

130-46519  
PD-AAU-055

42

AGENCY FOR INTERNATIONAL DEVELOPMENT <b>PROJECT DATA SHEET</b>		1. TRANSACTION CODE <input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number <u>Two</u>	DOCUMENT CODE <u>3</u>
2. COUNTRY/ENTITY <u>PERU</u>		3. PROJECT NUMBER <u>527-0298</u>		
4. BUREAU/OFFICE <u>LAC</u>		5. PROJECT TITLE (maximum 40 characters) <u>PS - Policy Planning &amp; Inst. Dev.</u>		
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY <u>1 2 3 0 9 0 </u>		7. ESTIMATED DATE OF OBLIGATION (Under 'B' below, enter 1, 2, 3, or 4) A. Initial FY <u>85</u> B. Quarter <u>3</u> C. Final FY <u>90</u>		

A. FUNDING SOURCE	FIRST FY 85			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	135	365	500	2,838	3,162	6,000
(Grant)	( 135 )	( 365 )	( 500 )	( 2,838 )	( 3,162 )	( 6,000 )
(Loan)	( - )	( - )	( - )	( - )	( - )	( - )
Other U.S.						
1.						
2.						
Host Country		145	145	-	3,380	3,380
Other Donor(s)						
<b>TOTALS</b>	135	510	645	2,838	6,542	9,380

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SDA	700	800		1,950		1,600		6,000	
(2)									
(3)									
(4)									
<b>TOTALS</b>				1,950		1,600		6,000	

10. SECONDARY TECHNICAL CODES (maximum 5 codes of 3 positions each)					11. SECONDARY PURPOSE CODE				
840	830	890	930	950					
12. SPECIAL CONCERN CODES (maximum 7 codes of 4 positions each)									
A. Code	INTR		RGEN	BU					
B. Amount									

15. PROJECT PURPOSE (maximum 480 characters)

To promote policy dialogue and reform through: 1) the improvement of the institutional capacity, in both the private sector and GOP, to research and analyze key issues of national importance and to engage in constructive policy dialogue on these issues; 2) the institutional organization of the private sector (formal and informal) around key policy issues; and 3) the enhanced understanding of the positive role of private enterprise and its potential economic contributions.

14. SCHEDULED EVALUATIONS				15. SOURCE/ORIGIN OF GOODS AND SERVICES				
Interim	MM YY	MM YY	Final	MM YY	<input checked="" type="checkbox"/> 000	<input type="checkbox"/> 941	<input checked="" type="checkbox"/> Local	<input type="checkbox"/> Other (Specify)

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

This Amendment provides the basis for authorizing the fourth and final component of the Project - the Public Sector Component. The original Project design, purpose and goal remain unchanged.

17. APPROVED BY	Signature <i>[Handwritten Signature]</i>	18. DATE DOCUMENT RECEIVED IN AID/W. OR FOR AID/W. DOCUMENTS, DATE OF DISTRIBUTION
	Title Mission Director	
	Date Signed MM DD YY 0 6 2 7 8 8	MM DD YY

PRIVATE SECTOR  
POLICY PLANNING AND INSTITUTIONAL DEVELOPMENT

(527-0298)

PROJECT PAPER SUPPLEMENT

AUGUST - 1986

## ANNEXES

- I. **GOP Letter of Request for AID Assistance  
GOP Grant Proposal**
  
- II. **Legal Exhibits**
  - A. **Draft Authorization (Total Project)**
  - B. **Project Authorization (ILD)**
  - C. **Project Authorization (CONFIEP)**
  
- III. **Detailed Financial Plans and Schedules of Activities**
  - A. **Economic/Technical Studies**
    - 1. **Unit Cost Estimates**
    - 2. **Technical Assistance**
    - 3. **Schedule of Studies/Cost Estimates**
  
  - B. **Training Program**
    - 1. **Estimated Training Costs**
    - 2. **Schedule of Training Activities/Cost Estimates**
  
  - C. **Publications**
  - D. **Commodities**
  - E. **Seminars/Conferences**

## ACRONYM CHART

BCR	:	Peruvian Central Reserve Bank
CONFIEP	:	Confederation of Private Enterprise Institutions
GOP	:	Government of Peru
ILD	:	Institute of Liberty and Democracy
INP	:	National Planning Institute
MEF	:	Ministry of Economy and Finance

## RECOMMENDATION

It is recommended that a grant be authorized for the public sector component in the amount of US\$1,600,000 of the \$6,000,000 AID contribution for the Private Sector Policy Planning and Institutional Development Project.

### I. SUMMARY

On June 23, 1986 the Project Paper (PP) for the Private Sector Policy Planning and Institutional Development Project (No. 527-0298) was approved. The Project is designed to strengthen the institutional capability, in both the private and public sectors, to analyze Peru's economic situation and formulate appropriate and consistent policy responses to constraints limiting private investment, savings, exports and employment. The design includes activities both to improve the analytical basis for policy decisions and to strengthen key institutions involved in the policy formulation process. The design also provides for activities which improve policy dialogue between and among representative groups of the formal and informal private sectors and public sector policy-making institutions.

The Project consists of four separately implemented, but inter-related components: Informal Private Sector (with the Institute for Liberty and Democracy - ILD); Formal Private Sector (primarily with the Confederation of Private Enterprise Institutions - CONFIEP); Public Sector (principally with the Central Reserve Bank - BCR); and a special component titled Project Guidance and Coordination to support overall project implementation.

To date, funding for all of the above components except the public sector component has been authorized. The PP noted that authorization of this component would await confirmation that the proposed PP design for public sector activities was indeed the most appropriate, after extensive review with the potential policy formulating institutions of the new APRA government. Such a review was not possible before PP approval. This PP Supplement provides the basis for authorizing this remaining component. It builds upon an extensive series of collaborative design discussions between AID and the proposed implementing entities and a specific GOP funding request proposal. Together these have confirmed the appropriateness of the original PP design and basic analyses, and, at the same time, have provided AID with a better understanding of the specific activities, costs and preferred implementation arrangements for this Project component.

Proposed PP Supplement activities include studies to analyze constraints and opportunities for private investment, export promotion, and other key economic issues which affect the private sector; institutional strengthening of selected GOP policy formulation and analysis units, principally within the BCR, the Ministry of Economy and Finance (MEF), and the National Planning Institute (INP) through training, technical assistance and limited commodity procurement; and conferences and seminars to promote policy dialogue both within the GOP and between the GOP and private sector organizations.

AID proposes to negotiate and sign a grant agreement with the Government of Peru, with the BCR serving as the lead implementing entity. It is expected that the activities proposed in this PP Supplement will be implemented over a forty eight month period. As indicated in the Project Paper, and described in the Financial Section of this PP Supplement, the total cost of the public sector component is \$2,500,000, of which AID will contribute \$1,600,000 and the GOP will provide the equivalent of \$900,000 in cash or in-kind counterpart resources. It is expected that AID will initially obligate \$500,000 in FY86 funds under the grant agreement.

The Project Committee recommends that the component be authorized.

