural resources, and most of its important linkages are with entities of the agricultural sector.

In late 1969, the GOP took away the traditional autonomy of universities and incorporated them fully into the public sector, subjecting their professors to the public sector salary scale. In nominal dollar terms, university salaries in 1983 are less than one-half the level in 1969. The change in salary structure dealt a serious blow to the emerging agricultural scientific elite that, from all indications, was beginning to gather momentum in providing technological underpinning to significant agricultural growth. Despite salary and other problems, however, the University has survived. Its management is strong and quite capable of implementing the tasks that the Project will support to fill in significant groups in UNA's technical competence.

6. INIPA

The objective of the National Institute for Agricultural Research and Extension is to contribute to expansion of agricultural productivity, particularly agricultural production for local consumption. INIPA is a decentralized public institution, and is responsible for the implementation of the government's agricultural research and extension programs.

INIPA operates under severe financial constraints, insufficient and inadequate management control systems, and poor coordination among its organizational units. INIPA's programs and regional coverage are much larger than what its financial resources and administrative capabilities can handle. INIPA operates 18 Regional Offices under the supervision of its central office in Lima. The organization of Headquarters in Lima is complex and ineffective for enhancing coordination, and the organizational structure and administrative systems present major deficiencies in the following areas:

a. Financial Management

The budgeting process leads only to a plan for distributing a given sum of money among Regional Offices and projects, while at the same time INIPA experiences cash shortages fairly often; the accounting sysem is not up to date; and government regulations do not allow INIPA to use the cash on hand in the most efficient way because budgets can not be easily modified.

b. Information Systems

The information received by Headquarters from the field is not received quickly enough to provide timely feedback to field offices, and it usually contains errors and is incomplete.

c. Coordination

Coordination of activities among organizational units at Headquarters and between the Headquarters and Regional Ofices is adversely affected by INIPA's organizational set-up, cumbersome procedures, inefficient communication, and employees' lack of motivation and committment toward job achievement.

For these reasons, INIPA is clearly a weak institution. Consequently, it is in special need of the type of support that the Project can provide.

7. The University of the Pacific

The University of the Pacific (El Pacífico) is a private institution, whose main thrusts at present are BA curricula in Economics and Business Administration and an MBA program.

El Pacífico has just completed a feasibility study to institute an MS program in Economics. As has been its practice in the past, the University is now moving ahead cautiously but purposefully. All indications are that its MS program will be a successful one and, in the context of the objectives of this Project, it is an initiative that is particularly appropriate for AID support.

8. Private Sector Organizations

In order to insure private sector participation in the process of policy formulation, the Project will create a Agricultural Policy Analysis Unit in the National Agrarian Organization (ONA) to diffuse information and analysis on issues of policy importance, act as a center for studies of agricultural policies, and serve as a conduit for studies by a broad spectrum of rural organizations. ONA has an adequate organizational set-up to manage the private sector component of the Project. It also appears to have advantages over other organizations: stability, credibility, the potential to be an effective negotiating agent with the public sector, and leadership. Also, in comparison with other national agricultural organizations, it is probably the closest to being apolitical.

B. Financial Analysis

1. Financial Plan

The total cost of this five-year Project is estimated to be $25,500,000, of which up to $17,000,000 will be contributed by AID through a loan of $11,000,000 and a grant of $6,000,000. The GOP will finance 33% of the total cost, or $8,500,000, with cash an in-kind contributions. Tables V-1 through IV-3 show the Summary Financial Plan (IV-1), Requirements of Foreign Exchange and Local Currency Requirements (IV-2), and Expected Disbursements by Year (IV-3). Annex II, E. contains additional detailed financial tables.

Project Grant funds will finance the procurement of long- and short-term expatriate technical assistance amounting to approximately 278 person/months in various fields of specialization. Additionally, the Grant monies will also defray the costs of scheduled Project evaluations. As as mentioned earlier in the Detailed Project Description, some Grant-funded Project Activities will receive financing from sources other than the Project, amounting to $1,954,000 with the following break-down:

National Rural Household Survey	$ 45,000
Continuous System of Area Prod. Statis.	30,000
Strengthening INIPA	200,000
Agroclimatic Impact Assessment	160,000
Support of the Pacific University	530,000
Strengthening ONA	989,000
Total	$1,954,000

Of this total figure, $200,000 for INIPA will be contributed by the World Bank under an ongoing project with INIPA; the remaining portions will have AID funding sources.

Project Loan funds will finance the cost of personnel, training, equipment including micro-computers, word processors and office equipment, printing equipment, vehicles and motorcycles, travel and per diem, library materials, research fellowships, and operations and maintenance of capital assets. Salaries and other Project support costs will be Loan financed an a declining basis, using an annual percentage distribution of disbursements between AID and the GOP under which th GOP will pick-up all support costs starting in the fourth year of Project implementation. This disbursement model will guarantee the availability of necessary funds to initiate Project execution with desired momentum, but also institutionalize the Project activities once the AID contributions terminate. Approximately 62% of total loan and grant funds will constitute foreign exchange requirements while 100% of the GOP contribution will be effected in local currency though cash and in-kind contributions, principally for operational support.

Agricultural Planning and Institutional Development

Table IV-1

Summary Financial Plan
(US$000)

Component/Activity	A. Loan	I. Grant	D. Total	GOP	Total
I. Agricultural Policy Analysis Support					
- Creation of APAG in MOA	1011	710	1721	1495	3216
- Support of MEFC	51	335	386	168	554
- Support of OSPA	145	400	545	425	970
	1207	1445	2652	2088	4740
II. Information Support					
- National Rural Household Survey	608	650	1258	208	1466
- Continuous System of Area Prod. Statist.	1253	760	2013	759	2772
- Agroclimatic Impact Assessment	411	-	411	454	865
	2272	1410	3682	1421	5103
III. Management Support					
- Improving Management of MOA	450	970	1420	740	2160
- Salary Support to Ag Sector	450	-	450	1050	1500
- Strengthening INIPA	-	400	400	-	400
	900	1370	2270	1790	4060
IV. Human Resource Develop. Support					
- Advanced Training	2203	-	2203	1072	3275
- Support of UNA	3573	-	3573	1282	4855
- Support of El Pacífico	-	530	530	(25) 1/	530
	5776	530	6306	2354	8660
V. Private Sector Support					
- Strengthening Producer Organization	-	990	990	(164) 1/	990
Sub-Total	10155	5745	15900	7653	23553
Evaluation		165	165	-	165
Inflation & Contingencies	845	90	935	847	1782
Grand Total	11000	6000	17000	8500	25500
			67%	33%	100%

1/ Amounts to be contributed by University of the Pacific and ONA, respectively

Agricultural Planning and Institutional Development

Table IV-2

Foreign Exchange & Local Currency Requirements
(US$000)

Component/Activity	Loan FX	Loan LC	Grant FX	Total AID	GOP LC	Grand Total
I. Agricultural Policy Analysis Support						
- Creation of APAG in MOA	399	612	710	1721	1495	3216
- Support of MEFC	6	45	335	386	168	554
- Support of OSPA	35	110	400	545	425	970
	440	767	1445	2652	2088	4740
II. Information Support						
- National Rural Household Survey	—	608	650	1258	208	1466
- Continuous Syst. of Area Prod.-Statistics	772	481	760	2013	759	2772
- Agroclimatic Impact Assessment	180	231	—	411	454	865
	952	1320	1410	3682	1421	5103
III. Management Support						
- Improving Management of MOA	100	350	970	1420	740	2160
- Salary Support to Ag Sector	450	—	—	450	1050	1500
- Strengthening INIPA	—	—	400	400	—	400
	550	350	1370	2270	1790	4060
IV. Human Resource Development Support						
- Advance Training	653	1550	—	2203	1072	3275
- Support of UNA	1722	1851	—	3573	1282	4855
- Support of El Pacifico	—	—	530 1/	530	(25) 3/	530
	2375	3401	530	6306	2354	8660
V. Private Sector Support	—	—	990 2/	990	(164) 3/	990
Total	4317	5838	5745	15900	7653	23553
Evaluation	—	—	165	165	—	165
Plus: Inflation Contingencies	360	485	90	935	847	1782
Grand Total	4677	6323	6000	17000	8500	25500
	27%	38%	35%	100%		

1/ FX = 410 and LC = 120
2/ FX = 178 and LC = 812
3/ Amounts to be contributed by University of the Pacific University and ONA, respectively.

Agricultural Planning and Institutional Development

Table IV-3

Expected Disbursements by Year
(US$000)

Description	Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Total
I. Agricultural Policy Analysis Support						
AID - Loan	514	352	239	80	22	1207
Grant	674	394	229	74	74	1445
GOP	190	314	431	563	590	2088
II. Information Support						
AID - Loan	1566	235	162	157	152	2272
- Grant	415	803	192	-	-	1410
GOP	485	372	221	210	133	1421
III. Management Support						
AID - Loan	478	246	134	21	21	900
Grant	680	450	80	80	80	1370
GOP	172	264	376	489	489	1790
IV. Human Resource Development Support						
AID - Loan	1095	1350	1315	1254	762	5776
Grant	226	226	28	26	24	530
GOP	369	496	515	505	469	2354
El Pacífico	5	5	5	5	5	25
V. Private Sector Support						
AID - Grant	232	188	192	190	188	990
ONA	28	30	32	34	40	164
Evaluation - AID	-	-	82	-	83	165
Grand Total: AID - Loan	3653	2183	1850	1512	957	10155
Grant	2227	2061	803	370	449	5910
GOP	1216	1446	1543	1767	1681	7653
	7096	5690	4196	3649	3087	23718
Plus: Inflation & Contingencies (AID+GOP)						1782
						25500
The Pacific University & ONA	33	35	37	39	45	189

2. Recurrent Costs

Table IV-4 presents the distribution by Project components of expected recurrent costs for the GOP. The total, $1,681,000, appears high in absolute terms. Nevertheless, in relation to the total 1983 budget of the Ministry of Agriculture ($79,867,000), the amount is relatively small (2.1%), and in relation to the combined budget of the Ministry and INIPA ($100,387,000), the amount is smaller still (1.7%). Given the assurances that the Mission has received as to the high priority that the GOP attaches to the activities of the Project, plus the likelihood that budget allocations to the public agricultural sector will rise once Peru's current fiscal crisis is resolved, it is the judgement of the Project Development Committee that the recurrent cost burden implied by the Project will be manageable over the long term.

TABLE IV-4
EXPECTED RECURRENT COSTS FOR THE GOP
(In Thousands of 1983 U.S. Dollars)

I.	Agricultural Policy Analysis Support	590
II.	Information Support	133
III.	Management Support	489
IV.	Human Resources Development Support	469
	TOTAL	1,681

C. Economic Analysis

An economic analysis of a project such as the Agricultural Planning and Institutional Development Project can be performed, at least conceptually, in at least three ways. The first way is to examine whether the individual activities of the Project — and the Project as a whole — are cost-effective. In other words, is the composition of the Project such that outputs are obtained at least cost? Given the institution-building character of much of the Project, plus the fact that many Project objectives are qualitative in nature, it is obviously difficult to answer this question in other than qualitative fashion. Nevertheless, for considerations advanced in the Technical Analysis and in consultant reports in Annex II, it is the judgment of the Project Development Committee that a conscious attempt has been made to devise least-cost alternatives to achieve Project outputs and that, as a whole, the Project is reasonably priced relative to what it is intended to accomplish.

A second way to assess the Project economically is to ask whether the objectives of the Project are sufficiently important to warrant costs of the magnitude contemplated and whether other objectives would appear to warrant, at least relatively, higher priority attention. In this case the answer to the question appears quite clear. As the Mission has argued forcibly in the PID and in its most recent ABS, the establishment of clear and consistent agricultural policies, together with the capacity to implement them effectively, is of fundamental importance to the development of Peru. This position is shared by the GOP. Further, as discussed in Part III.C.5., it appears that agricultural producers also want a coherent policy environment in which they can make rational, farsighted decisions.

A third way to think of the economic analysis of the Project is to attempt to estimate, even if only grossly, the return on such an investment in quantitative fashion. In this regard, a number of consultant reports appeal to professional literature related to individual activities of the Project. For example, the consultant report on area sample frame methodology cites research that suggests that small reductions in sampling error can provide substantial social benefits. The consultant report on agroclimatic impact assessments offers some illustrative calculations in which a savings of no more than $.10 per ton of wheat, corn, sorghum, rice, and soybean imports would be required to cover activity costs. In a similar vein, the report on management systems cites studies of management improvements that have reported potential efficiency gains of 10 to 40 percent and argues that "under the present circumstances, a benefit of over 10% gain in efficiency is realizable." Finally, the consultant report on the UNA support activity advances the argument that "there are few investments that produce a higher public return than do those in the human resource...." Although a number of these arguments concerning economic efficiency are not based on Peruvian data, they nevertheless suggest that many of the activities of the Project are justifiable, at least conceptually, in economic efficiency terms.

Perhaps the most pertinent question is whether the entire Project appears to evidence an adequate rate of return. Again, it is extremely

difficult to answer this question with any great precision. Nevertheless, it is useful to investigate under what assumptions the Project would appear reasonable from this perspective.

Table IV-5 lays out a number of present value calculations to assist such an investigation. In each case, a 20-year stream of costs and benefits is assumed and, in each column except the first, a 15 percent discount factor is applied.

Table IV-5

Present Value of Project Costs and Three Indicators of Agriculture Sector Performance
(In Millions of 1983 U.S. Dollars

Year	Undiscounted Costs	Discounted Costs	Discounted Ministry Budget	Discounted Ministry and INIPA Budget	Discounted Value of Ag.Production
1	20.461	20.461	79.867	100.387	2,900.00
2	1.700	1.478	69.450	87.293	2,521.739
3	1.700	1.285	60.391	75.907	2,192.817
4	1.700	1.118	52.514	66.006	1,906.797
5	1.700	.972	45.664	57.397	1,658.084
6	1.700	.845	39.708	49.910	1,441.812
7	1.700	.735	34.529	43.400	1,253.750
8	1.700	.639	30.025	37.739	1,090.217
9	1.700	.556	26.109	32.817	948.015
10	1.700	.483	22.703	28.536	824.361
11	1.700	.420	19.742	24.814	716.836
12	1.700	.365	17.167	21.578	623.335
13	1.700	.318	14.928	18.763	542.032
14	1.700	.276	12.981	16.316	471.331
15	1.700	.240	11.287	14.188	409.853
16	1.700	.209	9.815	12.337	356.394
17	1.700	.182	8.535	10.728	309.908
18	1.700	.158	7.422	9.329	269.485
19	1.700	.137	6.454	8.112	234.335
20	1.700	.119	5.612	7.054	203.769
Total		30.996	574.903	722.611	20,874.869

The first column presents the undiscounted costs of the Project. The second column presents discounted costs. The entire USAID contribution of funds approved in this Project Paper is assigned to the first year on the grounds that it is effectively "tied up" at that time. This amounts to $17,000,000. Added to this amount are all funds for AID-supported projects ($1,372,000 -- see Part III.C.), World Bank, The Pacific University, and ONA contributions ($389,000 -- see Part III.C.), and a GOP counterpart contribution of $1,700,000, which is also assumed for all subsequent years, and beyond the life of the Project.

The third, fourth, and fifth columns of the Exhibit present variables whose effectiveness can presumably be affected by the Project -- the Ministry of Agriculture budget and the combined budget of the Ministry and INIPA -- or that can presumably be increased as a result of the Project -- the value of agricultural production. In the case of the first two of these variables, the first-year values are the budgets of the institutions in 1983. In the case of the third variable, the first-year value is an estimate of the value of agricultural production in 1982. In each case, subsequent-year values are simply the discounted values of the first-year value.

The totals in the last row of the exhibit allow one to obtain at least a gross, "ballpark" estimate of the minimum percentage changes in the three indicators of agricultural sector performance that would be required to make investment in the Project attractive on economic efficiency grounds. In general, the Project will be attractive if

where Xij is the percentage change in agricultural sector performance variable j in year i, Vij is the value of agricultural sector performance variable j in year i, and Ci is the cost of the Project in year i. Assume for the sake of simplicity that Xij = Xj for all i. Then, the above condition will be satisfied when

Now, let j=1 when the agricultural sector performance variable is the Ministry of Agriculture budget, let J=2 when the variable is the combined budget of the Ministry and INIPA, and let J=3 when the variable is the value of agricultural production. Then,

In words, what these calculations mean is the following:

- If one's indicator of agricultural sector performance is the Ministry of Agriculture budget, then the budget must be used 5.4 percent more effectively each year than it would be in the absence of the Project.

- If one's indicator of agricultural sector performance is the combined budget of the Ministry and INIPA, than the budget must be used 4.3 percent more effectively each year then it would be in the absence of the Project.

- If one's indicator of agricultural sector performance is the value of agricultural production, it must be 0.1% higher each year than it would be in the absence of the Project.

The above calculations are admittedly very crude, but at least they result in hypothetical conclusions whose plausibility can be subjected to the test of common sense. If the conclusions appear reasonable, one can

presumably feel more "comfortable" in going ahead with the proposed investment. On the other hand, if the conclusions appear unreasonable, one should perhaps take pause and reexamine the Project and how it is designed.

Are the conclusions reasonable? In the case of the first two agricultural sector performance variables, the public administration literature would suggest that one is on safe ground. In the case of agricultural production, the percentage change is so small as to appear reasonable from an a priori standpoint. Although one can be by no means definitive, therefore, it appears that the Project at least meets a common sense "reasonableness" test for economic efficiency.

D. Technical Analysis

In and of themselves, none of the activities to be financed under the Project are particularly novel in a technical sense. What is novel about the "technology" of the Project is the manner in which different activities — activities that, in other projects, are often treated in isolated fashion — are integrated and consciously interrelated. As discussed in Part II, the design of the Agricultural Planning and Institutional Development Project recognizes explicitly that policy formulation and policy implementation cannot, in a practical sense, be divorced from each other. Rather, the Project sees the two as mutually reinforcing and, in combination, offering a higher probability of achieving the Project goal than if the Project were simply either a "policy formulation" project or a "policy management" project. The design of the Project also places considerable emphasis on the importance of the private sector. This is true not only in policy implementation, but in policy formulation as well.

In the judgment of the Project Development Committee, the overall technology of the Project is appropriate to the Peruvian context and offers higher probability of success than a fragmented approach. The Project is innovative in the range of activities that it proposes to treat in a coordinated, holistic fashion. Moreover, it builds explicitly on lessons that have been learned from prior experience. It is designed in such a way as to meet existing demand for policy analysis and to stimulate additional demand in the future. Furthermore, the Project includes measures to address the gamut of constraints that currently impede the translation of policy into effective action.

