PD-ABJ-669

UNCLASSIFIED

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

PERU

PROJECT PAPER

PARTICIPATORY DEMOCRACY

AID/LAC/P-913

PROJECT NUMBER: 527-0356

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

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

DOCUMENT CODE: 3

2. COUNTRY/ENTITY: PERU

3. PROJECT NUMBER: 527-0356

4. BUREAU/OFFICE: LAC 05

5. PROJECT TITLE (maximum 40 characters): Participatory Democracy

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 09 DD 30 YY 99

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 94 B. Quarter 4 C. Final FY 95

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

A. FUNDING SOURCE	FIRST FY B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total	3,700	700	4,400	6,600	3,400	10,000
(Grant)	(3,700)	(700)	(4,400)	(6,600)	(3,400)	(10,000)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country						
Other Donor(s)						
TOTALS	3,700	700	4,400	6,600	3,400	10,000

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. ACTIVITY CODE	C. ACTIVITY 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) ESF	DICE					10,000			
(2)									
(3)									
(4)									
TOTALS						10,000			

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

11. SECONDARY ACTIVITY CODE: DIEA, DIFM, DIPI, EDPE

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

A. Code	NAR	EDU	TIC	DEC	FBN	MBN	SPR
B. Amount	10,000	4,200	3,600	2,000	1,100	1,100	1,000

13. PROJECT PURPOSE (maximum 480 characters)

To empower Peru's citizenry to express its needs and desires and its government to effectively respond to them.

14. SCHEDULED EVALUATIONS
Interim MM 06 YY 96 MM YY Final MM 09 YY 99

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

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

Mission Controller has reviewed and concurs with the methods of implementation and financing herein.

James B. Sanford
James Sanford, Controller

17. APPROVED BY
Signature: George A. Wachtenheim
Title: Mission Director
Date Signed: MM 09 DD 17 YY 94

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

AID 1330-4 (8-79)

PROJECT AUTHORIZATION

Name of Country: Peru

Name of Project: Participatory Democracy

Number of Project: 527-0356

A. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Participatory Democracy Project for Peru involving planned obligations of not to exceed Ten Million United States Dollars (US$10,000,000) in grant funds (the "Grant") over a two year period from the 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 five years from the date of initial obligation.

B. The project will consist of three components, including Civic Awareness, Public Accountability and Electoral Systems. The project purpose is to strengthen democratic systems of governance that empower both Peru's citizenry to express its needs and its government to effectively respond to them.

C. The agreements, 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 conditions, together with other such terms as A.I.D. may deem appropriate.

1. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the project shall have their source and origin in the United States and in Peru (pursuant to Local Procurement Guidelines), except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services financed under the project shall have Peru (pursuant to Local Procurement Guidelines) or the United States (A.I.D. Geographic Code 000) as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

2. Authorization for Local Cost Financing

Based on the financial plan, the description of Project activities and implementation arrangements, local cost financing with appropriated funds is hereby authorized to the extent permitted by the Local Procurement Guidelines to fulfill program objectives and to best promote the Foreign Assistance Program.

George Wachtenheim
Mission Director
USAID/Peru

Date: 9/27/94

Clearances:
DID:EHouston
ODIT:JBorns 9-23
PDP:JBoyer
CONT:JSanford 9/22/94
DD:DBoyd
GC: Cleared per e-mail dated 9/16/94 (attached)

DOC: m:\oditdidd\pardem\proauth

To: Elvira Varillas@PDP@LIMA
Cc:
Bcc:
From: Deborah James@GC@AIDW
Subject: Participatory Democracy project
Date: Friday, September 16, 1994 15:50:35 EST
Attach:
Certify: Y
Forwarded by:

The Project Paper looks fine.

With reference to the Project Authorization:

1. In C.1. 6th line down, insert "(pursuant to Local Procurement Guidelines)" after "Peru".

2. What expenses do you intend to cover with your para. 2. Authorization for Local Cost Financing"? If this involves expenditures beyond those permitted by the Local Procurement Guidelines a waiver would be required. Expenditures within the Local Procurement Guidelines are already covered by your language in para 1.

PARTICIPATORY DEMOCRACY PROJECT: TABLE OF CONTENTS

PROJECT DATA SHEET

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY

II. PROJECT SETTING
- A. Democracy in Peru
- B. USAID's Democratic Initiatives

III. PROJECT RATIONALE
- A. USAID Strategy
- B. Problem Statement
- C. Proposed Solution

IV. PROJECT CONTENT
- A. Goal, Purpose and Results
- B. Components and Activities
  - 1. Civic Awareness, Phases One and Two
    - a. NGO Community
    - b. Journalism
    - c. Congressional Outreach
    - d. Studies for Phase Two and Phase Two Activities
  - 2. Public Accountability
  - 3. Electoral Systems
- C. Financial Aspects
  - 1. Obligation and Use of Funds
  - 2. Illustrative Project Budget
  - 3. Anticipated Methods of Implementation and Financing

V. IMPLEMENTATION
- A. Management and Oversight
- B. Procurement and Disbursement
- C. Monitoring and Reporting
- D. Audits and Evaluations

VI. PROJECT ANALYSES
- A. Political
- B. Institutional
- C. Social Soundness
- D. Financial/Economic
- E. Recurrent Costs

ANNEXES
- A. Logical Framework
- B. PID Approval and Delegation of Authority (cable)
- C. IEE Decision
- D. Statutory Checklist

I. EXECUTIVE SUMMARY

Peru is at a critical juncture in democratic development. The 1980s witnessed the growth of Sendero Luminoso and its reign of terror, narcotrafficking and related problems of corruption, and economic failure. The Fujimori government focused its attentions on these threats to the country. Since the April 1992 self-coup, the situation has generally improved, at least with respect to the economy and Sendero. Government of Peru (GOP) attention now appears to be turning to the restoration of democracy, as evidenced by, among other things, the election of a new Congress and the adoption of a new constitution ratified by popular plebiscite. Thus, the stage has been set for USAID and other donor assistance in this area.

A critical element in a functioning democracy is popular participation. This participation requires an institutional base and electorate capable of productive dialogue. Neither of these factors are sufficiently present in Peru. The problems the Participatory Democracy Project will address are: the lack of widely held civic values and understanding of political processes required for informed and effective participation in a sustained democracy; and the lack of transparent, responsive and accountable public institutions. With this in mind, the proposed project is designed to: expand people's participation and voice in the decisions affecting their country's development and their personal well-being; strengthen the role and effectiveness of Peruvian NGOs/PVOs, building community, regional, and national consensus on development issues; and enhance the ability of public institutions to be responsive to peoples' expressed needs, and receptive to the concerns of individuals and organized groups.

The Goal of this five-year Project is the establishment of democratic institutions that reflect popular participation, sustain individual rights and freedoms, and are transparent and responsive to their constituents. The Project Purpose is to strengthen democratic systems of governance that empower both Peru's citizenry to express its needs and its government to effectively respond to them. To meet these objectives, the Project contains three components: Civic Awareness, Public Accountability and Electoral Systems. The Civic Awareness component contains activities in two phases: Phase One includes Congressional Outreach, NGO Community (subgrants to NGOs), Journalism (to promote an independent and credible media) and studies (primarily related to Phase Two activities); and Phase Two includes activities in Political Competition, Military/Civic Values, and other themes which may arise over the next few years.

USAID project inputs are estimated as follows:

Civic Awareness:		$ 4,250,000
Phase One		
- NGO Community	$2,500,000	
- Congressional Outreach	500,000	
- Journalism	250,000	
- Studies	250,000	
Phase Two		
- Political Competition	375,000	
- Military Civic Values	375,000	
Public Accountability		$ 1,000,000
Electoral Systems		3,050,000
Administration		1,300,000
Audit		100,000
Evaluation		300,000
Total		**$10,000,000**

6

II. PROJECT SETTING

A. Democracy in Peru

Peruvian society has undergone deep, radical, and rapid transformation during the past 15 years. The decade of the 80s, which signified the real initiation of democracy, also brought the Sendero Luminoso and daily violence which touched all Peruvians, affecting their sense of personal security and emotional stability. Meanwhile the narcotrafficking network expanded, bringing corruption, violence, and economic distortion. Governments during the 1980s could not cope with the nation's most severe economic crisis of the century or with the bloody insurgency led by Sendero Luminoso, which used the assassination of local leaders as one of its principal tactics. Furthermore, a series of ongoing investigations of the 1985-1990 government is making it clear that corruption played a major role in the multiple failures in governance during this period.

Nevertheless, since the return to civilian rule in 1980, three successive governments attempted to develop the democratic process. Fujimori, founding a new political banner -- Cambio 90 -- campaigned for the presidency in 1990 against the traditional political party elite, a new twist in the decade-long effort to develop participatory democracy in Peru. Entering office in the midst of the nation's most profound political and economic crisis of the century, caused by the failures of ventures in state capitalism and by corrupt and incompetent performance on the part of previous governments, Fujimori committed himself to the privatization of state-owned enterprises, fighting corruption, and generally promoting good governance. Fujimori's April 1992 self-coup, although viewed by most observers as a setback for democracy, was perceived by the Peruvian public as a necessary prerequisite for building a more effective and truly democratic system of governance.

The ensuing criticism in the international community helped President Fujimori understand the necessity of a rapid restoration of democratic procedures and structures. A new Congress, known as the Democratic Constituent Congress (CCD), was chosen in the November 1992 elections, which were determined by the Organization of American States (OAS) to have been free and fair. A new Constitution, under which the judicial branch recuperated its legal autonomy from the executive branch, was passed by the CCD, ratified by popular plebiscite on October 31, 1993, and promulgated on December 28, 1993.

Peru's electoral system, although widely acknowledged to be capable of orchestrating elections that are free and fair, is one of the most antiquated and inefficient in the hemisphere. Recent elections have demonstrated that the National Elections Tribunal (JNE) is slow to educate citizens in voting procedures and even slower in producing official election results, which commonly take months to tabulate. In recognition of these difficulties, the new Constitution calls for the creation of a

completely reconstituted electoral system, dividing the functions of the JNE into three new organizations: the National Office of Electoral Processes, with responsibility for the implementation of all elections; the National Identification and Civil Status Registry, with responsibility over the registration of voters as well as births, marriages, deaths, etc.; and a new JNE with governing responsibilities over the electoral process. There are numerous other serious defects in the system, e.g., political parties are weak, and their leadership is not representative of party membership; while the press is generally free, journalists lack objectivity, analytical and investigative abilities, ethical training, and independence; the citizenry is unaware of democratic rights and responsibilities, and unable to formulate and express opinions and needs; and the military remains both a defender of and threat to democracy.

It is clear that Peru is at a critical crossroads in its quest to end the ravages of terrorism and become a modern, prosperous state. Through bold, painful and sometimes controversial steps, the country is determined to climb out of one of the deepest developmental abysses in its history and in the history of the Western Hemisphere. The transformations taking place in Peru are primordial and pervasive - as they must be if the nation is to overcome the legacy of terrorism, political chaos and exploitation which has shaken its society to the core. This difficult process could not take place without the concerted efforts of multilateral institutions and other friendly countries. The role of the U.S. government, through USAID, is particularly important, since it forms a critical pinion at the base of the support structure which Peru must have in place if this huge challenge is to be met.

Indeed, a citation of only a few of the highlights in the country's recent past reveals not only the significance of what has been accomplished but also the magnitude of the job which lies ahead:

- Self-coup -- April 1992;
- Popular election of new Congress -- November 1992;
- Nationwide municipal elections held -- January 1993;
- New Constitution ratified by popular plebiscite -- October 1993;
- Formal legal creation of National Registry of Detainees and its public opening -- February 1994;
- Honor Tribunal provides for independent selection of judges at Supreme and Superior levels, for the first time in the country's history;

- Pacification program succeeds in dramatically reducing terrorist activity which cost 25,000 lives;

- Economic reform program begins to take hold, reducing inflation from 7,000% in 1990 to under 40% in 1993, and igniting a recovery that is projected to see a second year of 7% real growth in GDP;

- Major donors -- IMF, IDB and World Bank -- plan commitments of approximately $2.5 billion in resources to Peru over the period 1994-96; and

- Direct foreign investment increases significantly in 1993, to over $500 million, with an additional $2 billion expected in 1994.

The next presidential and congressional elections are scheduled to take place in April 1995, the same time they had been scheduled under the previous Constitution. But the prospects for democratic governance in Peru remain a matter of dispute while the structural conditions which must be restored (effective government, economic efficiency, a civically developed society, and a sense of democratic culture) are still in gestation.

B. USAID's Democratic Initiatives

In the early 1970s AID began the creation of democracy-oriented study and training centers in several universities in the U.S., and since then has assisted in the founding and growth of numerous faculties, think tanks, and private voluntary organizations working across the democracy spectrum. Today this network of U.S. individuals and organizations is augmented by local organizations and NGOs working in USAID-assisted democracy-oriented projects throughout Latin America, the Caribbean, Eastern Europe and Africa. With this experience, four themes have emerged as Agency priorities:

- meaningful political competition at the national and local levels;

- respect for the rule of law and fundamental human rights;

- effective, transparent, and accountable governance structures; and

- popular participation in decision making by all sectors of civil society.

The Agency also has formulated a set of key factors in democracy which suggest consideration be given to formulating strategic objectives to address political and institutional constraints to sustainable development. Of that listing, the following are present in Peru:

9

- more than 50 percent of the population does not believe that the judiciary is independent or that they can effectively utilize the judiciary to resolve disputes;

- women constitute less than three percent of elected national officials, or women turnout in elections is less than 80 percent that of men;

- failure to prosecute military and police officials accused of serious human rights abuses;

- a legislature in which a majority of the members have never served before;

- a weak legal system, which acts to discourage investment and other business dealings;

- an overly centralized system for policy formulation and implementation; and

- high degree of government corruption.