## II. BACKGROUND

Peru is presently in the midst of a severe economic crisis characterized by an unmanageable foreign debt, limited growth, high unemployment and underemployment, the threat of hyper-inflation, and little recovery in standards of living. Although external factors such as commodity prices and weather-related disasters have aggravated the situation in recent years, the crisis must be primarily attributed to the development strategy, economic policies and poor economic management of the past two decades.

The principal factor contributing to this crisis has been the large-scale intervention by the State in the economy, particularly since 1968. This intervention can be seen in: the high level of regulation of all aspects of the economy; direct government investment in productive and service enterprises; increasing controls on private economic activity in "exchange" for special incentives or protection for high priority sectors; the emergence of a very large informal economic sector; and, most dramatically, in the very high foreign debt incurred in large measure to help finance the Government's intervention in the economy. In addition, state interventionism has been manifested in an extraordinarily large number of laws and regulations, often contradictory, emanating from many state entities which are not always acting in coordination.

Private savings and investment have declined to very low levels due to this policy environment, obligating the Government to compensate by increasing its own spending. Such spending has mostly been made possible through foreign and domestic borrowing and the expansion of the money supply. However, this has not been sufficiently or adequately targeted and managed to revitalize the economy, address unemployment and low living standards or generate the foreign exchange needed to pay off large debts.

Given the magnitude of requirements in Peru for employment, foreign exchange and improved standards of living, the principal challenges presently facing the country are:

- Stimulating substantially higher levels of new investment in productive activities in order to both generate employment (and

hence improved living standards) and generate the foreign exchange needed to service the foreign debt (once debt servicing is fully reinitiated).

- Mobilizing sufficient internal savings to satisfy investment requirements.

Since the GOP clearly lacks the resources to meet these requirements and, unlike before, can no longer depend on foreign borrowing, it is evident that the Peruvian economy must rely on private sector savings and investment for growth. However, as described in the original PP, the ability of the Peruvian private sector to respond to the challenge is constrained by the existing policy framework. At the same time, the fragmentation of the private sector and its weak institutional capability to research, formulate and promote policies that promote private savings mobilization and productive investment have prevented the institutional leadership within the private sector from assuming a more protagonist role in the design of policy. In order for this situation to change and become more conducive to increased levels of private sector investment, both the GOP's and the private sector's institutional capacity for policy analysis, planning and consensus-building must be strengthened.

In the above context, the Private Sector Policy Planning and Institutional Development Project (PSPP) was designed. Specifically the Project will strengthen the institutional capability, in both the private and public sectors, to analyze Peru's economic situation and formulate appropriate and consistent policy responses to constraints limiting investment and growth. In addition, it will help the private sector (formal and informal) coalesce around key issues of national importance and facilitate a public-private policy dialogue around these issues leading to the removal of the constraints and the promotion of private investment and exports. As such, the Project Paper (PP), which was approved on June 23, 1986, consists of four separate, but related, components:

- 1) Informal Private Sector - Strengthening of the Institute for Liberty and Democracy (ILD) in its efforts to research and document the role of the informal private sector in the Peruvian economy, reduce unnecessary bureaucratic regulations and advocate a policy framework more conducive to investment and "integration" into the formal economy.

- 2) Formal Private Sector - Institutional development of the National Confederation of Private Enterprise Institutions (CONFIEP) and strengthening of the research and analyses capability in the formal private sector (including assistance to sectoral and provincial associations).

- 3) Public Sector - Strengthening the economic policy formulation and analysis capabilities of the GOP's key policy-making entities, interagency coordination among these entities, and dialogue between them and private sector representative organizations.

4) Project Guidance/Coordination - To assure coordination among participants; assure effective Project monitoring, evaluation and regular Project adjustments; help stimulate and focus dialogue on key Project themes; and identify and follow up on opportunities for private investment and export development.

### III. CURRENT PROJECT STATUS

To date, three of the four Project components have been authorized and the private (informal and formal) sector components are under implementation.

	(\$000)		<u>Obligation</u> Amount
	<u>Authorization</u> Amount	Date	
Informal Private Sector	1,200	6/20/85	950
Formal Private Sector	2,005	6/23/86	1,000
Project Guidance/ Coordination	1,195	6/23/86	

The PP stated that the fourth, or the public sector component, would be authorized at a later date, upon a clearer definition of the GOP's policy formulation process, and thus a better understanding of how to best structure the component. This PP Supplement provides the basis for the authorization of the public sector component. The PP Supplement builds on the design framework included in the original PP, on a series of project design discussions between the proposed GOP implementing entities and AID, and on a GOP funding request and proposal submitted to AID (See Annex 1). The principal thrust of this component is to strengthen the appropriate units in the GOP, principally in the Peruvian Central Reserve Bank (BCR), the Ministry of Economy and Finance (MEF), and the National Planning Institute (INP), as the focal points for policy formulation, research and analysis of investment-related issues. Activities within the component include: studies to analyze constraints and opportunities for private investment, export promotion, and other key economic issues which have an impact on private sector growth; institutional strengthening of the GOP policy formulation and analysis units, through such activities as training, technical assistance and commodity procurement; and the promotion of conferences and workshops to facilitate policy dialogue both within the GOP and between the GOP and representative private sector organizations.

### IV. PP SUPPLEMENT DESCRIPTION

#### A. Project Goal and Purpose

As the proposed PP supplement activities are an integral part of the original PP design, the original goal and purpose of the Project remain the same. They are:

Goal - the promotion of economic growth and employment in Peru through the alleviation of policy, institutional and attitudinal constraints



which inhibit expanded private sector investment, production, exports and employment.

Purpose - the promotion of policy dialogue and reform through the improvement of: 1) the institutional capacity of the private sector to research and analyze key issues of national importance and to engage in constructive policy dialogue with the GOP; 2) the institutional organization of the private sector (formal and informal) around key policy issues of broad significance; 3) the institutional capability of the GOP to research and analyze similar policy issues; and 4) the enhanced understanding of the positive role of private enterprise and its potential economic contributions.

B. End-of-Project Status (Public Sector Component)

The Public Sector component of the Project aims to improve the institutional capability of selected institutions in the public sector to formulate and analyze development strategies and policies for stimulating investment and economic growth. Specifically, the conditions that will exist at the end of the Project include the following:

1. Strengthened policy analysis capability within the GOP:

Strengthened analytical and policy coordination and implementation capacities in selected policy analysis units of the BCR, MEF, and INP, allowing them to more effectively serve as key focal points for economic policy research and analysis within the government, particularly on issues related to savings, investment and exports. This capacity will include:

a) A nucleus of trained individuals within the policy analysis units of the BCR, INP, and MEF capable of definition, design, implementation and dissemination of critical policy studies in these areas.

b) Establishment of a stronger analytical information base on constraints to and opportunities for investment and economic growth and the implications of options for changes/modifications of specific policies, laws and regulations to improve the business climate. This will be accomplished by completion of selected policy studies.

2. Strengthened public - private sector policy dialogue focused on how to stimulate investment and economic growth; including:

a) Establishment of regular linkages between the GOP's policy analysis units and representative private sector organizations;

b) Establishment of public-private sector task forces and commissions to study key policy and investment-related issues; and

c) Dissemination of studies and analyses on key issues affecting private sector growth.

