



AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES AID MISSION TO PERU

C/O AMERICAN EMBASSY

LIMA, 1 PERU

SEP 15 1986

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June 23, 1986

Mr. Miguel Vega Alvear
President
National Confederation of Private Enterprise Institutions
Lima, Perú

Subject: CONFIEP - Private Sector Education, Dialogue, Integration and
Institutional Development
Grant No. 527-0298-G-00-6585-00

Dear Mr. Vega:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby grants to the National Confederation of Private Enterprise Institutions (hereby referred to as "CONFIEP" or "Grantee"), the sum of \$1,000,000 to provide support for a program in Private Sector Policy Planning and Institutional Development, as described in Attachment 1, the Schedule of this grant and Attachment 2, entitled "Program Description". Subject to the availability of funds and to the mutual agreement of the parties to proceed, AID plans to provide an additional amount not to exceed \$1,005,000 to finance the continuation of project activities.

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 June 1, 1986 and ending January 31, 1988.

This grant is made to CONFIEP, on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1, the Schedule, Attachment 2, entitled "Program Description," Attachment 3 entitled "Mandatory Standard Provisions," and Attachment 4 entitled "Optional Standard Provisions" which have been agreed to by your organization.

SCHEDULE

A. Purpose of the Grant

The purpose of this Grant is to provide support to the National Confederation of Private Enterprise Institutions (CONFIEP) in its program of institutional development and promotion of private sector production, investment, savings, exports and employment, and Peruvian economic development in general, as more specifically described in Attachment 2 of this Grant entitled "Program Description".

B. Period of the Grant

1. The effective date of this Grant is the date of its signature. The expiration date of this Grant is May 31, 1990.

2. Funds obligated hereunder are available for program expenditures for the estimated period from June 1, 1986 to January 31, 1988 (including AID approved expenditures which preceded the signing of this Grant Agreement or a total of approximately 20 months of Grant activities), as shown in the Grant Budget below.

C. Amount of Grant and Payment

1. The total estimated amount of this Grant for the period shown in B.1 above is \$2,005,000 (two million five thousand U.S. dollars).

2. AID hereby obligates the amount of \$1,000,000 (one million US dollars) for program expenditures during the period set forth in B.2 above and as shown in the first (1st.) period of the Grant Budget below.

3. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 3 Standard Provision 1 "Payment-Periodic Advance".

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

D. Financial Plan

The following is the Budget for this Grant, including local cost financing items, if authorized. Revisions to this Budget shall be made in accordance with the Standard Provision of this Grant, entitled "Revision of Grant Budget" CONFIEP's contribution to the project is also listed below.

Illustrative Budget
(US \$000's)

Grant Period	<u>1st.</u>	<u>2nd.</u>	<u>3rd.</u>	<u>Total</u>
	06/01/86- 01/31/88	02/01/88- 03/31/89	04/01/89- 05/31/90	
AID Grant	1,000	605	400	2,005
CONFIRP	452	386	545	1,383
Grand Total	1,452	991	945	3,388

1. Obligated Amount - (6/1/86 - 1/31/88)

(\$000's)

a) Institutional Development	593
Personnel	158
Technical Assistance	239
Studies	95
Training	56
Commodities	45
b) Public Education and Informational Exchanges	134
c) Promoting Sectoral Relations	105
d) Developing Regional Chambers	<u>168</u>
Total	1,000

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E. Reporting and Evaluation

1. CONFIEP hereby agrees to provide AID with copies of the following reports and any other reports as AID may deem necessary during project implementation:

a) Comprehensive quarterly performance reports which present findings, conclusions and recommendations on each activity carried out under the Grant during the previous quarter;

b) As needed, reports on problems, delays, or adverse conditions that will materially affect CONFIEP's ability to attain program objectives; prevent the meeting of time schedules and goals; and/or preclude the attainment of project work units by established time periods. Such reports will be accompanied by a statement of the action taken, or contemplated, and any AID assistance needed to resolve the situation;

c) Quarterly Financial Status Report stating amounts of funds received, spent and liquidated in accordance with budget categories as stated in the Annual Implementation Plan (see Attachment 2, Section C. 1); and

d) A twice yearly report on the status (sources, amount and use) of CONFIEP's counterpart contribution to the Project.