Specific projects typically address the executive, legislative, and judicial branches of government; freedom of expression, and the local view of human rights; communication between government and the governed, and popular awareness of the events and issues of the day; and the mechanics of democracy, e.g., party politics, local and national government, the formation of consensus, electoral processes, and peaceful changes of administration. USAID/Peru interventions in this area address the judicial system, human rights and drug trafficking, and include various scholarship and training exercises reflecting the priorities of the past few years and the levels and types of assistance which could be effective. Achievement of the Mission's Strategic Objective No. 1 -- "strengthened democratic institutions that promote popular participation, sustain individual rights and freedoms, and are transparent and responsive to their constituents" -- will, however, require a broader range of action. Part of this broader range of action includes the Participatory Democracy Project.

III. PROJECT RATIONALE

A. USAID Strategy

The 1994-98 Mission Program Plan (for all USG agencies in Peru) identifies as its Overriding Goal the promotion of stable and enduring democracy, with the promotion and defense of democratic processes, institutions and values as its first Goal. The importance of this is reflected in two Program Categories. Under Political Affairs: Promoting Democratization and Human Rights, the Mission is responsible for

10

initiating and supporting programs enhancing human rights and democratization conditions in Peru. Within the Development Assistance Program Category, the Mission is responsible for promoting strong democratic institutions that reinforce economic freedom. The specific objective is to "expand democratic initiatives efforts to include technical assistance for GOP legislative reform, election assistance and anti-corruption efforts, as well as support to local government strengthening, labor unions and media journalism." While these initiatives will be carried out through the coordinated efforts of USAID, USIS and the Embassy, the majority of the assistance will be provided through USAID-funded activities.

USAID's first Strategic Objective is to "strengthen democratic institutions that sustain individual rights and freedoms and are responsive to their constituencies". The two anticipated Program Outcomes are: 1) strengthened judicial and legislative systems that promote rule of law and protection of human rights; and 2) increased democratization and transparency of public decision-making.

Since 1986, USAID has been implementing the $4 million AOJ Project (527-0303), which has been amended and extended to reflect a rapidly changing implementation environment. The Project has fostered Peruvian efforts to improve: a) the prosecution of cases in a just and timely manner; b) the professional standards for judges and prosecutors; c) the organization and management of judicial personnel, administrative planning and budgeting skills and system capacity; and d) more generally, the level of trust in judicial institutions and the rule of law.

As a follow-on to the AOJ Project, the Mission designed in 1993 the $3 million Judicial Strengthening (JUST) Project (527-0352) to promote the protection of the rights of the accused within internationally-accepted standards of due process of law and to strengthen the independence of the Peruvian judiciary. Approval and obligation of this Project was postponed to permit an assessment of the Peruvian judiciary by a panel of distinguished international jurists in September 1993. The postponement of the application of the new Criminal Procedures Code in April 1994 led to a refocusing of the Project towards the NGO community. Project activities were reduced to four, with future activities made dependent on the GOP's achievement of benchmarks. The initial Project funding level was also reduced to $1.6 million.

The Mission is also preparing to authorize the $5 million Local Government Development (LGD) Project, No. 527-0371, whose purpose is to establish effective local governance based upon democratic decision making. Through strengthening citizen input at the local government level, the 5-year LGD Project will complement this project's emphasis on democratic input at the national government level.

Participatory Democracy also will permit the continuation of the types of initiatives commenced in FY 93. These include: pilot civic education programs in the

Department of Lima through the Colegio de Abogados (Lima Bar Association), consensus building work through Foro Nacional/Internacional and the Institute for Liberty and Democracy (ILD), and the political debate forums for the citizenry and CCD members implemented through PROPUESTA.

USAID's support of ILD offers an outstanding example of what can be achieved through the NGO community. Specifically, since beginning in 1989 its research program on reforms for increased economic competition and the promotion of free markets, the ILD created a Unified Business Registry that reduced the time for legally registering a business from 289 days to one, while the cost fell from about $1,000 to $20, and legal registrations rose six-fold; in like manner, it set up a property registry system which has registered more than 150,000 titles, and now may be applied to intellectual property; and it played critical roles in a series (hundreds) of administrative simplifications, the return of Peru to the good graces of the international financial community, and the recognition by President Fujimori of the importance of popular participation in the processes of government.

B. Problem Statement

A major objective of political development in Peru is to achieve a stable and sustainable democracy, which in turn would allow it to reach development objectives and to increase the standard of living of the population. One of the key means to achieve this objective is through a consensus that would allow diverse social and political actors to reach agreement on the substantive themes of democratic governance. These themes include, among others: the reform of political institutions; the strengthening of government institutions that are more transparent, accountable and responsive to their constituents; the performance of social and political leaders; the promotion of democratic values; and the strengthening of behavioral habits that would allow for peaceful resolution of the conflicts that are inherent in political action in a democracy. Considering the growing recognition of and the value attached to the heterogeneity and plurality that characterize the contemporary Peruvian scene, the search for consensus and the democratic management of conflict acquire singular importance. The need to develop and widely disseminate democratic values on which to base the patterns of social interaction is a central issue in a country characterized by authoritarian traditions in the exercise of power at all levels. The adoption of democratic values and habits of interaction would lead to greater institutional development in civil society and public institutions and would foster political stability.

This task should be undertaken by civil institutions, particularly those that are recognized and have prestige. Priority should be given to actions that would help citizens to be fully aware of their fundamental rights and obligations. A critical element in a functioning democracy is popular participation -- a general awareness of governmental intentions and actions; the formation of public opinion, give-and-take between government and the governed; and the eventual arrival at resolutions

12

reflecting popular will, expressed in elections, legislation and the processes of governance. This participation requires an institutional base and electorate capable of productive dialogue. Neither of these factors are sufficiently present in Peru.

The Project therefore addresses two related problems. The first is the lack of widely held civic values and understanding of political processes required for informed and effective participation in a sustained democracy. This is addressed primarily by focusing attention on the private sector -- NGOs and individuals -- under the Civic Awareness component (and to a lesser extent, the Electoral Systems component). The private sector must understand its role and responsibility and be able to effectively put pressure on and interact with public sector institutions. This approach will complement efforts to address the second problem: the lack of transparent, accountable and responsive public sector institutions. This will be achieved primarily by providing assistance to public institutions under the Public Accountability and Electoral Systems components (as well as the Congressional Outreach activity under the Civic Awareness component). This approach recognizes that the private sector must have confidence in government institutions and the latter must demonstrate the validity of its programs.

The Project also will address Peru's long simmering problem with narco-traffickers. President Clinton's new international counter-narcotics strategy (PDD-14) emphasizes sustainable development as the most effective long-term solution to the drug problem in source countries such as Peru. As noted in USAID's "Strategies for Sustainable Development" (March 1994), the promotion of democracy is important both "as an end in itself and because it is a critical element in promoting sustainable development."

The Project will contribute to the USG Counter-narcotics Strategy by helping to create one of the primary preconditions needed to foster sustainable development: strengthened democratic systems of governance that empower Peru's citizens to express their needs and their government to effectively respond to its constituents. As the organizations of civil society are better prepared to participate, in a democratic fashion, in the affairs of government and government institutions also become more responsive to the citizenry, illegal coca production will become less attractive and alternatives to coca leaf production will, in turn, become more available. Such alternatives include both macro and micro-economic development activities that create the conditions for diversified economic growth and job creation and incentives for people engaged in coca production and processing to move to other legal income-producing opportunities.

Efforts to increase nationwide awareness of the country's drug-related problems, and thus demand on the GOP to effectively counteract drug production, trafficking and abuse, are also being pursued through the Narcotics Awareness and Community Initiatives (NECI) Project (527-0347). The PARDEM project will enhance

the effectiveness of the NECI project through activities in civic awareness, which seeks to educate citizens about their rights and responsibilities, and activities in government responsiveness.[end PDP]

The Project -- by strengthening GOP institutions, including the Congress (the electoral system, and the Office of the Controller General), by strengthening the ability of key non- governmental organizations of civil society to communicate with government, and by increasing civic awareness of the importance of the issues surrounding the development of democracy -- will thus make an important contribution to sustainable, legal economic development.

C. Proposed Solution

FORO Nacional/Internacional conducted an analysis during 1993 and early 1994 through a number of Peru's most respected social and political thinkers. Utilizing a "search for consensus" methodology in which a wide variety of public opinion was consulted, FORO found that many of the problems of democracy in Peru are due to poor communication between government and groups representing civil society. The development of vehicles for the transmission of information and opinion was stunted during the 1980s by the insurgency of Sendero Luminoso, coupled with Peru's worst economic situation of the 20th century. With the GOP now on track towards resolution of this dual crisis, the time is propitious to return to the development of channels of communication between government and civil society.

Participatory Democracy was conceived with three ends in mind: to expand people's participation and voice in the decisions affecting their country's development and their personal well-being; to strengthen the role and effectiveness of Peruvian NGOs/PVOs, building local community, regional, and national consensus on development issues; and to enhance the ability of public institutions to be responsive to people's expressed needs and receptive to individuals' and organized groups' concerns. In selecting specific project activities, several USAID priorities were kept in mind: enhancing partnerships with NGOs, host country institutions, other USG agencies, and other donors; anchoring these relationships in coherent programs, rather than limited projects; tailoring programs to the local context; responding to and building upon local commitment; securing the support of local leadership and ensuring that groups within the host country initiate political developments; and improving systems for measuring and managing for results and impact, rather than merely monitoring inputs and outputs.

Despite the tumultuous recent course of Peruvian events, long-term trends favorable to economic and democratic development are discernible, and "problem" analyses and "purpose" determinations can be made with some confidence. What is more difficult, however, is to lay out with great specificity the design, cost and timing details of proposed interventions. The need for, nature of, and receptivity to USAID-

financed assistance in this politically sensitive area are highly fluid, and the commitment process must retain a flexibility which mirrors the flexibility of surrounding conditions. This is enforced by the need to implement project activities through NGOs. In these circumstances, in lieu of final, detailed designs for each proposed activity, authorization is based on: a clear and precise sense of purpose; an established methodology for specific activity identification; and a known cadre of qualified providers of the design, execution and administration expertise the Project components will require.

The Project components will be started sequentially, to allow flexibility in content in response to changing political circumstances, and flexibility in timing in response to local absorptive capacities and the USAID's capacity to handle increasing management responsibilities.

IV. PROJECT CONTENT

A. Goal, Purpose and Results

The Goal is the establishment of democratic institutions that reflect popular participation, sustain individual rights and freedoms and are transparent and responsive to their constituents. Indicators of achievement will include: elections that elicit the confidence of the electorate and competing political groups and lead to peaceful changes of power; legislation passed in a timely and open manner and reflecting the broad interests of regions and sectors; and public accountability for government actions and expenditures.

The Purpose is to strengthen democratic systems of governance that empower both Peru's citizenry to express its needs and its government to effectively respond to them. Indicators of achievement will flow from the basic concept of "popular participation": voter registration and voting; enhanced political competition; information flows within the government and to the public; education and formation of public opinion(s) in the electoral processes and for feedback to the Congress; auditing and publicizing of official acts and expenditures; and a heightened sense of civic awareness through NGO activities, improved standards of journalism, formal and informal education at all levels and the adoption of democratic values by the military. (It is difficult to articulate valid, measurable indicators in this sector. A major initial task will be to refine the proposed indicators and means of measurement. Assistance in this area may be provided through PRISM or other contractors.)

The Project has three components: **Civic Awareness** (Phases One and Two); **Public Accountability**; and **Electoral Systems**. The results anticipated include an electoral system that works and is seen as working; a Congress that goes about its business openly, and is considered responsive by the populace; government operations and disbursements subject to the "sunshine treatment"; a strengthened

15

NGO community increasingly effective at marshalling public opinion around political issues; more competent and trustworthy media; democracy-related topics introduced throughout the education system; more functional and effective political parties; and an amelioration of military attitudes and military-civil relations. More details and measures of these achievements are set forth in the Logical Framework, Annex A.

B. Components and Activities

This section provides a discussion of proposed areas of intervention. Given the fluid situation in this sector -- and the sensitive and complex policy issues involved -- flexibility in the choice of activities must be retained. The discussion is therefore somewhat illustrative, outlining the most probable activities that can and should be selected at the point of final project design. Activities will be further refined based on the proposals received from and negotiated with implementing institutions. With assistance from USAID procurement and controller staff, the agreements with NGOs will provide for technical and other assistance necessary for institutional strengthening, particularly under the Civic Awareness component.

1. Civic Awareness, Phases One and Two ($4,250,000)

Phase One activities include working in the areas of NGO Community, Congressional Outreach, Journalism and Studies for Phase Two activities. Phase Two activities may include Political Competition and Military Civic Values. It is expected that most if not all of these activities can be implemented through the "Grupo de Análisis para el Desarrollo" (GRADE). GRADE has submitted a proposal that, when refined, will serve as the basis for implementation of this component under a cooperative agreement (CA). (Since GRADE will be expanding the nature and scope of its operations, and since this is a potentially sensitive area that requires cultivation of relationships with local organizations, the first several months of this component will primarily be devoted to establishing GRADE's systems and capabilities and setting the stage for Project-funded activities.)

a. NGO Community ($ 2,500,000)

A vibrant civil society is an essential component of a democratic polity and contributes to the overall goal of sustainable development. The Project seeks to enhance the ability of the local NGO community (mothers' organizations, community organizations, etc.) to represent the needs of the population to the government. Therefore, this Project component will include leadership training, community organizational training, technical assistance and financial support for the activities of local NGOs that promote participatory democracy, monitor government activities and educate citizens about their rights and responsibilities.

160

There are a number of players already on the scene. USAID is funding a nine-month activity with the Lima Bar Association, which aims to instill in school-aged children and the general population in the Department of Lima an awareness of civic rights and duties in a democratic society. The Project will expand this pilot activity nationwide and will include a broader range of themes such as human rights, the rights and obligations of citizens in a democracy, civil-military relations and the role of grassroots organizations in a developing democracy. Other entities -- including possibly the Human Rights Coordinadora, Catholic University, CAL, INIDEN (National Institute of Defense Research), and PARTICIPA (a Chilean organization that seeks participation with a special emphasis on youth and women) -- will collaborate in this effort.