### C. PP Supplement Activities

The activities proposed in this PP Supplement are divided into two components, Institutional Strengthening and Dialogue Facilitation. Institutional Strengthening consists of: i) a program of Economic Policy and Technical Studies; ii) Training; and iii) Procurement of Commodities. The Dialogue Facilitation component consists of: i) Seminars and Conferences; and ii) Publications. All the proposed activities are designed to strengthen the coordination, policy analysis and implementation capacities of key policy analysis units within the BCR, MEF and INP in areas relating to private sector investment, savings, export promotion and employment. The activities described below, will enable the implementing entities to more effectively formulate policy options for GOP consideration. Major elements include:

#### 1. Institutional Strengthening: \$1,470,00

##### i) Economic Policy and Technical Studies: \$762,000

This element will enable each of the GOP implementing agencies to conduct a series of high priority studies that analyze specific constraints and opportunities for private sector savings and investment as well as other key economic policy-related issues. The program of studies, to be coordinated by the BCR with AID assistance, will be oriented around the analysis and formulation of appropriate policy responses to investment and growth constraints.

An illustrative list of the study areas follows:

- Analyses of measures to stimulate non-traditional export promotion;
- Improved measures for calculating flows of private sector investment;
- Analyses of key factors affecting private investment decisions in Peru (such as tax structure, labor laws, etc.);
- Measures for linking the informal private sector with established financial networks;
- Methodologies for improving short-term economic projections;
- Measures for establishing a common information base on the resource flows of Peru's financial institutions;
- Sectoral and multisectoral analyses of credit distribution;
- Analyses of the potential for private sector financing of debt payments through trade of traditional exports (counter trade)

Other topics may be included as priorities are refined, results are evaluated, and needs arise among GOP policy-makers. In all cases, however, the studies will be relevant to establishing a more positive policy environment for private sector investment and growth. A detailed cost breakdown of this element is contained in Annex III, Exhibit A. All salary costs of regular employees of the participating institutions will be financed with GOP counterpart resources. Grant funds will finance the cost of additional contracted personnel and a portion of logistical expenses. In some cases the implementing institutions may jointly manage a study. However, it is generally expected that each institution will individually select and manage the studies that are most appropriate and relevant to the mandate of their own institution. It is also expected that the institutions will favor entering into contracts with individual experts for T.A. to help carry out the studies, rather than with consulting or academic institutions.

ii. Training: \$660,000

Up to 6 person years of short term training within the Latin America region and in the U.S. is envisioned, as is approximately 20 person years of longer-term, U.S.-based training. Training will be provided for an estimated total of 58 selected personnel from the BCR, MEF and INP. Short term training, to be made available for approximately 48 individuals, will consist generally of 4 to 6 week courses in a variety of areas relating to savings and investment, tax reform, export promotion, financing policies, economic policy formulation, etc.

It is expected that long term training will permit ten Peruvians to receive Master's level training in areas such as Business Administration, with special emphasis on International Finance, Investment Banking, Economics, Public Policy, etc. A detailed schedule and cost breakdown of all training activities is contained in Annex III, Exhibit B, Sections 1 and 2. It is expected that grant funds will be used to finance such foreign exchange costs as tuition, per diem and domestic travel. While AID intends to finance these costs through the PIO/P mechanism, alternative means of financing may also be considered. GOP counterpart resources will be used to finance such costs as international transportation and salaries. As each implementing entity has their own existing infrastructure for identifying training opportunities, selecting personnel, corresponding with training institutions, etc., it is expected that much of the responsibility for the above actions will rest with each implementing institution, under the overall coordination and supervision of the BCR with guidance and close coordination support from AID. AID will be responsible for processing trainees under this activity. A detailed overall training plan, as part of an Annual Implementation Plan to be approved by AID, will be required before any training is financed under the grant.

iii. Technical Assistance:

Technical assistance (T.A.) will be provided to assist the implementing entities prepare scopes of work for specific studies, carry out the studies program, and identify and prepare an overall training plan. The

costs of local and foreign technical assistance have been included in the component "Economic and Technical Studies". In terms of non-Peruvian T.A., as shown in Annex III, Exhibit A, Section (c), 24 person months of short-term foreign technical assistance has been programmed (\$200,000) over the first three years of implementation. Of this amount approximately 12 person months is expected to be from the U.S.

iv. Procurement: \$108,000

Approximately \$108,000 of selected commodities which support the objective of strengthening the institutional capabilities of the implementing entities, and particularly the implementation of the studies program, will be financed under the grant. The procurement will involve the purchase of approximately 9 mini-computers for the implementing agencies responsible for economic/policy studies. These commodities will then be available to support a continuing program of policy related studies after the project financed studies are completed. An additional \$25,000 will be provided by the GOP to finance needed computer supplies. Annex III, Exhibit D provides a breakdown of the estimated costs. It is expected that AID will procure the computers directly from a U.S. supplier (s).

2. Dialogue Facilitation: \$85,000

In order to improve dialogue, coordination and information sharing among the GOP's policy analysis and formulation entities as well as between these entities and representative private sector associations (\*), a series of seminars and conferences will be conducted, together with a corresponding program of publications.

These dialogue, coordination and information dissemination activities will be oriented around the policy issues under study and scheduled so as to maximize participation and dialogue among public and private sector organizations in the planning and execution of the studies as well as in the dissemination of study results. It is expected that 10 seminars/conferences will be held over a four year period, with 2 in the first year, 3 in both the second and third years and 2 in the fourth year. The financial details for the seminars/conferences and the publication elements are contained in Annex III, Exhibit C and E.

V. PROJECT PAPER SUPPLEMENT ANALYSES

A. General

Subsequent to PP intensive review, the Mission held a series of design discussions with the proposed implementing entities - the BCR, MEF,

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(\*) Such as the Institute for Liberty and Democracy (ILD), the Confederation of National Private Enterprise Institutions (CONFIEP), Regional Chambers of Commerce, etc.

and INP. These collaborative discussions have confirmed that the overall Technical, Economic and Institutional analyses corresponding to the public sector component included in the original PP are valid and that no modifications to these analyses are warranted. The additional review, however, provided a better understanding of the financial programming requirements for this component as well as a more detailed identification of the activities to be carried out. While aggregate budget figures remain as indicated in the financial analysis section of the original PP, the Mission now has a more detailed cost breakdown and implementation schedule for the proposed activities. A modified Financial Analysis follows:

## B. Financial Analysis

The total PP Supplement budget for the Public Sector component is estimated at \$2.50 million, of which AID contributes \$1.6 million and the GOP \$900,000 (see Table 1, Summary Financial Plan and Source and Uses of Funds). It is expected that AID's financial contribution to PP Supplement activities will be disbursed over a four year period beginning in early FY87. Table 2 presents a yearly breakdown of the budget and expenditures by type of activity and by source of funds, both AID grant and recipient counterpart. A schedule of obligation requirements is included in Table 3. It is expected that all PP Supplement expenses will be in local currency except those for commodity procurement and training. As shown in Tables 1 and 2, a total of \$108,000 is estimated for the purchase of commodities or less than 7% of the AID budget. Grant financed training costs amount to \$660,000. As noted in the PP, in order to be able to respond to particular GOP needs and to support USAID's general policy dialogue objectives, it is recognized that the financial plan for this Project component must remain flexible.