2. CONFIEP hereby agrees to monitor the performance of project financed activities and insure that time schedules are being adhered to, project work units by time period are being accomplished, and other performance goals are being achieved. To this end, CONFIEP agrees to participate fully in evaluations and audits carried out by AID.

F. Special Provisions

1. Optional Standard Provisions, Attachment 4, shall apply as follows: Provision 1 "Payment-Periodic Advance;" Provision 3 "Air Travel and Transportation;" Provision 4 "Ocean Shipment of Goods;" Provision 5 "Procurement of Goods and Services;" Provision 6 "Ineligible and Restricted Goods and Services;" Provision 7 "Subagreements;" Provision 8 "Local Cost Financing with U.S. Dollars;" Provision 9 "Publications;" Provision 12 "Participant Training;" Provision 17 "Title to and Use of Property;" and Provision 20 "Cost Sharing."

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PROGRAM DESCRIPTION

A. Purpose of the Grant

The purpose of this Grant is to support the efforts of the Confederacion Nacional de Instituciones Empresariales Privadas (CONFIEP) in achieving the following objectives:

1. promote actions that expand private sector production, investment, savings, exports and employment and, thereby, encourage Peruvian economic growth and development,
2. research, analyze and publicize key problems that are hindering the growth of private enterprise in Peru,
3. carry out public education and information campaigns on actions needed to stimulate private sector production, investment, savings, exports and employment and the important role of private enterprise in Peruvian development,
4. work with the public sector to overcome problems hindering the growth of private enterprise in Peru,
5. facilitate improved cooperation among private sector groups in Peru,
6. promote greater integration and cooperation between the Peruvian formal and informal private sectors and between private associations located in Lima and in the provinces,
7. strengthen private sector associations outside of Lima and encourage their participation in CONFIEP, and
8. develop the technical and institutional capacity of CONFIEP to promote objectives 1-7 on a continuing basis and to become financially self-sufficient by the end of the project.

B. Project Components

As requested in CONFIEP's grant proposal, AID funds may be used to help finance the costs of studies, seminars, educational materials and campaigns, foreign and local technical assistance, research contracts with local universities, training and staff costs and limited commodities needed to develop CONFIEP's institutional capacity. Other expenses may also be eligible for funding to carry out activities in this Grant as mutually agreed to by CONFIEP and AID. All AID and counterpart funding will be described in an Annual Implementation Plan that will be presented to AID for approval prior to disbursement of more than \$100,000 of AID funds.

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As requested by CONFIEP, the following components will be eligible for AID funding:

1. Institutional Development: CONFIEP may utilize AID funds to develop its organizational, administrative and technical capacity to accomplish those objectives outlined above under "Purposes of the Grant". It is agreed that CONFIEP will give priority to preparing studies, publicizing recommendations and conducting public education campaigns about actions needed to expand private sector production, investment, savings, exports, and employment and the vital role of the private sector in Peruvian development. CONFIEP's first Annual Implementation Plan will identify and prioritize those studies and other actions to be undertaken. It is also agreed that CONFIEP will carry out continuous membership drives, fund raising campaigns and strategic planning to increase its financial self-sufficiency for core activities during the life of the project and will have attained full financial self-sufficiency for all core activities when AID funding terminates. (A descriptive listing of CONFIEP's core activities will be submitted to AID along with the Board of Director's resolution as described in Section F.2.a of this attachment).

2. Sectoral and Regional Relations: As proposed in its grant proposal, CONFIEP may utilize AID funds to promote greater integration and cooperation within the private sector (formal, informal, sectoral, regional) and to strengthen private sector associations through: a) providing training and technical assistance for regional and sectoral associations directed at institutional development and promotion of private sector production, investment, savings, exports and employment; b) special studies required by CONFIEP, and its member associations; c) sponsoring publications, conferences, and other actions which promote the development of consensus positions on key private sector problems among sectoral and regional associations; and, d) implementing joint efforts with the Institute for Liberty and Democracy (ILD) and other groups concerned with integrating the formal and informal private sectors.