This activity will also include the development and application of a number of interventions directed at introducing civic and democratic concepts and practices into the curricula of the entire education system, public and private, from primary through university level. A wide range will be considered, e.g., adult education, teacher training, new education materials and support for NGOs implementing such programs.

NGOs such as CEPEI, ILD and PROPUESTA are active in sponsoring fora in which issues of concern to citizens are aired and debated. The Project will seek out these and other grass-roots organizations, labor unions and professional associations; business associations and trade groups; new entities trying to create an environment conducive to debate and democratic initiatives, such as Foro Democratico and the Committee for Democracy; and independent research and study centers. These organizations will undertake activities to focus and raise issues, promote a culture of democracy and promote consensus on key issues.

Training programs will be offered to provide citizens with the requisite skills to work and live in a democracy; to strengthen civic organizations and their ability to carry out effective civic education; and to promote the participation of women and youth in civic and public affairs. Such programs will facilitate the transition from the precarious institutionalization that characterizes popular organizations to a more stable set of institutions with adequate organizational structures, explicit norms and regulations and the means to improve their managerial efficiency and effectiveness. Particular attention will be given to organizations led by women (popular soup-kitchens, self-managed workshops) and to groups that execute social emergency programs at the grass-roots level.

GRADE will provide subgrants to NGOs under a CA with USAID. The CA will provide criteria for the award of subgrants as well as a mechanism for USAID involvement. GRADE was selected -- after a review of possible implementing entities -- based on its knowledge of Peru and democracy issues as well as its ability

to work with local NGOs. A justification for the selection of GRADE will be included in the PIO/T documentation for the CA.

b. Congressional Outreach ($ 500,000)

The IDB is providing $3.7 million to modernize the Congress' legislative capabilities and increase its administrative efficiency. The IDB project will improve the overall operations of Congress through: installation of a modern information system; creation of an internal advisory and staff system; an administrative reorganization; and training at all levels.

The USAID-financed activity will complement the internally focused IDB institutional restructuring project by supporting increased communication between representatives and the electorate. Various approaches will be examined to determine the best system to enable effective two-way communication. This may include public dissemination by NGOs and the media of subjects important to the electorate and Congress. At the same time, private groups and individuals will be invited to comment on matters of national interest. It will also search for ways to open channels of communication directly by Congress. (USAID may call on the State University of New York for assistance in detailed design and execution.)

It is hoped that this activity will reduce the gap between elected leaders and citizens. It should help to ensure that representatives are better informed of citizens' needs and that legislation is more responsive to popular will.

c. Journalism ($ 250,000)

A pluralistic, democratic society requires free flow of information, which is largely the function of the media and other interest groups that are able to articulate the interests and desires of a nation's citizenry. The quality of media coverage, editorial commentaries, and investigative journalism has an enormous impact on the values and attitudes of the public. However, Peruvian media management finds graduates of all the schools of social communication lacking in professional skill, and except for *El Comercio* and *La Republica*, there is little in-house training to make up for the deficiencies of the schools. Many of the journalists who had worked in the media when they were controlled by the military dictatorship were dismissed in 1980, costing the media a lot of experienced personnel. After the self-coup of President Fujimori in 1992, most of the media adopted a policy of not antagonizing the government, leaving aside the watchdog role of the press. A serious distraction is that journalists fear for their lives from guerrillas, drug traffickers and state security forces. Aside from worries about safety, the biggest problem journalists have is lack of independence in the newsroom. They feel pressure from the government and politicians to tailor the news reports, as well as from their owners

18

who have business or other interests and they judge the ethical level of their colleagues to be low.

This activity will include the training and technical assistance required to promote competent and credible reporting, both from official government news agencies and private news sources. This may be implemented through an agreement with Florida International University's Latin American Journalism Program (LAJP) or other entities. This activity would promote a professional media that is capable of providing informed reporting which is not the pawn of specific interest groups and which can provide discussion and disclosure on a broad range of political, economic and social issues and public policy options reflecting diverse opinions across the political spectrum.

Training topics would include:

- Electoral campaigns
- The judiciary
- The legislature
- The economy
- The environment
- Human rights, and
- Public opinion polling.

Another set of activities might be the participation of journalists in LAJP regional activities focusing on such topics as:

- campaign and election reporting
- radio reporting
- journalism education, and
- advanced radio and television reporting.

The objective would not be to impose a system of journalism, but rather to help the media strengthen, improve and, where necessary, refocus the one they now have. The intended outcome would be a mass media that is technically competent, more independent and capable of channeling information between the diversity of interest groups, community-based organizations and the government, while able to assume a constructive watchdog function over public affairs. (This activity is complementary to other assistance provided to journalists, including U.S. training funded under the Peruvian Peace Scholarship Project. USAID will coordinate its efforts -- as it has on other related activities -- with USIS.)

d. <u>Studies for Phase Two ($250,000) and Phase Two Activities ($750,000)</u>

-19-

Phase Two is intended to allow Participatory Democracy to respond to problems and opportunities which cannot be precisely defined today but which will bear on the extent to which the Project Purpose will be achieved. Two areas considered relevant, but which are not well enough understood to be subject to project activity at this time, are those of political competition, i.e. between organized parties, and the melding of democratic concepts and practices with military attitudes and traditions. There will be other areas, but these two suggest the sensitivities and long time-frames contemplated.

Some Phase One studies will focus on political parties, their structures, prospects, and needs, with an eye to the elections of 1998 and 2000. The intent will be to determine if assistance can be offered at the operational level -- internal party workings, member registration, issues analysis and platform development, fundraising, voter turnout -- without foreign meddling in the substance of the arguments developed and positions taken. Implementation of study recommendations -- a Phase Two activity focusing on Political Parties -- will cost an estimated $375,000.

Other Phase One studies will be conducted to determine ways to enhance civilian-military communication and to introduce an understanding of democratic attitudes, freedoms and responsibilities within the military establishment. Based on the recommendations of these studies, Phase Two activities may support formal and informal dialogue between military and civil groups, the introduction of democracy-related topics into military curricula at all levels. Activities will provide support to INIDEN (the "Instituto de Investigacion para el Desarrollo y la Defensa Nacional", a private NGO of civilian professionals and retired military officers) and the formation of new NGOs devoted to this critical and delicate subject. The estimated cost of this Phase Two civil-military activity is $375,000. (Prior consultation with the Regional Legal Advisor will be a prerequisite to any Phase Two funding of this activity to ensure compliance with applicable restrictions against assistance with a military purpose.)

GRADE will perform other studies during Phase One. These studies may focus on other potential Phase Two activities or other areas of interest within the scope of the Civic Awareness component. The CA with GRADE will provide a mechanism to ensure that the studies are appropriate.

2. Public Accountability ($1,000,000)

Corruption, mismanagement and government inefficiency are inextricably linked with poor development performance. The remedy is to promote transparency and accountability of government in policy making and resource use. Mechanisms must be in place to ensure that government actors serve the broad public interest rather than their own concerns. Honest, fair and efficient implementation of

20

laws, regulations, and public investments is possible, however, only where civil servants, police, and the military are held accountable by independent judiciaries, elected representatives, and informed, educated constituents.

Beginning in 1970, USAID provided technical assistance and training in Peru through the Institute of Public Administration, which by 1974 resulted in the establishment of a highly professional Supreme Audit Institution which served as a model for others. Over the years, due to circumstances beyond its control, the Office of the Comptroller General (CGR) lost much of its professional staff and its effectiveness in performing professional audits has declined. A new Comptroller General, a participant in the first USAID sponsored course in 1971, has announced plans to reorganize, restaff and retrain the professional audit staff and has requested USAID assistance. As an initial measure, the CGR has recruited approximately 100 new audit staff members and is using local audit professionals as instructors, some of whom participated in the original USAID sponsored training and reforms.

A site assessment of in-country financial management and the good governance environment was completed in March, 1994 under the Regional Financial Management Improvement Project, Phase II (RFMIP II). This report identified several areas in which assistance could support improvements in the overall accountability environment in Peru, including assistance to the CGR to establish formal audit standards for the Government of Peru and to support a training program for internal auditors in public institutions. In the coming month, RFMIP II will update this assessment and will complete an in-depth diagnostic study of the CGR's office to assist the mission in defining the most appropriate areas for USAID intervention. (The mission is especially interested in supporting efforts to maximize attention to audit findings and the improvements in GOP internal controls, given its significant impact on public accountability.)

Examples of activities that would be considered under this component include:

1) Specialized technical assistance for developing a strategy for decentralization of the CGR under a National System of Control with delegation of functions and responsibilities to the regions in Peru.

2) Support for two consultants to serve as regional coordinators during this process of decentralization and provision of limited computer equipment for the new regional offices.

3) Support for short-term international experts in the field of governmental audit standards and systems to train staff of the CGR in advances in systems of internal control.

4) Support for an international expert to assist in the design of a curriculum to be used by the Escuela Nacional de Control for the training of governmental internal auditors.

5) Seminars and other training activities designed to disseminate to the widest possible professional audience information on the new emphasis on governmental accountability and preventing corruption.

The CGR has solicited the USAID assistance and has submitted a detailed proposal. This proposal, along with the RFMIP II diagnostic, will form the basis of assistance to be provided under this project component.

Depending on the specific recommendations of the diagnostic, the Mission will either implement this component through a buy-in under RFMIP II or through a separate technical assistance contract for short-term consultancies. Costs of commodities, seminars and training programs may also be procured through either method. In any event, funds will initially be obligated in a project agreement with the GOP to ensure commitment and cooperation.

While the primary and initial focus of this component is on the CGR, support may be provided to other public institutions like the Comision Fiscalizadora del Congreso or non-public sector organizations advocating transparency in government. Specific activities have not been identified but might include seminars, training programs and technical assistance. Further analysis is required before considering such assistance.

The World Bank is providing assistance in this area. Proposed USAID interventions will be analyzed to ensure compatibility -- and lack of duplication -- with World Bank assistance. USAID will continue to coordinate its assistance with the World Bank and other donors that may provide assistance in the future.

3. Electoral Systems ($ 3,050,000)

This component will focus on the more long-term needs of the electoral system. It will complement the more immediate focus -- the 1995 national elections -- of the Election Support Project. It will build upon the lessons learned and deficiencies in the system uncovered during the Election Support Project.

Peru has approximately 12 million voters, 64,000 voting tables, 1,800 districts, almost 200 provinces and 24 departments. One of the most significant problems is the physical geography of the country: the high Andes dominate the central region, while the eastern portion of the country is largely jungle. There are hundreds of small mountain or jungle communities so isolated that their inhabitants cannot reasonably be expected to travel to another community, usually days away,

22

to vote. The only alternative for most of these communities is for voting supplies to be transported in and out by whatever means are practicable, often by military helicopters.

The 1980, 1985, and 1990 elections were held under the Constitution of 1979. Election administration in Peru has been largely **ad hoc** under this framework, set up for each election and then essentially dissolved, except for the president and secretary-general of the National Elections Board (Jurado Nacional de Elecciones - JNE), once winners are declared and disputes settled. This has led to a lack of institutional memory, delays and obstacles in the planning of elections, and devotion of inordinate time and energy to setting up administrative structures and recruiting and training staff each time an election is called. A permanent structure is necessary for proper election administration. Such a structure is set forth in the new Constitution, but will not be in place for the 1995 general elections. AID is approaching this problem on two levels. The first is an immediate-response project -- "Elections Support" in the amount of $2 million -- to assist in dealing with the 1995 exercise. The second is this Project component, looking at the institutionalization of the electoral system and running through the elections scheduled for 1998 and 2000.

At the request of USAID/Peru, the International Foundation for Electoral Systems (IFES) sent two teams to Peru (one for the January 1993 municipal elections and another in May/June 1994 to evaluate changes in the Constitution and electoral legislation) to prepare a pre-election needs assessment in advance of general elections anticipated for April 1995. Given the short time remaining and the quantity of data involved (roughly 12 million registrations), it is not realistic to expect any major overhaul of the system before the end of the 1995 election cycle (the April general elections, the likely runoff of June-July, and the November municipal elections). Nevertheless, with assistance from the United Nations Development Program (UNDP), the JNE has undertaken a modernization program over the last 18 months. The program seeks to fully integrate computer technology into the administration of Peruvian elections in order to speed up the processing of election results and thereby increase public confidence in the electoral system. The 1995 elections will be an important indicator both of the level of commitment of the government to democratic elections and of the extent of success of the modernization program.

Following a week of meetings with election officials, the UNDP, bilateral donors, media, and independent observers, and with the findings of the 1993 visit in mind, the assessment team's principal recommendations are that:

a. IFES offer to provide a legal advisor to the JNE during its initial review of election legislation;

b. IFES offer to develop and administer, in conjunction with the JNE, a training program for key JNE staff and for members and key staff of departmental election officials once they are named;

c. IFES offer to develop additional training materials for use in preparing voters, poll workers and poll watchers for their roles in the 1995 elections;

d. USIS/Lima arrange for a group of Peruvian broadcast and print journalists to travel to the United States for the November 1994 congressional elections to witness media election coverage in the United States and arrange for a specialist in polling and vote-tally verification travel to Lima to discuss technical aspects of pre-election polling, exit polling, and election results tabulation with Peruvian polling firms and media outlets.

After due consideration of this UNDP assistance and the assistance the OAS has recently offered for the 1995 exercise, USAID has been consulting with IFES on the details of a set of immediate impact activities (to be funded under the Election Support Project) and a set of long-range activities to be funded under this component. (Other entities that will help to implement the Election Support Project include the International Republican Institute, the National Democratic Institute for International Affairs and CAPEL.) IFES submitted its first draft proposal to implement both sets of activities in mid-August. It has since revised its proposal based on discussion with USAID/Peru. (IFES was chosen based on its extensive elections experience in Peru and elsewhere. A justification for the selection of IFES will be included in the PIO/T documentation for the CA).