## VI. IMPLEMENTATION ARRANGEMENTS

### A. Administrative and Management Arrangements

#### 1. GOP Implementing Agencies

To obligate Project funds under this PP Supplement, one Grant Bilateral Agreement will be required. This Grant Agreement will be negotiated with the BCR as the lead implementing entity with overall responsibilities for management and coordination of all activities financed under the grant. In turn, the BCR plans to enter into subagreements with the MEF and INP. The USAID has experience, particularly with the BCR, the lead implementing entity, the MEF and numerous other GOP agencies in the design and implementation of both loan and grant projects. While AID has generally less experience with the INP, each of these entities are aware of AID financial and contracting requirements and will comply with these requirements. To facilitate implementation (i.e. coordination, financial management and joint planning of activities), the BCR will create a Supervisory Committee composed of one representative member from each the BCR, MEF and INP. An implementation plan detailing activities to be

Table 1  
Summary Financial Plan  
Sources and Uses of Funds

USES	SOURCES		
	AID	HC	Total
1. Institutional Development			
a) Studies	702,000	470,000	1,172,000
b) Training	660,000	220,000	880,000
c) Commodities	108,000	25,000	133,000
d) Office Spcse	-	75,000	75,000
Subtotal	1,470,000	790,000	2,260,000
2. Dialogue Facilitation			
a) Seminars/Conferences/Publicity	60,000	40,000	100,000
b) Publications	25,000	50,000	75,000
Subtotal	85,000	90,000	175,000
3. Contingencies	45,000	20,000	65,000
TOTAL	1,600,000	900,000	2,500,000

Table 2

Estimated Budget and Expenditures by Project Year (PY)  
US\$ (000)

PROGRAM COMPONENTS	PY 1		PY 2		PY 3		PY 4		TOTAL		
	USAID	GOP	USAID	GOP	USAID	GOP	USAID	GOP	USAID	GOP	Total
I. Institutional Development											
a. Studies	306	190	277	197	119	83			702	470	1172
b. Training	90	30	180	60	240	80	150	50	660	220	880
c. Office Space		25		25		25			-	75	75
d. Commodities	108	15		10					108	25	133
<b>SUBTOTAL INSTITUTIONAL SUPPORT</b>	<b>504</b>	<b>260</b>	<b>457</b>	<b>292</b>	<b>359</b>	<b>188</b>	<b>150</b>	<b>50</b>	<b>1472</b>	<b>790</b>	<b>2260</b>
II. Facilitation Dialogue											
a. Meeting Conferences/Publicity	12	8	18	12	18	12	12	8	60	40	100
b. Publications	2	4	13	28	7	14	3	4	25	50	75
<b>SUBTOTAL FACILITATING DIALOGUE</b>	<b>14</b>	<b>12</b>	<b>31</b>	<b>40</b>	<b>25</b>	<b>26</b>	<b>15</b>	<b>12</b>	<b>85</b>	<b>90</b>	<b>175</b>
<b>TOTAL PUBLIC SECTOR</b>	<b>518</b>	<b>272</b>	<b>488</b>	<b>332</b>	<b>384</b>	<b>219</b>	<b>165</b>	<b>62</b>	<b>1555</b>	<b>880</b>	<b>2435</b>
III. Contingencies									45	20	65
<b>TOTAL</b>									<b>1600</b>	<b>900</b>	<b>2500</b>

Table 3

Obligation of  
AID Grant Funds by FY  
US\$ (000)

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	FY	FY	FY	FY	FY	Total
	86	87	88	89	90	
Public Sector (BCR)	500	300	500	300	-	1,600

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This table represents the planned obligation schedule.



accomplished, benchmarks and budgetary requirements, etc. will be provided to USAID annually for review and approval in order to provide the basis for AID commitment of resources.

## 2. USAID

AID management of PP Supplement activities will be provided through the Project Guidance and Coordination component of the Project, which was authorized on June 23, 1986. This component provides resources to hire a Project Coordinator and deputy. The individuals who occupy these positions are crucial to the success of the Project, and will be directly contracted by USAID as soon as possible to familiarize themselves with the scope of the Project and its role within AID's overall program. They will help insure that all the institutions involved in the Project stay on target with their activities and maximize their effectiveness. Finally, the Guidance and Coordination component also provides funds for a formal audit, financial reviews and evaluations.

### B. Project Methods of Financing

Table 3, Methods of Implementation and Financing, outlines the planned methods of implementation and financing for PP Supplement activities. No deviation from A.I.D. established disbursement procedures is anticipated. These procedures will be transmitted through Implementation Letter(s).

TABLE 4  
METHODS OF IMPLEMENTATION AND FINANCING

BUDGET ITEM AND METHOD OF IMPLEMENTATION *	METHOD OF FINANCING	BUDGET ESTIMATED (\$000)
1. Economic and Technical Studies Implementing Agency Contracts	Direct Payment	702
2. Training AID Direct Contract	Direct Payment	660
3. Commodities AID Direct Contract	Direct Payment	108
4. Conferences/Seminars Implementing Agency Contracts	Direct Payment	60
5. Publications Implementing Agency Contracts	Direct Payment	25
7. Contingencies		<u>45</u>
	TOTAL AID INPUTS:	1,600

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\* While as noted above only training and commodities are expected to be implemented through direct A.I.D. contracts, AID may consider using additional direct contracting if requested by the BCR and if appropriate.

## C. Procurement Procedures

### 1. Source and Origin of Commodities, and Nationality of Services

In accordance with the Project's underlying flexibility and desire to use the institutional and policy dialogue/formulation experiences of countries in the free world (particularly Mexico, Argentina, Colombia, and Venezuela), the following illustrative waiver may be requested during Project implementation when no suppliers from either the US or Peru can provide the required services and/or training. These waivers will be analyzed and justified on a transactional level at the time they are requested.

A.I.D. source and origin regulations will be waived to permit the procurement of up to \$300,000 for training (\$225,000), and technical assistance (\$75,000) from countries included in AID Geographic Code 941.

All other standard AID requirements and grant language will be used in the negotiation and obligation of Project funds.

### 2. Procurement

Procurement of Project goods and services will be the responsibility of USAID and the GOP. These include training; studies; technical assistance; commodities; seminars and conferences; and publications. As shown in Table 4, it is expected that all PP Supplement activities, except training and commodity purchases, will be procured directly by the BCR and the other implementing entities, except as AID may otherwise agree in writing, using competitive practices approved by USAID. The AID Project Coordinator and his/her deputy provided under the original PP authorization as indicated above, will assist the GOP as required in the procurement process.

The audit and evaluations scheduled in the original PP will be carried out by outside contractors contracted directly by the USAID. A total of \$195,000 has already been allocated and authorized for audits and evaluations under the Guidance and Coordination component (See Section VII, below).

