

PD ABM-042

96907



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

September 29, 1995

Dr. Julio Cotler  
Principal Investigator  
Instituto de Estudios Peruanos  
Horacio Urteaga 694  
Jesús María

Subject: Grant 527-0000-G-00-5369-00

Dear Dr. Cotler:

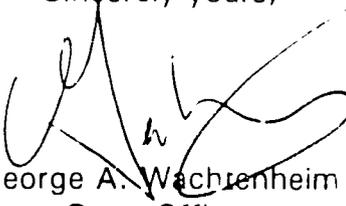
Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the United States Agency for International Development (hereinafter referred to as "USAID" or "Grantor") hereby grants to the Instituto de Estudios Peruanos (hereinafter referred to as "IEP" or "Grantee"), the sum of \$25,000 to provide support for a four-month research study to identify the institutions and social network of narcotrafficking in coca areas and recommend how a social network could be established that would respect law and order and promote legal economic activities, as described in the Schedule of this Grant and the Attachment 2, entitled "Program Description."

This Grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Grantee in furtherance of program objectives during the period beginning with the effective date and ending January 31, 1996.

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

Please sign all six copies of this letter to acknowledge your receipt of the Grant and return five copies to the Grant Officer.

Sincerely yours,



George A. Wachtenheim  
Grant Officer

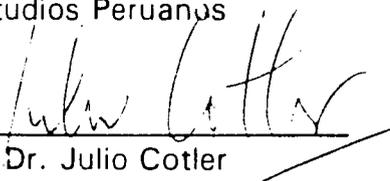
Attachments:

1. Schedule
2. Program Description
3. Standard Provisions
4. Special Provision entitled "Rights in Data"
5. Special Provision "Relocation of U.S. Businesses..."

ACKNOWLEDGED:

Instituto de Estudios Peruanos

By:



Dr. Julio Cotler

Title: Principal Investigator

Date:

10-3-95

FISCAL DATA

Allocation:

Appropriation: 725/61021

Budget Plan Code: LDV5-95-25527-KG13

PIO/T No.: 527-0000-3-50102

Project No.: 527-0000

Total Estimated Amount: \$25,000

Total Obligated Amount: \$25,000

Funding Source: USAID/Peru

SCHEDULE

A. Purpose of the Grant

The purpose of this Grant is to provide support for a four-month research study to identify the institutions and social network of narcotrafficking in coca areas and recommend how a social network could be established that would respect law and order and promote legal economic activities, as more specifically described in Attachment 2 to this Grant entitled "Program Description."

B. Period of Grant

1. The effective date of this Grant is the date of the Cover Letter. The estimated completion date of this Grant is January 31, 1996.

C. Amount of Grant and Payment

1. USAID hereby obligates the amount of \$25,000 for purposes of this Grant.

2. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 3 -Optional Standard Provision No. 1, entitled "Payment-Periodic Advance."

D. Financial Plan

The following is the Grant Budget, including local cost financing items, as authorized. Revisions to this budget shall be made in accordance with the Standard Provision of this Grant entitled "Revision of Grant Budget."

**FINANCIAL PLAN  
(US\$)**

**(Grant Budget)**

<b>1. Salaries</b>		<b>20,000</b>
- Principal Investigator: \$4,000 x 4 months	16,000	
- Assistant: \$1,000 x 4 months	4,000	
<b>2. In Country Travel</b>		<b>2,000</b>
- Travel expenses (field trips)	500	
- Per-diem	1,500	
<b>3. Administrative Expenses</b>		<b>3,000</b>
- Secretarial and translation services	3,000	
<b>TOTAL</b>		<b>25,000</b>

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E. Reporting Requirements

1. Financial Reporting

a. Financial reporting requirements shall be in accordance with the Optional Standard Provision of this Grant entitled "Payment-Periodic Advance" as shown in Attachment 3.

b. IEP is required to maintain books and records in accordance with general accepted accounting principles.

c. The original and two copies of all financial reports shall be submitted to USAID/Peru, Office of the Controller, Larrabure y Unanue 110, Lima 1, Peru.