The longer-term, institutional support activities found in this Project component will focus on electoral system restructuring, the training of new officials and voter re-registration. The bulk of the assistance will be in the form of technical assistance to the JNE and other elements of the new structure. Training activities may include sending elections administrators to the U.S. during the 1996 elections. IFES will also provide subgrants to some local NGOs, some of which have submitted unsolicited proposals -- relating to electoral reform and the implementation of free and transparent elections -- to USAID and IFES. There will also be a small amount of commodities -- including possibly computer equipment and furniture -- provided to electoral institutions.

This component will be consolidated and phased in with IFES' work under the Election Support Project. Coordination with other donors will also be a major consideration, as it has been for the 1995 national elections under the Election Support Project. This component will be further refined based on negotiations over IFES' proposal.

24

C. Financial Aspects

1. Obligation and Use of Funds

The estimated life-of-project is five years with an USAID funding level of $10 million in ESF grant funds. Obligation and implementation arrangements will primarily be with NGOs. Since this Project is ESF-funded, there is no requirement for a counterpart contribution. Nevertheless, to the extent practicable, implementing agents will be asked to provide a contribution to the project. Given the nature of the activities, it is unlikely that there will be a significant counterpart contribution. Waivers will be prepared for the approval of the Mission Director, pursuant to USAID/W guidance. Other donors, however, are contributing to this sector. Most significant is over $3 million from a project of the IDB, using mostly Japanese money to modernize the operations of the Congress.

Activities, particularly during the initial years, will primarily be implemented by NGOs. It is estimated that FY 1994 obligations will total $4.4 million, primarily in two CAs with IFES for Electoral Systems and GRADE for Civic Awareness activities. The majority of USAID funds will finance contracts, sub-grants and CAs with NGOs, universities and for-profit institutions to provide technical assistance and training. While commodities such as computers, fax machines and photocopiers will be procured, those purchases will be limited and included, where appropriate, within the respective contract, sub-grant or CA. The IFES CA also will include funding for the contracted administrative staff required for USAID management and oversight of this Project.

2. Illustrative Project Budget

USAID Project Costs
(US$'000)

Components		Amount
a. Technical Assistance.		6,500
- Civic Awareness	3,500	
- Public Accountability	700	
- Electoral Systems	2,300	
b. Training.		1,200
- Civic Awareness	500	
- Public Accountability	200	
- Electoral Systems	500	
c. Commodities.		600
- Civic Awareness	250	
- Public Accountability	100	
- Electoral Systems	250	
d. Project Administration.		1,300
e. Audits.		100
f. Evaluations.		300
TOTAL		$10,000

- 26

3. Methods of Implementation by Type of Assistance and Financing Method

INPUTS	METHOD OF IMPLEMENTATION	METHOD OF FINANCING	ESTIMATED AMOUNT ($000)
1. Civic Awareness - GRADE (includes audits)	PIO/T Cooperative Agreement	Periodic Advances/ Liquidations	4,350
2. Public Accountability Comptroller General of Peru	Grant Agreement/PILs PIO/T (Buy-in)	Letter of Credit/ Advice of Charge	1,000
3. Electoral Systems - IFES Technical Assistance	PIO/T Cooperative Agreement	Letter of Credit	3,050
USAID Coordination	PIO/Ts - PSCs	Direct payment	1,300
4. Evaluations	PIO/Ts - PSCs	Direct payment	300
TOTAL:			10,000

V. IMPLEMENTATION

A. Management and Oversight

In order to minimize the management burden as much as possible, it is expected that each of the three components will be implemented by one primary grantee or contractor. Some exceptions may be made for smaller, direct USAID contracts or grants to other organizations for discrete activities. The primary implementor for each component will be:

Civic Awareness, Phases One and Two: GRADE
Public Accountability: Casals & Associates, Inc. (RFMIP II) or another entity
Electoral Systems: IFES

All Project activities covered by these three implementing agents will be set forth in annual work plans presented for USAID approval, contracted/subcontracted/ or otherwise formalized, supervised, certified and disbursed against, reported on, and prepared for independent evaluation by these three implementing agents. USAID management and oversight will consist of the negotiation and award of CAs and contracts, including detailed scopes of work with these three entities; approval of major subagreements; and systematic monitoring of their planning, procurement, and execution performance, including formal and informal reunions, site inspections, work-in-progress reviews and end-use checks.

21

Given the staff intensive nature of this project, it has been determined that four project-funded positions will be required. These positions include: Project Coordinator, Project Advisor, Program Assistant and Secretary. Ideally the Project Coordinator will be a USPSC with USAID experience. The Mission will seek USAID/W and Embassy approval of this important position. Given the restrictions on the hiring of USPSCs, however, and in the event approval is not received within a reasonable time period, a search will be conducted to find an experienced Peruvian with the requisite skills, experience and stature mandated by this project. If a Peruvian is hired as the Project coordinator, the DID Chief will have greater responsibilities for Project Management (given the likelihood that a Peruvian will, at least initially, not be knowledgeable of USAID procedures and the lesser authorities accorded an FSN as compared to a US PSC). The contracted USAID PSC staff will be financed under the Electoral Systems CA with IFES (as has been done in other USAID/Peru projects), or possibly the agreement with the GOP. USAID/Peru's Controller's Office will provide management assistance for the Public Accountability component.

B. Procurement and Disbursement

1. Procurement

The Mission's Democratic Initiatives Division will administer all Project funds through direct AID contracts, CAs, buy-ins, or similar instruments, as shown in the procurement table below.

IMPLEMENTING AGENT	AMOUNT (US$000)
Cooperative Agreements	
1. Civic Awareness - GRADE	4,350
2. Electoral Systems - IFES	4,350
Grant Agreement with GOP	
1. Public Accountability - Controller General of Peru (To be implemented through a buy-in under RFMIP II or another contractual mechanism)	1,000
Contracts	
1. Evaluations - USAID direct implementation	300
TOTAL	10,000

GRADE will implement the Civic Awareness component through a CA with USAID. It will execute grants, CAs, and/or contracts with educational institutions, private firms and other non-profit NGOs. Anticipated collaborators (and their areas of specialization) may include: Foro Nacional/Internacional, Propuesta, the International Republican Institute and the National Democratic Institute (political parties and/or consensus-building); CEPEI and CEDEP (civil-military relations); the Institute of Liberty and Democracy - ILD and Participa - Chile (grass-roots organizations); the National Human Rights Coordinator, Catholic University, the Lima Bar Association, and INIDEN - the Institute for National Defense Investigation (human rights education); and the Latin American Journalism Project of Florida International University (journalism training). The GRADE CA will establish criteria for the selection of activities and subgrantees. (Justification for the selection of GRADE will be included in the pre-obligation documentation.)

IFES will implement the Electoral Systems component through a CA with USAID. (IFES may receive one CA covering its activities under PARDEM and the Election Support Project. This makes sense given the relationship between the two projects and IFES' activities under each.) It will work with other organizations as specified in the CA. IFES will be expected to coordinate its activities closely with the JNE. (Justification for the selection of IFES will be included in the pre-obligation documentation.) Funds for the USAID PSC administrative staff will be obligated initially under the IFES CA and specifically reserved for use by USAID as has been done in the past. To the extent necessary, funds for audit will also be obligated under the IFES and/or GRADE CAs.

Depending on further analysis, the Public Accountability component will be implemented by Casals & Associates, Inc. through a buy-in to RFMIP II, or through a direct contract with a firm, based on a competitive bidding process. The funds will be obligated under an agreement with the GOP. That agreement will also probably include funds for Project evaluations. This obligation will occur next FY, as soon as funds are made available.

Project procurement will include U.S. and local (pursuant to local procurement policy) source and origin. Some procurement of training services may be made from third countries, and technical assistance from international institutions, such as CAPEL (based in San Jose, Costa Rica), which may also provide training services. In the event that procurement of goods and services from third countries is required, the Mission will process the required waivers. No waivers exceeding Mission authority are anticipated, with the exception of third country training, which will be treated on a case-by-case basis under Handbook 10.

2. <u>Disbursement</u>

USAID/Peru will make advances, progress payments, reimbursements, and liquidations to CA partners and grantees as set forth in each controlling document. USAID/Peru will also make direct payments to PSCs or other individuals directly contracted under the Project, and to any contractors or other suppliers dealing directly with USAID. Disbursement requests from the primary contractors will include certification of the validity of the expenses claimed, whether incurred by the primary contractor(s) or by the primary contractor's subcontractors, subgrantees, or other entities providing goods or services to the Project.

To assure understanding among all the parties about disbursement procedures, the use of funds, and other Project implementation matters, meetings will be held shortly after Project Authorization with each primary implementing agent to discuss the Project's start-up actions and to establish the mechanisms to assure the timely provision of funds for the Project. Following execution of each primary contract or CA, USAID will issue specific, detailed guidance on disbursement procedures.

C. Monitoring and Reporting

USAID will receive quarterly progress reports from the three primary implementors, and will draw on these in preparing its Semi-Annual Reports to USAID/W. Subcontractors in Civic Awareness, Electoral Systems and on other USAID-managed activities will submit such periodic reports as required by their agreements.

The substance at each reporting level will be similar -- progress and closing status during the reporting period; problems encountered and their proposed solutions; fiscal changes and closing figures; and specific items to be brought to the reportee's attention. Each report will reflect the reporter's span of control and responsibility. (Financial reports, as dictated by the governing instrument, will also be required.) This information will be fed into an overall monitoring and evaluation plan for the Project.

One of the first tasks facing USAID and the implementing institutions will be the formulation of a monitoring plan. The implementing institutions will have significant responsibility in establishing a plan and providing data on a regular basis. Any such plan should incorporate the following:

1. Identification of the users of information;

2. Principal objectives of information requirements for the project;

3. Priority information needs (key decision points and corresponding management questions that must be addressed during implementation);

4. A management information system (MIS) that includes:

   a. Baseline data sets for key variables/indicators;

   b. Key variables/indicators to be tracked periodically;

   c. Data sources and/or data collection methods to be used (i.e., rapid low-cost, surveys, case studies, etc.);

   d. Operation of the MIS (Description of information flow from data sources to managers, considering data processing and analysis requirements, data presentation or formats for use by non-specialists, time constraints, and management feedback mechanism on ways to improve the system; and

   e. Host country participation (Implementing entities involved; institutional capabilities for data collection and analysis; training and technical assistance needs, etc.)

To assure proper implementation of the monitoring plan, grants/agreements with the implementing institutions will include a budget item for monitoring and evaluation purposes. Agreements will also establish that baseline data will be collected within the first three months of activity start-up.

Each primary implementing institution will be responsible for establishing a monitoring plan and collecting data for its respective Project component. Gender considerations will be included in all data collection plans for baseline, monitoring, evaluation and reporting purposes. USAID will be responsible for collecting data from each implementing agent and using it to determine progress toward achievement of the project purpose.

As previously indicated, it is difficult to establish valid, measurable indicators in this sector. It is expected, however, that sample surveys will be needed periodically to collect data for some purpose and goal level indicators. Technical assistance, including that from PRISM, will be provided to develop indicators and monitoring plans. It is also anticipated that revisions will be required based on implementation experience.

D. Audits and Evaluations

1. Audits

The CA Standard Provisions require Grantees to maintain auditable accounting records for a period of up to three years after the final disbursement. The

USAID Controller's Office will verify, prior to the signing of the CA, that each Grantee has an acceptable accounting system for the management of U.S. Government funds.

The CA Standard Provisions also require that the Grantees contract for the performance of annual institutional and grant audits that meet USAID standards. To assist Grantees in meeting these requirements, they will be provided copies of the Inspector General's audit guidance for foreign non-profit organizations, as well as a listing of qualified Peruvian audit firms affiliated with U.S. and international accounting and auditing firms.

Funding up to $100,000 will be provided in the GRADE CA for annual audits of GRADE as well as annual project audits of subgrantees. Since IFES is a U.S.-based institution, its audit requirements are subject to OMB Circular A-133. Under these provisions, the approved indirect cost rate typically includes the cost for audits. Also, since USAID is the implementing agency for the RFMIP II buy-in, no separate audit provision is required for the Public Accountability component.

Furthermore, the USAID/Peru Office of the Controller will carry out reviews of the accounting, financial procedures and internal controls used by each Grantee on the disbursement and expenditure of Project funds. Such reviews will be conducted at the outset of the Project implementation process and a compliance review will be conducted after six months.

2. Evaluations

The Project contemplates two formal Evaluations: the first in mid-1996, after the sector has absorbed two rounds of elections; and the second, a final evaluation, at the end of 1999. The first will look at whether the Project Purpose remains valid; progress towards its attainment; obstacles impeding such progress; and changes (amendments) within the Project which might improve the prospects for success. This evaluation will attempt to analyze the Project's short-term impact (program outcomes), medium-term impact (strategic objectives), and the long-term prospects for sustainable democracy. It will also determine the effectiveness of the technical assistance and training provided through the implementing agencies, as well as provide an assessment of Project management and administration. The first evaluation will focus most strongly on start-up performance and short-term impacts, while the final evaluation will obviously take a longer view, and will examine the prospects for democracy following this Project. Some evaluation criteria are suggested in the Logical Framework; however, the list presented in the June 1994 (draft) "Guidelines for Strategic Plans" in its 1995 version will be consulted when the Evaluation scopes of work are developed.