3. Private Sector-Public Sector Dialogues: As requested by CONFIEP, AID funding may be used to further strengthen dialogues between the private sector and the public sector on key problems that are hindering expansion of private sector production, investment, savings, exports and employment and the growth of the private sector in Peru. To facilitate these dialogues CONFIEP may use AID funds to prepare technical studies and publications. It is also understood that CONFIEP will use AID funds to prepare economic and technical studies that can be presented to Peruvian ministries and officials through regular meetings, conferences and other mechanisms and that can be used to prepare public education campaigns. CONFIEP will employ and/or work with other Peruvian business, academic and research institutions to ensure a high standard of quality and objectivity in all of its studies, publications and recommendations.

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C. Project Implementation and Responsibilities

This project will be implemented by CONFIEP over a period of forty-eight months beginning on June 1, 1986. CONFIEP will:

1. Submit, for AID approval, an Annual Implementation Plan of CONFIEP's grant and counterpart funded activities for a twelve month period. The Annual Implementation Plan will be a detailed monthly description of activities to be accomplished during the period, including specific goals, expected outputs and specific progress benchmarks for each quarter;

2. Hire staff and contract local and foreign technical expertise necessary to implement efficiently project activities and to administer properly Grant funds including the development of:

- a) a department of economic studies;
- b) a department of public education/publications;
- c) a department of membership affairs; and
- d) a financial management and internal control system;

3. Undertake campaigns, studies and other activities that promote and expand private sector production, investment, savings, exports and employment in Peru;

4. To prepare its economic and technical studies, and as appropriate, CONFIEP will contract with private sector research centers in Peru such as la Escuela Superior de Administración de Negocios (ESAN), la Universidad del Pacífico, el Instituto Libertad y Democracia (ILD), etc. and complement these resources with foreign technical experts.

5. Conduct public education programs on the important role of the private sector (both formal and informal) in the development of Peru;

6. Sign a formal agreement with ILD indicating that CONFIEP and ILD will collaborate to promote the integration of the formal and informal private sectors in Peru, and work throughout the project with other appropriate private and public organizations towards this same end;

7. Prepare regular studies, analyses and recommendations that integrate private sector views from the private formal and informal sectors and from Lima-based and regional associations. CONFIEP will publicize the findings and conclusions of these studies, analyses and recommendations and present them in appropriate ways to other private sector organizations, to the general public and to the Government of Peru;

8. Conduct regular project review sessions with AID to discuss:

- a) the status of activities being carried out under the Grant;
- b) problems encountered during Grant implementation;
- c) means for addressing these problems;
- d) progress in developing CONFIEP's institutional capacity and financial self-sufficiency;
- e) status of private sector contributions to CONFIEP and CONFIEP's counterpart contribution to total Project costs; and
- f) other issues mutually agreed upon by CONFIEP and AID.

9. Assure compliance with reporting requirements; (as stated in Attachment 1, "Schedule" Section E) and

10. Participate with AID in all project evaluations, financial reviews, and audits and incorporate into the Project appropriate recommendations resulting from such activities as mutually agreed upon by CONFIEP and AID.

D. Required Accounting Records

CONFIEP hereby agrees to keep separate accounting records for the funds under this Grant, separate and apart from records kept by CONFIEP for any other fund held for similar projects or other purposes.

E. Project Budget and Release of Funds

The proposed Grant budget calls for financing over a period of forty-eight months not to exceed \$2,005,000, subject to the availability of funds, with an initial obligation of \$1,000,000.

Release of funds under this Grant shall be in accordance with Section D, Grant Budget of the Schedule, and Article 1 of Attachment 4, Optional Standard Provisions.