2. Progress Reports

a. IEP, within five days after the end of each month, will provide USAID/Peru with monthly progress reports in English and Spanish during the life of the Grant, describing, in detail, achievements, problems encountered, and changes made or recommended during the reporting period. In addition, USAID will be fully informed through meetings and/or written reports of any unanticipated developments in the execution of the project.

b. A mid-term report will be submitted with the monthly report on the project status at the end of the third month of the project.

c. IEP will submit to CDIE/DI, Washington, DC 20523-1802 one copy of above reports in English.

3. Final Report

Five (5) copies of a final report, in English and Spanish, will be submitted fifteen days after completion date of the study.

This report should include:

- . Major findings of the study, addressing the objectives stated above.
- . Recommendations for technical assistance and training to organizations in the study areas that can provide the type of support and encouragement for poor farm families to change their social behaviors toward licit development alternatives. These recommendations will include up to three

organizations to be supported in each study site, the types and amounts of technical assistance and training required over a three year time frame, organizational and community leaders who can serve as counterparts and catalysts in implementing the required interventions.

Names of individuals, including the organizations they represent, who participated in the study.

The Grantee will also present an end of project briefing to USAID. Additionally, IEP will submit to CDIE/DI, Washington, DC 20523-1802 one copy in English of the final report.

#### 4. Financial Reviews

In lieu of an audit, Financial Analysts from USAID/Peru Controller's Office will conduct periodic financial reviews of the Grant.

#### 5. Closeout Procedures

This section prescribes uniform closeout procedures for this Grant.

a. The following definitions shall apply for the purpose of this section:

1) Closeout: The closeout of a Grant is the process by which USAID determines that all applicable administrative actions and all required work of the Grant have been completed by the Grantee and USAID.

2) Date of Completion: The date of completion is the date on which all work under the Grant is completed or the date of the award document, or any supplement or amendment thereto, on which sponsorship ends.

3) Disallowed Costs: Disallowed costs are those charges to a Grant that USAID or its representative determines to be unallowable in accordance with the applicable Federal cost principles or other conditions contained in the Grant.

b. USAID closeout procedures include the following requirements:

1) Upon request, USAID shall make prompt payments to a Grantee for allowable reimbursable costs under the Agreement being closed out.

2) The Grantee shall immediately fund any balance or unobligated (unencumbered) cash that USAID has advanced or paid and that is not authorized to

be retained by the Grantee for use in other Agreements.

3) In the event a final report has not been performed prior to the closeout of the Grant, USAID shall retain the right to recover an appropriate amount after fully considering the recommendations on questioned costs resulting from the financial reviews.

F. Special Provisions

1. As set forth in Attachment 3, all Mandatory Standard Provisions for Non-U.S. Non-governmental Grantees apply to this Grant. Applicable Optional Standard Provisions are indicated on the Checklist.

2. To assist in the implementation of the project, USAID from time to time will issue implementation letters furnishing additional information on requirements regarding matters stated in this Grant. Such letters shall not modify the terms of the Grant.

3. The USAID Project Officer is authorized to issue all approval documents which can clearly and reasonably be considered within the terms of this Grant, as written.

4. The "Rights in Data" provision, attached, forms part of this Grant.

G. Title to Property

Title to property acquired hereunder shall vest in the Grantee, subject to the requirements of Standard Provision of this Grant entitled "Title to and Use of Property (Grantee Title)." Disposition of property shall be in accordance with said optional provision.

H. Authorized Geographic Code

The authorized geographic code under this Grant shall be the United States (000) and Peru (subject to Local Cost Financing Provision).