33

E. Tentative Implementation Schedule

EVENT	DATE
Project Authorization	September 23, 1994
Execution of GRADE & IFES CAs	September 28, 1994
Contracts signed for local PSCs	October 1994
Establishment of IFES Lima Office	October 1994
Visit by PRISM Team (monitoring plan)	November 1994
Completion of RFMIP II Diagnostic	November 1994
Submission of First GRADE & IFES Annual Workplans (AWPs)	December 15, 1994
Final Draft of Initial Monitoring Plan Completed	January 1995
First GRADE Study Begins	January 1995
First GRADE Subgrant	February 1995
Execution of Grant with GOP for Public Accountability Component	June 1995
Obligate remaining Project Funds	July 1995
Submission of GRADE & IFES AWPs	December 15, 1995
Mid-term Evaluation	June 1996
Submission of GRADE & IFES AWPs	December 15, 1996
Beginning of Phase II Activities Under Civic Awareness Component	August 1997

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Final Evaluation/Project Termination	September 1999

34

I. PROJECT ANALYSES

A. Political Analysis

Peru is a republic with a dominant executive branch headed by President Alberto Fujimori. During 1993, Peru formally ended the constitutional crisis which began on April 5, 1992, when President Fujimori dissolved Congress and suspended the 1979 Constitution. A new Constitution, drafted by a Constituent Congress elected in conformity with a pledge made by President Fujimori to the Organization of American States, was approved in a nationwide referendum on October 31. The new Constitution took effect on December 31; it accords more power to the executive than its predecessor, but also provides for a more independent judiciary. The next elections for President and Congress are due in 1995.

The legislative branch is a unicameral Constituent Congress with 80 members elected at large. President Fujimori's party, Cambio 90/Nueva Mayoría, holds a 44-seat majority.

In 1993, the executive branch also dominated the judicial system; hundreds of provisional judges and prosecutors appointed by President Fujimori in 1992 continued in their positions. Most terrorism cases continue to be tried on treason charges in military courts. In November, Congress enacted reforms of the procedures for trying terrorism, which addressed some but not all of these courts' due process problems.

The police and the military share public security responsibilities. Emergency zone status continues to provide for the suspension of certain Constitutional guarantees. Currently, 48 percent of Peru's 22 million people live in such areas, including the 8 million residents of Lima. Since 1990 Peruvian authorities have gradually incorporated human rights concerns into their counterinsurgency strategy, but the military and police continue to be responsible for serious, if diminishing, human rights abuses.

There have been significant reductions in political violence and the volume of disappearances of suspected terrorists, marking continued advances by government forces against the Sendero Luminoso terrorist movement. The chief sources of human rights violations continue to be Sendero, and, to a lesser degree, government security forces. Sendero violations include assassinations of government officials, religious workers, peasants and grassroots leaders. The military and the police continue to be responsible for numerous executions, disappearances, and other violations. However, statistics from various sources indicate that the number of disappearances and extrajudicial executions attributable to security forces declined significantly in 1993 as compared to the previous year.

B. Institutional Analysis

The success of this project will hinge on the performance of the institutions charged with the detailed design and execution of the three activities dealing with the Government and the Civic Awareness activities affecting or to be implemented by NGOs.

1. Electoral Systems: IFES

IFES is a private, non-profit, apolitical and nonpartisan foundation established in 1987 through a grant from USAID/W. IFES' mandate is to provide technical services and research support for electoral authorities and other institutions in countries preparing for democratic elections. IFES has worked in over 65 countries. In January 1993, IFES sent a team to Peru as part of the Organization of American States' observation mission for the January 28 municipal elections. In addition to its observation visits in metropolitan Lima, the IFES team provided technical assistance to the election board of the province of Lima and began a pre-1995 election assessment which was completed in June 1994.

IFES services include pre-election technical assessments, on-site technical assistance, election worker training, election commodities support, voter and civic education and election observation. IFES research support includes an election resource center, organizing conferences and publications. IFES may draw on CAPEL, an international organization dedicated to promoting voter education and political participation throughout Latin America and the Caribbean, to provide technical assistance in the short-term electoral improvement activities under the Project. CAPEL is one of only a few organizations devoted to promoting voter education and participation throughout the LAC region and has demonstrated capabilities and experience in working with electoral systems.

2. Public Accountability: Casals & Associates

In late 1993 USAID/W executed a contract and Buy-in with Casals & Associates to implement the Regional Financial Management Improvement Project, Phase II. This three and one-half year activity provides assistance in the design and implementation of systems to improve financial management, promote greater transparency and accountability among governments and support NGOs that promote accountability and good governance. Casals & Associates will be brought into this Project through a Buy-in.

3. Civic Awareness: GRADE

The "Grupo de Análisis para el Desarrollo" (GRADE) is a Peruvian research, teaching, and project management organization founded in 1980 and working in four

areas: macroeconomic and sectoral policy; higher education, science and technology; governance and development; and natural resources and the environment.

In the area of Governance and Development, GRADE has as its central objective increasing knowledge on how power and authority are exercised both within a country and internationally and the social guidance of development processes in Peru and other Latin American nations. The program emphasizes democratic governance and how to consolidate it in Peru, in less developed countries and in international bodies.

GRADE has a staff of over 50, with 16 people carrying out administration, coordination, and support duties, and a computerized office capable of executing and controlling project management functions, e.g., procurement, disbursement, accounting, oversight and reporting. During 1993, GRADE worked with twelve international organizations (including USAID) which provided institutional support or financed specific projects.

USAID/Peru project and controller staff have performed an institutional review of GRADE's administrative and financial management capabilities and have found that they are generally adequate and meet USAID requirements. The management of the CA, however, will require some specific accounting and filing needs different than GRADE's standard procedures. Therefore, a separate, simplified financial management control system will be employed. This will benefit the technical direction of the Project since reporting data will be more easily tailored to CA needs.

C. Social Soundness Analysis

1. Socio-Cultural Context

Peruvian civil society consists of 22 million persons divided along a variety of lines: geographically, among those living in the coast, the mountains, and the jungle; economically, among a tiny wealthy elite, a small but growing middle class, and a diverse lower class of poor that is some 80 percent of the total; and ethnically, among persons of European, Asian, African, and American descent, and a growing mixed race of mestizos; and linguistically, among those whose primary language is Spanish, Quechua, Aymara, and a variety of isolated languages found in the jungle.

Peruvian society has been undergoing broad-based changes since the mid-twentieth century. For example, Peru's population has tripled. High levels of rural-to-urban migration have produced a ten-fold increase in the population of Lima. Such rapid social change, taking place during a time of minimal economic growth, has placed strains on governmental institutions, NGOs, political parties and labor unions, that traditionally act as intermediaries between government and the people.

In the long run, however, these important social changes, which follow centuries of social stability based on the exploitation of the native majority population, promise to yield a society that is more egalitarian, more democratic and more integrated in a common understanding of the Peruvian nation.

2. Beneficiaries

Direct beneficiaries will include individuals who will receive or provide training and technical assistance in a variety of areas to improve or transfer their professional abilities. The thousands of Peruvians whose civic education and performance is enhanced will also directly benefit from the Project, and the wider public at large will be the indirect, and ultimate, primary beneficiary as a result of the strengthening of Peru's indigenous organizations and democratic processes.

3. Participation

Peruvians have played an important role in the design of the project. USAID contracted a local NGO, FORO Nacional/Internacional, to define the problems impeding the development of democracy in Peru. FORO achieved this through extensive use of focus groups, and to help define indigenous demand for activities that promote democratic processes and good governance. Additional objectives of the current FORO contract are to develop, in a participatory and consensual manner, a series of proposals to address the crisis of governance in Peru and to widely disseminate these proposals to influence public opinion and decision makers. Local participation will also be central in developing initial baseline data.

With respect to implementation, significant attention will be given to local participation and will include at least one Peruvian USAID Project Officer and one Administrative Assistant. The majority of Project components will be implemented by local NGOs. Local beneficiaries will be across geographical and socio-economic spectra, but will be concentrated in the Lima-based population that is the most politically active in politics. Local participation in the evaluation of the Project will include continual monitoring of changing needs and priorities in the area of democratic initiatives.

4. Socio-Cultural Feasibility

Authoritarian patterns of behavior that are the legacy of centuries of Peruvian history will not be converted to democratic behavior in the course of one project. As the Project proposes to attack these patterns on a number of fronts, nonetheless, major progress toward that goal is feasible. The Project will provide both support and a forum to leadership groups and will widen popular acceptance of modern and democratic means of problem resolution.

5. Impact

As mentioned in paragraph 3 above, the Project will have direct and indirect impacts throughout Peruvian society, which will benefit from strengthened democratic awareness and values, although its initial impact will be concentrated in the most politically active portion of the population. This group consists of an ever-larger proportion of women. It is anticipated that Project activities aimed at institutional reform in the GOP and in NGOs will be sustained following the Project. Activities aimed at promoting democratic culture will be sustained by means of the reformed school curriculum, a more responsive government, through a greater awareness on the part of NGOs of their clout and the importance of civic education.

6. Gender

Democratic systems involve participation and representation of a broad cross-section of a population. Policies often affect women differently from men, or have different priorities, or different perspectives. Women are roughly half of the population and half of the electorate. However, their participation in government-decision making processes and representation in the civil society, although increasing, is low (i.e. they comprise less than eight percent of the legislature, and less than two percent of political parties' membership). Moreover, women and women's groups, because of their traditional roles in the household, are more likely to transmit the benefits of a democratic, pluralistic society to their children. For these reasons, the project will seek to promote the inclusion of women and women's groups of different social and economic categories in democratic processes. By targeting women and women's groups, the project will not only expand their participation in government, but will extend the benefits of civic awareness to future generations.

D. Financial/Economic Analysis

A more rigorous financial analysis will be done in conjunction with the review and negotiation of proposals received from the various implementing institutions. A cost/benefit analysis is not practicable or feasible, given the nature and scope of this Project. Certain activities have been dictated by circumstances beyond the Mission's control or through guidance from USAID/W. Given the nature and sensitivity of proposed project activities, there is little choice of methods of implementation or of implementing agencies. In other words, the proposed project must be implemented substantially in the manner and by the institutions described in the PP.

E. Recurrent Costs

Since all interventions are time limited and objective specific, there will not be any recurrent cost implications after the project termination date.

ANNEX A
LOGICAL FRAMEWORK

Life of Project: 5 years
From FY94 to 1999
Total U.S. Funding: $10 million

Project Title & Number: Participatory Democracy, No. 527-0356

Date Prepared: September 6, 1994

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes: Democratic institutions that reflect popular participation, sustain individual rights and freedoms, and are transparent and responsive to their constituents.	**Measures of Goal Achievements:** - % of population (male/female) that perceive Congress is responsive, local governments are responsive, public institutions are accountable, judiciary is efficient, effective and fair, government decision-making is transparent. - % of legislation reflecting popular will. - peaceful changes of power. - public accountability.	Local media, Embassy reports. JNE stats, election observers Evaluations, Human Rights reports, opinion polls. La Gazeta	**Assumptions for achieving goal targets:** Political stability. Macroeconomic improvement.
Purpose: To strengthen democratic systems of governance that empower Peru's citizenry to express its needs and its government to respond.	**Conditions that will indicate purpose has been achieved: End of Project Status (EOPS)** - % of registered voters (M/F) willingly participating in elections - % of valid ballots in electoral processes. - % of policy options defined with assistance of NGOs. - Arrangements and procedures established by the government to consult with NGOs/constituents on key issues. - People's (M/F) level of understanding of laws, rights and obligations. - # of NGOs articulating and representing a broad array of opinions and groups. - # of debates/discussions on issues identified by the people (M/F) as important, promoted by NGOs. - % of issues identified by the people (M/F) as important covered by media. - # of media reports/month debating/discussing key civic issues. - Media/NGOs constructively monitoring government acts?. - # of audits issued on government resource use?. - # of complaints on electoral processes	JNE and observer reports. NGO reports. Local media. Opinion polls GOP audits and follow-ups.	Congress and Judiciary function. Freedom of press and expression.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Outputs: A. Civic Awareness 1. Democratic Values disseminated	Magnitude of Outputs: 1. - % of private/public/formal/non formal schools with civic education curricula on democratic values (democracy, tolerance for diversity, peaceful resolution of disputes, citizens rights and obligations, compromise, acceptance of majority rule and respect for minority rights, human dignity and respect for personal integrity). - # of M/F audience reached by radio/TV spots on citizens rights and obligations. - # of civil servants/congressmen? (M/F) trained on democratic values through workshops/forums? - # of leaders (M/F) trained on democratic behavior/values. - Civic education programs for all military ranks?.	A.1. Implementing agency reports Local media; site visits. MinEd reports.	Assumptions for achieving outputs: - There is the political will for legislative, executive and educational reform.
2. Local NGOs ability to represent needs of the population to the government enhanced	2.- Grass-roots organization leaders (M/F) trained. - Community organizational training - # of people (M/F) participating in NGOs sponsored forums/debates on key civic issues.	2. Local media. NGO reports.	- NGOs activities are not restricted through legislation, registration or other means.
3. Congressional visibility and dialogue with electorate increased	3. - # of meetings with local NGOs/citizens groups - % of congressional debate reflecting citizens concerns. - machanisms in place for communication with electorate (mailing, etc)?	3. Local media. Implementing agency reports, Congressional minutes.	- Government officials are willing to listen and respond to their constituents.
4. A more technically compstent, independent, and constructive media capable of channelling information between diversity of interest groups and the government.	4.- # of journalists (M/F) trained in key civic topics (judiciary, legislative, human rights, democratic values, economy). - # of journalists (M/F) trained in research and reporting.	4. NGO reports.	- Free press
5. More professional and responsive political parties.	5. TBD	5. Implementing agency reports. Evaluations	- Political parties will.
6. Civilian-military dialogue enhanced	6. TBD	6. Implementing agency reports. Evaluations.	- - Open support of military senior levels.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
B. Public Accountability 1. Oversight of government resource use strengthened.	B. - Decentralization strategy of Controller General developed. - # of Controller General staff (M/F) trained. - Improved curriculum for the National School of Control developed. - # of professionals (M/F) participating in seminars/workshops on the new emphasis on governmental accountability and anti-corruption principles.	B. Casals reports, local media. GOP publications.	
C. Electoral Systems Efficiency of electoral system increased.	C. - % of the population re-registered - Procedures manuals developed - JNE staff trained - Elections legislation refined.	C. JNE reports. Local and international press. IFES reports, USAID inspections.	No interference with JNE.
INPUTS 1. TA 2. Training 3. Commodities 4. Admin (DID) 5. Audit 6. Evaluations TOTALS:	(US $ 000) 1. 6,200 2. 1,200 3. 600 4. 1,400 5. 300 6. 300 $10,000	Grantee records. Supplier records. USAID records. Audits.	Funds available. Conditions and covenants met.