## D. IMPLEMENTATION PLAN

An organizational structure indicating lines of communication and responsibility are shown in Figure 4 (page 67) of the original PP. A Project Implementation Schedule is contained in Figure 1 of this PP Supplement. The principal tasks required to insure that PP Supplement Activities get underway in a timely and efficient manner following Project Authorization are described below:

1) Negotiate grant agreement: A bilateral grant agreement will be negotiated with the GOP. Separate grant agreements have already been signed with ILD and CONFIEP. Recommended Conditions Precedent and covenants are described under Section VII. 1, "Negotiating Status" of this document.

2) AID Contracting of the Project Coordinator and his/her deputy.

3) Development and approval by AID of the BCR's initial implementation plan, including detailed programs, including quarterly benchmarks and cost estimates, for all activities proposed during the first year of implementation. (See following sections on Conditions Precedent and Covenants).



## VII. EVALUATION, AUDIT AND FINANCIAL SERVICES

The evaluation and monitoring plans included in the original PP for all of the four Project components, including the public sector component, remain up to date and complete. Therefore no further elaboration of these plans is included in this PP Supplement. Funding is provided in the Project Guidance and Coordination component of the Project for a formal audit, financial services, and evaluations which cover all four Project components.

## VIII. NEGOTIATING STATUS, CONDITIONS PRECEDENT AND COVENANTS

### 1. Negotiating Status

USAID is prepared to negotiate a bilateral grant agreement with the GOP and obligate the first increment of \$500,000. Extensive discussions have taken place with the BCR, MEF and INP covering all aspects of this PP Supplement. As the proposed lead implementing entity, the BCR submitted a grant request proposal to the USAID on August 18, 1986 which, in combination with the analyses in this PP Supplement and the original PP, will serve as the basis for the bilateral agreement. The proposed Conditions Precedent and Covenants for the agreement, which are described below, have been discussed with the BCR, MEF and INP.

### 2. Conditions Precedent to Initial Disbursement

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

i) Evidence that a full time Project Supervisor has been appointed by the BCR.

ii) Evidence that the BCR has established a Supervisory Project Committee composed of one representative from each the BCR, MEF and INP for the purpose of facilitating decision-making and for the coordination and joint planning of the activities financed under the agreement.

iii) Evidence that mechanisms and procedures have been established for the financial management of Project funds.

### 3. Conditions Precedent to Disbursements

Prior to any disbursements beyond the first \$50,000 disbursed under this Grant, the grantee will submit to AID, in form and substance acceptable to AID, the following:

i) The first Annual Implementation Plan which provides a detailed plan of activities, particularly for the first quarter, for each element of the Project, including specific progress indicators. The plan will specify funding requirements on a quarterly basis and indicate the funding sources and primary implementing entity(ies) for all proposed activities.

4) Covenants

The BCR covenants that it will:

i) Coordinate and carry out a program of economic and technical studies, including analyses and recommendations, that are oriented towards the promotion of private sector investment, savings, exports, and employment.

ii) Coordinate BCR activities with those of the MEF, INP and other government entities, as appropriate, as well as with representative private sector organizations.

iii) Coordinate and carry out a program of seminars and conferences both to disseminate study results and to improve dialogue among the GOP's policy-making agencies and between these agencies and private sector organizations.

iv) 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) the status of GOP counterpart contributions under the grant; and e) other issues mutually agreed upon by the BCR and AID.

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

vi) Locate, select, contract and purchase all AID-financed technical assistance services for this Project componet, except as AID may otherwise agree in writing, in a competitive manner approved by AID.

ANNEX I

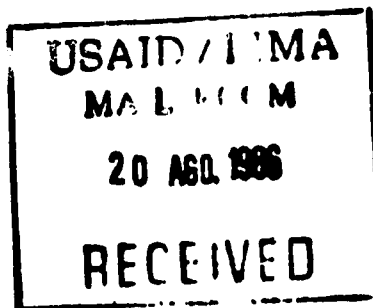
- GOP Grant Proposal



# BANCO CENTRAL DE RESERVA DEL PERU

GG-215-86

Lima, 18 de agosto de 1986



*Que date 8/28*

Señor  
 JOHN SAMBRAILO  
 Director de la Agencia Internacional para el  
 Desarrollo - AID  
 Avda. España 386  
 Presente.-

**ACTION COPY**

APPROVAL TAKEN: *MAN*

*Incluye el plan P/Supl. cont.*

DATE: *8/29/86*

INITIALS: *DS*

De mi consideración:

Me dirijo a usted, con el propósito de manifestarle que el Banco Central de Reserva, en coordinación con el Ministerio de Economía y Finanzas y el Instituto Nacional de Planificación, tienen el propósito de llevar a cabo un programa de investigación y capacitación. El objetivo de este programa es fortalecer la base analítica que posibilite la identificación y solución de los principales factores que limitan el mejor desenvolvimiento de la actividad económica privada.

En este contexto y en función a las coordinaciones efectuadas previamente, solicito que su institución nos apoye en la tarea de obtener los fondos necesarios para llevar a cabo el referido programa.

En el anexo 1 se presenta la propuesta del proyecto en forma detallada, en el anexo 2 se muestra el costo total del proyecto desagregado en lo que sería el monto a financiar por la AID y la contrapartida nacional correspondiente.

Atentamente,

*[Signature]*  
 HECTOR NEYRA C.R.  
 Gerente - General

ACTION: *DR Day fed*

Info: *CO*

*D Out*

*PRSC*

*24*

PROGRAMA DE TECNIFICACION Y APOYO INSTITUCIONAL PARA CAPACITACION

INVESTIGACION E INFORMATICA

BCR - MEF - INP

I. PROPOSITO

Facilitar y mejorar el proceso de programación y administración económica y financiera del BCR, MEF e INP, como organismos de de cisión de política económica, tendientes a alcanzar los siguien tes logros:

- a) Incrementar la inversión, producción, exportación y empleo en el sector privado a través de una mejor planificación económica y fortalecimiento del BCR - MEF - INP.
- b) Mejorar el diálogo técnico entre las organizaciones que participan en la planificación económica del gobierno peruano (BCR, MEF e INP) y las organizaciones representativas del sector privado acerca de las acciones y políticas necesarias para incrementar la inversión, la producción, las exportaciones y el empleo en el Perú.

II. PROBLEMATICA DE LA GESTION BCR - MEF - INP

1. Para los años 1986-1990, el crecimiento de la economía peruana deberá basarse en un sólido proceso de reactivación de los sectores productivos, para lo cual deberán generarse las condiciones necesarias para este fin, como son:
  - Aumento del ahorro interno tanto público como privado.
  - Asignación adecuada de los recursos existentes hacia proyec tos de inversión prioritarios.
  - Mayor generación y/o ahorro de divisas de parte del sector productivo.
2. El proceso de reactivación mencionado tiene como uno de sus requisitos la mejor gestión tanto individual como conjunta del BCR, MEF e INP como instituciones que participan en la elaboración y ejecución de los planes económicos de corto, me diano y largo plazo.