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## PROGRAM DESCRIPTION

### I. Background

The Alternative Development Project was executed in May 1995 between the Governments of Peru and the United States. The Project supports USAID Peru's "Increased Incomes and Employment of the Poor" Strategic Objective and is the foundation of the USG's program to provide alternative development incentives to the illicit production of coca leaf. The Project's goal is "to reduce coca cultivation in target areas, pursuant to the GOP's National Drug Prevention and Control Plan." The Project will seek to create a viable licit economic environment in coca cultivation areas, so that farmers will shift from a coca-based to a licit, agricultural based economy. The Project is managed by USAID/Peru's Office of Local Government and Alternative Development (OLGAD).

The Project is based on fifteen years' experience of USAID and the GOP in working in rural development activities, involving a wide range of organizations and individuals. However, the project design did not take into account the lack of knowledge of social networks and social behavior of poor coca farmers, who are influenced by organizations that have emerged under the illicit, coca producing economy.

One of many organizations familiar with USAID's development strategy is IEP (Instituto de Estudios Peruanos), a well known Peruvian non-governmental organization dedicated to public debate and research on key development issues of Peru. IEP believes that important social changes need to be brought about to encourage people to change from a well-entrenched, often violent, coca-based economy to an alternative, legal economy. IEP therefore decided to submit an unsolicited proposal to USAID, suggesting a study that would identify possible project interventions to influence the social behavior of project beneficiaries.

Based upon knowledge about USAID's overall development and project strategy, IEP approached USAID on September 1, 1995, with an unsolicited proposal. The objectives of this proposal are to: (1) identify the institutions and social network of narcotrafficking in coca areas; and (2) recommend how a social network could be established that would respect law and order and promote legal economic activities.

- \* The unsolicited IEP proposal is consistent with and would make a significant contribution to the objectives of the Alternative Development Project. Although the Project's design focuses on economic incentives (agriculture research, credit, extension) and social infrastructure (roads, community support

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activities, role of local government), it did not specify a component to analyze the social behavior of poor farmers and the psychological barriers for them to move from a violent, coca-dominated economy to a peaceful, legal alternative economy. This information is vital to plan a strategy, essential for project sustainability, that encourages maximum public participation in project activities, resulting in possible modifications to the project.

- \* IEP's proposed research personnel have established contacts and experience in working with the type of small, rural population centers that would form the basis of the proposed study. They also have many years' field experience. An extensive literature search and review during the design of the project paper for the Project reveals that there has been no similar study undertaken heretofore of the type proposed by IEP.

## II. Project Description

The project consist of:

- \* Selection, in consultation with the USAID Project Manager and based on preliminary interviews in the field, of up to three sites for the study, using such criteria as location in target Project areas, size and influence of population centers, and potential for social mobilization and change. Some suggested sites include Tarapoto, Sisa, Ciudad Constitucion, and Uchiza. Approximate timing: Month One.
- \* Interviews to farmers, "middlemen," merchants, local government officials, representatives of local organizations, students, and other community leaders to determine what are the predominant social behaviors of the Project beneficiaries, what influencing organizational and social networks exist, and the level and sources of their resources, that influence people to engage in economic activities, both illicit and legal. Identify organizations and individuals that can serve as potential agents of change, encouraging poor farmers to participate in legal development alternatives. Approximate timing: Months Two and Three.
- \* Presentation and discussion preliminary findings and reporting format and content with USAID Project Manager and other USAID and INADE Project officials. Approximate timing: End of Month Three.

### III. Objectives

1. Identify and describe the types of organizations and social networks that exist in selected areas of narcotrafficking that are also within the target areas of the Alternative Development Project.
2. Identify who are the leaders of these organizations, how their leadership is determined, maintained, and supported, what resources are available to these organizations, how they influence social behavior, and how these organizations promote their activities within the communities they serve.
3. Identify the potential new organizations and existing organizations that could encourage and support the social behavior involved in the transition of poor farm families from a coca-based to a legal, agriculture-based economy. This transition would include compliance with law enforcement activities and participation in alternative development activities.
4. Recommend technical assistance and training interventions under the Alternative Development Project that would facilitate and support the establishment of a social network and organizational structures to support a transition by poor farm families to alternative development activities.