F. Conditions and Covenants

1. Conditions Precedent to Initial Disbursement

Prior to any disbursements or the issuance of commitment documents under the Grant, CONFIEP will submit to AID, in form and substance acceptable to AID, the following:

- a) Evidence that CONFIEP is duly organized and registered in accordance with the laws of Peru; and
- b) Evidence that CONFIEP is recognized as an entity exempt from taxation under the laws of Peru.

2. Conditions Precedent to Disbursements

Prior to any disbursements after the first \$100,000 has been disbursed under this Grant, CONFIEP will submit to AID, in form and substance acceptable to AID, the following:

a) A copy of a CONFIEP Board of Directors' resolution indicating that there will be increasing self-sufficiency for CONFIEP's core activities during the Grant period and full self-sufficiency for core activities when AID financial assistance terminates.

b) The first Annual Implementation Plan which provides expected accomplishments for the period, and the anticipated Project inputs, objectives and specific progress indicators for each quarter. The plan will specify the funding source for all proposed Project activities.

c) Documentation that CONFIEP has developed and is utilizing an improved financial management, internal control and procurement system.

d) A copy of an executed agreement between CONFIEP and ILD which indicates that these organizations plan to collaborate to promote the integration of the formal and informal private sectors in Peru, and describes the general manner in which this will be accomplished.

3) Conditions Precedent to Subsequent Disbursements

Prior to any disbursement or the issuance of commitment documents under the Grant to finance Project activities not contained in the Annual Implementation Plan in effect at the time, CONFIEP will submit to AID, in form and substance acceptable to AID, the following:

a) An amendment to the Implementation Plan currently in effect, or if appropriate, a new Annual Implementation Plan

b) Documentation which indicates that CONFIEP has provided no less than the Project counterpart requirements to date as described in its proposal to AID.

4) Covenants

CONFIEP covenants that it will:

a) Undertake campaigns, studies and other actions that promote and expand private sector investment, production, exports and employment in Peru.

b) Conduct public education programs on the important role of the private sector (both formal and informal) in the development of Peru.

c) Prepare regular studies, analyses and recommendations that integrate private sector views from the private formal and informal sectors and from Lima-based and regional associations. Publicize the findings and conclusions of these studies, analyses and recommendations and present them in appropriate ways to other private sector organizations, to the general public and to the Government of Peru.

d) Work to integrate CONFIEP, sectoral associations and regional associations and strengthen their capacity to promote private sector investment, production, and employment outside of Lima.

e) Work with appropriate private and public organizations to help integrate Peru's large informal private sector into the formal economy of Peru.

f) Implement a fund raising campaign which will lead to increasing CONFIEP revenues from non-AID sources in order that CONFIEP can continue and maintain core project activities when AID funding terminates.

g) Seek additional funding for CONFIEP from local sources and, as appropriate, from other international agencies and/or from friendly countries.

h) Employ the technical and administrative staff needed to develop successfully CONFIEP's institutional and technical capacity and to implement effectively the AID grant.

i) Coordinate CONFIEP activities with other private sector groups being assisted by AID such as Instituto Libertad y Democracia (ILD), Instituto Peruano de Administración de Empresas (IPAE), Escuela Superior de Administración de Negocios (ESAN), Universidad del Pacífico, Universidad de Piura, Acción Comunitaria del Perú, Asociación Promotora de Institutos Tecnológicos Superiores (TECSUP), etc. When appropriate, utilize the research findings and development experiences from these organizations in CONFIEP programs.

j) Conduct regular project review sessions with AID to discuss:
a) the status of activities being carried out under the grant, b) problems encountered in implementing the grant c) means for addressing these problems, d) progress in developing CONFIEP's institutional capacity and financial self-sufficiency, e) status of private sector counterpart contributions to CONFIEP and f) other issues mutually agreed upon by CONFIEP and AID.

k) Participate with AID in all project evaluations, financial reviews, and audits and incorporate into the Project appropriate recommendations resulting from such activities as mutually agreed upon by CONFIEP and AID.

l) Locate, select, contract and purchase all AID-financed project technical assistance, training services and commodities in a competitive manner approved by AID.