In what follows, the technical features of each of the activities of the Project are discussed briefly. The discussion also lays out the role that each activity plays in the overall technical approach of the Project.

1. Agricultural Policy Analysis Support

a. Creation of Agricultural Policy Analysis Group in Ministry of Agriculture

The creation of a new Agricultural Policy Analysis Group in the Ministry of Agriculture is designed to upgrade the Ministry's capacity to

develop and assess alternative medium- and long-term agricultural sector strategies and policies. The proposal to create a new entity is guided both by the institutional context in which agricultural policy formulation currently takes place in Peru, and lessons that have been learned from experience in projects of a similar nature. During intensive review, a number of alternatives to the creation of a new entity were considered. The pros and cons of these alternatives, together with the rationale for creation of the Agricultural Policy Analysis Group, appear in Annex II, Exhibit B.

The modus operandi that is proposed for the Agricultural Policy Analysis Group builds explicitly on lessons learned from Abt Associates' evaluation of agricultural sector planning activities in Latin America and the Caribbean over the last decade. Particular attention has been paid to measures to set a dynamic in motion to expand effective demand for policy analysis. Distinguishing features include:

- The Group will be product- and client-oriented. Priority will be given to fast turn-around, highly focused studies that respond directly to policymakers' concerns. Such an orientation is an important ingredient in the process of demand generation.

- The Group will diffuse information and analysis broadly. The intent is to put the Group's work in the hands of users and potential future demanders, not on shelves.

- A portion of the Group's time will be devoted to addressing immediate, "firefighting" needs. The Group will not be an "ivory-tower" operation.

- The Group will respond directly to the Minister of Agriculture, but its medium- and long-term agenda will be set by a broad-based Steering Committee. This institutional arrangement is designed to assist in striking a balance between analytical independence and responsiveness to policy problems.

- The Group will be relatively small in size. The intent is to create a critical mass of personnel whose quality will be more important than quantity.

- Although the Group will participate in the design of data collection activities, its focus will be on data analysis.

b. Support of Division of Economic Studies in Ministry of Economy, Finance, and Commerce

This activity recognizes explicitly that the Ministry of Economy, Finance, and Commerce plays a significant role in the setting of policies that bear directly on the agricultural sector. In and of itself, the mode of support to be provided to MEFC -- technical assistance -- is fairly straightforward. What is unique about this activity of the Project is that it is included at all. Although it is relatively small in monetary terms, its potential for having a positive impact on agricultural sector performance is substantial.

c. Support of Monitoring and Evaluation Capability of Agricultural Sector Planning Office

As in the case of Project support to MEFC, the mode of support under this activity is relatively conventional. What is unusual is the importance that is attached specifically to monitoring and evaluation in a Project of this nature.

d. Information Support

a. National Rural Household Survey

The National Rural Household Survey is similar in content and approach to several surveys taken in other Latin American and Caribbean countries over the last decade. These surveys include (i) the 1976 Dominican Republic Sector Analysis (Costs of Production) Survey of 1,800 farm households; (ii) the 1977 Bolivian Southern Valleys Survey of 750 farm households in the Departments of Chuquisaca, Potosí, and Tarija; (iii) the 1978 Bolivian National Socioeconomic Rural Farm Survey of 1,400 farm households; and (iv) the 1979 Guyana Rural Farm Household Survey of 2,500 farm households.

With one exception, the data from these surveys were processed within a year of termination of field work. The exception is the 1978 Bolivian survey, which suffered from failure to create a data processing unit in the Ministry of Campesino Affairs and Agriculture as had been contemplated originally. (Eventually, the data were processed by Bolivia's National Statistics Institute.) With the exception again of the 1978 Bolivian survey, detailed documentation on the above surveys has been published and is available for reference. The documentation contains explanations of sampling methods, survey design, questionnaire design, and data processing systems that can be used as a basis for the National Rural Household Survey in Peru.

The methodology and technical feasibility of the proposed survey have therefore been proven in developing country environments that are not all that dissimilar from what can be expected to be the case in Peru. For a detailed discussion of the technical approach that is recommended for the survey, see Annex II, Exhibit J.

During intensive review, two alternatives to the proposed survey design were considered and rejected. The first was the possibility of conducting a national agricultural census. The second was the possibility of relying on the area sampling frame to be constructed under the continuous system of area and production statistics activity instead of relying on the enumeration districts that were used in the 1981 Population and Housing Census.

Support for a national agricultural census was rejected on two principal grounds: (i) a census would be considerably more expensive than a survey; and (ii), realistically, it is infeasible to collect the same degree of detailed socioeconomic information in a census as in a survey. Reliance on the area sampling frame was also rejected for two major

reasons: (i) reliance on the enumeration distincts of the population census will provide more efficient estimates of the socioeconomic characteristics of rural farm households than the area sampling frame (the opposite is true for estimates of area and production); and (ii), more importantly, the need for reliable data on the socioeconomics of Peruvian agriculture is urgent, and reliance on the area sampling frame would necessitate a delay of at least another year until such a data base would be available for analytical use.

b. Continuous System of Area and Production Statistics

For collection of area and production data on a continuing, as opposed to a "one-shot" basis, the area sampling frame methodology is far superior to a methodology based on lists of households. An area sampling frame will give more precise estimates of area and production and, much more importantly, its representativeness will deteriorate over time much less rapidly than in the case of a list frame.

Experience in other countries suggests that the area sampling frame methodology is technically sound and operationally feasible. The proposed methodology is now operational in the Dominican Republic, Ecuador, Jamaica, Morocco, Tunisia, the United States, and elsewhere. Moreover, the methodology is recommended by both the U.S. National Academy of Sciences and the Statistics Division of the Food and Agriculture Organization of the United Nations to serve the agricultural statistics needs of developing countries.

In other countries, there has commonly been at least a two-year lag before the area sampling frame methodology has been made fully operational. In Peru, data will be collected and summarized on a limited basis eight months after the activity is initiated. Data will be collected and summarized every six months thereafter until a fully operational data collection system is institutionalized by the end of the second year. Although initial data will not be comprehensive, their focus will be dictated by priority Ministry of Agriculture needs. The activity has been designed to build a "critical mass" of effort to sustain the currently high level of enthusiasm for the activity and to expand enthusiasm over time. OSE personnel and technical consultants are scheduled to begin work as soon as possible. Eight months into the Project, a first survey will be conducted and its data summarized. At this point, the data themselves can be expected to generate enthusiasm in other entities both within and outside the Ministry and to "pull" future work. During and after each survey, the statistical design and procedures will be improved and fine-tuned.

For a detailed discussion of the area sampling frame methodology and how it will be implemented in Peru, see Annex II, Exhibit K.

c. Agroclimatic Impact Assessments

The agroclimatic impact assessment activity complements the continuous system of area and production statistics and is particularly germane to the agricultural sector's context in Peru in which agriculture is so affected by weather and climate variability. Like the other two information support activities of the Project, this activity relies on

technology whose feasibility has been tested and confirmed elsewhere. Further, the technology has already been applied successfully on a pilot basis within Peru itself.

Agroclimatic impact assessment technology will not permit the Ministry to make forecasts or estimates of absolute crop yield or production. Moreover, it has nothing to do with weather forecasts. What the technology does provide is highly reliable, timely, and continuous information on the impact of weather in terms of relative crop conditions and relative crop yields. The technology involves assessing rainfed agriculture with observed weather data. Relative information from agroclimatic indices can be expressed in percentiles, ranging from zero to 100. Information on expected yield can also be categorized according to crop failure, well below normal, below normal, normal, above normal, etc. If used carefully, this information can be used to guide decisions on how to anticipate production losses or gains due to weather. The information can be used to supplement other information sources, particularly during the critical period from crop planting up to 30 days before harvest.

The principal alternatives to the agroclimatic impact assessment technology that is proposed for this activity are systems that are based primarily either on field observers or on satellite technology. Either of these alternatives would be more expensive than the technology proposed and, in the latter case, the use of satellite technology for real-time assessments of other than broad regions is still in the developmental stage.

For a detailed discussion of the agroclimatic impact assessment technology that will be applied in Peru, see Annex II, Exhibit L.

3. Management Support

a. Improving Management of Ministry of Agriculture

As stated previously, the innovative characteristic of this activity is the fact that it is included with policy formulation at all. The "technology" that is proposed for upgrading the management capability of the Ministry of Agriculture is a function of the current institutional environment in the Ministry and two basic management principles that have been learned from prior experience in activities of this kind. First, no attempt will be made at wholesale reorganization of management systems in the Ministry. Strategies that take an "all-or-nothing" approach in a situation such as the one that currently characterizes the Ministry commonly wind up having only marginal impact. Second, although there is a clear need for top-bottom management assistance -- and provision for the Special Assistant for Management Improvement is intended to assist in meeting this need, the actual resolution of management problems will typically take place in bottom-up fashion. Action-training workshops, whose value has been confirmed in a number of countries, will be a key ingredient in creating an environment in which solutions are devised and "owned" by users, rather than being imposed from above.

b. Salary Support for Public Agricultural Sector Administrative

Technically, there is little novelty in this project activity. The major innovation involves the use of an institutional mechanism to compensate public agricultural sector administrations adequately over the long term. Two such mechanisms currently exists and could be used by the Project to adequately accomplish Project objectives. During implementation the Ministry will decide which is more appropriate.

c. Strengthening Managerial Effectiveness of National Institute for Agricultural Research and Extension

As in the first activity of this Project component, this activity will use a constructive, team-building approach.

4. Human Resource Development Support

a. Advanced Training

This activity proposes innovative means of providing graduate instruction to Ministry of Agriculture employees. Although innovative, the means are not untried. Part-time graduate training is a technique that many a professional has used to climb the career ladder. Reliance on intensive courses is less common, but has been widely used in the United States to achieve exactly the same objective as that proposed under this activity, namely, upgrading of widely dispersed field staff.

The assumption by the National Agrarian University of the responsibility for managing the Ministry's technical training program is also somewhat unorthodox. In the current institutional environment, however, such an arrangement appears to be both the most straightforward and the most feasible way of placing management of the program in the hands of professionals. It also has the side benefit of giving UNA a greater appreciation of the needs of the Ministry and greater responsibility for Peru's agricultural personnel needs. Furthermore, the creation of the Training Committee appears to be a viable mechanism for giving official status within the Ministry itself to the concept of an integrated professional personnel development program.

A final technical concern that emerged during intensive review is the extent to which the ambitious World-Bank-supported advanced training program of UNA faculty will impinge on the University's capacity to handle additional students. Analysis during intensive review suggests that UNA's graduate program is currently operating at undercapacity and could indeed accommodate increased demand. Although the range and frequency of courses to be offered may be somewhat reduced from ideal levels, this is not a serious problem, especially for the short term.

b. Support of National Agrarian University

This activity is not dependent on technical innovation and, in and of itself, appears technically sound. In addition, it contributes to the technical soundness of other activities of the Project and of other

projects that look to the National Agrarian University for support. This activity invests in and strengthens UNA. It provides resources to permit faculty to get on with their work. Among other things, it allows underpaid staff to put in more time in teaching and research by relieving them of the need for "moonlighting" to make a living.

c. Support of University of the Pacific

Like other activities, this activity is relatively straightforward in its design. Its novelty is twofold: first, that it supports an educational institution in taking a lead role in expanding in-country expertise specifically in agricultural policy analysis; and second, that the institution in question is private.

5. Private Sector Support

a. Strengthening Agricultural Policy Analysis Capability of Producer Organizations

Project support of the National Agrarian Organization and other producer organizations is innovative both in concept and in design. It is innovative in that it provides direct support to the private sector to participate in the policy formulation process and in that it involves mechanisms by which a broadrange of organizations, even conflicting organizations, can play a role. To a certain extent, the activity is risky in that producer organizations are by no means a cohesive body and it remains to be seen whether ONA can solidify the leadership role that it assumed in the National Unitary Agrarian Congress. More importantly, it is difficult to forecast exactly how the private sector will exert its anticipated growth in agricultural policy analysis capacity. In the judgment of the Project Development Committee, however, the potential positive impact of this activity on the overall policy formulation process overrides such risks.

E. Social Analysis

In the judgment of the Project Development Committee, the Project is socially sound. The design of each activity of the Project has taken place in close collaboration with counterparts and is a direct response to perceived needs on their part. The Project is compatible with their interests. Furthermore, it is reasonable to expect the benefits of the Project to extend well beyond its immediate beneficiaries.

As discussed elsewhere in this Project Paper, there is currently considerable demand for policy analysis in Peru as well as for timely, reliable information to support such analysis. To a large extent, data and analysis are "wanted" and their implications recognized. To the extent that data and analysis lead to policy decisions, however, the Project can be expected to result in actions that, at least relative to the status quo, favor some interest groups over others. Indeed, one of the risks of policy analysis is that it may undercut the bargaining positions of specific groups. Almost by definition, however, policy practically always has differential impacts. The issue, therefore, is not whether policy can be made more "even-handed," but whether it should be based on sound informational and analytical

underpinnings. In Peru, there appears to be widespread sentiment, within both the public and private sectors, that such should indeed be the case.

The one potentially major sociocultural constraint to the agricultural policy analysis and information support components of the Project is the possible reluctance of respondents to provide information under the national rural household survey and the continuous system of area and production statistics. With an adequate publicity campaign and official assurance that all data will be used solely for statistical purposes, however, experience in other Latin American countries suggests that this should not present a significant problem. The exception may be the emergency zones that are currently experiencing social unrest and are being monitored by the military. In these cases, no field work is anticipated to be conducted until conditions improve.

The management support component of the Project will establish improved management systems that, of necessity, will require changes in behavior. For example, reliance on teamwork demands social acculturation. Experience in Latin American countries, including Peru, suggests that such behavioral change is indeed feasible, particularly when stimulated with an action-training approach.

At least to a certain extent, the human resource development component of the Project can be interpreted as a protest, if not a direct attack, against the anti-intellectualism that characterized Peru during the 1970s. The impact of the drain of human resources that has taken place over the past decade is so dramatic, however, that training is now perceived broadly as a serious need.

The impact of the private sector component of the Project is dependent on collaboration between ONA and other rural organizations, many of which are socioculturally quite distinct. At the moment, collaboration between ONA and other organizations is embryonic. On the other hand, ONA's leadership role in the National Unitary Agrarian Congress holds out promise that workable collaboration is indeed feasible in the future. The strategy of this Project component is not without its risks, but it offers considerable potential for having a remarkably positive impact on the overall process of policy formulation in Peru.

F. Environmental Analysis

A review of the Project during PID development resulted in a recommendation by the Mission that an Initial Environmental Examination was not required because the Project's activities are within the classes of actions described in Section 216.2, paragraph c(i) and c(xiv), "Catagorical Exclusions," of 22 CFR, part 216. Annex I, Exhibit E contains the "Environmental Threshold Decision" as approved by AA/LAC.

V. IMPLEMENTATION ARRANGEMENTS

A. Administrative Arrangements

1. GOP Implementing Arrangements

The GOP entity responsible for coordination of Project activities to be implemented by public sector institutions will be the Agricultural Sector Planning Office (OSPA) of the Ministry of Agriculture. A Project Coordinator, funded by the loan, will be hired by OSPA to exercise this coordination responsibility. Two additional personnel, one from OSPA and the other from the Office of Admistration, will be assigned by the Ministry of Agriculture to assist the Project Manager in Project coordination and record keeping. The OSPA Coordinator will be responsible for approving annual operational plans and budgets, forwarding these to AID for review and approval, and, in general, for all Project coordination with AID and the implementing institutions.

a. Coordination

Each Project activity will be implemented under the direct responsibility of an Activity Manager, who will submit annual implementation plans and annual budgets to the OSPA Coordinator for approval. The Activity Manager will be appointed by the respective implementing agency (see Tables V-1 and V-2). The Project Coordinator in OSPA will work in close contact with Activity Managers. A Technical Committee will be established to enhance coordination and communication among implementing agencies, and an Executive Committee will be established to assure high-level support for Project activities and to address issues that require resolution at that level.

i. Project Coordinator

OSPA will hire a loan funded, overall Project Coordinator (see Annex II, Exhibit D-2, Table 1) who will report to the Director of OSPA and the Executive Committee discussed below. The Project Coordinator will oversee Project activities and assure that they are carried out in accordance with the Project Agreement. He will request information from Activity Managers and provide guidance and feedback. In conjunction with the Executive Committee, he will also approve annual implementation plans and budgets, and authorize annual disbursement plans for Project funds. Actual disbursements will be made based on each activity manager's direct requests to AID, based on the approved annual plans. The Project Coordinator will have an assistant for coordination, provided from OSPA, and an assistant for recordkeeping, provided by the Office Of Administration.

ii. Activity Manager

An Activity Manager will be appointed by each implementing agency (see Annex II, Exhibit D-2, Table 2). The Activity Manager will report to the head of the organizational unit that has the main technical responsibility for implementation of the activity in question. The Activity Manager will also be responsible to the Project Coordinator in OSPA on matters that bear on meeting Project objectives and for presentation of

annual implementation, budget, and disbursement plans. However, activity managers will make requests for disbursement directly to AID based on approved annual plans. Each implementing agency will decide whether it will be necessary for its Activity Manager to devote full time to its Project activity. Activity Managers may delegate some of the responsibilities related to their functions to assistants. The Administrative Department of each implementing agency, other than the Ministry of Agriculture, will provide administrative support to the Activity Manager. Administrative support for Ministry of Agriculture activities will be provided through the Ministry's Office of Administration.

iii. Technical Committee

The Technical Committee (see Annex II, Exhibit D-2, Table 4) will assist the Project Coordinator in solving Project implementation bottlenecks, review implementation progress and budget utilization, and in resolving other issues related to Project implementation. The Committee will be chaired by the Director of OSPA. The other members of the Committee will be the Project Coordinator, each Activity Manager, and a representative of USAID/Peru.

iv. Executive Committee

The Executive Committee (see Annex II, Exhibit D-2, Table 4) will oversee the progress of Project implementation from a senior management perspective, will take necessary action to solve problems that can not be solved at lower levels, and will approve annual implementation, budget, and disbursement plans. The Committee will be chaired by the Vice-Minister of Agriculture. The other members will be the heads of the Project's implementing agencies, the Director of OSPA, the Project Coordinator, a representative of USAID/Peru, and the Vice-Minister's Special Assistant for Management Improvement, who will act as the Executive Secretary of the Committee.

b. Basic Information Systems and Procedures

The design of the Project's basic information systems and procedures will take place prior to actual implementation of the Project. Systems and procedures design will begin as soon as the Project Agreement is signed. The design of basic systems and procedures will require about four person-months of expatriate technical assistance (two persons for two months each) and two counterparts from each agency (or organizational unit of the Ministry of Agriculture) that will implement a Project activity. Expatriate technical assistance will cost approximately $60,000 and will be financed with Mission Program Development and Support funds.