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ptember 27, 1994

ACTION: AID [illegible] AMB DCM POL ECON

ANNEX B

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SUBJECT: REVIEW OF THE DEMOCRATIC DEVELOPMENT OF LOCAL GOVERNMENT (527-0371) AND PARTICIPATORY DEVELOPMENT AND GOOD GOVERNANCE (527-0356) PIDS

ACTION:DID(FILES
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CONT
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1. THE USDOLS 5 MILLION DEMOCRATIC DEVELOPMENT OF LOCAL GOVERNMENT PROJECT AND USDOLS 3.5 MILLION PARTICIPATORY DEVELOPMENT AND GOOD GOVERNANCE PROJECT PIDS WERE REVIEWED ON MARCH 23, 1994. THE AA/LAC CHAIRED THE DAEC MEETING, WHICH WAS ATTENDED BY THE DAA/LAC AND REPRESENTATIVES FROM LAC/DR, LAC/DPP, LAC/DI, LAC/SAM, GC/LAC, M/B, PPC/PAR, STATE/ARA, STATE/INM, STATE/HA, USIA, DEA AND OMB. USAID/PERU WAS REPRESENTED BY THE DEPUTY DIRECTOR AND THE SPECIAL PROJECTS AND DEMOCRATIC INITIATIVES OFFICES.

2. THE DAEC AGREED THAT THE TWO PROPOSED DEMOCRACY PROJECTS PROMOTE U.S. FOREIGN POLICY INTERESTS AND SUPPORT USAID DEMOCRACY-BUILDING OBJECTIVES IN PERU. THE DAEC ALSO FOUND THAT THE PROJECT CONCEPTS ARE CONSISTENT WITH PDD-14 COUNTERNARCOTICS OBJECTIVES, BY SERVING TO STRENGTHEN THE ABILITY OF LOCAL GOVERNMENTS AND COMMUNITIES TO RESIST NARCOTICS TRAFFICKING, THOUGH INM SAW LESS COUNTERNARCOTICS-RELATED VALUE IN THE GOOD GOVERNANCE PROJECT. THE LAC BUREAU APPROVES BOTH PIDS AND DELEGATES AUTHORITY TO THE MISSION TO DESIGN AND AUTHORIZE BOTH PROJECTS, SUBJECT TO THE CONDITIONS AND RECOMMENDATIONS DISCUSSED BELOW.

3. THE FISCAL YEAR SOURCE OF FUNDING AND AMOUNTS AVAILABLE FOR INITIAL OBLIGATIONS HAVE NOT YET BEEN CONFIRMED FOR THESE TWO PROJECTS. ACCORDINGLY, THE PROJECTS CAN NOT BE AUTHORIZED UNTIL THE SOURCES AND AMOUNT OF FUNDING AVAILABLE ARE DETERMINED. DISCUSSIONS NOW ARE UNDERWAY WITH THE STATE DEPARTMENT AND WE EXPECT THESE FUNDING ISSUES TO BE RESOLVED IN THE NEAR FUTURE.

4. SINCE THE PARTICIPATORY DEMOCRACY AND LOCAL GOVERNMENT DEVELOPMENT PROJECTS WILL SUPPORT ACTIVITIES BOTH INSIDE AND OUTSIDE OF COCA GROWING AREAS, THE RELATIONSHIP BETWEEN PROJECT ACTIVITIES AND COUNTERNARCOTICS OBJECTIVES MUST BE CLEARLY ESTABLISHED IN PROJECT DOCUMENTS.

5. TO AVOID CONFUSION BETWEEN THE TWO PROJECTS WHICH HAVE SIMILAR DESCRIPTIVE TITLES, THE MISSION SHOULD SIMPLIFY THE PROJECT NAMES TO THE "PARTICIPATORY DEMOCRACY PROJECT AND THE "LOCAL GOVERNMENT DEVELOPMENT PROJECT"

6. THE LAC BUREAU RECOMMENDS THAT THE FOLLOWING SPECIFIC POINTS BE CONSIDERED DURING THE DESIGN OF THE PARTICIPATORY DEMOCRACY PROJECT:

A. THE BUREAU QUESTIONS THE PRIORITY OF THE JOURNALISM COMPONENT. THE FAILURE TO PUBLISH ACCURATE AND UNBIASED INFORMATION IS OFTEN DUE TO MANAGEMENT DECISIONS OF NEWSPAPER OWNERS, RATHER THAN TO THE QUALITY OF REPORTING. THE BUREAU RECOMMENDS THAT THE MISSION REASSESS THE VALUE OF INCLUDING THIS ACTIVITY AS PART OF THE PROJECT.

B. THE BUREAU RECOMMENDS THAT THE MISSION PAY SPECIAL ATTENTION TO THE FORMULATION OF CLEAR AND CONCISE PROJECT INDICATORS. THE PROJECT SHOULD FOCUS ON MEASURING SUSTAINABLE RESULTS AND LONG-TERM IMPACT OF REFORMS OR NEW WAYS OF OPERATING WHICH FURTHER THE DEMOCRACY-BUILDING PROCESS IN PERU. THE PROJECT PAPER SHOULD ELABORATE WHAT DATA WILL BE COLLECTED TO MONITOR PROJECT PROGRESS.

C. THE NUMBER OF USPSC POSITIONS AT USAID/LIMA HAS BEEN REVIEWED AND AGREED UPON BY THE MANAGEMENT BUREAU, WHICH CONTROLS THE TOTAL NUMBER OF USAID PSCS WORLDWIDE. THE LAC BUREAU RECOGNIZES THAT USAID/LIMA USPSC TOTAL HAS BEEN CONSTRAINED BY CONDITIONS SPECIFIC TO PERU AND IS SYMPATHETIC TO GREATER USE OF USPSCS AS PROJECT MONITORS. HOWEVER, TO MAINTAIN CONTROL OVER BUREAU CEILINGS, SPECIFIC APPROVAL BY THE LAC BUREAU WILL BE NEEDED FOR ANY ADDITIONAL USPSC EMPLOYMENT. PLEASE ADVISE ACTION DESIRED AS YOU COMPLETE THE PROJECT DESIGN.

D. THE LAC BUREAU UNDERSTANDS THE IMPORTANCE OF ASSURING ADEQUATE USG FINANCIAL SUPPORT FOR THE UPCOMING 1995 PRESIDENTIAL ELECTIONS. HOWEVER, THE LAC BUREAU CAUTIONS THAT THE FOCUS OF THIS PROJECT SHOULD BE ON ADDRESSING THE LONG-TERM STRUCTURAL REFORMS NEEDED TO STRENGTHEN THE ELECTORAL PROCESS IN PERU. WE RECOGNIZE USAID/LIMAIS LIMITED FUNDING OPTIONS AND ARE DISCUSSING POSSIBLE SOURCES FOR ADDITIONAL FUNDING WITH THE STATE DEPARTMENT.

E. REGARDING THE LOCAL GOVERNMENT DEVELOPMENT PROJECT, THE PID PROPOSES USING INADE -- AN EXECUTIVE BRANCH AGENCY

AS THE IMPLEMENTING ORGANIZATION. THE LAC BUREAU IS CONCERNED THAT THE DIRECT INVOLVEMENT OF A CENTRAL
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GOVERNMENT AGENCY COULD SLOW THE PROCESS OF DEVEL POLITICALLY INDEPENDENT AND DECENTRALIZED MUNICIP GOVERNMENTS BY POTENTIALLY POLITICIZING PROJECT ACTIVITIES. ALTERNATIVE MANAGEMENT APPROACHES WHICH THE MISSION MIGHT CONSIDER DURING PROJECT DESIGN INCLUDE: RESTRICTING INADE'S PROJECT DECISION-MAKING ROLE BY RELYING PRIMARILY ON LOCAL CITIZEN PARTICIPATION; GREATER USE OF PERUVIAN NGOS AND PVOS; OR THE PROGRESSIVE TRANSFER OF PROJECT COORDINATION FUNCTIONS FROM INADE TO PRIVATE OR MUNICIPAL ORGANIZATIONS DURING THE LIFE OF THE PROJECT.

7. WE HAVE RECEIVED THE REVISED ECONOMIC STABILIZATION AND RECOVERY PAAD AND WILL RESPOND SEPTEL.
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U.S. Agency for International Development

ANNEX C

INITIAL ENVIRONMENTAL EXAMINATION

Project Location:	Peru
Project Title:	Participatory Democracy
Project Number:	527-0356
Funding:	$10,000,000
Life of Project:	5 years
IEE prepared by:	Edilberto Alarcon, Mission Environmental Officer

Recommended threshold decision:

It is recommended that a categorical exclusion be approved for the Project, since its subprojects/activities fall within the classes of actions described in Section 216.2, paragraphs c(2)(i), c(2)(iii) and c(2)(xiv) "Categorical Exclusions" of 22 CFR Environmental Procedures 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 (such as construction of facilities, etc.)".

Section 216.2 c(2)(iii)
Analyses, studies, academic or research workshops and meetings."

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 (such as construction of facilities, etc.)

Edilberto Alarcon
Environmental Officer

Date: 9/7/94

George Wachtenheim
Director

Date: 9/7/94

PROJECT DESCRIPTION

A. Goal, Purpose and Results

The Goal is the establishment of democratic institutions that reflect popular participation, sustain individual rights and freedoms, and are transparent and responsive to their constituents. Indicators of achievement will include: diminished violence; increased tolerance of dissent; elections that elicit the confidence of the electorate and competing political groups, and lead to peaceful changes of power; legislation, passed in a timely and open manner, reflecting the broad interests of regions and sectors; and public accountability for government actions and expenditures.

The Purpose is to strengthen democratic systems of governance that empower both Peru's citizenry to express its needs and its government to effectively respond to them. Indicators of achievement will flow from the basic concept of "popular participation": voter registration and voting; enhanced political competition; information flows within the government and to the public; education and formation of public opinion(s), in the electoral processes and for feedback to the Congress; auditing and publicizing of official acts and expenditures; and a heightened sense of civic awareness through NGO activities, improved standards of journalism, formal and informal education at all levels, and the adoption of democratic values by the military.

The Project has three components: **Civic Awareness** (Phases One and Two); **Public Accountability**; and **Electoral Systems**. The results anticipated include an electoral system that works and is seen as working; a Congress that goes about its business openly, and is considered responsive by the populace; government operations and disbursements subject to the "sunshine treatment"; an expanding NGO community increasingly effective at marshalling public opinion around political issues; more competent and trustworthy media; democracy-related topics introduced throughout the education system; more functional and effective political parties; and an amelioration of military attitudes and military-civil relations. More details, and measures of these achievements, are set forth in the LogFrame, Annex A.

B. Components and Activities

This section provides a discussion of proposed areas of intervention. Given the fluid situation in this sector -- and the sensitive and complex policy issues involved -- flexibility in the choice of activities must be retained. The discussion is therefore somewhat illustrative, outlining the most probable activities that can and should be selected at the point of final project design. Activities will be further refined based on the proposals received from and negotiated with implementing institutions. With the assistance from USAID procurement and controller staff, the agreements with NGOs will provide for technical and other assistance necessary for institutional strengthening, particularly under the Civic Awareness component.

1. Civic Awareness, Phases One and Two ($4,250,000)

Phase One activities include working in the areas of NGO Community, Congressional Outreach, Journalism and Studies for Phase Two activities. Phase Two activities may include Political Competition and Military Civic Values. It is expected that most if not all of these activities can be implemented through the "Grupo de Análisis para el Desarrollo" (GRADE). GRADE has submitted a proposal that, when refined, will serve as the basis for implementation of this component under a cooperative agreement (CA).

a. NGO Community ($ 2,250,000)

A vibrant civil society is an essential component of a democratic polity, and contributes to the overall goal of sustainable development. We wish to enhance the ability of the local NGO community (mothers' organizations, community organizations, etc.) to represent the needs of the population to the government. This Project component will include leadership training, community organizational training, technical assistance, and financial support for the activities of local NGOs that promote participatory democracy, monitor government activities, and educate citizens about their rights and responsibilities.

There are a number of players already on the scene. USAID is funding a nine-month activity with the Lima Bar Association, which aims to instill in school-aged children and the general population in the Department of Lima an awareness of civic rights and duties in a democratic society. The Project will expand this pilot activity nationwide, and include a broader range of themes such as human rights, the rights and obligations of citizens in a democracy, civil-military relations, and the role of grassroots organizations in a developing democracy. Other entities -- including possibly the Human Rights Coordinadora, Catholic University, CAL, INIDEN (National Institute of Defense Research), and PARTICIPA (a Chilean organization that seeks participation with a special emphasis on youth and women) -- will collaborate in this effort.

This activity will also include the development and application of a number of interventions directed at introducing civic and democratic concepts and practices into the curricula of the entire education system, public and private, from primary through university level. A wide range will be considered, e.g., adult education, teacher training, new education materials, and support for NGOs implementing such programs.

NGOs such CEPEI, ILD and PROPUESTA are active in sponsoring fora in which issues of concern to citizens are aired and debated. The Project will seek out these and other grass-roots organizations, labor unions, and professional associations; business associations and trade groups; new entities trying to create an environment conducive to debate and democratic initiatives, such as Foro Democratico and the Committee for Democracy; and independent research and study centers. These organizations will undertake activities to focus and raise issues, promote a culture of democracy and promote consensus on key issues.