Un elemento considerado importante en esta gestión es el de promover estudios de investigación que permitan profundizar en los problemas que afectan el crecimiento de la producción y el uso eficiente del ahorro generado. Asimismo, debe promoverse la capacitación técnica y académica de los funcionarios que apoyan el proceso de toma de decisiones.

En este sentido, las instituciones mencionadas proponen elaborar un programa que esté orientado a superar en orden de prioridad las siguientes limitaciones:

- i. Carencia de estudios sistemáticos sobre los factores determinantes de la actividad económica privada.
- ii. Ausencia de mecanismos orientados a promover un proceso continuo de consulta y coordinación con el sector privado.
- iii. Escasez de personal calificado para el desempeño de labores de programación y desarrollo en el MEF e INP.
- iv. Escasez de personal calificado para desempeñar cargos directivos y/o gerenciales.

### III. ESTRATEGIA DE SOLUCION

1. En base a la problemática descrita en el punto anterior, el BCR, el MEF y el INP, planean en el futuro inmediato implementar un programa de investigación y de capacitación que incida en el fortalecimiento de una base analítica que posibilite la identificación, cuestionamiento y solución de los principales factores que limitan el mejor desenvolvimiento de la actividad económica privada (tales como ahorro, inversiones, promoción de exportaciones, tributación).

Este programa comprenderá:

- a) Ejecución de proyectos de investigación que posibiliten en el corto plazo la adopción de políticas conducentes al mejor desempeño económico y financiero de la actividad privada.

b) Apoyo a la realización de Conferencias y Seminarios Taller con la participación de funcionarios de las organizaciones representativas de los sectores público y privado que tengan como objetivo la difusión y discusión de los resultados de las investigaciones planteadas en el punto a).

c) Inversión en capital humano, la que consistirá en el apoyo a cursos de perfeccionamiento, capacitación técnica y programa de estudios de post-grado, tanto en centros superiores de enseñanza del país y/o del extranjero, así como en organizaciones extranjeras vinculadas al sector público.

2. Para llevar a cabo el programa arriba mencionado, los organismos involucrados requerirán agenciarse de los recursos necesarios de una manera continua. Sin embargo, en las circunstancias actuales en que el mejor desempeño del sector público requiere de una mayor eficiencia en la asignación de gastos y de una mejor administración de los recursos financieros existentes, se hace necesario recurrir a otras fuentes de financiamiento.

#### IV. PROPUESTA DE PROGRAMA

Los objetivos del programa serán los siguientes:

a. Implementación de estudios que permitan un mejor acercamiento a la problemática de la actividad privada, lo cual redundará en mejores acciones de política económica.

Entre estos estudios de una manera ilustrativa cabe mencionar:

- Programa Integral de Promoción de Exportaciones No Tradicionales.
- Diseño de una Central de Riesgos Financieros.
- Análisis del Sistema Financiero Informal.
- Análisis de los determinantes de la inversión privada.
- Evaluación económica de la carga tributaria por sectores.
- Evaluación económica del crédito sectorial.
- Diseño de metodología de indicadores adelantados de la -

actividad económica.

- Evaluación del potencial del sector privado para efectuar el servicio de la deuda externa con productos peruanos - no tradicionales.
- b. Tecnificación de áreas relevantes en la adopción de decisiones, con el objetivo de optimizar el proceso presupuestal a fin de contribuir a una asignación y administración más eficiente de los recursos de la economía.
- c. Apoyo de programas de estudios de perfeccionamiento en centros superiores del país y/o del extranjero, así como de programas de capacitación técnica.

#### V. IMPLEMENTACION DEL PROYECTO

1. Para la implementación del proyecto se constituirá un fondo cuyas fuentes de financiamiento serán:
  - a) Donación de la Agencia para el Desarrollo Internacional del Gobierno de los Estados Unidos de Norteamérica (AID).
  - b) Contrapartida nacional aportada por las instituciones - participantes (BCR, MEF, INP).
2. Los recursos de este fondo podrán ser utilizados únicamente para cubrir los siguientes conceptos:
  - a) Trabajos de investigación en tópicos relacionados con -- los objetivos de este proyecto, sea en forma directa o a través de convenios con centros nacionales de investigación o universidades nacionales.
  - b) Realización de Conferencias y Seminarios Taller.
  - c) Cursos de perfeccionamiento en centros superiores de enseñanza del país y/o del extranjero.
  - d) Programas y/o cursos de capacitación técnica.
  - e) Servicios de Asesoría Técnica.

Para la utilización del fondo deberá cumplirse las normas - administrativas precisadas en las cartas de ejecución.
3. La duración del proyecto en su primera etapa será de 4 años, contados a partir de la fecha en que se firme el convenio.
4. Los recursos provenientes de la contrapartida nacional serán utilizados tal como se detalla en el anexo 2.

5. Cada una de las instituciones participantes podrá utilizar hasta la tercera parte de los recursos del fondo, durante el periodo de vigencia del convenio.
6. Los aportes del AID serán desembolsados trimestralmente en función de los planes operativos con cargo al fondo por cada una de las instituciones participantes. Estos aportes serán íntegramente depositados en una cuenta especial que para tal fin creará el Banco Central de Reserva del Perú, el cual actuará como agente fiduciario del fondo.
7. El Banco Central de Reserva proveerá la infraestructura necesaria para poder efectuar el control financiero de la utilización del fondo. Paralelamente se constituirá un Comité Supervisor del Convenio, integrado por un representante de cada institución participante, que aprobará la utilización de los recursos y será el encargado de la rendición de cuentas y fiscalizará el destino de los fondos.

\*\*\*\*\*

ANEXO 2

COSTO TOTAL DEL PROYECTO

(Miles US\$)

RUBROS	AID	PERU	TOTAL
Estudios	702	470	1,172
Capacitación	660	200	880
Bienes	108	25	133
Alquiler	-	75	75
Seminarios y Conferencias	60	40	100
Publicaciones	25	65	90
Otros	<u>45</u>	<u>5</u>	<u>50</u>
TOTAL =====	1,600 =====	900 ===	2,500 =====

ANEXO 2a: COSTO TOTAL POR AÑO

(Miles US\$)

RUBROS	Año 1		Año 2		Año 3		Año 4		TOTAL		TOTAL
	AID	PERU	AID	PERU	AID	PERU	AID	PERU	AID	PERU	
Estudios	306	190	277	197	119	83	--	--	702	470	1172
Capacitación	90	30	180	60	240	80	150	50	660	220	880
Bienes	108	15	--	10	--	--	--	--	108	25	133
Alquiler Oficina	--	25	--	25	--	25	--	--	--	75	75
Seminarios/Conferencias	12	8	18	12	18	12	12	8	60	40	100
Publicaciones	2	4	13	35	7	19	3	7	25	65	90
Otros	--	--	--	--	--	--	--	--	45	5	50
TOTAL									1600	900	2500
=====									=====	====	=====

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ANNEX II

- Exhibit A (Draft Project Authorization - Total Project)  
Exhibit B (Project Authorization - ILD)  
Exhibit C (Project Authorization - CONFIEP)

PROJECT AUTHORIZATION  
(Amendment No. 2)

Name of Country: PERU

Name of Project: Private Sector Policy  
Planning and Institutional  
Development

Number of Project: 527-298

Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, the Informal Private Sector Component of the Private Sector Policy Planning and Institutional Development Project for Peru was authorized on June 20, 1985. The authorization was amended on June 23, 1986 to add the Formal Private Sector Component and the Project Guidance and Coordination Component to the same project. That authorization, as amended, is hereby deleted and the following is substituted in lieu thereof:

"1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Private Sector Policy Planning and Institutional Development Project for Peru (the "Cooperating Country") involving planned obligations of not to exceed Six Million United States Dollars (US\$6,000,000) in grant funds (the "Grant") as follows:

- Informal Private Sector Component - \$1,200,000 over a thirty-month period from the date of authorization (June 20, 1985);

- Formal Private Sector Component and Project Guidance and Coordination Component - \$3,200,000 over a fifty-four month period from date of authorization (June 23, 1986); and

- Public Sector Component - \$1,600,000 over a forty-eight month period from date of authorization (August , 1986).