The burden of Project management for both the GOP and USAID/Peru will be facilitated by designing basic information systems and procedures before project implementation actually begins. OSPA, in coordination with USAID/Peru, will define the specifics of the information required to coordinate Project implementation. Procurement and disbursement procedures will take AID requirements into account. Although systems and procedures will be standardized as much as possible, they will also take

agency-specific regulations into consideration, as well as the capacity of implementing agencies' current systems. The basic information system will be updated during Project implementation, and a more comprehensive system will be designed with Project-funded technical assistance.

c. GOP Responsibilities

i. Implementation Plans

The Executive Committee will approve annual implementation plans and budgets, and, through the Technical Committee and the Project Coordinator(PC), will monitor their execution. The PC will issue written guidelines for preparation of implementation plans and will discuss them in the Technical Committee. He will present Activity Managers' implementation plans to the Executive Committee for approval after verifying that the plans comply with the Project Agreement and with the guidelines that have been issued.

ii. Disbursements

The Project Coordinator will verify and approve annual implementation plans and budgets for each activity. Based on these, activity managers will submit periodic requests for disbursement of AID funds directly to USAID/Peru. USAID will issue checks to the order of implementing agencies. Implementing agencies (IAs) will submit statements of expenses and report their balance of previous disbursements (advances) with each request for a new advance. Also, the IAs will provide up-to-date reports of their contributions to the Project.

iii. Administrative Departments

The Administrative Department of each implementing agency will: i) prepare all documentation related to each disbursement in accordance with established procedures; ii) be the treasurer of Project activity funds; and iii) make payments in accordance with established procedures.

iv. Reporting Requirements

The OSPA Coordinator will submit the following reports to assist the Mission in monitoring the Project:

(a) A monthly summary of activities and expenditures to highlight potential problems and issues, and to serve as an agenda for monthly Project review meetings between the Technical Committee and the Mission's Project Manager and Project Committee.

(b) A quarterly progress report detailing advances and expenditures by components and activities, based on detailed implementation plans.

(c) An annual summary of accomplishments by components and activities, which will serve as a basis for joint GOP/USAID evaluation.

(d) Reports reflecting compliance with procurement requirements.

d. Specific Support Grant Recipients

UNA and the Pacific University will be funded through Specific Support Grants, and these agreements will detail each institutions responsibilities and reporting requirements. Disbursement will be made directly to each organization by AID.

2. USAID Implementing Arrangements

Mission trouble-shooting will be minimized by having Project coordination systems and basic procedures in place when Project implementation begins. In close coordination with OSPA and GOP implementing institutions, USAID/Peru will review and monitor overall Project performance and assist the GOP in Project implementation. Monitoring will be exercised by a Project Manager assisted by three additional USAID direct-hire employees and a USAID Project Committee. The responsibilities of the USAID personnel are as follows:

a. One US direct hire employee of the Office of Agriculture and Rural Development's Agricultural Division will be the overall Project Manager. The Project Manager will have direct responsibility, on a full time basis, for implementation of all Project components. The Project Manager will have the support of one additional full time, US employee of the Division, as well as of the Division's Peruvian Agricultural Economist, and the Office's Joint Career Corps Senior Ag Economist in carrying out his management responsibilities. These latter two employees will devote at least 50% of their time to this Project during the first two years of implementation. The Project Manager will work closely with the Project Committee, OSPA, GOP implementing institutions, and the Project-funded technical assistance team to assure compliance with the Project Agreement and Implementation Letters. Close involvement of the USAID Project Committee is anticipated through monthly meetings to review Project implementation and resolve Project issues. Annual reviews will be an essential feature of Project implementation; the reviews will be undertaken jointly by the GOP and USAID.

b. The Head of the Mission's Office of Agriculture and Rural Development will represent the Mission on the Project's Executive Committee described above.

c. The Office of Development Resources will monitor Project implementation to assure that the terms and conditions of the Project Agreement are met and to assist the Project Manager with implementation problems.

d. The Office of Health, Nutrition, and Education will assist the Project Manager in issues related to this Office's activities, with special emphasis on the nutrition related aspects of the Project.

e. The Mission Controller will review disbursement and reimbursement requests for conformity with AID regulations and will assure that adequate financial controls are in place.

f. The Executive Office will be called upon to examine and review equipment and technical assistance requirements, and to prepare procurement documents and carry out direct Mission procurement.

g. The Program Office's Evaluation Officer will assist in carrying out annual evaluations.

h. Additional Mission offices, such as the Regional Legal Advisor, will be called upon as appropriate.

B. Implementation Plan

The Implementation Plan is contained in Annex II, Exhibit C.

C. Disbursement Procedures

No deviation from established AID disbursement procedures is anticipated. Materials and equipment procured in the United States or other eligible countries will be paid for in accordance with standard AID disbursement procedures. Disbursement for local currency costs will likewise be made in an established manner acceptable to AID. These procedures will be transmitted to the Project Coordinator and implementing agencies through Project Implementation Letters.

D. Procurement Procedures

1. Source, Origin, and Nationality

Goods and services and their suppliers under the loan shall have their source and origin and nationality, as applicable, in countries included in Code 941 of the AID Geographic Code Book or Peru, with the exception of trailbikes, which will be procured from any country included in Code 935. Waivers for procurement and advertising of the trailbikes will be prepared and authorized by the Mission Director, since they will be within the authority redelegated to him.

Goods and services procured under the grant shall have their source and origin and nationality in the United States or Peru.

2. Procurement

Major equipment procurement, including all off-shore procurement and the acquisition of technical assistance, will be carried out directly by AID. Development of the technical specifications for all of the major equipment and material to be procured under the Project, except the vehicles and trailbikes, will be the responsibility of the various technical assistance groups which will provide assistance to the Project. The Mission will develop the specifications for the vehicles and trailbikes, directly, based on those

developed for other projects. The GOP will carry out any local procurement required under the Project. It has been decided to use this procurement mode in lieu of host country contracting because of the lack of procurement experience of the Ministry, because most of the procurement will occur offshore and will be largely undertaken at a single time, and because of the technical nature of much of the equipment to be procured. The Mission believes that these factors justify the deviation from the host-country contracting mode and the use of the technical assistance groups to develop the technical specifications. The Ministry of Agriculture, MEFC, INE, INIPA, UNA, and the Universtiy of the Pacific will, however, all participate actively in the preparation of IFBs and the scopes of work for the technical assistance.

In order to assure rapid acquisition of critical equipment, the Mission anticipates that development of the technical specifications will be one of the first activities to be carried out by the technical assistance groups discussed below. The Mission's newly assigned Regional Procurement Specialist will also be available to assist the Project Manager, the technical assistance groups, and the Implementing Agencies in this process and the procurement of the goods and services required. The Procurement Specialist will have the responsibility for organizing required documentation, including preparation of IFBs, PIO/Cs, and final technical specifications for all goods and servcies required.

The workscopes for the grant-funded technical assistance for the Ministry of Agriculture, MEFC, INE, and INIPA will be developed by the OARD's Agricultural Division, in the case of the technical assistance to be provided by BUCEN, NOAA, and USDA. Short-term technical assistance funded through the Mission's PD&S budget, will prepare the work scopes for all other components.

3. Equipment Acquisition

The Implementation Plan calls for the prompt acquisition of the trailbikes, vehicles, micro-computers, and all other goods and commoditiies required to implement the Project. The Implementation Plan contained in Annex II, Exhibit C, provides a detailed schedule of these procurement requirements.

a. Trailbikes. The early delivery of trailbikes is needed to carry out basic support activities and to initiate data collection. With AID authorization for proprietary procurement, advertising, and source/origin waivers, USAID/Peru will solicit bids locally and directly from manufacturers in Japan soon after the signing of the Project Agreement and meeting of appropriate Conditions Precedent.

b. Vehicles. Once the Project Agreement has been signed and relevant Conditions Precedent met, USAID/Peru will begin procurement of the vehicles required to implement the Project.

c. Computer Equipment. The contractor selected to provide the long- and short-term technical assistance will develop technical specifications for the computer and word processing equipment required under the Project. USAID through the Mission's Regional Procurement Specialist will contract directly for the computer and word processing equipment. This procurement will include the thirteen micro-computers, an SAS software

program, and two word processors with peripheral equipment. The micro-computers will be procured simultaneously (except in the case of the Office of Rationalization noted below) from the same supplier to insure compatibility. As required in AID Handbook 18, a memorandum will be sent to the director of SER/IRM requesting review and approval of this acquisition, as soon as the contractor provides AID and the implementing institutions with the exact specifications for the equipment.

One micro-computer will be installed in OSPA. The primary purpose of this micro-computer will be to process and analyze data on Project activities and to computerize OSPA's progress tracking systems. Two micro-computers will be financed for the Agricultural Policy Analysis Group to carry out statistical analysis required for agricultural policy studies. A word-processor will also be procured for the Group. One micro-computer will be provided to the MEFC for statistical analysis related to agricultural policy issues. Three micro-computers will be used by OSE to process and analyze agroclimatic impact assessment data. An SAS software program will also be provided to OSE to process area and production data. The Office of Rationalization, in conjunction with the technicial assistance, will carry out a detailed review of the administrative functions of the Ministry and, in the process, will determine additional requirements for micro-computers. These micro-computers will be of similar configuration to others funded under the Project. It is anticipated that one word-processor with computing capability and peripheral equipment and up to six micro-computers will be purchased under this Project activity.

d. Other Equipment. Procurement actions for other equipment will take place in accordance with the Project Implementation Plan and will be carried out by the Mission or the Host Country, as appropriate.

4. Acquisition of Technical Assistance

Short-term technical assistance will be provided to the GOP implementing institutions in order to insure rapid initiation of Project activities. These services will be procured directly by the Mission. All other long- and short-term technical assistance will be obtained through one of the following two mechanisms:

a. All technical assistance for the Information Support Component of the Project will be procured through Participating Agency Service Agreements(PASAs). Technical assistance for the National Rural Household Survey will be procured under a PASA with the U.S. Bureau of the Census(BUCEN); technical assistance for the continuous system of area and production statistics will be procured under a PASA with the U.S. Department of Agriculture(USDA); and technical assistance for the agroclimataic impact assessment activity will be procured under a PASA with the U.S. National Oceanic and Atmospheric Administration(NOAA).

b. The Mission will use PD&S financing to procure short-term technical assistance to assist the Ministry of Agriculture, MEFC, and UNA in the preparation of scopes of work for an institutional contract under which the remainder of short- and long-term technical assistance will be acquired for the Project. The Mission recognizes that no one contractor will be able

to provide all of the services required, and expects that one institution will act as the lead-contractor, in collaboration with one or more others. It is also expected that there will be involvement of the university community in the provision of this technical assistance, especially with regard to the training components, although the Mission believes that the scope and breath of the assistance required precludes a university from acting as a sole contractor, i.e. a Title XII arrangement, to provide these services. On the basis of the scopes of work developed by the ST/TA, USAID/Peru will issue an RFP and award a contract for the services described in the RFP. Under this arrangement, the institutional contractor will be responsible for timely provision of the technical assistance, the long- and short-term training, and the development of the specifications for the acquisition of the majority of the Project funded equipment and materials. As discussed in Chapter III, the resident advisor to the Agricultural Policy Analysis Group will be the Chief-of-Party of all expatriate technical assistance. To discharge this responsibility, the Chief-of-Party will be assisted by an administrative assistant and a secretary, both of whom will be hired locally.

E. Evaluation Plan

As noted above, the GOP and USAID will conduct a joint evaluation of the Project each year. Annual evaluations will be "formative" in nature and focus primarily on "process" issues, that is, whether activities are being implemented according to plan, what problems need to be resolved, and what mid-course corrections are called for.

In addition to regular annual evaluations, two special evaluations will be conducted. The first will be an in-depth examination of the extent to which the Project is achieving its higher-order objectives. Particular attention will be paid to assessment of demand for policy analysis, how it has been affected by the Project, and what the prognosis is for the future. The in-depth evaluation will be conducted at the half-way point of the Project's life, that is, after 30 months of implementation.

The second special evaluation will be an impact evaluation at the end of the Project. This evaluation will assess the extent to which the Project has achieved intended objectives, describe the unintended outcomes that have resulted, and document the lessons that have been learned from the Project.

The in-depth and impact evaluations of the Project will be conducted by outside consultant teams. The two evaluations will each require approximately 22 person-weeks of services. Together, they will cost approximately $165,000, which will be financed with Project grant funds. The two special evaluation teams will be similar in composition and can be broken down as follows:

Personnel	Person-Weeks
1. Team leader with expertise in evaluation methodology and practical experience in developing countries.	6

2.	Economist with practical experience in agricultural policy analysis in developing countries.	4
3.	Expert in agricultural information and statistics with practical experience in developing countries.	3
4.	Expert in public agricultural sector administration with practical experience in developing countries.	4
5.	U.S. Land-Grant University administrator with practical experience in human resource development in developing countries.	3
6.	Expatriate businessman with practical farm, agroindustry, or agricultural marketing experience in developing countries.	2
	TOTAL	22

F. Conditions, Covenants, and Negotiating Status

1. Conditions and Covenants

The specific conditions and covenants are contained in the draft Project Authorization, Annex I, Exhibit C. After the GOP meets the Initial Conditions Precedent(Legal Opinion and Legal Representatives) Project grant funds will be available for the financing of all short- and long-term technical assistance to be acquired under the institutional contract and the PASAs and for the contracting of ST/TA to assist in preimplementation activities. The most important of these preimplementation activities will be development of the administrative systems and procedures for implementation of Project activities and development of the RFP under which all TA will be acquired for the Project(except, as mentioned above, for that provided through PASAs by BUCEN, NOAA, and USDA). Loan funds will also be available after the meeting of initial conditions precedent to begin activities under the Information Support Component in order to accelerate implementation of this priority activity. The rationale for rapid implementation of this component is discussed elsewhere in this Paper. Thereafter, operational plans will be required for each Project component activity prior to disbursement of funds for the activity. Equipment specifications for Project activities will be developed by the respective technical assistance teams, except for vehicles and trailbikes, for which a vehicle procurement plan has already been developed by the Mission.

Among the other CPs to be met prior to initiating the various activities funded under the Project, one is of special importance and concern: The issue of salary levels in the Agriculture sector. The Project will fund a system of salary supplements in order to remedy the problem of low remuneration levels discussed elsewhere in this Paper. Prior to the initiation of the salary supplement program, the GOP will be required to submit to AID for approval initial procedures for its implementation. Once approved, the program will begin functioning. However, to assure that the

system is made permanent, by December 1984 the GOP will be required to provide documentation to AID which indicates that it or other arrangements (such as a senior executive service) which permanently resolve this problem have been institutionalized and that provisions have been made for adequate budget resources to support the system

2. Negotiating Status

In order to begin Project Development, Mission representatives from the Development Resources and Agriculture and Rural Development Offices met with the Minister of Agriculture. A working committee was designated by the Minister to develop the project proposal with the Mission and the Mission funded TA. Similar procedures were used with the Agrarian University, the Pacific University, the Ministry of Economy and Finance, the National Statistics Institute, and the National Agrarian Organization. Over the five month project development period, numerous meetings were held which enabled the Mission to maintain a close collaboration relationship with the proposed implementation organizations.

Additionally, the Development Resources Office has kept the Ministry of Finance's Office of Public Credit closely informed as to the progress on project development. As a result no difficulties are anticipated with regard to the project negotiations or signing of the Project Agreement.

CERTIFICATION PURSUANT TO SECTION 611(e) OF THE

FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, John A. Sanbrailo, the principal officer of the Agency for International Development in Peru, having taken into account, among other factors, the maintenance and utilization of projects in Peru previously financed or assisted by the United States, do hereby certify that in my judgment Peru has both the financial capability and human resources capability to effectively maintain and utilize the proposed Project: AGRICULTURAL PLANNING AND INSTITUTIONAL DEVELOPMENT.

8/24/83
Date

John A. Sanbrailo
John A. Sanbrailo
Director
USAID/Peru

PROJECT CHECKLIST

A. GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriation Act Sec. 523; FAA Sec. 634A; Sec. 653(b).

(a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than $1 million over that amount)?

(a) A Congressional Notification for the Project was sent on July 15, 1983 and expires on July 29,1983.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of $100,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

(a) Yes

(b) Yes

3. FAA Sec. 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 the assistance?

No further legislation action by Peru is required.

4. FAA Sec. 611(b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? (See AID Handbook 3 for new guidelines.)

The Project is not a water or water-related land resource project.

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed $1 million, has the Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?	The Mission Director's Section 611(e) certification is included in the Project Paper and the AA/LAC has taken into consideration Peru's capability to maintain and utilize the Project.
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.	The Project is not susceptible to execution as part of a regional or multilateral project.
7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and 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 encourages Peru's efforts to increase the flow of international trade by strengthening the GOP's ability to formulate sound policies for the agricultural sector including the agricultural export sector; to foster private initiation through the creation of viable mechanisms for private sector participation in the agricultural policy formulation process; to encourage the utilization of agricultural cooperatives through their integration into the GOP's process of agricultural policy formulation, through studies which will assess constraints on ag cooperatives, and through the creation of an agricultural policy analysis unit in the private sector; and to discourage monopolistic practices by expanding the bases on which governmental agricultural policies are developed to include both public and private sector demands and concerns.