Training programs will be offered to provide citizens with skills to work and live in a democracy; to strengthen civic organizations and their ability to carry out effective civic education; and to promote the participation of women and youth in civic and public affairs.

Such programs will facilitate the transition from the precarious institutionalization that characterizes popular organizations to a more stable set of institutions with adequate organizational structures, explicit norms and regulations, and the means to improve their managerial efficiency and effectiveness. Particular attention will be given to organizations led by women (popular soup-kitchens, self-managed workshops), and to groups that execute social emergency programs at the grass-roots level.

GRADE will provide subgrants to NGOs under a CA with USAID. The CA will provide criteria for the award of subgrants as well as a mechanism for USAID involvement.

b. Congressional Outreach ($ 500,000)

The IDB has underway a $3.7 million project to modernize the Congress' legislative capabilities, increase its administrative efficiency, and improve overall operations through installation of a modern information system, creation of an internal advisory and staff system, an administrative reorganization, and training of Diputados and staff at all levels.

To complement the institutional restructuring technical assistance project underway with IDB financing, this activity will support increased communication between representatives and the electorate, to reduce the gap between elected leaders and citizens, and to ensure that representatives are better informed of citizens' needs and legislation is more responsive to popular will.

Public dissemination by the Congress of subjects the Congress is concerned with, the different interests and issues involved, and alternative outcomes will be made through the media and interested NGOs. At the same time, private groups and individuals will be invited to comment on matters of national interest, and this activity will look at the mechanics of setting up various systems to enable such two-way communication. (USAID may call on SUNY for assistance in detailed design and execution.)

c. Journalism ($ 250,000)

A pluralistic, democratic society requires free flow of information, which is largely the function of the media and other interest groups that are able to articulate the interests and desires of a nation's citizenry. The quality of media coverage, editorial commentaries, and investigative journalism has an enormous impact on the values and attitudes of the public. However, Peruvian media management finds graduates of all the schools of social communication lacking in professional skill, and except for *El Comercio* and *La Republica*, there is little in-house training to make up for the deficiencies of the schools. Many of the journalists who had worked in the media when they were controlled by the military dictatorship were dismissed in 1980, costing the media a lot of experienced personnel. After the self-coup of President Fujimori in 1992, most of the media adopted a policy of not antagonizing the government, leaving aside the watchdog role of the press. A serious distraction is that journalists fear for their lives from guerrillas, drug traffickers and state security forces. Aside from worries about safety, the biggest problem journalists have is lack of independence in the newsroom. They feel pressure from the government and politicians to tailor the news reports,

as well as from their owners who have business or other interests, and they judge the ethical level of their colleagues to be low.

This activity will include the training and technical assistance required to promote competent and credible reporting, both from official government news agencies and private news sources. This may be implemented through an agreement with Florida International University's Latin American Journalism Program (LAJP) or other entities. This activity would promote a professional media that is capable of providing informed reporting which is not the pawn of specific interest groups and which can provide discussion and disclosure on a broad range of political, economic, and social issues and public policy options reflecting diverse opinions across the political spectrum.

Training topics would include:

- Electoral campaigns
- The judiciary
- The legislature
- The economy
- The environment
- Human rights
- Public opinion polling.

Another set of activities might be the participation of journalists in LAJP regional activities focusing on such topics as:

- campaign and election reporting
- radio reporting
- journalism education, and
- advanced radio and television reporting.

The objective would not be to impose a system of journalism, but rather help the media strengthen, improve and, where necessary, refocus the one they now have. The intended outcome would be a mass media that is technically competent, more independent and capable of channeling information between the diversity of interest groups and community-based organizations and the government, and able to assume a constructive watchdog function over public affairs.

d. Studies for Phase Two ($250,000) and Phase Two Activities ($1,000,000)

Phase Two is intended to allow Participatory Democracy to respond to problems and opportunities which cannot be precisely defined today but which will bear on the extent to which the Project Purpose will be achieved. Two areas considered relevant, but which are not well enough understood to be subject to project activity at this time, are those of political competition, i.e. between organized parties, and the melding of democratic concepts and practices with military attitudes and traditions. There will be others, but these two suggest the sensitivities and long time frames contemplated.

Some Phase One studies will focus on political parties, their structures, prospects, and needs, with an eye to the elections of 1998 and 2000. The intent will be to determine if assistance can be offered at the operational level -- internal party workings, member registration, issues analysis and platform development, fundraising, voter turnout -- without foreign meddling in the substance of the arguments developed and positions taken. It is estimated the implementation of the studies' recommendations -- a Phase Two activity focusing on Political Parties -- will cost $500,000.

Other Phase One studies will be conducted to determine ways to enhance civilian-military communication and to introduce an understanding of democratic attitudes, freedoms, and responsibilities within the military establishment. Based on the recommendations of these studies, Phase Two activities may support formal and informal dialogue between military and civil groups, the introduction of democracy-related topics into military curricula at all levels, and in addition to support for INIDEN (the "Instituto de Investigacion para el Desarrollo y la Defensa Nacional", a private NGO of civilian professionals and retired military officers), it will promote the formation of new NGOs devoted to this critical and delicate subject. The estimated cost of this Phase Two civil-military activity is $500,000.

2. Public Accountability ($1,000,000)

Corruption, mismanagement and government inefficiency are inextricably linked with poor development performance. The remedy is to promote transparency and accountability of government in policy making and resource use. Mechanisms must be in place to ensure that government actors serve the broad public interest rather than their own concerns. Honest, fair and efficient implementation of laws, regulations, and public investments is possible, however, only where civil servants, police, and the military are held accountable by independent judiciaries, elected representatives, and informed, educated constituents.

Beginning in 1970, USAID provided technical assistance and training in Peru through the Institute of Public Administration, which by 1974 resulted in the establishment of a highly professional Supreme Audit Institution which served as a model for others. Over the years, due to circumstances beyond its control, the Office of the Comptroller General (CGR) lost much of its professional staff and its effectiveness in performing professional audits has declined. A new Comptroller General, a participant in the first USAID sponsored course in 1971, has announced plans to reorganize, restaff and retrain the professional audit staff and has requested the assistance of USAID. As an initial measure the Comptroller General has recruited approximately 100 new audit staff members and is using local audit professionals as instructors, some of whom participated in the original USAID sponsored training and reforms.

A site assessment of in-country financial management and the good governance environment was completed in March, 1994 under the Regional Financial Management Improvement Project, Phase II (RFMIP II). This report identified several areas in which assistance could support improvements in the overall accountability environment in Peru, including assistance to the Controller General to establish formal audit standards for the Government of Peru and to support a training program for internal auditors in public institutions. In the coming month, RFMIP II will update this assessment and will complete an in-depth

diagnostic study of the Controller General's office to assist the mission in defining the most appropriate areas for USAID intervention. (The mission is especially interested in supporting efforts to maximize the attention to audit findings and the improvements in GOP internal controls, given its significant impact on pubic accountability.)

Examples of activities that would be considered under this component include:

1) Specialized technical assistance for developing a strategy for decentralization of the CGR under a National System of Control with delegation of functions and responsibilities to the regions in Peru.

2) Support for two consultants to serve as regional coordinators during this process of decentralization and limited computer equipment for the new regional offices.

3) Support for short-term international experts in the field of governmental audit standards and systems to train staff of the CGR in advances in systems of internal control.

4) Support for an international expert to assist in the design of a curriculum to be used by the Escuela Nacional de Control for the training of governmental internal auditors.

5) Seminars and other training activities designed to disseminate to the widest possible professional audience information on the new emphasis on governmental accountability and preventing corruption.

The CGR has solicited the assistance of USAID, having submitted a detailed proposal. This proposal, along with the RFMIP II diagnostic, will form the basis of assistance to be provided under this project component.

The mission will most likely implement this component through a buy-in under RFMIP II. Depending on the specific recommendations of the diagnostic, however, a separate technical assistance contract for short-term consultancies for the CGR's office may be considered. Costs of commodities, seminars and training programs may also be procured through either method. In any event, funds will initially be obligated in a project agreement with the GOP, to ensure commitment and cooperation.

While the primary and initial focus of this component is on the CGR, support may be provided to other public institutions like the Comision Fiscalizadora del Congreso or non-public sector organizations advocating transparency in government. Specific activities have not been identified but might include seminars, training programs, and technical assistance. Further analysis is required before considering such assistance.

3. Electoral Systems ($ 2,750,000)

This set of activities will focus on the more long term needs of the electoral system. They will complement the more immediate focus -- the 1995 national elections -- of the Electoral Support Project.

Peru has approximately 12 million voters, 64,000 voting tables, 1,800 districts, 118 provinces, and 24 departments. One of the most significant problems is the physical geography of the country: the high Andes dominate the central region, while the eastern portion of the country is largely jungle. There are hundreds of small mountain or jungle communities so isolated that their inhabitants cannot reasonably be expected to travel to another community, usually days away, to vote. The only alternative for most of these communities is for voting supplies to be transported in and out by whatever means are practical, often by military helicopters.

The 1980, 1985, and 1990 elections were held under the Constitution of 1979. Election administration in Peru has been largely **ad hoc** under this framework, set up for each election and then essentially dissolved, except for the president and secretary-general of the National Elections Board (Jurado Nacional de Elecciones - JNE), once winners are declared and disputes settled. This has led to a lack of institutional memory, delays and obstacles in the planning of elections, and devotion of inordinate time and energy to setting up administrative structures and recruiting and training staff each time an election is called. A permanent structure is necessary for proper election administration. Such a structure is set forth in the new Constitution, but will not be in place for the 1995 general elections. AID is approaching this problem on two levels. The first is an immediate-response project -- "Elections Support" in the amount of $2 million -- to assist in dealing with the 1995 exercise. The second is this Project component, looking at the institutionalization of the electoral system, and running through the elections scheduled for 1998 and 2000.

At the request of USAID/Lima, the International Foundation for Electoral Systems (IFES) sent two teams to Peru (one for the January 1993 municipal elections, another in May/June 1994 to evaluate changes in the Constitution and electoral legislation) to prepare a pre-election needs assessment in advance of general elections anticipated for April 1995. Given the short time remaining and the quantity of data involved (roughly 12 million registrations), it is not realistic to expect any major overhaul of the system before the end of the 1995 election cycle (the April general elections, the likely runoff of June-July, and the November municipal elections). Nevertheless, with assistance from the United Nations Development Program (UNDP), the JNE has undertaken a modernization program over the last 18 months. The program seeks to fully integrate computer technology into the administration of Peruvian elections in order to speed up the processing of election results and thereby increase public confidence in the electoral system. The 1995 elections will be an important indicator both of the level of commitment of the government to democratic elections and of the extent of success of the modernization program.

Following a week of meetings with election officials, the UNDP, bilateral donors, media, and independent observers, and with the findings of the 1993 visit in mind, the

assessment team's principal recommendations are that:

a. IFES offer to provide a legal advisor to the JNE during its initial review of election legislation;

b. IFES offer to develop and administer, in conjunction with the JNE, a training program for key JNE staff and for the members and key staff of departmental election officials once they are named;

c. IFES offer to develop additional training materials for use in preparing voters, poll workers, and poll watchers for their roles in the 1995 elections;

d. USIS/Lima arrange for a group of Peruvian broadcast and print journalists to travel to the United States for the November 1994 congressional elections to witness media election coverage in the United States and arrange for a specialist in polling and vote-tally verification travel to Lima to discuss technical aspects of pre-election polling, exit polling, and election results tabulation with Peruvian polling firms and media outlets.

After due consideration of this UNDP assistance and the assistance the OAS has recently offered for the 1995 exercise, the USAID has been consulting with IFES on the details of a long range activity. IFES submitted its first draft proposal to implement this component in mid-August. It has since revised its proposal, however, more work is required before it is finalized.

Based on discussions with IFES and others, and based on IFES initial proposals, this component will focus on electoral system restructuring, including voter re-registration. The bulk of the assistance will be in the form of technical assistance to the JNE and others. There will also be a small amount of commodities, as well as some selected training. Training activities may include sending elections administrators to the U.S. during the 1996 elections. IFES will also provide subgrants to some local NGOs, some of which have submitted unsolicited proposals -- relating to electoral reform -- to USAID and IFES. This component will be consolidated and phased in with IFES work under the Election Support Project. Coordination with other donors will also be a major consideration. This component will be further refined based on negotiations over IFES' proposal.

USAID

U.S. Agency for International Development

INITIAL ENVIRONMENTAL EXAMINATION

Project Location:	Peru
Project Title:	Participatory Democracy
Project Number:	527-0356
Funding:	$10,000,000
Life of Project:	5 years
IEE prepared by:	Edilberto Alarcon, Mission Environmental Officer

Recommended threshold decision:

It is recommended that a categorical exclusion be approved for the Project, since its subprojects/activities fall within the classes of actions described in Section 216.2, paragraphs c(2)(i), c(2)(iii) and c(2)(xiv) "Categorical Exclusions" of 22 CFR Environmental Procedures 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 (such as construction of facilities, etc.)".

Section 216.2 c(2)(iii)
Analyses, studies, academic or research workshops and meetings."

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 (such as construction of facilities, etc.)

Edilberto Alarcon
Environmental Officer

Date: 9/7/94

George Wachtenheim
Director

Date: _____

Clearance:
A/DD:JSanford

5C(1) - PERU COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1. **Narcotics Certification**

(FAA Sec. 490): (This provision applies to assistance provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance relating to international narcotics control, disaster and refugee relief assistance, narcotics related assistance, or the provision of food (including the monetization of food) or medicine, and the provision of non-agricultural commodities under P.L. 480. This provision also does not apply to assistance for child survival and AIDS programs which can, under section 522 of the FY 1994 Appropriations Act, be made available notwithstanding any provision of law that restricts assistance to foreign countries.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

(1) has the President in the April 1 International Narcotics Control Strategy Report (INCSR) determined and certified to the Congress (without Congressional enactment, within 45 calendar days, of a resolution disapproving such a certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals and objectives established by the U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic

Substances, or that (b) the vital national interests of the United States require the provision of such assistance?