All planned obligations are subject to the availability of funds in accordance with the A.I.D. OYB/allotment process. Funds will be used to help in financing foreign exchange and local currency costs for the project. The planned life of the project is sixty-six months from date of initial obligation.

2. The project has been designed to promote policy dialogue and reform through: (1) the improvement of the institutional capacity, in both the private sector and GOP, to research and analyze key issues of national importance and to engage in constructive policy dialogue on these issues; (2) the institutional organization of the private sector (formal and informal) around key policy issues; and (3) the enhanced understanding of the positive role of private enterprise and its potential economic contributions.

3. The Project Agreement(s), which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Commodities, Nationality of Services

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

b. Conditions Precedent to Disbursement

ILD

(1) Conditions Precedent to Disbursement for Project Activities After December 31, 1985

Prior to any disbursement or the issuance of commitment documents under this Amendment to finance project activities after December 31, 1985, ILD will publish and initiate distribution of the book it is preparing on the informal sector, which will contain the results of ILD's work to date.

(2) Conditions Precedent to Disbursement for Project Activities for CY 1986

At least two months prior to any disbursement or the issuance of commitment documents under this Amendment to finance project activities for CY 1986, ILD will submit to A.I.D.:

(a) An approved detailed workplan for CY 1986 which clearly establishes expected accomplishments for the Grant period, goals, expected outputs, and specific benchmarks.

(b) A listing of all other (non-A.I.D.) financial support, by grantor, that ILD has received to further the objectives of the Grant, along with a brief description of the specific purposes of such support and the time period over which it will be utilized. Non-A.I.D. support will equal at least 46% of total financial needs for the period.

(3) Conditions Precedent to Disbursements for Project Activities for CY 1987

At least two months prior to any disbursement or the issuance of commitment documents under this Amendment to finance project activities for CY 1987, ILD will submit to A.I.D.:

(a) An approved detailed workplan for CY 1987 which clearly establishes expected accomplishments for the Grant period, goals, expected outputs, and specific benchmarks.

(b) A listing of all other (non-A.I.D.) financial support, by grantor, that ILD has received to further the objectives of the Grant, along with a brief description of the specific purposes of such support and the time period over which it will be utilized. Non-A.I.D. support will be equal to at least 70% of total financial needs for the period.

CONFIEP

(1) Conditions Precedent to Initial Disbursement

Prior to any disbursement or the issuance of commitment documents under this Amendment, CONFIEP will submit to A.I.D., in form and substance acceptable to A.I.D., 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 or the issuance of commitment documents after the first \$100,000 has been disbursed under this Amendment, CONFIEP will submit to A.I.D., in form and substance acceptable to A.I.D., 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 A.I.D. 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.

(3) Conditions Precedent to Subsequent Disbursements

Prior to any disbursement or the issuance of commitment documents under the Amendment to finance Project activities not contained in the Annual Implementation Plan in effect at that time, CONFIEP will submit to A.I.D., in form and substance acceptable to A.I.D., 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 A.I.D.

GOP

(1) Conditions Precedent to Initial Disbursement

Prior to any disbursement or the issuance of commitment documents under this Amendment, the GOP will submit to A.I.D., in form and substance acceptable to A.I.D., the following:

(a) Evidence that a full time Project Supervisor has been appointed by the BCR;

(b) Evidence that the BCR has established a Supervisory Project Committee composed of one representative from each the BCR, MEF and INP for the purpose of facilitating decision-making and for the coordination and joint planning of the activities financed under the agreement; and

(c) Evidence that mechanisms and procedures have been established for the financial management of project funds.

(2) Conditions Precedent to Disbursements

Prior to any disbursements beyond the first \$50,000 disbursed under this Amendment, or to the issuance by A.I.D. of documentation pursuant to which disbursements will be made, the GOP will submit to A.I.D., in form and substance acceptable to A.I.D., the following:

(a) An Implementation Plan for the first year which provides a detailed plan of activities, particularly for the first quarter, for each element of the Project, including specific progress indicators. The plan will specify funding requirements on a quarterly basis and indicate the funding sources and primary implementing entity(ies) for all proposed activities.

c. Covenants

CONFIEP

CONFIEP covenants that it will:

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

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

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

(4) Coordinate CONFIEP activities with other private sector groups being assisted by A.I.D. 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.

(5) Locate, select, contract and purchase all A.I.D.-financed project technical assistance, training services and commodities in a competitive manner approved by A.I.D.

GOP

The GOP covenants that except as A.I.D. may otherwise agree in writing:

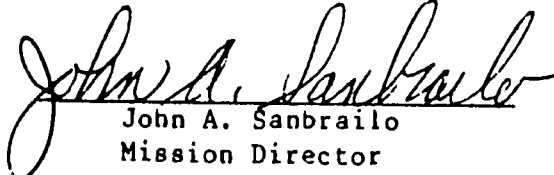
(1) The BCR will coordinate and carry out a program of economic and technical studies, including analyses and recommendations, that are oriented towards the promotion of private sector investment, savings, exports and employment.

(2) The BCR will coordinate its activities under the Project with those of the MEF, INP and other government entities, as appropriate, as well as with representative private sector organizations.

(3) The BCR will coordinate and carry out a program of seminars and conferences both to disseminate study results and improve dialogue among the GOP's economic planning agencies and between these agencies and private sector organizations.

(4) The BCR will conduct regular Project review sessions with A.I.D. to discuss: (a) the status of activities being carried out under the Project, (b) problems encountered in implementing the Project, (c) means for addressing these problems, (d) the status of GOP counterpart contributions under the Project, and (e) other issues mutually agreed upon by the BCR and A.I.D.

(5) The BCR will participate with A.I.D. in all project evaluations, financial reviews and audits and incorporate recommendations resulting from such activities into the project as mutually agreed upon by the BCR and A.I.D.