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	The Project will encourage U.S. private trade and investment abroad by strengthening the GOP's agricultural policies for both local and international markets. The Project will also encourage private U.S. participation in the foreign assistance program in Peru by utilizing U.S. technical assistance and through the procurement of U.S. equipment and commodities.
9. FAA Sec. 612(b), 636(h); FY 1982 Appropriation Act Sec. 507. 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 U.S. are utilized in lieu of dollars.	The GOP will contribute the equivalent of US$8.5 million to meet the costs of carrying out the Project. Part of this amount is to cover contractual costs and other services costs. The U.S. does not own Peruvian currency.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	No
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes
12. FY 1982 Appropriation Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?	No

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13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16? Does the project or program take into consideration the problem of the destruction of tropical forests?	An IEE has been carried out for the Project and a negative determination was made. The Project will take into account destruction of tropical forests through studies on its agricultural pricing policies which impact on excessive land clearing in tropical forests.
14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?	Not applicable

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage	(a) The Project goal is to increase agricultural production, raise farmer incomes and satisfy consumer demand. The Project will focus on strengthening the GOP's ability to formulate and manage such policies with the objective that resulting benefits from sound pricing policies, ag export policies, public and private sector participation in ag sector policy formulation, training and technical assistance will improve the lives of the poor, and benefit small farmers and consumers in general on a sustained basis. (b) The Project will provide for an analysis of the principal constraints to the effective functioning of agricultural cooperatives. It will also establish a mechanism to integrate the agricultural cooperatives more intimately in the overall process of agricultural sector policy formulation.

democratic private and local governmental institutions; (c) support the selfhelp efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?	(c) The Project will assist the GOP to revitalize the ag. sector through technical assistance and training to the principal participants in the formulation of agricultural sector policies. (d) Women will participate on equal basis in the Project. (e) A high priority activity under the Project involves an analysis of Peru's policies for its ag export sector, including the impact of such policies on trade with other countries in the region.
b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?	Yes
c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using techno-logies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?	To the extent feasible, studies to be financed under the Project will focus on appropriate technology.
d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?	Yes. Peru will contribute the equivalent of US$8.5 million as its counterpart contribution, which constitutes 33% of the total cost of the Project.
e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to	No

Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not le than $100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character.	
f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?	Yes
g. FAA Sec. 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 civil education and training in skills required for effective participation in governmental processes essential to self-government.	The Project purpose is to strengthen the GOP's capacity to develop and implement sound agricultural sector policies. Assistance will be provided to strengthen: the ability of the private sector, including small producer organizations and cooperatives to influence and implement agricultural policies that reflect their interests; and public sector agricultural institutions to carry out their mandated reponsibilities. The Project will also improve and expand the human resource base of technical and management personnel involved in the agricultural sector. Both academic and skills training for such public and private agricultural sector personnel is included under the Project through support to public and private implementation and training activities.

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.	Peru is currently renegotiating its foreign debt to ensure long-range capability to meet its loan repayment obligations.
b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?	Not applicable
c. ISDCA of 1981, Sec. 724(c) and (d). If for Nicaragua, does the loan agreement require that the funds be used to the maximum extent possible for the private sector? Does the project provide for monitoring under FAA Sec. 624(g)?	Not applicable

3. Economic Support Fund Project Criteria

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102?	Not applicable
b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?	Not applicable

c.	FAA Sec. 534. Will ESF funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives?	Not applicable
d.	FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?	Not applicable
4.	Continuing Resolution for FY 1983, Sec. 133. Notwithstanding any other provision of this joint resolution, none of the funds appropriated under section 101(b) of this joint resolution may be available for any country during any 3-month period beginning on or after October 1, 1982, immediately following the certification of the President to the Congress that such country is not taking adequate steps to cooperate with the United States to prevent narcotic drugs and other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971 (21 U.S.C. 812) which are produced, processed, or transported in such country from entering the United States unlawfully.	There is no such Presidential certification for Peru.

PROJECT AUTHORIZATION

Name of Country:	Peru
Name of Project:	Agricultural Policy Formulation and Management
Number of Project:	527-0238
Loan Number:	527-T-083

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Agricultural Policy Formulation and Management project for Peru involving planned obligations of not to exceed Eleven Million United States Dollars ($11,000,000) in loan funds ("Loan") and Six Million United States Dollars ($6,000,000) in grant funds ("Grant") over a five and one half (5 1/2) year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is sixty-five months from the date of initial obligation.

2. The project ("Project") consists of assistance to the Government of Peru to strengthen its capacity to formulate sound agricultural sector policies and effectively manage the implementation of those policies.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. 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 A.I.D. may deem appropriate.

a. Interest Rate and Terms of Repayment

The Cooperating Country shall repay the Loan to A.I.D. in U.S. Dollars within twenty five (25) years from the date of first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The Cooperating Country shall pay to A.I.D. in U.S. Dollars interest from the date of first disbursement of the Loan at the rate of (i) two percent (2%) per annum during the first ten (10) years, and (ii) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

b. Source and Origin of Commodities, Nationality of Services (Loan)

Commodities financed by A.I.D. under the Loan shall have their source and origin in Peru or in countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services financed under the Loan shall have Peru, or countries included in A.I.D. Geographic Code 941 as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Loan shall be financed only on flag vessels of Peru or countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing.

c. Source and Origin of Commodities, Nationality of Services (Grant)

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

d. Conditions Precedent to Disbursement

(1) Condition Precedent to Disbursement for Project Components (Loan)

Prior to any disbursement, or to the issuance of commitment documents under the Project Agreement to finance any activity under a Project Component, except for the procurement of vehicles, trailbikes, and activities under the Information Support Component, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., an implementation plan for such Project Component for activities to be carried out in 1983.

(2) Condition Precedent to Disbursement for Project Activities in Calendar Year 1984 (Loan)

Prior to any disbursement, or to the issuance of commitment documents under the Project Agreement to finance Project activities in calendar year 1984, except for activities under the Information Support Component and the Human Resource Development Support Component, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

135

(i) a description of the initial procedures it will implement under the Project to provide adequate salaries for Project personnel in the Ministry of Agriculture, the public agricultural sector and the public agricultural agencies and universities, holding senior positions in management, policy development, teaching, extension and research.

(ii) an implementation plan and budget for the life of the Project which describes Project activities to be carried out and financed and which details Project activities under each Component to be carried out and financed in calendar year 1984.

(3) Condition Precedent to Disbursement for Project Activities in Calendar Year 1985 (Loan)

Prior to any disbursement, or to the issuance of commitment documents under the Project Agreement to finance Project activities in calendar year 1985, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(i) a detailed description of the mechanism institutionalized by the Government of Peru for providing adequate salaries during and after the Project, for personnel in the Ministry of Agriculture, the public agricultural sector and the public agricultural agencies and universities, holding senior positions in management, policy development, teaching, extension, and research.

(ii) a budget which details how Project activities under each Component will be financed in calendar year 1985.

(4) Recurring Condition Precedent to Disbursement (Loan)

Prior to any disbursement, or the issuance of commitment documents under the Project Agreement for each calendar year of the Project after calendar year 1985, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., an annual budget which details how Project activities under each Component will be financed in such year.

e. Covenants

The Cooperating Country shall covenant that, unless A.I.D. otherwise agrees in writing:

(1) It will submit a plan, in form and substance satisfactory to A.I.D., for implementation of the actions recommended by each study completed by the Ministry of Agriculture Policy Analysis Unit within 60 days of issuance of such study, or, if no action will be taken, it will submit a policy determination which details why no action will be taken within 60 days of issuance of such study.

(2) It will create a Policy Analysis Unit within the Ministry of Agriculture and appoint members to serve on the Unit.

_____
Mission Director

_____
Date

Clearances:
OARD:DBathrick: (in draft)
CD:EKadunc: (in draft)
DR:GWachtenheim: (in draft)
PROG:RMaushammer: (in draft)
CONT:MRogal: (in draft)

Drafted by:RLA:DAAdams:pdc

MINISTERIO DE AGRICULTURA

Oficio N° 531-83-AG-DM.VM. Lima,

Sr. John A. Sanbrailo
Director de la Agencia para el
Desarrollo Internacional - AID.

CIUDAD.

Estimado señor Sanbrailo :

Tengo el agrado de dirigirme a usted con el objeto de someter a su consideración una solicitud formal del Gobierno Peruano para el financiamiento del Proyecto denominado Proyecto de Formulación y Administración de Políticas Agrarias. El monto del Proyecto se estima en US$. 19.5 millones, de los cuales el Gobierno Peruano aportaría la suma de $5.0 millones, y se solicita que la A.I.D. financie US$ 11.0 millones en calidad de préstamo y US$ 3.5 millones en calidad de donación.

El Proyecto de Formulación y Administración de Políticas Agrarias comprende varios componentes, los cuales incluyen apoyo al análisis de políticas agrarias; asistencia técnica a corto y largo plazo para la División de Estudios Económicos del MEFC; mejoramiento de la capacidad de la Oficina Sectorial de Planificación Agraria en el seguimiento de la ejecución y evaluación de los impactos de las políticas, programas y proyectos del sector Agrario; apoyo a los programas para la obtención y generación de información actualizada sobre las características socio-económicas agrarias; mejoramiento del manejo de las políticas y programas del Ministerio de Agricultura; fortalecimiento de la efectividad administrativa del INIPA; establecimiento de estrategias para la administración de personal; y apoyo al desarrollo de recursos humanos y el sector privado.

En lo que respecta a las condiciones financieras del préstamo, esperamos que ellas sean como en casos anteriores y muy favorables para el país - 25 años con un período de gracia de 10 años, con tasas de interes del 2% para el periodo de gracia y de 3% para los años restantes.

Esperando una respuesta favorable, hago propicia la oportunidad para reiterarle los sentimientos de mi especial consideración.

Dios guarde a usted,

Ing° MIRKO CUCULIZA TORRE
Ministro de Agricultura

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

LAC/DR-IEE-83-11

ENVIRONMENTAL THRESHOLD DECISION

Project Location	:	Peru
Project Title and Number	:	Agriculture Policy Analyses and Manpower Development 527-0238
Funding	:	$11.0 million Loan $ 3.5 million Grant
Life of Project	:	FY 1983-1988
IEE Prepared By	:	USAID/Peru
Recommended Threshold Decision	:	Categorical Exclusion
Bureau Threshold Decision	:	Concurrence with recommendation
Action	:	Copy to George A. Hill, Acting Director USAID/Peru
	:	Copy to Karen Peake, LAC/DR
	:	Copy to IEE file

James S. Hester Date 17 December 1982

James S. Hester
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

ENVIRONMENTAL DETERMINATION

Project Location : Peru

Project Title and Number : Agriculture Policy, Planning and Manpower Development.
527-0238

Funding : FY 83 $ 11,000,000 Loan
3,500,000 Grant

Project Purpose and Activities : To improve GOP capacity to formulate and implement sound, coherent agricultural sector policies and manage programs to increase productivity, raise farmer incomes and satisfy consumer demand, through the following activities:

a) Establishment of an Agricultural Policy Analysis Group.

b) Implementation of a National Rural Household Survey.

c) Creation of a continuous system of area and production statistics.

d) Upgrading technical and analytical skills of private and public agriculturalists.

STATEMENT FOR CATEGORICAL EXCLUSION

It is the opinion of the USAID/Peru Project Committee that the Project does not require an Initial Environmental Examination, because its activities are within the classes of actions described in Section 216.2, Paragraph c (i) and c (xiv) "Categorical Exclusions of 22CFR Part 216."

"Section 216.2 c(2) (i)"

"Education, technical assistance or training programs except to the extent such programs include activities directly affecting the environment".

"Section 216.2 c(2) (xiv)"

"Studies, projects or programs intended to develop the capability of recipient countries to engage in development planning, except to the extent designed to result in activities directly affecting the environment".

Concurrence of Mission Director

I have reviewed the above statement and concur in the determination that the Project "Agricultural Policy Planning and Manpower Development" does not require an Initial Environmental Examination.

11-7-82
Date

George A. Hill
Acting Director USAID/PERU

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UNCLAS SECTION 01 OF 02 STATE 351567

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E.O. 12356: /A
TAGS:
SUBJECT: PERU AGRICULTURE POLICY ANALYSIS AND MANPOWER DEVELOPMENT PID

1. ON DECEMBER 8, 1982, THE DAEC REVIEWED AND APPROVED THE SUBJECT PID. THE DAEC ALSO CONCURRED WITH MISSION RECOMMENDATION FOR AD HOC REDELEGATION OF AUTHORITY FROM AA/LAC TO USAID/PERU MISSION DIRECTOR TO APPROVE PP IN THE FIELD SUBJECT TO PRIOR SUBMISSION OF A CABLE TO AID/W WHICH SATISFACTORILY ADDRESSES THE FOLLOWING ISSUES:

2. (A) RATIONALE FOR CREATION OF A NEW IMPLEMENTING UNIT IN THE MINISTRY OF AGRICULTURE (MOA): THE CABLE SHOULD PROVIDE A FULL DISCUSSION OF THE INSTITUTIONAL ALTERNATIVES TO THE PROPOSED ESTABLISHMENT OF AN AG POLICY ANALYSIS GROUP WITHIN THE MOA, GIVING PARTICULAR ATTENTION TO REASONS FOR REJECTING REFORMING AND REVITALIZING THE EXISTING AG SECTOR PLANNING UNIT (OSPA) TO CARRY OUT PROJECT ACTIVITIES RELATED TO POLICY ANALYSIS. THIS DISCUSSION SHOULD ADDRESS THE COMPARATIVE ADVANTAGES AND DISADVANTAGES OF THE ORGANIZATIONAL STRUCTURE SELECTED BY THE MISSION IN TERMS OF INSTITUTIONAL AND ECONOMIC/FINANCIAL FACTORS.

(B) FINANCING FOR THE AG POLICY ANALYSIS GROUP SHOULD ALSO BE ADDRESSED. IT IS UNDERSTOOD THAT THE GOVERNMENT OF PERU (GOP) WILL GRADUALLY ASSUME SALARY COSTS OF STAFF OVER THE LIFE OF THE PROJECT WITH A.I.D. FINANCING 75 PERCENT OF THESE COSTS IN THE FIRST YEAR. AS A DEMONSTRATION OF ADEQUATE GOP DEMAND FOR AG POLICY ANALYSIS, WHICH HAS BEEN EFFECTIVELY ARGUED TO BE THE CORNERSTONE OF ANY SUCCESSFUL AG POLICY PLANNING PROJECT, THE DAEC RECOMMENDS THAT THE PERUVIANS ASSUME A GREATER SHARE OF THESE COSTS SOONER THAN CURRENTLY PLANNED.

3. (A) JUSTIFICATION FOR LEVEL OF EFFORT PROPOSED UNDER MANPOWER DEVELOPMENT COMPONENT: THE CABLE SHOULD INCLUDE A DETAILED ANALYSIS OF THE CURRENT SHORTAGE OF SKILLED PERUVIAN AGRICULTURALISTS IN BOTH THE PUBLIC AND PRIVATE SECTORS TO SERVE AS A BASIS FOR JUSTIFICATION OF

THE AMOUNT OF RESOURCES CURRENTLY BUDGETED FOR UPGRADING PROFESSIONAL SKILLS IN AGRICULTURE. THIS ANALYSIS, IN TURN, SHOULD EXPLAIN HOW THE MISSION ARRIVED AT THE AMOUNT OF LONG- AND SHORT-TERM TECHNICAL ASSISTANCE AND TRAINING NEEDS OVER THE LIFE OF THE PROJECT. IF A REDUCED ROLE IS FORSEEN IN THE FUTURE FOR THE MOA, IS THE LEVEL OF EFFORT PRESENTED IN THE PID FOR TRAINING PUBLIC SECTOR EMPLOYEES VALID?

(B) THE PID ESTIMATES THAT DOLS 8.0 MILLION IN LOAN FUNDS ARE REQUIRED PRIMARILY FOR ADVANCED DEGREE TRAINING OF PERUVIANS IN THE U.S. IN LIGHT OF THE FISCAL AUSTERITY MEASURES FACING THE GOP IN ALL INVESTMENT SECTORS, HOW RECEPTIVE ARE THE PERUVIANS TO USING LOAN FUNDS FOR COMPARATIVELY EXPENSIVE U.S. LONG-TERM TRAINING?

(THE TWO ISSUES RAISED ABOVE SHOULD BE DISCUSSED WITHIN THE BROADER INSTITUTIONAL CONTEXT OF THE MOA WHICH, IN TURN, SHOULD DESCRIBE ITS MAJOR STRENGTHS AND WEAKNESSES, WHERE THE VARIOUS UNITS (OSPA, AG POLICY ANALYSIS GROUP, INFORMATION MANAGEMENT SYSTEM UNIT) FIT WITHIN THE BUREACRACY, AND WHAT THE MISSION FORSEES AS ITS FUTURE ROLE IN LIGHT OF THE RENEWED PRIVATE SECTOR THRUST OF THE GOP.)

4. IN ADDITION TO THE TWO ISSUES TO BE DISCUSSED IN THE CABLE, THE PP SHOULD ADDRESS THE FOLLOWING QUESTIONS AND/OR CONCERNS:

--(A) THE PROJECT RATIONALE/STRATEGY SECTION OF THE PP SHOULD DESCRIBE HOW THE THREE MAJOR PROJECT COMPONENTS (1) ESTABLISHMENT OF AG POLICY ANALYSIS UNIT (2) TRAINING OF PUBLIC AND PRIVATE SECTOR AGRICULTURALISTS AND (3) ESTABLISHMENT OF MANAGEMENT INFORMATION SYSTEM UNIT FIT TOGETHER TO ACHIEVE THE PROJECT PURPOSE. THE RATIONALE FOR INCLUDING THESE THREE ACTIVITIES WITHIN ONE PROJECT IS NOT CLEAR FROM THE PID.

--(B) THE BACKGROUND SECTION OF THE PP SHOULD INCLUDE A DISCUSSION OF THE VARIOUS STUDIES AND EVALUATIONS THAT PROVIDED VALUABLE INPUT INTO THE PROJECT DESIGN, PARTICULARLY SINCE THIS PROJECT IS LARGELY A RESULT OF THE RECOMMENDATIONS SET FORTH BY THE U.S. PRESIDENTIAL AGRICULTURAL TASK FORCE TO PERU. "LESSONS LEARNED" FROM THESE DOCUMENTS AND EARLIER EFFORTS MADE TO IMPROVE DECISIONMAKING IN THE PERUVIAN AGRICULTURAL SECTOR SHOULD BE HIGHLIGHTED IN THIS DISCUSSION.

--(C) THE DAEC RECOMMENDED THAT THE NATIONAL RURAL HOUSEHOLD SURVEY BE USED TO GATHER DATA TO DEVELOP BASELINE INFORMATION ON NUTRITIONAL ASPECTS OF PERU'S RURAL POPULATION. THE SURVEY OFFERS A PRIME OPPORTUNITY AND IS AN APPROPRIATE MECHANISM FOR BEGINNING TO ASSESS

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AIDAC

THE EFFECTS OF AGRICULTURAL POLICIES ON CONSUMPTION AND NUTRITION. IN ADDITION, THE MISSION IS URGED TO INTEGRATE NUTRITION-RELATED COURSEWORK INTO THE CURRICULUM REFORMS PLANNED AT THE NATIONAL AGRARIAN UNIVERSITY. LAC/DR/HN WILL ASSIST USAID IN IDENTIFYING TECHNICAL ASSISTANCE THROUGH ONGOING SCI/N FUNDED PROJECTS AND/OR OTHER SOURCES TO HELP WITH THESE ACTIVITIES.