1.(1) The Presiden has so certified.

(2) with regard to a major illicit drug producing or drug-transit country for which the President has not certified on April 1, has the President determined and certified to Congress on any other date (with enactment by Congress of a resolution approving such certification) that the vital national interests of the United States require the provision of assistance, and has also certified that (a) the country has undergone a fundamental change in government, or (b) there has been a fundamental change in the conditions that were the reason why the President had not made a "fully cooperating" certification.

1.(2) N/A

2. **Indebtedness to U.S. citizens** (FAA Sec. 620(c): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

2. The government is not so indebted.

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

3. The government has not taken any such action.

4. **Communist countries** (FAA Secs. 620(a), 620(f), 620D; FY 1994 Appropriations Act Secs. 507, 523): Is recipient country a Communist country? If so, has the President: (a)

determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

4. The recipient is not a communist country.

5. **Mob Action** (FAA Sec. 620(j)): Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property?

5. The country has not so permitted or failed to take adequate measures.

6. **OPIC Investment Guaranty** (FAA Sec. 620(l)): Has the country failed to enter into an investment guaranty agreement with OPIC?

6. The country has not failed to enter into an OPIC agreement.

7. **Seizure of U.S. Fishing Vessels** (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5): (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?

7. The country has not seized such vessels.

8. **Loan Default** (FAA Sec. 620(q); FY 1994 Appropriations Act Sec. 512 (Brooke Amendment)): (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been

in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1994 Appropriations Act appropriates funds?

8. The country is not in such default

9. **Military Equipment** (FAA Sec. 620(s)): If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

9. Taken into account by the Administrator at time of approval of Agency OYB.

10. **Diplomatic Relations with U.S.** (FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

10. The country has not severed diplomatic relations.

11. **U.N. Obligations** (FAA Sec. 620(u)): What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)

11. Taken into account by the Administrator at time of approval of Agency OYB.

12. **International Terrorism**

a. **Sanctuary and support** (FY 1994 Appropriations Act Sec. 529; FAA Sec. 620A): Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international

terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

12.a. The President has not so determined.

b. **Airport Security** (ISDCA of 1985 Sec. 552(b)): Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

12.b. The Secretaries of State and Transportation have not so determined.

13. **Countries that Export Lethal Military Equipment** (FY 1994 Appropriations Act Sec. 573): Is assistance being made available to a government which provides lethal military equipment to a country the government of which the Secretary of State has determined is a terrorist government for purposes of section 40(d) of the Arms Export Control Act?

13. The country does not export lethal military equipment.

14. **Discrimination** (FAA Sec. 666(b)): Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

14. The country has not so objected.

15. **Nuclear Technology** (FAA Secs. 669, 670): Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which

would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

15. The answer to all questions is no.

16. **Algiers Meeting** (ISDCA of 1981, Sec. 720): Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.)

16. Taken into account by the Administrator at time of approval of Agency OYB.

17. **Military Coup** (FY 1994 Appropriations Act Sec. 508): Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?

17. The duly elected Head of Government has not been so deposed.

18. **Exploitation of Children** (FAA Sec. 116(b)): Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services?

18. The recipient government does not fail to take such measures.

19. **Parking Fines** (FY 1994 Appropriations Act Sec. 574): Has the overall assistance allocation of funds for a country taken into account the requirements of this section to reduce assistance by 110 percent of the amount of unpaid parking fines owed to the District of Columbia as of September 30, 1993?

19. Unpaid parking fines have been taken into account.

B. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")

Human Rights Violations (FAA Sec. 116):

determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

B. The Department of State has not so determined.

C. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO ECONOMIC SUPPORT FUNDS ("ESF")

Human Rights Violations (FAA Sec. 502B): Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

C. It has not been so determined.

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. **Host Country Development Efforts** (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations;

Project will strengthen democractic system of governance, empowering Peru's citizenry to express its needs and its government to effectively respond to them.

b?

(d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

2. **U.S. Private Trade and Investment** (FAA Sec. 601(b)): Information and conclusions on how assistance 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 components will be implemented through Cooperative Agreements, primarily, with IEFS, a U.S. NGO, and GRADE, a local NGO.

3. **Congressional Notification**

a. **General requirement** (FY 1994 Appropriations Act Sec. 515; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)?

Congress has been notified.

b. **Special notification requirement** (FY 1994 Appropriations Act Sec. 520): Are all activities proposed for obligation subject to prior congressional notification?

YES

c.1 **Notice of account transfer** (FY 1994 Appropriations Act Sec. 509): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A

c.2 **Cash transfers and nonproject sector assistance** (FY 1994 Appropriations Act Sec. 537(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice

N/A

6c

included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

4. **Engineering and Financial Plans** (FAA Sec. 611(a)): Prior to an obligation in excess of $500,000, 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? YES

5. **Legislative Action** (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of $500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? N/A

6. **Water Resources** (FAA Sec. 611(b)): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) N/A

7. **Cash Transfer/Nonproject Sector Assistance Requirements** (FY 1994 Appropriations Act Sec. 537). If assistance is in the form of a cash transfer or nonproject sector assistance:

a. **Separate account:** Are all such cash payments to be maintained by the country in a separate account and not commingled with any other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)? N/A

b. **Local currencies:** If assistance is furnished to a foreign government under arrangements which result

in the generation of local currencies:

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account? N/A

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government? N/A

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes? N/A

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government? N/A

8. **Capital Assistance** (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? N/A

9. **Multiple Country Objectives** (FAA Sec. 601(a)): Information and conclusions

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

See Section A.1.

10. **U.S. Private Trade** (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).

See Section A.2.

11. **Local Currencies**

a. **Recipient Contributions** (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

In accordance with PD 16 and since activity is ESF funded, no counterpart contribution is required.

b. **U.S.-Owned Currency** (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

12. **Trade Restrictions**

a. **Surplus Commodities** (FY 1994 Appropriations Act Sec. 513(a)): 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?

N/A

b. **Textiles (Lautenberg**

Amendment) (FY 1994 Appropriations Act Sec. 513(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? N/A

13. **Tropical Forests** (FY 1991 Appropriations Act Sec. 533(c)(3)(as referenced in section 532(d) of the FY 1993 Appropriations Act): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas? NO

14. **PVO Assistance**

a. **Auditing and registration** (FY 1994 Appropriations Act Sec. 568): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? YES

b. **Funding sources** (FY 1994 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? YES

15. **Project Agreement Documentation** (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

Confirmation will be cabled to USAID/W within 60 days of signing the Cooperative Agreements, and copies of th CAs will be pouched to State L/T and USAID/LPA.

16. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

YES (to the extent possible)

17. **Abortions** (FAA Sec. 104(f); FY 1994 Appropriations Act, Title II, under heading "Population, DA," and Sec. 518):

a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

NO

b. Are any of the funds to be used to pay for the performance of

NO

69

involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? NO

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? (As a legal matter, DA only.) N/A

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? (As a legal matter, DA only.) N/A

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? NO

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? N/A

18. **Cooperatives** (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life? NO

19. **U.S.-Owned Foreign Currencies**

a. **Use of currencies** (FAA Secs. 612(b), 636(h); FY 1994 Appropriations Act

Secs. 503, 505): Are steps being taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.	N/A
b. **Release of currencies** (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
20. **Procurement**	
a. **Small business** (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?	YES (To the extent possible)
b. **U.S. procurement** (FAA Sec. 604(a): Will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section?	YES
c. **Marine insurance** (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?	YES
d. **Non-U.S. agricultural procurement** (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product therecf is to be, financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)	N/A
e. **Construction or engineering services** (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a	N/A

competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

f. **Cargo preference shipping** (FAA Sec. 603)): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? NO

g. **Technical assistance** (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? YES

h. **U.S. air carriers** (International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? YES

i. **Consulting services** (FY 1994 Appropriations Act Sec. 567): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? YES

j. **Metric conversion** (Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

YES (To the extent possible)

k. **Competitive Selection Procedures** (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

YES

l. **Chemical Weapons** (FY 1994 Appropriations Act Sec. 569): Will the assistance be used to finance the procurement of chemicals that may be used for chemical weapons production?

NO

21. **Construction**

a. **Capital project** (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used?

N/A

b. **Construction contract** (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

N/A

c. **Large projects, Congressional approval** (FAA Sec. 620(k)): If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress? N/A

22. **U.S. Audit Rights** (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? YES

23. **Communist Assistance** (FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? YES

24. **Narcotics**

a. **Cash reimbursements** (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? N/A

b. **Assistance to narcotics traffickers** (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? YES

25. **Expropriation and Land Reform** (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized YES

property, except to compensate foreign nationals in accordance with a land reform program certified by the President?

26. **Police and Prisons** (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? YES

27. **CIA Activities** (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? YES

28. **Motor Vehicles** (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? YES

29. **Export of Nuclear Resources** (FY 1994 Appropriations Act Sec. 506): Will assistance preclude use of financing to finance--except for purposes of nuclear safety--the export of nuclear equipment, fuel, or technology? YES

30. **Publicity or Propaganda** (FY 1994 Appropriations Act Sec. 557): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? NO

31. **Marine Insurance** (FY 1994 Appropriations Act Sec. 531): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? YES

32. **Exchange for Prohibited Act** (FY 1994 Appropriations Act Sec. 533): Will

15

any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law? NO

33. **Commitment of Funds** (FAA Sec. 635(h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement? NO

34. **Impact on U.S. Jobs** (FY 1994 Appropriations Act, Sec. 547):

a. Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business? NO

b. Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.? NO

c. Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country, or will assistance be for the informal sector, micro or small-scale enterprise, or smallholder agriculture? NO

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. **Agricultural Exports (Bumpers** N/A

Amendment) (FY 1994 Appropriations Act Sec. 513(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

2. **Tied Aid Credits** (FY 1994 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits? N/A

3. **Appropriate Technology** (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? N/A

4. **Indigenous Needs and Resources** (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government. N/A

5. **Economic Development** (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the N/A

development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

6. **Special Development Emphases** (FAA Secs. 102(b), 113, 281(a)): Describe 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, dispersing investment 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 appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help 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. N/A

7. **Recipient Country Contribution** (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent 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)? N/A

8. **Benefit to Poor Majority** (FAA Sec. 128(b)): If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority? N/A

9. **Contract Awards** (FAA Sec. 601(e)): Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? N/A

10. **Disadvantaged Enterprises** (FY 1994 Appropriations Act Sec. 558): What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? N/A

11. **Biological Diversity** (FAA Sec. 119(g): Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? N/A

12. **Tropical Forests** (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act): N/A

a. **A.I.D. Regulation 16:** Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? N/A

b. **Conservation:** Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives N/A

to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. **Forest degradation:** Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment

N/A

indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

d. **Sustainable forestry:** If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry? N/A

e. **Environmental impact statements:** Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment? N/A

13. **Energy** (FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act): If assistance relates to energy, will such assistance focus on: (a) end-use energy N/A

efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

14. **Debt-for-Nature Exchange** (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management. N/A

15. **Deobligation/Reobligation** (FY 1994 Appropriations Act Sec. 510): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified? N/A

16. **Loans**

a. **Repayment capacity** (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest. N/A

b. **Long-range plans** (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities? N/A

c. **Interest rate** (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at N/A

least 3 percent per annum thereafter?

d. **Exports to United States** (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 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest? N/A

17. **Development Objectives** (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding 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; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries? N/A

18. **Agriculture, Rural Development and Nutrition,** and **Agricultural Research** (FAA Secs. 103 and 103A):

a. **Rural poor and small farmers:** If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, N/A

has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

b. **Nutrition:** Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people. N/A

c. **Food security:** Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution. N/A

19. **Population and Health** (FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach. N/A

20. **Education and Human Resources Development** (FAA Sec. 105): If assistance is being made available for education, public administration, or human resource N/A

development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

21. **Energy, Private Voluntary Organizations, and Selected Development Activities** (FAA Sec. 106): If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is: N/A

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment; N/A

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations; N/A

c. research into, and evaluation of, economic development processes and techniques; N/A

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

e. for special development problems, and to enable proper utilization N/A

of infrastructure and related projects funded with earlier U.S. assistance;

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

22. **Capital Projects** (Jobs Through Export Act of 1992, Secs. 303 and 306(d)): If assistance is being provided for a capital project, is the project developmentally sound and will the project measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level? N/A

C. CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY

1. **Economic and Political Stability** (FAA Sec. 531(a)): Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA? YES

2. **Military Purposes** (FAA Sec. 531(e)): Will this assistance be used for military or paramilitary purposes? NO

3. **Commodity Grants/Separate Accounts** (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? (For FY 1994, this provision is superseded by the separate account requirements of FY 1994 Appropriations Act Sec. 537(a), see Sec. 537(a)(5).) N/A

4. **Generation and Use of Local Currencies** (FAA Sec. 531(d)): Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, NO

96

will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1994, this provision is superseded by the separate account requirements of FY 1994 Appropriations Act Sec. 537(a), see Sec. 537(a)(5).)

5. **Capital Projects** (Jobs Through Exports Act of 1992, Sec. 306, FY 1993 Appropriations Act, Sec. 595): If assistance is being provided for a capital project, will the project be developmentally-sound and sustainable, i.e., one that is (a) environmentally sustainable, (b) within the financial capacity of the government or recipient to maintain from its own resources, and (c) responsive to a significant development priority initiated by the country to which assistance is being provided. (Please note the definition of "capital project" contained in section 595 of the FY 1993 Appropriations Act. Note, as well, that although a comparable provision does not appear in the FY 94 Appropriations Act, the FY 93 provision applies to, among other things, 2-year ESF funds which could be obligated in FY 94.) NO

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