--(D) THE MISSION IS ENCOURAGED TO UTILIZE THE VAST EXPERIENCE OF USDA AND THE UNIVERSITY COMMUNITY TO PROVIDE TECHNICAL ASSISTANCE DURING PP DEVELOPMENT, PARTICULARLY WITH RESPECT TO DESIGN OF THE AREA SAMPLE FRAME AND THE TRAINING ACTIVITIES. DAM
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BEST AVAILABLE

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

ANNEX II
Exhibit A

Life of Project:
From FY 83 to FY 86
Total U.S. Funding $16 million
Date Prepared: 7/15/83

Project Title & Number: AGRICULTURAL POLICY FORMULATION AND MANAGEMENT 527-0038

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes To increase agricultural production, raise farmer incomes, and satisfy consumer demand.	Measures of Goal Achievement: 1. Output of agricultural sector. 2. Net farm incomes per capita. 3. Net exports of agricultural commodities. 4. Varience in Ag Sector Component of GDP.	1. National Income Accounts. 2. National Income Accounts. 3. Balance of Payments Accounts. 4. National Income Accounts.	Assumptions for achieving goal targets: Absence of serious natural disasters and strong external shocks for the next five years.
Project Purpose To increase GOP capacity to formulate and implement, agricultural sector policies and to manage implementation of these policies effectively.	Conditions that will indicate purpose has been achieved: End of project status. 1. GOP capacity to conduct policy analysis will have been strengthened. a. Permanent, capable Ag Policy Analysis Group in MinAg functioning to develop and assess alternative medium- and long-term ag sector strategies and policies. b. MEFC technically capable of assessing impact of macroeconomic policies on agriculture. c) MinAg Ag Sector Planning Office will be monitoring and evaluating impacts of ag sector policies, programs, and projects. 2. Information for policy analysis will have been improved. a) National rural household survey will have been conducted. b. Continuous system of area and production statistics will have been established. c) Capacity to provide early-warning climatic impact information will have been developed. 3. Public ag sector institutions will have increased their capacity to manage implementation of ag policies, programs, and projects. a) MinAg will have institutionalized mechanisms to identify and resolve management problems. b) INIPA will have established administrative tools to carry out its programs effectively and efficiently. 4. Base of well-qualified professional personnel will have been expanded. a) MinAg will have ongoing, active advanced training program. b) National Agrarian University will have been revitalized as center of graduate ag education. c) University of the Pacific will be a center of expertise for training public and private sector personnel in ag policy analysis. 5. Private sector participation in ag policy formulation will have increased. Ag Policy Analysis Unit will have been established in the private sector as a center for ag policy studies, a conduit for studies by rural organizations, and a mechanism for information diffusion.	1. Audit. 2. Audit of new information on Ag Sector available as a result of the Project. 3. Evaluation. 4. Evaluation of Ag Sector technical training for professionals. 5. Evaluation	Assumptions for achieving purpose GOP continued support for the Project.

Outputs	Magnitude of Outputs:		Assumptions for achieving outputs
1. Ag policy analysis support provided by MinAg policy group and AgSector Planning Office and MEFC Divisor Econ. Studies.	1. Short-term policy reviews undertaken and medium and long-term policy studies carried out.	1. Audit and evaluation	
2. Data statistic support provided through National Rural Household Survey, [illegible] system of Area and [illegible] statistics, and agroclimatic [illegible]	a) National Rural Household Survey undertaken in all departments of Peru. b) Area and production statistics being produced by Ministry of Agriculture on monthly basis on areas planted in major crops and on aggregated volumes of production of those crops. c) Assessments prepared periodically.	2. Audit and evaluation 3. Evaluation 4. Evaluation 5. Evaluation	
Management support provided: a. MinAg management improved. b. INIPA management improved.	3.a) 48 months LTTA and 40 months STTA provided to MinAg b) LT and STTA ($400,000 in grant funds).		
4. Human resource development support provided. a. Advanced training provided. b. NGO supported and revitalized. c. Univ. Facility supported. d. Private sector supported to conduct ag policy studies and diffuse information.	4.a) 4 US PhDs and 11 US MSs, 15 MSs in Peru. b) Faculty developed, infrastructure expanded, links with US institutions established. c) MS program strengthened. 5. Ag Policy Analysis unit established.		

Inputs

Implementation Target (Type and Quantity)	GOP & OTHER DNST.	(US$ 000) AID/OTHER DONORS	TOTAL
Ag. Policy Analysis Support			
- Personnel	1,431	574	2,005
- Training	-	348	348
- Micro Computers	-	84	84
- Technical Assistance	220	1,580	1,800
- Travel & Per Diem	149	51	200
[illegible]			
[illegible]	200	-	200
Infrastructure			
- Structures	659	701	1,360
- Vehicles & Equipment	-	830	830
- Technical Assistance	-	1,645	1,645
- Training	12	42	54
- Travel & Per Diem & Other Services	527	570	1,097
- Other Commodities	-	144	144
Management Support			
- Personnel	1,949	675	2,624
- Equipment	20	150	170
- Technical Assistance	425	1,815	2,240
- Local Professional Services	-	163	163
- Travel & Per Diem & Other Services	95	105	200
Human Resource Dev. Support			
- Off-Short Training	153	653	806
- Graduate Study	882	1,308	2,190
- Faculty Stabilization & Develop.	1,138	2,563	3,701
- Research Fellowships & Other	122	1,098	1,220
- Consultant Services &	74	284	358
- Visiting Professors	10	400	410
Private Sector Support			
- Salaries & Administrative Expenses	62	242	304
- Technical Assistance	-	150	150
- Special Studies & Other	102	598	700
Sub-Total	8,318	16,773	25,091
Plus: Evaluation, Inflation & Conting.	1,070	1,100	2,170
GRAND TOTAL	9,388	17,873	27,261

1. USAID records
2. GCP MinAg records

Assumptions for providing inputs:

1. All funds available on a timely basis.

2. No unexpected problems in meeting conditions and covenants set forth in ProAg.

Best Available Document

SUMMARY OF RESPONSES TO ISSUES RAISED IN PARAGRAPH 4 OF PID GUIDANCE CABLE

A. As requested, Chapter II of the Project Paper describes how development of agricultural policy analysis capability, advanced training, and management improvement are interrelated elements of the Project's overall strategy to improve both the formulation and the implementation of agricultural policy in Peru.

B. Chapter II also discusses three studies that have played an important role in Project design: the report of the U.S. Presidential Agricultural Mission to Peru, the Abt Associates regional evaluation of agricultural sector planning activities, and the report of the University of Minnesota price policy study team. Other studies that have provided valuable input to the design of the Project are included as bulk exhibits in Annex II to the Project Paper and are listed in the Project Paper's Table of Contents.

C. Since receipt of the PID Guidance Cable, the Mission, together with the World Bank and the German government, has taken steps to sponsor a comprehensive nationwide nutrition and health status survey. The survey will provide benchmark information for future analysis of nutrition and health policies, permit functional classification of nutritionally disadvantaged groups, and facilitate comparison of nutrition status among Peru's rural farm population, its rural nonfarm population, and other population groups. The National Rural Household Survey and the nutrition and health status survey will complement each other. As noted in Part III of the Project Paper, the current anticipation is that the National Rural Household Survey will include measurements of arm circumference of children in sample households. Although inclusion of more complicated measurements would be desirable conceptually, logistical feasibility considerations argue strongly against expanding the scope of the survey further.

In discussions with S&T/N, the Mission has learned that centrally funded resources are available under the Education and Field Support Project (931-1065) to assist in the integration of nutrition concerns in agricultural training. At an appropriate time during the first year of Project implementation, the Mission will request S&T/N to send a technical assistance team to meet with UNA personnel to discuss mechanisms by which Nutrition-related coursework can be integrated into the curriculum reforms that will be implemented at the University. The National Nutritional Institute, a local private entity, may be called upon for assistance as well.

D. As can be seen from the composition of the Project Development Team, considerable reliance was placed on USDA and the U.S. university community in the design of the Project.

DETAILED IMPLEMENTATION PLAN
Tasks Related to Overall Project Management or That Are Common To All Project Activities

Month	
-5	ProAg is signed; initial Conditions Precedent are met, funds to contract TA and for preimplementation costs pertaining to initial Project activities and the acquisition of technical assistance, equipment, materials, and supplies now available.
-4	OSPA Project Coordinator is hired; ST/TA is procured for drafting terms of reference for TA RFP and for designing information systems and procedures.
-3	Activity Managers are designated; TA RFP is issued and published.
-2	Technical and Executive Committees are formed; information systems and procedures are established; Additional Conditions Precedent are met permitting disbursements for CY 1983.
-1	TA RFP bids are received; annual activity implementation plans and budgets are submitted.
1	Annual activity implementation plans and budgets are approved; initial disbursements are made for first Project year (CY-1983); Technical and Executive Committees meet.
2	TA contract is awarded.
3	Technical Committee meets; OSPA prepares quarterly progress report.
4	TA activities begin with arrival of Chief of Party.
5	Technical Committee meets.
6	OSPA prepares quarterly progress report; microcomputer and word processor procurement initiated.
7	Technical and Executive Committees meet.
8	
9	Microcomputers and word processors are installed; Technical Committee meets; OSPA prepares quarterly progress report.
10	OSPA prepares annual summary report.
11	Joint GOP/USAID evaluation is conducted; Technical Committee meets.
12	Annual activity implementation plans and budgets are submitted; OSPA prepares quarterly progress report; Condition Precedent for institutionalizing mechanism to provide adequate salaries for key GOP personnel is met.
13	Annual activity implementation plans and budgets are approved; initial disbursements are made; Technical and Executive Committees meet.
14	
15	Technical Committee meets; OSPA prepares quarterly progress report.
16	
17	Technical Committee meets.
18	OSPA prepares quarterly progress report.

19 Technical and Executive Committees meet.
20
21 Technical Committee meets; OSPA prepares quarterly progress report.
22 OSPA prepares annual summary report.
23 Joint GOP/USAID evaluation is conducted; Technical Committee meets.
24 Annual activity implementation plans and budgets are submitted; OSPA prepares quarterly progress report.
25 Annual activity implementation plans and budgets are approved; initial disbursements are made; Technical and Executive Committees meet.
26
27 Technical Committee meets; OSPA prepares quarterly progress report.
28
29 Technical Committee meets.
30 TA is procured for in-depth evaluation; OSPA prepares quarterly progress report.
31 In-depth evaluation is conducted; Technical and Executive Committees meet.
32
33 Technical Committee meets; OSPA prepares quarterly progress report.
34 OSPA prepares annual summary report.
35 Joint GOP/USAID evaluation is conducted; Technical Committee meets.
36 Annual activity implementation plans and budgets are submitted; OSPA prepares quarterly progress report.
37 Annual activity implementation plans and budgets are approved; initial disbursements are made; Technical and Executive Committees meet.
38
39 Technical Committee meets; OSPA prepares quarterly progress report.
40
41 Technical Committee meets.
42 OSPA prepares quarterly progress report.
43 Technical and Executive Committees meet.
44
45 Technical Committee meets; OSPA prepares quarterly progress report.
46 OSPA prepares annual summary report.
47 Joint GOP/USAID evaluation is conducted; Technical Committee meets.
48 Annual activity implementation plans and budgets are submitted; OSPA prepares quarterly progress report.
49 Annual activity implementation plans and budgets are approved; initial disbursements are made; Technical and Executive Committees meet.
50
51 Technical Committee meets; OSPA prepares quarterly progress report.
52
53 Technical Committee meets.
54 OSPA prepares quarterly progress report

55 Technical and Executive Committees meet.
56
57 Technical Committee meets; OSPA prepares quarterly progress report.
58 OSPA prepares annual summary report.
59 Joint GOP/USAID evaluation is conducted; TA is procured for impact evaluation; Technical Committee meets.
60 Impact evaluation is conducted; Technical and Executive Committees meet; OSPA prepares quarterly progress report.
PACD

Tasks That Take Place Each Month

Month	
-5	USAID Project Committee meets.
-4	USAID Project Committee meets.
-3	USAID Project Committee meets.
-2	USAID Project Committee meets.
-1	USAID Project Committee meets.
1-60	USAID Project Committee meets; OSPA prepares monthly report.

Tasks Related to Creation of Agricultural Policy Analysis Group

Month	
-5	APAG is constituted formally under Bridge Grant
-4	
-3	Steering Committee is formed and meets for first time.
-2	Condition Precedent concerning salary supplement mechanism and procedures for hiring of Policy Analysis Group met.
-1	
1	Steering Committee meets; APAG is formed.
2	
3	Basic Ordering Agreements are set up with key institutions.
4	Steering Committee meets; long-term resident analyst arrives.
5	First, second, and third APAG trainees are selected.
6	
7	Steering committee meets.
8	
9	First, second, and third APAG trainees begin Ph.D. programs.
10	Steering Committee meets.
11	
12	
13	Steering Commitee meets; Second year's ST/TA programmed in annual implementation plan.
14	
15	
16	Steering Committee meets.
17	Fourth, fifth, and sixth APAG trainees are selected.
18	
19	Steering Committee meets.
20	
21	Fourth, fifth, and sixth APAG trainees begin Ph.D. programs.
22	Steering Committee meets.
23	
24	
25	Steering Committee meets; Third year's ST/TA programmed in annual implementation plan.
26	
27	
28	Steering Committee meets.
29	
30	

31 Steering Committee meets.
32
33
34 Steering Committee meets.
35
36
37 Steering Committee meets; Fourth year's ST/TA programmed in annual implementation plan.
38
39 Long-term resident analyst leaves.
40 Steering Committee meets.
41
42 First, second, and third APAG trainees return.
43 Steering Committee meets.
44
45
46 Steering Committee meets.
47
48
49 Steering Committee meets; Fifth year's ST/TA programmed in annual implementation plan.
50
51
52 Steering Committee meets.
53
54 Fourth, fifth, and sixth APAG trainees return.
55 Steering Committee meets.
56
57
58 Steering Committee meets.
59
60

Tasks Related to Support of Division of Economic Studies of MEFC

Month	
-5	
-4	
-3	
-2	
-1	
1	MEFC hires agricultural economist.
2	
3	
4	Long-term resident analyst arrives.
5	
6	
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26	
27	Long-term resident analyst leaves.
28-60	ST/TA activities thru Agricultural Policy Fund continue.

Tasks Related to Support of Monitoring and Evaluation Capability of OSPA

Month	
-5	
-4	
-3	
-2	
-1	
1	Director of OSPA assigns two personnel full time to this activity; Short-term technical assistance needs are programmed in approved annual implementation plan.
2	
3	
4	Long-term resident advisor arrives.
5	
6	
7	
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9	
10	
11	
12	
13	Short-term technical assistance needs are programmed in approved annual implementation plan.
14	
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21	Long-term resident advisor leaves.
22	
23	
24	
25	Short-term technical assistance needs are programmed in approved annual implementation plan.
26	
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Short-term technical assistance needs are programmed in approved annual implementation plan.

Short-term technical assistance needs are programmed in approved annual implementation plan.

Tasks Related to National Rural Household Survey

Month	
-5	Agreement is signed between INE and OSE; PASA is executed with BUCEN and ST/TA begins; questionnaire design committee is formed; sample design is agreed upon.
-4	Mathematical Statistician and Survey Statistician arrive in country for sample design, field test, and questionnaire development. Computer processing design begins.
-3	Pretest preparation.
-2	Draft and pretest of questionnaire and field manuals.
-1	Sample segments are selected; listing sheet specifications are completed; printing of questionnaire.
1	Mathematical Statistician and Survey Statistician on TDY to review sample selection, revise field manuals and edit specifications. Printing of field manuals; preparation of publicity campaign begins; computer data entry and consistency checks are specified.
2	Sample design documentation is completed; coding and editing manual design begins.
3	Data Processor arrives in country for system design and develop front-end of system and for Concor Workshop.
4	
5	Publicity campaign is prepared; field materials are prepared. Survey Statistician arrives on TDY to write computer edit manual and specifications for recodes, additions to data file, imputations and tabulations and interviewer training.
6	Printing of coding and editing manuals; recruitment and training of supervisors and interviewers; publicity campaign begins; field materials are distributed; file creation and table specifications are written.
7	Cartography update is completed; field work begins; data entry and consistency checks are programmed.
8	Field work; hand coding and editing begins. Data Processor on TDY to follow-up and program major components. Survey Statistician monitors field work.
9	Publicity campaign ends; field work ends.
10	Final receipt of field materials; data entry is completed.
11	Writing of basic tabulation programs begins.
12	
13	Mathematical Statistician arrives on TDY to develop survey weights and variances.
14	Hand coding and editing ends; computer coding and editing ends. Data Processor on TDY to carry out Workshop and program tabulations.
15	Survey Statistician arrives in country to monitor computer edit. Writing of basic tabulation programs is completed.
16	Running of basic tabulations begins.
17	
18	Running of basic tabulations is completed; methodological documentation is completed.
19	
20-60	Statistical volumes and data tapes are distributed to users.

Tasks Related to Continuous System of Area and Production Statistics

Month

-5 Work begins on assembling maps, macrosectors, cadasters, etc.; PASA is executed with USDA.

-4 Technical Director is hired; personnel are assigned to area frame construction; Data Users Committee meets; mathematical statistician and ASF technician arrive for one-month TDY; frame construction begins.

-3 USAID develops procurement specifications for vehicles and trailbikes; USDA develops procurement specifications for frame construction equipment, offset printer, and SAS software program.

-2 Mathematical statistician and ASF technician arrive for long-term assignment.

-1 OSE contracts programmer, accountant, and administrative assistant; sample is selected and survey statistician TDY assists in preparation for first survey.

1 Data processor TDY assists in preparation for first survey.

2 Accountants are named in Agrarian Regions.

3 Frame contruction equipment and offset printer arrive in country; survey statistician arrives to assist in interviewer training and in first survey.

4 First survey is conducted.

5 Data processor TDY assists in processing first survey.

6 OSE publishes survey results; Data Users Committee assesses results; participants specify adjustments and improvements for future.

7 Vehicles and trailbikes arrive in country.

8 Survey statistician TDY and data processor TDY arrive to assist in preparation for second survey.

9 Second survey is conducted.

10 Data processor TDY assists in processing second survey.

11 OSE publishes survey results; Data Users Committee assesses results; participants specify adjustments and improvements for future.

12

13

14

15 Survey statistician TDY arrives to assist in preparation for third survey.

16 Third survey is conducted.

17 Data processor TDY assists in processing third survey.

18 OSE publishes survey results; Data Users Committee assesses results; participants specify adjustments and improvements for future.

19

20 OSE publishes annual statistical abstract; survey statistician TDY arrives to assist in preparation for fourth survey.
21 Fourth survey is conducted.
22 Mathematical statistician assists in processing fourth survey.
23 OSE publishes survey results; Data Users Committee assesses results; participants specify adjustments and improvements for future; long-term assignment of mathematical statistician and ASF technician ends.
24
25 Fifth survey is conducted.
26 Survey data are processed.
27 OSE publishes survey results; Data Users Committee assesses results; adjustments and improvements are made with assistance of survey statistician TDY.
28 Sixth survey is conducted.
29 Survey data are processed.
30 OSE publishes survey results; Data Users Committee assesses results; adjustments and improvements are made with assistance of mathematical statistician TDY.

31 Seventh survey is conducted.
32 OSE publishes annual statistical abstract; survey data are processed; OSE publishes survey results; Data Users Committee assesses results; adjustments and improvements are made.
33 Eighth survey is conducted.
34 Survey data are processed.
35 OSE publishes survey results; Data Users Committee assesses results; adjustments and improvements are made with assistance of ASF technician TDY.
36
37 Ninth survey is conducted.
38 Survey data are processed.
39 OSE publishes survey results; Data Users Committee assesses results; adjustment and improvements are made with assistance of survey statistician TDY.
40 Tenth survey is conducted.
41 Survey data are processed.
42 OSE publishes survey results; Data Users Committee assesses results; adjustments and improvements are made with assistance of ASF technician TDY and mathematical statistician TDY.
43 Eleventh survey is conducted.
44 OSE publishes annual statistical abstract; survey data are processed; OSE publishes survey results; Data Users Committee assesses results; adjustments and improvements are made.
45 Twelfth survey is conducted.

46 Survey data are processed.
47 OSE publishes survey results; Data Users Committee assesses results; adjustments and improvements are made.
48
49 Thirteenth survey is conducted.
50 Survey data are processed.
51 OSE publishes survey results; Data Users Committee assesses results; adjustments and improvements are made with assistance of ASF technician TDY and survey statistician TDY.
52 Fourteenth survey is conducted.
53 Survey data are processed.
54 OSE publishes survey results; Data Users Committee assesses results; adjustments and improvements are made.
55 Fifteenth survey is conducted.
56 OSE publishes annual statistical abstract; survey data are processed; OSE publishes survey results; Data Users Committee assesses results; adjustments and improvements are made with assistance of mathematical statistician TDY.
57 Sixteenth survey is conducted.
58 Survey data are processed.
59 OSE publishes survey results; Data Users Committee assesses results; adjustments and improvements are made.
60

Tasks Related to Agroclimatic Impact Assessments

Month	
-5	
-4	
-3	
-2	
-1	
1	Agroclimatic Modeling and Impact Assessment Section is established in OSE; required staff are hired; 100 weather stations are selected; PASA is executed with NOAA; NOAA provides training in data base development and program operation; keypunching, updating, and quality control of weather data begin; agricultural data are identified and preliminary model development begins; teletype equipment and weather data strip chart digitizer specifications are defined and procurement begun by NOAA.
2	Communications network is planned with technical assistance from NOAA.
3	UNA provides short courses.
4	OSE makes field visits.
5	Training in U.S. on quality control, statistical and data summaries, and climatic normals.
6	Teletype equipment and weather data strip chart digitizer arrive in country.
7	Historic data base is completed.
8	Historic data and summaries are published.
9	SENAMHI transfers historic data base to OSE.
10	Basic assessment models are constructed and development of assessment procedures is begun with technical assistance from NOAA; Weather Data and Analysis Bulletin is designed; telegraph reporting is planned.
11	Pilot Weather Data and Analysis Bulletins are issued; daily transfer of data to OSE is begun; first assessments are prepared and briefings given.
12	Feedback is received and modifications made.
13	Seminar is held to review progress with technical assistance from NOAA; year's short-term technical assistance needs are programmed in approved annual implementation plan.
14	Pilot bulletins and assessments are continued; additional telegraph communications are developed.
15	Products are upgraded with data from additional stations with technical assistance from NOAA.
16	Assessments are upgraded through improved and additional models.
17	
18	
19	
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23	

Tasks Related to Improving Management of Ministry of Agriculture

Month	
-5	
-4	
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-2	
-1	
1	Committee for Management Improvement (CMI) is established; Special Assistant for Management Improvement is hired; Information Systems Coordinator is hired for OGR, and Action-Training Coordinator for Office of Personnel; short-term technical assistance needs are programmed in approved annual implementation plan, including four person-months for emergency preparedness planning.
2	
3	
4	Long-term resident advisors arrive; CMI meets; three regional offices are selected to pilot test improved management systems; pilot tests begin; action-training priorities are set.
5	Report on emergency preparedness planning is prepared; audio-visual equipment specifications are defined for procurement.
6	Personnel Management Strategy is outlined; trainers of action-training coordinators and trainers are contracted; equipment procurement initiated by TA Team.
7	CMI meets; semi-autonomous institutes are consulted on management needs; training of action-training coordinators and trainers begins.
8	Emergency preparedness plans are approved and implemented; action-training program begins.
9	Equipment arrives.
10	CMI meets.
11	Audio-visual equipment arrives in country.
12	Personnel Management Strategy is drafted.
13	Short-term technical assistance needs are programmed in approved annual implementation plan; CMI meets.
14	
15	
16	CMI meets.
17	
18	Personnel Management Strategy is completed, approved, and implemented.
19	CMI meets; semi-autonomous institutes are consulted on management needs.
20	
21	
22	CMI meets.
23	
24	

25 Short-term technical assistance needs are programmed in approved annual implementation plan; CMI meets.
26
27 Long-term resident advisors leave.
28 CMI meets.
29
30
31 CMI meets; semi-autonomous institutes are consulted on management needs.
32
33
34 CMI meets.
35
36
37 Short-term technical assistance needs are programmed in approved annual implementation plan; CMI meets.
38
39
40 CMI meets.
41
42
43 CMI meets; semi-autonomous institutes are consulted on management needs.
44
45
46 CMI meets.
47
48
49 Short-term technical assistance needs are programmed in approved annual implementation plan; CMI meets.
50
51
52 CMI meets.
53
54
55 CMI meets; semi-autonomous institutes are consulted on management needs.
56
57
58 CMI meets.
59
60

Tasks Related to Salary Support for Public Agricultural Sector Administrators

Month	
-5	
-4	
-3	
-2	
-1	Salary augmentation procedures are developed for first year; Condition Precedent is met for proposing an approach to institutionalize a mechanism to provide adequate salaries for key personnel.
1	
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11	
12	Condition Precedent is met for institutionalizing a mechanism to provide adequate salaries for key personnel.
13-60	System continues to function and adjustments made as a result of annual program reviews.

Tasks Related to Strengthening Managerial Effectiveness of INIPA

Month	
-5	
-4	
-3	
-2	
-1	
1	Executive and Working Committees are formed;
3	Counterpart personnel are identified; office space is arranged.
4	Chief of Party of INIPA technical assistance team and senior O&M specialist arrive in country; plan for improving accounting system is completed; calculating machine specifications are defined for procurement.
5	Accounting contract is awarded to Peruvian firm; EDP logic for accounting system is completed; short-term technical assistance is procured for communications study.
6	Auditing and EDP contracts are awarded to Peruvian firms; INIPA's policy framework is defined in detail.
7	Organizational changes are recommended, job descriptions and human resource requirements are defined.
8	Calculating machines arrive in country; EDP programs are completed, tested, and implemented; communications study is completed; accounting system is improved; audit is completed.
9	
10	Financial information needs are identified.
11	Internal control system is revised.
12	Personnel are trained in internal control system; financial control system is redesigned; accounting system is revised.
13	Systems design for monitoring programs is completed; logistical support procedures are revised and implemented.
14	Training in transitional financial control system is completed and implementation begins; new internal control system is implemented.
15	EDP begins computerization of revised accounting and financial control systems; transitional systems design for responsibility center management is completed.
16	Training in program monitoring system is completed and implementation begins; Senior O&M specialist leaves country.
17	Implementation of transitional financial control system is completed; implementation of program monitoring system is completed and EDP begins.
18	Training in management of each responsibility center is completed.
19	Computer programs to monitor INIPA's programs are completed.
20	Computer programs for accounting system are completed.
21	Computer printouts are produced regularly to monitor programs.

22 Computer processing of accounting data begins, but manual system is still in operation.

23

24 Design of EDP auditing system is completed, training is provided, and system is implemented.

25 Computerized accounting system is fully tested and operational.

26 Training in new accounting systems is completed and manual system is discountinued; new financial control system is fully operational.

27 New course on management of each responsibility center is completed.

28 Chief of Party of INIPA technical assistance team leaves country.

29 Component ends except for annual evaluations.

30-60 Adjustments made as a result of annual evaluations.

Tasks Related to Advanced Training

Month	
-5	
-4	
-3	
-2	
-1	
1	Training Committee (TC) is formed; Technical Training Division (TTD) contract is executed with UNA; short-term technical assistance needs are programmed in approved annual implementation plan.
2	Provisional criteria are established for participation in training program; training strategy is designed for thesis preparation and possible semesters in residence; students are selected for UNA March semester.
3	Training begins at UNA; arrangements are set up with other Peruvian universities; materials are prepared to explain part-time training program.
4	Criteria and procedures are set up for awarding U.S. scholarships.
5	U.S. trainees are recruited and selected for fall semester; admission is arranged; trainees are prepared; participation of Ministry units is solicited to contribute to program.
6	Arrangements are made for intensive courses, particularly for Agrarian Region personnel.
7	Students are selected for August semester in Peru; intensive courses are advertised.
8	Courses are offered in Peru.
9	U.S. trainees begin programs.
10	Intensive courses are given.
11	Meetings are held with Ministry units to lay out long-term training schedule, including thesis preparation and semesters in residence, contribution is made to Personnel Management Strategy.
12	
13	Continuous career counseling service is formally set up for trainees; short-term technical assistance needs are programmed in approved annual implementation plan.
14	Students are selected for March semester in Peru.
15	Courses are offered in Peru.
16	
17	U.S. trainees are recruited and selected for fall semester; admission is arranged; trainees are prepared.
18	Arrangements are made for intensive courses, particularly for Agrarian Region personnel.

19 Students are selected for August semester in Peru; intensive courses are advertised.
20 Courses are offered in Peru.
21 U.S. trainees begin programs.
22 Intensive courses are given.
23 Long-term training schedule is revised as appropriate.
24
25 Short-term technical assistance needs are programmed in approved annual implementation plan.
26 Students are selected for March semester in Peru.
27 Courses are offered in Peru.
28
29 U.S. trainees are recruited and selected for fall semester; admission is arranged; trainees are prepared.
30 Arrangements are made for intensive courses, particularly for Agrarian Region personnel.
31 Students are selected for August semester in Peru; intensive courses are advertised.
32 Courses are offered in Peru.
33 U.S. trainees begin programs.
34 Intensive courses are given.
35 Long-term training schedule is revised as appropriate.
36
37 Short-term technical assistance needs are programmed in approved annual implementation plan.
38 Students are selected for March semester in Peru.
39 Courses are offered in Peru.
40
41 U.S. trainees are recruited and selected for fall semester; admission is arranged; trainees are prepared.
42 Arrangements are made for intensive courses, particularly for Agrarian region personnel.
43 Students are selected for August semester in Peru; intensive courses are advertised.
44 Courses are offered in Peru.
45 U.S. trainees begin programs.
46 Intensive courses are given.
47 Long-term training schedule is revised as appropriate.
48
49 Short-term technical assistance needs are programmed in approved annual implementation plan.
50 Students are selected for March semester in Peru.
51 Courses are offered in Peru.
52

53 U.S. trainees are recruited and selected for fall semester; admission is arranged; trainees are prepared.
54 Arrangements are made for intensive courses, particularly for Agrarian Region personnel.

55 Students are selected for August semester in Peru; intensive courses are advertised.
56 Courses are offered in Peru.
57 U.S. trainees begin programs.
58 Intensive courses are given.
59 Long-term training schedule is revised as appropriate.
60

Tasks Related to Support of UNA

Month	
-5	
-4	
-3	
-2	
-1	Salary augmentation criteria are developed; Condition Precedent is met and mechanism to provide adequate salaries for key personnel made operational.
1	Library consultant TDY (financed by REE Project) assists Joint Committee in development of National Agricultural Library and Information Center; criteria and procedures are established for teaching fellowships and small research grants.
2	Teaching fellows and research grantees are selected for year; transitional faculty are hired for March semester.
3	Salary augmentation goes into effect.
4	Farm management, irrigation and drainage, and agricultural engineering TDYs consult with UNA; equipment specifications are defined for procurement.
5	Senior advisor makes semiannual TDY; ST/TA provided to identify equipment required for English Language Laboratory.
6	Faculty exchanges are programmed with U.S. universities for remainder of year.
7	Two long-term visiting faculty arrive; transitional faculty are hired for August semester; English language consultants are contracted; English Language Laboratory equipment arrives and is installed.
8	UNA enters into instrument repair and maintenance service contract; Technical English Language Laboratory begins operation.
9	
10	Equipment arrives; Central Analysis Center is set up.
11	Senior advisor makes seminnual TDY.
12	Condition Precedent is met for intitutionalizing mechanism to provide adequate salaries for key personnel.
13	Graduate research fellowship criteria and procedures are established; short-term technical assistance needs and faculty exchanges with U.S. universities are programmed in approved annual implementation plan.
14	Teaching fellows, research grantees, and graduate research fellows are selected for year; transitional faculty are hired for March semester.
15	
16	
17	Senior advisor makes semiannual TDY.
18	
19	Transitional faculty are hired for August semester.
20	
21	

22
23 Senior advisor makes semiannual TDY.
24
25 Short-term technical assistance needs and faculty exchanges with U.S. universities are programmed in approved annual implementation plan.
26 Teaching fellows, research grantees, and graduate research fellows are selected for year; transitional faculty are hired for March semester.
27
28
29 Senior advisor makes semiannual TDY.
30
31 Transitional faculty are hired for August semester.
32
33
34
35 Senior advisor makes semiannual TDY.
36
37 Short-term technical assistance needs and faculty exchanges with U.S. universities are programmed in approved annual implementation plan.
38 Teaching fellows, research grantees, and graduate research fellows are selected for year; transitional faculty are hired for March semester.
39
40
41 Senior advisor makes semiannual TDY.
42
43 Transitional faculty are hired for August semester.
44
45
46
47 Senior advisor makes semiannual TDY.
48
49 Short-term technical assistance needs and faculty exchanges with U.S. universities are programmed in approved annual implementation plan.
50 Teaching fellows, research grantees, and graduate research fellows are selected for year; transitional faculty are hired for March semester.
51
52
53 Senior advisor makes semiannual TDY.
54 Two long-term visiting faculty leave.
55 Transitional faculty are hired for August semester.
56
57
58
59 Senior advisor makes semiannual TDY.
60

Tasks Related to Support of University of the Pacific

Month	
-5	
-4	
-3	
-2	
-1	
1	OPG is executed with El Pacífico.
2	First year operational plan submitted to AID.
3	Criteria and procedures are developed and advertised for M.S. fellowships.
4	
5	Mutual accreditation arrangements are set up with UNA.
6	M.S. fellows are selected.
7	First visiting professor arrives.
8	Library holdings to be acquired are specified for procurement.
9	
10	
11	Library holdings arrive.
12	
13	
14	
15	
16	
17	
18	
19	First visiting professor leaves; second visiting professor arrives.
20	
21	
22	
23	
24	
25	
26	
27	
28	
29	
30	M.S. fellows earn degrees.
31	Second visiting professor leaves.
32	Activities continue at up.

Tasks Related to Strengthening Participation of Producer Organizations in Agricultural Policy Formulation

Month	
-5	
-4	
-3	OPC is executed with ONA; Agricultural Policy Analysis Unit is created.
-2	First year operational plan submitted to AID.
-1	ONA defines study program for itself for first year and specifies criteria and procedures for other organizations to participate; furniture, equipment, and vehicle specifications are defined for procurement.
1	Short-term technical assistance needs are programmed in approved annual implementation plan; ONA launches its study program and advertises opportunities for other organizations; furniture and equipment are procured.
2	ONA develops dissemination procedures and sets up forums for discussion of policy issues.
3	ONA lets first study contracts to other organizations; microcomputer and word processor specifications are defined for procurement.
4	
5	
6	
7	
8	
9	Vehicle arrives; microcomputers/word processors are installed.
10	
11	
12	
13	Annual study and dissemination plan and short-term technical assistance needs are programmed in approved annual implementation plan.
14	
15	
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17	
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20	
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22	
23	
24	
25	Annual study and dissemination plan and short-term technical assistance needs are programmed in approved annual implementation plan.

Annual study and dissemination plan and short-term technical assistance needs are programmed in approved annual implementation plan.

Annual study and dissemination plan and short-term technical assistance needs are programmed in approved annual implementation plan.

Table 1

PROJECT COORDINATOR

Objective:

a. to enhance coordination among Project activities, implementing agencies, and USAID/Peru; and

b. to oversee overall Project implementation progress.

Functions:

1. To define OSPA's information needs for overseeing Project implementation and for satisfying the requirements of OSPA's information users.

2. To discuss OSPA's information needs with implementing agencies, and to provide them detailed instructions (including forms and procedures) with regard to the presentation of information to OSPA and the preparation of implementation plans, budgets, and requests for support services needed from other institutions.

3. To approve the annual implementation plans of implementing agencies.

4. To approve the annual budgets requested by implementing agencies, and to submit the requests to USAID/Peru.

5. To keep record of USAID and GOP disbursements for Project activities.

6. To enhance coordination in the implementation of Project components and activities.

7. To evaluate overall project implementation progress and provide timely feedback to implementing agencies, the Director of OSPA, and USAID/Peru.

Table 2

ACTIVITY MANAGER

Objective:

To plan, direct, and control the implementation of the Project activities assigned to his institution (organizational unit in the case of the Ministry of Agriculture).

Functions:

1. Design or supervise the design of all systems and procedures that are required to implement the activity and maintain coordination with OSPA.

2. Prepare implementation plans, annual programs, and budgets in accordance with OSPA's requirements.

3. Plan manpower and material requirements, approve purchase orders, and request his Administrative Department to provide required support services.

4. Coordinate the training that is provided to his subordinates.

5. Supervise the execution of implementation plans and take actions to resolve bottlenecks.

6. Coordinate with his Administrative Department the preparation of requests for GOP and USAID funds, authorize requests, and obtain OSPA's approval.

7. Provide on a timely basis the information required by OSPA.

8. Report implementation progress to immediate superior and request his support when needed.

Table 3

DESCRIPTION OF THE TECHNICAL COMMITTEE

Members:

Director of OSPA - Chairman
Project Coordinator
Project Activity Managers and their immediate supervisors (when the immediate supervisor is not the head of the implementing agency or Vice-Minister of Agriculture)
Representative of USAID/Peru.

Functions:

1. To analyze and take decisions on suggestions made by members with regard to coordination methods, reports, and procedures.

2. To coordinate the implementation plans of implementing agencies.

3. To discuss and take decisions on matters related to Project implementation problems.

4. To coordinate, when necessary, the implementation of decisions taken by the Executive Committee.

5. To decide what issues should be brought to the attention of the Executive Committee.

Schedule of Meetings:

Ordinarily every two months, and extraordinarily when requested by members. The Secretary of the Committee will be the Project Coordinator.

Table 4

DESCRIPTION OF THE EXECUTIVE COMMITTEE

Members:

Vice-Minister of Agriculture - Chairman
Vice-Minister's Special Assistant for Management Improvement
Director of OSPA
Project Coordinator
Head of each implementing agency (the Ministry of Agriculture will be represented by the Vice-Minister)
Representative of USAID/Peru

Functions:

1. To discuss Project progress reports and take decisions to improve Project implementation.

2. To analyze and take decisions or actions with regard to critical issues that hinder Project implementation efficiency and effectiveness.

Schedule of Meetings

Ordinarily every six months, and extraordinarily when necessary upon request of any member.

The Executive Secretary of the Committee will be the Vice-Minister's Special Assistant for Management Improvement.

Ag. Policy Formulation & Management

Table 1

Summary Financial Plan

Component/Activity	A. Loan	I. Grant	D. Total	GOP	Total
I. Agricultural Policy Analysis Support					
- Creation of APAG in MOA	1011	710	1721	1495	3216
- Support of MEFC	51	335	386	168	554
- Support of OSPA	145	400	545	425	970
	1207	1445	2652	2088	4740
II. Information Support					
- National Rural Household Survey	608	650	1258	208	1466
- Continuous System of Area Prod. Statist.	1253	760	2013	759	2772
- Agroclimatic Impact Assessment	411	-	411	454	865
	2272	1410	3682	1421	5103
III. Management Support					
- Improving Management of MOA	450	970	1420	740	2160
- Salary Support for Ag Sector	450	-	450	1050	1500
- Strengthening INIPA	-	400	400	-	400
	900	1370	2270	1790	4060
IV. Human Resource Develop. Support					
- Advanced Training	2203	-	2203	1072	3275
- Support of UNA	3573	-	3573	1282	4855
- Support of El Pacífico	-	530	530	(25) 1/	530
	5776	530	6306	2354	8660
V. Private Sector Support					
- Strengthening Producer Organization	-	990	990	(164) 1/	990
Sub-Total	10155	5745	15900	7653	23553
Evaluation	-	165	165	-	165
Inflation & Contingencies	845	90	935	847	1782
Grand Total	11000	6000	17000	8500	25500
			67%	33%	100%

1/ Amounts to be contributed by El Pacifico University and ONA, respectively.
University and ONA, respectively.

Ag Policy Formulation & Management
Table 2
Detailed Financial Plan

Description	A. Loan	I. Grant	D. Total	GOP	Grand Total
	(Thousand of U.S. $)				
COMPONENT I : Agricultural Policy Analysis Support					
Activity 1: Creation of Agric. Policy Analysis Group					
A. Personnel and other Support Costs					
- Salaries	419	—	419	976	1395
- Long Term Expatriate - Chief of Party	—	490	490		490
- In-country Travel & Per Diem	51	—	51	149	200
- Office Space, Equip., Materials, etc.	—	—	—	150	150
B. Agricultural Policy Analysis Fund	135	220	355	220	575
C. Training: 6 Ph. D.S.	348	—	348	—	348
D. Equipment					
1 Word Processor	46	—	46	—	46
2 Microcomputers & Software	12	—	12	—	12
Total	1011	710	1721	1495	3216
Activity 2: Support of MEFC					
1 Micro computer & software	6	—	6	—	6
- Salary for Agricultural Economist	45	—	45	105	150
- Expert on Ag Policy & Int'l Economics	—	335	335	—	335
- Office Space, Equip., Materials, etc.	—	—	—	63	63
Total	51	335	386	168	554
Activity 3: Support of OSPA					
- Long-Term Resident Advisor	—	250	250	—	250
- Short-Term Technical Assistance	—	150	150	—	150
- Micro-Computers & Software	20	—	20	—	20
- Salaries for OSPA personnel	—	—	—	350	350
- Office Space, Materials, Equip. etc.	—	—	—	75	75
- Project Coordinator	110	—	110	—	110
- One vehicle	15	-	15	-	15
Total	145	400	545	425	970
COMPONENT II : Information Support					
Activity 1: National Rural Household Survey					
A. Support Costs					
- Salaries	214	—	214	161	375
- Commodities	94	—	94	—	94
- Services	300	—	300	47	347
	608	—	608	208	816
B. Technical Assistance					
- Short-Term	—	695	695	—	695
Total	608	695 1/	1303	208	1511

1/ US$ 45,000 will be financed under the Ag Sector Planning Limited Scope Grant Agreement.

Table 2
Page 2

Description	A. Loan	I. Grant	D. Total	GOP	Grand Total
	(Thousand of U.S. $)				
Activity 2: Continuous System of Area and Production Statistics					
A. Salaries for Additional Labor					
- ASF Construction	-	-	-	48	48
- Data Collection	-	-	-	256	256
- Data Entry	-	-	-	48	48
- Programmers	124	-	124	-	124
- Sampling Statistician	124	-	124	-	124
	248	-	248	352	600
B. Technical Assistance					
- ASF Specialist	-	335	335	-	335
- Sampling Statistician	-	335	335	-	335
- Survey Statistician	-	60	60	-	60
- SAS Programmer	-	60	60	-	60
	-	790	790	-	790
C. Vehicles and Equipment					
- 29 vehicles	435	-	435	-	435
- 200 motorcycles	300	-	300	-	300
- Printing Equipment	37	-	37	-	37
	772	-	772	-	772
D. Other Support Costs					
- Travel & Per Diem	73	-	73	217	290
- Vehicle Operation & Maintenance	50	-	50	150	200
- Aerial Photographs	50	-	50	-	50
- Other	60	-	60	40	100
	233	-	233	407	640
Total	1253	790	1/ 2043	759	2802
Activity 3: Agroclimatic Impact Assessment					
A. SENAMHI Weather Data & Analysis					
(1) Support Costs					
- Salaries	29	-	29	96	125
- Publication of Bulletins	13	-	13	-	13
- Supplies & Spare Parts for Computer & Office Equipment	-	-	-	5	5
- Travel, Per Diem & Others	-	-	-	140	140
(2) Equipment					
- Teletype & Installation	12	-	12	-	12
- Radios, Spare Parts & Installation	204	-	204	62	266
- Strip chart Digitizer	-	-	-	10	10
	258	-	258	313	571

1/ US$30,000 will be financed under the Agricultural Sector Planning Limited Scope Grant Agreement.

Table 2
Page 3

Description	A. Loan	I. Grant	D. Total	GOP	Grand Total
	(Thousand of U.S. $)				
B. MOA/OSE - Agroclimatic Modeling					
(1) Support Costs					
- Salaries	38	-	38	87	125
- Travel & Per Diem	22	-	22	21	43
- Communications, Supplies & Others	14	-	14	13	27
(2) Two microcomputers & Software	17	-	17	-	17
(3) Data Publishing & Seminar	12	-	12	12	24
	103	-	103	133	236
C. UNA/La Molina					
(1) Short Courses	42	-	42	-	42
(2) Travel & Per Diem	8	-	8	8	16
	50	-	50	8	58
D. Technical Assistance					
Technicians, Overhead, Travel & Per Diem NOAA/AISE	-	160	160	-	160
Total	411	160 1/	571	454	1025
COMPONENT III : Management Support					
Activity 1: Improving Management of MOA					
A. Technical Assistance					
U.S. : Long-Term	-	670	670	-	670
Short-Term	-	300	300	-	300
Peru : Short-Term	-	-	-	100	100
		970	970	100	1070
B. Equipment					
- Word-Processor & Other Micro-computers	100	-	100	-	100
- Audio visual & Office Equipment	20	-	20	20	40
	120	-	120	20	140
C. Support Costs					
- Salaries	225	-	225	525	750
- Travel, Per Diem & Training Materials	80	-	80	70	150
- Equipment Maintenance	25	-	25	25	50
	330	-	330	620	950
Total	450	970	1420	740	2160
Activity 2: Salary Support for Ag Sector	450	-	450	1050	1500

1/ To be financed by AID/W.

Table 2
Page 4

Description	A. Loan	I. Grant	D. Total	GOP	Grand Total
	(Thousand of U.S. $)				
Activity 3: Strengthening Managerial Effectiveness of INIPA					
A. Technical Assistance					
Short-Term:					
- Expatriates	—	100	100	—	100
- Local Counterparts	35	—	35	—	35
Long-Term:					
- Expatriates	—	500	500	—	500
- Local Counterparts	210	—	210	123	333
Other	—	—	—	202	202
	245	600	845	325	1170
B. Local Professional Services					
- Accounting Support Personnel & Others	74	—	74	—	74
- External Auditing	80	—	80	—	80
- Computer Programmers	9	—	9	—	9
	163	—	163	—	163
C. Equipment					
- Office Equipment & Furniture	30	—	30	—	30
	30	—	30	—	30
D. Salaries for New Positions	—	—	—	374	374
Total	438 1/	600 2/	1038	699 1/	1737
COMPONENT IV : Human Resource Development Support					
Activity 1: Advanced Training					
A. Technical/Training Division					
- Contract with UNA	242	—	242	37	279
B. Off Shore Training					
- Training in the U.S.	653	—	653	153	806
C. Full Time Graduate Study					
- Training in Peru	185	—	185	203	388
D. Part Time Graduate Study					
- Training for Lima Personnel/Peru	598	—	598	323	921
E. Part Time Graduate Study					
- Training for Regional Personnel/Peru	525	—	525	356	881
Total	2203	—	2203	1072	3275

1/ Amounts to be contributed under the REE Project.

2/ US$200,000 will be funded by the World Bank.

Table 2
Page 5

Description	A. Loan	I. Grant	D. Total	GOP	Grand Total
	(Thousand of U.S. $)				
Activity 2: Support of National Agrarian University					
A. Faculty Stabilization					
- Salary Supplements	540	—	540	—	540
- Salaries	—	—	—	813	813
- Research Grants	125	—	125	—	125
- Office Space & Utilities	—	—	—	15	15
- Training Assistance	1350	—	1350	-	1350
	2015	—	2015	828	2843
B. Faculty Development					
- Transitional Faculty Teaching Fellowships	428	—	428	—	428
- Classroom, Labs. Utilities & Materials	—	—	—	145	145
- Salaries for Thesis Completion & Graduate Instruction	—	—	—	165	165
	428	—	428	310	738
C. Graduate School Infrastructure					
- Graduate Research Fellowships	464	—	464	-	464
- Equipment, Books & Supplies	275	—	275	40	315
- Salaries & Other	107	—	107	30	137
	846	—	846	70	916
D. Advisory and Consultant Services					
- Advisory and Consultants Fees	187	—	187	-	187
- Salaries & Travel for Counterparts	—	—	—	49	49
	187	—	187	49	236
E. Institutional Linkages					
- International Travel & Per Diem	97	—	97	-	97
- Salaries, Local Travel & Per Diem	-	—	-	25	25
	97	—	97	25	122
Total	3573	—	3573	1282	4855
Activity 3: Support of El Pacifico					
A. Technical Assistance					
- Two Visiting Professors	—	400	400	10	410
B. 15 M.S. Fellowships	—	120	120	10	130
C. Library Support	—	10	10	5	15
Total	—	530	530	25 1/	555

1/ To be funded by The Pacific University

Table 2
Page 6

Description	A. Loan	I. Grant	D. Total	GOP	Grand Total
	(Thousand of U.S. $)				
COMPONENT V : Private Sector Support					
Strengthening Agricultural Policy Analysis Capability of Producer Organizations					
A. Policy Analysis Unit					
- Salaries & Other Administ. Expenses	-	242	242	62	304
- Technical Assistance Expatriates	-	150	150	-	150
- Capital Investments	-	44	44	-	44
	-	436	436	62	498
B. Special Studies	-	376	376	52	428
C. Dissemination of Information	-	178	178	50	228
Total	-	990	990	164 1/	1154

1/ To be funded by ONA

Ag Policy Formulation & Management

Table 3

Foreign Exchange & Local Currency Requirements

Component/Activity	Loan FX	Loan LC	Grant FX	Total AID	GOP LC	Grand Total
I. Agricultural Policy Analysis Support						
- Creation of APAG in MOA	399	612	710	1721	1495	3216
- Support of MEFC	6	45	335	386	168	554
- Support of OSPA	35	110	400	545	425	970
	440	767	1445	2652	2088	4740
II. Information Support						
- National Rural Household Survey	—	608	650	1258	208	1466
- Continuous Syst. of Area Prod.-Statistics	772	481	760	2013	759	2772
- Agroclimatic Impact Assessment	180	231	—	411	454	865
	952	1320	1410	3682	1421	5103
III. Management Support						
- Improving Management of MOA	100	350	970	1420	740	2160
- Salary Support for Ag Sector	450	—	—	450	1050	1500
- Strengthening INIPA			400	400	—	400
	550	350	1370	2270	1790	4060
IV. Human Resource Development Support						
- Advance Training	653	1550	—	2203	1072	3275
- Support of UNA	1722	1851	—	3573	1282	4855
- Support of El Pacifico	—	—	530 1/	530	(25) 3/	530
	2375	3401	530	6306	2354	8660
V. Private Sector Support	—	—	990 2/	990	(164) 3/	990
Total	4317	5838	5745	15900	7653	23553
Evaluation	-	-	165	165	-	165
Plus: Inflation Contingencies	360	485	90	935	847	1782
Grand Total	4677	6323	6000	17000	8500	25500
	27%	38%	35%	100%		

1/ FX = 410 and LC = 120

2/ FX = 178 and LC = 812

3/ Amounts to be contributed by El Pacífico University and UNA, respectively.

Ag Policy Formulation & Management

Table 4

Expected Disbursements by Year
(US$000)

Description	Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Total
I. Agricultural Policy Analysis Support						
AID - Loan	514	352	239	80	22	1207
Grant	674	394	229	74	74	1445
GOP	190	314	431	563	590	2088
II. Information Support						
AID - Loan	1566	235	162	157	152	2272
- Grant	415	803	192	-	-	1410
GOP	485	372	221	210	133	1421
III. Management Support						
AID - Loan	478	246	134	21	21	900
Grant	680	450	80	80	80	1370
GOP	172	264	376	489	489	1790
IV. Human Resource Development Support						
AID - Loan	1095	1350	1315	1254	762	5776
Grant	226	226	28	26	24	530
GOP	369	496	515	505	469	2354
El Pacífico	5	5	5	5	5	25
V. Private Sector Support						
AID - Grant	232	188	192	190	188	990
ONA	28	30	32	34	40	164
Evaluation - AID	-	-	82	-	83	165
Grand Total: AID - Loan	3653	2183	1850	1512	957	10155
Grant	2227	2061	803	370	449	5910
GOP	1216	1446	1543	1767	1681	7653
	7096	5690	4196	3649	3087	23718
Plus: Inflation & Contingencies (AID+GOP)						1782
						25500
The Pacific University & ONA	33	35	37	39	45	189

Agricultural Policy Planning & Manpower Development

Table 5

AID-Grant Funded Technical Assistance

Component/Activity	Estimated Person/month	Amount (US$000)	Description
I. Ag. Policy Analysis Support			
- Creation of APAG	36	490	Chief of Party
"	-	220	Fund to finance short-term T.A & others
- Support of MEPC	24	335	Ag. Policy Intl. Econom.
- Support of OSPA	18	250	Resident Advisor
"	10	150	Short-Term - Misc.
	88	1445	
II. Information Support			
- Nat. Rural Household Survey	43	650	Short-term Miscellaneous
- Area Production Statistics	24	335	ASF Specialist
"	24	335	Sampling Statistician
"	4	60	Survey Statistician
"	2	30	SAS Programmer
- Agroclimatic Impact Assess.	(10)	(160)	NOAA/ISC. Miscellaneous
	97	1410	
III. Management Support			
- Improv. Management of MOA	48	670	Long-Term Management Advisors
"	20	300	Short-term Miscellaneous
- Strengthening INIPA	18	300	One long-term Advisor
"	7	100	Short-term Miscellaneous
	93	1370	
IV. Human Resource Develop. Support			
- Advance Training	—	—	
- Support of UNA	—	—	
- Support of El Pacifico	24	400	Two visiting professors
	—	—	
V. Private Sector Support	10	150	Short-Term Miscellaneous
Total	312	4775	
Evaluation	11	165	
Contingencies	-	90	
TOTAL	323	5030	

( ) = Indicative Only

ESTRUCTURA SALARIAL ACTUAL, PROPUESTAS PARA ALGUNOS PUESTOS DEL MINISTERIO DE AGRICULTURA

	Posición	Sueldo Básico Mensual (SB)	(SB) + Bonificación (B) 67% para DG 48% para D	1/ SB + B en $	Salario Mensual Propuesto en U.S.$	Diferencia U.S.$
Oficina General de Administración	Director General (DG)	S/. 420,000	S/. 701,400	$ 446	$ 2,000	$ 1,554
- Dirección Adjunta	Director Adjunto (D)	360,000	532,800	339	1,500	1,161
- Dirección de Abastecimientos	Director	360,000	532,800	339	1,500	1,161
- Dirección de Contabilidad y Tesorería	Director	360,000	532,800	339	1,500	1,161
- Dirección de Administración Documentaria	Director	360,000	532,800	339	1,500	1,161
- Dirección de Personal	Director	360,000	532,800	339	1,500	1,161
- Dirección Legal	Director	360,000	532,800	339	1,500	1,161
Oficina General de Catastro Rural	Director General	420,000	701,400	446	2,000	1,554
- Dirección Adjunta	Director Adjunto					
- Oficina de Programación	Director					
- Cartografía Catastral	Director					
- Uso Actual de la Tierra	Director					
- Información Catastral	Director					
Oficina Sectorial de Estadística	Director General	420,000	701,400	446	2,000	1,554
- Director Adjunto	Director Adjunto					
- Marcos Muestrales	Director					
- Procesamiento Electrónico de Datos	Director					
- Estadística Agropecuaria	Director					
- Programación	Director					

ESTRUCTURA SALARIAL ACTUAL, PROPUESTAS PARA ALGUNOS PUESTOS DEL MINISTERIO DE AGRICULTURA

	Posición	Sueldo Básico Mensual (SB)	(SB) + Bonificación (B) 67% para DG 48% para D	1/ SB + B en $	Salario Mensual Propuesto en U.S.$	Diferencia en U.S.$
Oficina Sectorial de Planif. Agraria						
- Director General	Director General	S/. 420,000	S/. 701,400	$ 446	$ 2,000	$ 1,554
- Director Adjunto	Director Adjunto	360,000	532,800	339	1,500	1,161
- Direcciones:						
Of. Ampliación de la Foment. Agrícola	Director					
Of. de Desarrollo Agropecuario	Director					
Of. de Desarrollo Forestal	Director					
Of. de Desarrollo Agroindustrial	Director					
Of. de Desarrollo de Est. Agraria	Director					
Oficina General de Asesoría Jurídica	Director General	420,000	701,400	446	2,000	1,554
- Director Adjunto	Director Adjunto					
- Consultoría Jurídica	Director					
- Procedimientos Legales	Director					
- Sistematización Legal	Director					
Oficina General de Racionalización	Director General	420,000	701,400	446	2,000	1,554
- Director Adjunto	Director Adjunto	360,000	532,800	339	1,500	1,161
- Funciones y Programas Ad.	Director					
- Procedimientos y Normas	Director					
- Sistemas y Estudios	Director					
Dirección General de Agricultura y Ganadería	Director General	420,000	701,400	446	2,000	1,554
- Director Adjunto	Director Adjunto					
- Programación	Director					
- Asesoría Jurídica	Director					
- Agricultura	Director					
- Ganadería	Director					
- Sanidad Agrícola	Director					
- Sanidad Pecuaria	Director					

ESTRUCTURA SALARIAL ACTUAL, PROPUESTAS PARA A GUNOS PUESTOS DEL MINISTERIO DE AGRICULTURA

	Posición	Sueldo Básico Mensual (SB)	(SB) + Bonificación (B) 67% para DG 48% para D	1/ SB + B en $	Salario Mensual Propuesto en U.S.$	Diferenci U.S.$
Dirección General de Agroindustria y Comercialización	Director General	S/. 420,000	S/. 701,400	$ 446	$ 2,000	$ 1,554
- Director Adjunto	Director Adjunto	360,000	532,800	339	1,500	1,161
- Programación	Director					
- Asesoría Jurídica	Director					
- Productos Agrícolas	Director					
- Productos Pecuarios	Director					
- Servicios	Director					
- Información de Mercados	Director					
I N A F						
- Jefe del Instituto	Jefe	420,000	701,400	446	2,000	1,554
- Dirección General de Control Interno	Director					
- Auditoría	Director					
- Control Operacional	Director					
- Director Gral. de Asesoría Jurídica	Director					
- Director Gral. de Planeamiento	Director					
- Director de Presupuesto	Director					
- Director de Coop. Tec. Econ. e Int/	Director					
- Director de Planes e Inversiones	Director					
- Director de Sistemas e Inform.	Director					
- Director General de Administ.	Director					
- Director de Personal	Director					

ESTRUCTURA SALARIAL ACTUAL, PROPUESTAS PARA ALGUNOS PUESTOS DEL MINISTERIO DE AGRICULTURA

	Posición	Sueldo Básico Mensual (SB)	(SB) + Bonificación (B) 67% para DG 48% para D	1/ SB + B en $	Salario Mensual Propuesto en U.S.$	Diferencia en U.S.$
- Director de Contabilidad, Tesorería y Presupuesto	Director					
- Director de Adm. Documentaria	Director					
- Director de Abastecimientos	Director					
- Director de Logística	Director					
- Director de Operaciones	Director					
- Director de Estudios	Director					
- Director de Estudios Básicos	Director					
- Director de Proyectos	Director					
- Director de Laboratorio Central	Director					
- Director de Supervisión	Director					
- Director de Supervisión, Licit. y Concursos	Director					
- Director de Supervisión de Obras	Director					
- Director de Estudios y Especialización Técnica	Director					
- Directores de Proyectos Especiales	Directores					
				TOTAL	MENSUAL	$ 24,435

1/ S/. 1,575 = 1 US$

Technical Assistance Plan

The following are the Technical Assistance needs of the Project, and their occurance overtime:

	w/ms	Description
I. Ag.Policy Analysis Support		
- Creation of APAG	36	Chief of Party
"	-	Fund to finance short-term T.A. & others
- Support of MEFC	24	Ag. Policy Intl. Econom.
- Support of OSPA	18	Resident Advisor
- "	10	Short-term - Misc.
	88	
II. Information Support		
- Nat.Rural Household Survey	46	Short-term Misc.
- Area Production Statistics	24	ASF Specialist
"	24	Sampling Statistician
"	4	Survey Statistician
"	4	SAS Programmer
- Agroclimatic Impact Assess.	20	NOA/AISC Miscellaneous
	122	
III. Management Support		
- Improv. Management of MOA	48	Long-Term Management Advisors
- "	20	Short-term Miscellaneous
- Strengthening INIPA	18	One long-term Advisor
"	7	Short-term Miscellaneous
	93	

IV.	Human Resource Develop. Support		
	- Advance Training	—	
	- Support of UNA	1	Specialist on English Language Lab. equipment
	- "	1	English Language Consultant
	- Support of Univ. El Pacific	(24)	Two visiting professors
		26	
V.	Private Sector Support	10	Short-term Miscellaneous
	- Evaluation	11	Short-term Miscellaneous
	Total	350	

1983 August

- Writing of PIO/T to contract ST/TA for the drafting of terms of reference for TA RFP and for designing information systems and procedures.

- PASA is executed with BUCEN and ST/TA begings.

- PASA is executed with USDA.

September

- Arrival in country of ST/TA for preparation of terms of reference for TA RFP and designing information systems. Mathematical Statistician and ASF Technician arrive for one month TDY. Mathematical Statistician and Survey Statistician, under the Rural Household Survey component arrive in country for sample design, field test and questionnaire development.

October

- TA RFP is issued and published.
- OPG is executed with ONA.

November

- Mathematical Statistician and ASF Technician arrive for long-term assignment.

December

- TA RFP bids are received.

- Survey statistician arrives in country to assist in the preparation of first survey.

1984	January	- ST/TA requirements for OSPA are programmed.
		- Arrival in country of Data Processor to assist in preparation of first survey.
		- PASA is executed with NOAA.
		- ST/TA requirements of MOA are programmed.
		- Library Consultant (financed by REE Project) arrives in country to assist in the development of the National Agricultural Library and Information Center.
		- OPG is executed with El Pacífico.
		- ST/TA requirements of ONA are programmed.
		- Mathematical Statistician and Survey Statistician under Rural Household Survey component on TDY to review sample selection, revise field manuals and edit specifications.
	February	- TA institutional contract is awarded.
	March	- Survey Statistician arrives in country to assist in interviewer training and in first survey.
		- Data Processor, under Rural Household Survey component arrives in country for system design and develop front-end of system and CONCOR workshop.
	April	- Chief of Party, under the institutional contract arrives in country.
		- Long-term resident analysts for MEFC and OSPA arrive in country.
		- Long-term resident advisors for MOA arrive in country.
		- Chief of Party of INIPA technical assistance team and Senior O&M specialist arrive in country.
	May	- Data Processor arrives in country to assist in the processing of first survey.

- Communications specialist to carry-out study for INIPA arrives in country.

- PIO/T for ST/TA is prepared to procure services of specialist to identify equipment for English Language Laboratory for UNA

- Survey Statistician under Rural Household Survey component, arrives on TDY to write computer edit manual and specifications for recodes, additions to data file, imputations and tabulations, and interviewer training.

June - PIO/T for the contracting of two US visiting professors for UNA is prepared and executed with loan funds.

July - Long-term visiting faculty arrive in country to work with UNA.

- PIO/T for the contracting of English Language consultant is executed.

- First visiting professor for El Pacífico arrives in country.

August - Survey statistician TDY and Data Processor TDY arrive to assist in preparation of second survey.

- Data Processor, under Rural Household Survey component arrives on TDY to follow-up and program major components. Survey statistician monitors field work.

October - Data Processor TDY assists in processing second survey.

- Basic assessment models are constructed and assessment procedures are developed with NOAA.

1985 January - ST/TA is programmed to support APAG and plan implemented.

- ST/TA is programmed to support OSPA and plan implemented.

- ST/TA from NOAA for second year is programmed.

- ST/TA needs of MOA are programmed and plan implemented.

		- ST/TA is programmed for ONA and Plan implemented.
		- Mathematical Statistician, under Rural Household Survey component arrives on TDY to develop survey weights and variances.
	March	- Survey Statistician TDY arrives to assist in the preparation of third survey.
	April	- Senior O&M specialist leaves country. Data Processor under Rural Household Survey component, on TDY to carry out workshop and program tabulations.
	May	- Data Processor TDY arrives in country to assist in processing of third survey.
		- Survey Statistician, under Rural Household Survey component arrives in country to monitor computer edit.
	July	- First visiting professor for El Pacífico University leaves; second visiting professor arrives.
	August	- Survey statistician TDY arrives to assist in preparation for fourth survey.
	September	- Long-term resident advisor to OSPA leaves.
	November	- Long-term assignment of Mathematical Statistician and ASF Specialist ends.
1986	January	- ST/TA in support of APAG is programmed and implemented.
		- ST/TA in support of OSPA is programmed and implemented.
		- ST/TA to be provided by NOAA is programmed and implemented.
		- ST/TA in support of MOA is programmed and implemented.
	March	- Long-term resident advisor to MEFC leaves.
		- Survey Statistician on TDY arrives in country to assess results of fourth survey.

		- Long-term resident advisor to MOA leave
	April	- ST/TA in support of MEFC is analyzed to be funded under Agricultural Policy Fund.
		- Chief of Party of INIPA technical assistance team leaves country.
	June	- PIO/T is prepared for the procurement of ST/TA for in-depth evaluation.
		- Mathematical Statistician on TDY arrives in country to assess results of surveys and to implement adjustments and improvements.
	July	- Second visiting professor leaves.
	November	- ASF Technician on TDY arrives in country to assess result of surveys and to implement adjustments and improvements.
1987	January	- ST/TA in support of APAG is programmed and implemented.
		- ST/TA in support of OSPA is programmed and executed.
		- ST/TA to be provided by NOAA is programmed and implemented.
		- ST/TA to be provided to MOA is programmed and implemented.
		- ST/TA for ONA is programmed and implemented.
	March	- Survey Statistician on TDY arrives in country to assess results of surveys and to implement adjustments and improvements.
	April	- Chief of Party of Institutional Contract leaves.
	June	- ASF TEchnician and Mathematical Statistician on TDY arrive in country to assess survey results and to implement adjustments and improvements.

1988	January	- ST/TA in support of APAG is programmed and executed.
		- ST/TA in support of OSPA is programmed and executed.
		ST/TA is programmed and implemented with NOAA.
		- ST/TA in support of MOA is programmed and implemented.
		- ST/TA in support of ONA is programmed and implemented.
	March	- ASF technician and Survey Statistician on TDY arrive in country to assess results of the 13th survey and to implement adjustments and improvements.
	August	- Mathematical Statistician on TDY arrives in country to assess results of the 15th survey and to implement adjustments and improvements.
	November	- PIO/T is prepared to procure ST/TA services to carry out impact evaluation.
	December	- Impact evaluation is carried-out.

Training Plan

1984	January	- Training Committee (TC) for Advance Training (AT) is formed. Technical Training Division (TTD) contract is executed with UNA.
	February	- Provisional criteria are established for participation in training program, under AT component, training strategy is designed for thesis preparation, students are selcted for UNA March semester.
	March	- Training begins at UNA; arrangements are set up with other peruvian universities for AT; materials are prepared to explain part-time training program. - Criteria and procedures are developed and advertised for M.S. fellowships, under support of Univ. of the Pacific.
	April	- Action training priorities for MinAg are set. - Criteria and procedures under AT are set up for awarding U.S. schoolarships.
	May	- First, second and third APAG trainees are selected. - SENAMHI participant travels to the U.S. for one-month training on data base development. - Two MinAg/OSE participants travel to the U.S. for a fifteen-days visit to agroclimatic modeling centers. - Under AT, US trainees are recruited and selected for fall semester; admission is arranged; trainees are prepared; participation of MinAg units are solicited to contribute to program.
	June	- Trainers of action - training coordinators and trainers are contracted. - Under AT, arrangements are made for intensive courses, particularly for Agrarian Region personnel. - M.S. fellows are selected under support of Univ. of the Pacific.
	July	- Training of action-training coordinators and trainers begin. - Students are selected for August semester in Peru; intensive courses are advertised.

	August	- Action-training program begins. - Under AT, courses are offered in Peru.
	September	- First, second and third trainees begin Ph.D. programs. - U.S. trainees, under AT, begin programs.
	October	- Under AT, intensive courses are given.
	November	- Meetings are held with MinAg units to lay out long-term training schedule, under AT, including thesis preparation; contribution is made to Personnel Management Strategy.
	December	- INIPA personnel in charge of internal control system is trained.
1985	January	- Continuous career counseling service is formally set up for trainees under AT.
	February	- Training in transitional financial control system for INIPA personnel is completed. - Students are selected for March semester in Peru, under AT.
	March	- Under AT, courses are offered in Peru.
	April	- Training in program monitoring system for INIPA personnel is completed.
	May	- Fourth, fifth, and sixth APAG trainees are selected. - One MinAg/OSE participant travels to the U.S. for a fifteen-day visit to agroclimatic modeling centers. - US trainees are recruited and selected for fall semester; admission is arranged, trainees are prepared.
	June	- Training in management of each responsibility center of INIPA is completed. - Arrangements are made, under AT, for intensive courses, particularly for Agrarian Region personnel.
	July	- Students are selected for August semester in Peru; intensive courses are advertised, under AT.
	August	- Under AT, courses are offered in Peru.

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	September	- Fourth, fifth, and sixth APAG trainees begin Ph.D. programs. - US trainees begin programs, under AT.
	October	- Under AT, intensive courses are given.
	November	- The long-term AT schedule is revised as appropriate.
1986	February	- Training in new accounting systems of INIPA is completed. - Under AT, students are selected for March semester in Peru.
	March	- Under AT, courses are offered in Peru.
	May	- One MinAg/OSE participant travels to the US for a fifteen-day visit to agroclimatic modeling centers. - U.S. trainees are recruited and selected for fall semester; admission is arranged, trainees are prepared.
	June	- Under AT, arrangements are made for intensive courses, particularly for Agrarian Region personnel. - M.S. fellows earn degrees.
	July	- Students are selected for August semester in Peru; intensive courses are advertised under AT.
	August	- Under AT, courses are offered in Peru.
	September	- U.S. trainees begin programs.
	October	- Intensive courses are given under AT.
1987	February	- Under AT, students are selected for March semester in Peru.
	March	- Courses are offered in Peru.
	May	- One MinAg/OSE participant travels to the US for a fifteen-day visit to agroclimatic modeling centers. - US trainees are recruited and selected for fall semester; admission is arranged, trainees are prepared.

	June	- First, second and third APAG trainees return. - Arrangements are made for intensive courses, particularly for Agrarian Region personnel.
	July	- Under AT, students are selected for August semester in Peru; intensive courses are advertised.
	August	- Courses are offered in Peru.
	September	- US trainees begin their programs.
	October	- Intensive courses are given under AT.
1988	February	- Students are selected for March semester in Peru.
	March	- Courses are offered in Peru.
	May	- One MinAg/OSE participant travels to the US for a fifteen days visit to agroclimatic modeling centers. - Under AT, U.S. trainees are recruited and selected for fall semester; admission is arranged, trainees prepared.
	July	- Students are selected for August semester in Peru; intensive courses are advertised.
	August	- Courses are offered in Peru.
	September	- U.S. trainees begin programs.
	October	- Under AT, intensive courses are given.
	November	- The AT, long-term schedule is revised as appropriate.

Equipment and Materials Plan

1983	August	- Work begins on assembling maps, macrosectors, cadasters, etc. for the construction of the ASF.
	October	- USAID develops procurement specifications for vehicles and trailbikes. PIO/C written. - USDA develops procurements specifications for frame construction equipment, offset printer and SAS software program. PIO/C written.
	December	- Vehicle, equipment and furniture specifications, for ONA, are defined for procurement. PIO/C written.
1984	January	- Teletype equipment and weather data strip chart digitizer specifications are defined and procurement begun by NOAA. - Furniture and equipment for ONA are procured.
	March	- Frame construction equipment and offset printer arrive in country. - Micro computer and word processor specifications are defined for procurement. PIO/C written.
	April	- Calculating machine specifications are defined by INIPA for procurement. PIO/C written. - Equipment specifications for UNA are defined for procurement. PIO/C written.
	May	- Audio-visual equipment specifications are defined for procurement. PIO/C written. - English Language Laboratory equipment defined for procurement and PIO/C written.
	June	- Teletype equipment and weather data strip chart digitizer arrive in country. - Equipment procurement for improving management of MinAg, initiated by TA team. PIO/C written.
	July	- Vehicles and trailbikes arrive in country. - English Language Laboratory equipment arrive and is installed.

August	- Calculating machines for INIPA arrive in country. - UNA enters into instrument repair and maintenance service contract. - Library holdings to be acquired for Univ. of the Pacific are specified for procurement. PIO/C written.
September	- Equipment for improving management of MinAg arrives. - Vehicle for ONA arrives. Microcomputers/word processors arrive and are installed.
October	- Equipment for UNA arrives.
November	- Audio-visual equipment arrives in country. - Library holdings for Univ. of Pacific arrive.