  
John A. Sanbrailo  
Mission Director

8/27/86  
Date

PROJECT AUTHORIZATION

Name of Country : PERU

Name of Project: Private Sector Policy  
Planning and Institutional Development

Number of Project: 527-0298

Grant Number : 527-0298-G-00-5123-00

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Informal Private Sector component of the Private Sector Policy Planning and Institutional Development Project for Peru involving planned obligations of not to exceed One Million Two Hundred Thousand United States Dollars (\$1,200,000) in grant funds ("Grant") over a two and one half year period from date of authorization, subject to the availability of funds; in accordance with the A.I.D. OYS/allotment process, to help in financing foreign exchange and local currency costs for the project component. The planned life of the project component is thirty months from the date of initial obligation. The component being authorized is part of a larger project, totalling approximately \$6.0 million which will include activities with the formal private sector to assist it to become a more effective policy analysis and lobbying force, and with the GOP to strengthen its capacity for making coherent, timely, and informed judgements concerning policy formation.

2. The project (component) consists of grant assistance to a Peruvian private sector entity to enhance its capacity to perform policy analysis and promote policy reform. The component will be implemented through a Specific Support Grant to the Institute for Liberty and Democracy (ILD) in the amount of \$1.2 million. The Grant will support a continuation and expansion of ILD's research on the informal sector, focusing on the legal and regulatory framework and actions to alter this.

3. The Project 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 major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

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

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

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-2-

b. Conditions Precedent to Disbursement (ILD)

(1) Condition Precedent to Disbursement for Project Activities After December 31, 1985

Prior to any disbursement or the issuance of commitment documents under this Grant to finance project activities after December 31, 1985, ILD will publish and initiate distribution of the book it is preparing on the informal sector, which will contain the results of ILD's work to date.

(2) Conditions Precedent to Disbursement for Project Activities for CY 1986

At least two months prior to any disbursement or the issuance of commitment documents under this Grant to finance project activities for CY 1986, ILD will submit to AID:

(a) An approved detailed workplan for CY 1986 which clearly establishes expected accomplishments for the Grant period, goals, expected outputs, and specific benchmarks.

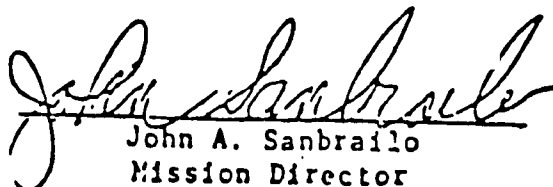
(b) A listing of all other (non-AID) financial support, by grantor, that ILD has received to further the objectives of the Grant, along with a brief description of the specific purposes of such support and the time period over which it will be utilized. Non-AID support will equal at least 46% of total financial needs for the period.

(3) Conditions Precedent to Disbursements for Project Activities for CY 1987

At least two months prior to any disbursement or the issuance of commitment documents under this Grant to finance project activities for CY 1987, ILD will submit to AID:

(a) An approved detailed workplan for CY 1987 which clearly establishes expected accomplishments for the Grant period, goals, expected outputs, and specific benchmarks.

(b) A listing of all other (non-AID) financial support, by grantor, that ILD has received to further the objectives of the Grant, along with a brief description of the specific purposes of such support and the time period over which it will be utilized. Non-AID support will be equal to at least 70% of total financial needs for the period.

  
John A. Sanbrailo  
Mission Director

June 20, 1985

Date

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a) Conditions Precedent to Initial Disbursement

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

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

b) Conditions Precedent to Disbursements

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

i. 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.

ii. 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.

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

c) Conditions Precedent to Subsequent Disbursements

Prior to any disbursement or the issuance of commitment documents under the Amendment 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:

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

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

d) Covenants

CONFIEP covenants that it will:

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

ii. 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.

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

iv. 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 Pacifico, 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.

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

4. Except as specifically amended or modified herein, the terms and conditions of the Authorization remain in full force and effort.

Mission Director

6/23/86  
Date

ANNEX III

Detailed Financial Plans & Schedules of Activities

Exhibit A	-	Economic/Technical Studies
Exhibit B	-	Training
Exhibit C	-	Publications
Exhibit D	-	Commodities
Exhibit E	-	Seminars/Conferences

A. ECONOMIC/TECHNICAL STUDIES

1. Cost Estimates:

a) Long Term: 6 Studies, each requiring 12 Calendar months of effort

Unit Study Cost Estimate  
 (\$)

Item	Quantity	Unit Cost/ Month	Total Cost/ Month	Total Cost 12 Months
i) Personnel				
- Team Leader	1	3,000	3,000	36,000
- Tech.Experts	2	2,000	4,000	48,000
- Assistants	1	800	800	9,600
- Other	1	400	400	4,800
Subtotal		\$6,200	\$8,200	\$98,400
ii) Logistics (14% of subtotal)		--	--	\$13,600
iii) Total Cost/Study				\$112,000
iv) Total Cost of 6 Studies (\$112,000 x 6)				\$672,000* =====

b) Short Term: 10 Studies, each requiring 4 months (calendar) of effort

Unit Study Cost Estimate  
 (\$)

Item	Quantity	Unit Cost/ Month	Total Cost/ Month	Total Cost 4 Months
i) Personnel				
- Team Leader	1	3,000	3,000	12,000
- Tech.Experts	1	1,500	1,500	6,000
- Assistants	2	800	1,600	6,400
- Other	1	400	400	1,600
Subtotal		\$5,700	\$6,500	\$26,000
ii) Logistics (15% of subtotal)		--	--	\$4,000
iii) Total Cost/Study				\$30,000
iv) Total Cost for 10 Studies (\$30,000 x 10)				\$300,000* =====

\* These costs represent both the AID and the GOP contribution to the Economic/Technical Study component.

c) Foreign Short Term Technical Assistance (24 person months required)\*

i) Monthly Cost

Professional	\$250/day x 20 days	\$5,000
Per Diem	\$60/day x 30 days	1,800
Transportation	1 RT	<u>1,500</u>
		\$8,300

ii) 24 Month Cost

\$8,300 x 24 months \$200,000

d) Total Cost of Economic/Technical Studies

i) Long Term Studies	\$672,000
ii) Short Term Studies	300,000
iii) Foreign T.A.	<u>200,000</u>
Total	\$1,172,000 =====

\*Approximately 12 person months (50%) of the U.S. technical expertise and 12 person months (50%) of non-Peruvian Latin American expertise. Peruvian expertise is included 1.(a) and (b).

2. SCHEDULE OF STUDIES AND CORRESPONDING EXPENDITURE ESTIMATES\*

	Project Year (PY)									
	PY 1		PY 2		PY 3		PY 4		TOTAL	
	No.**	(\$)	No.	(\$)	No.	(\$)	No.	(\$)	No.	(\$)
<u>Long Term</u>										
- BCR	2	(224)	0		0	--	0	--	2	(224)
- MEF	1	(112)	1	(112)	0	--	0	--	2	(224)
- INP	0	--	1	(112)	1	(112)	0	--	2	(224)
<u>Short Term</u>										
- BCR	0	--	3	(90)	2	(60)	0	--	5	(150)
- MEF	0	--	2	(60)	0	--	0	--	2	(60)
- INP	2	(60)	1	(30)	0	--	0	--	3	(90)
Subtotal	5	(396)	8	(404)	3	(172)			16	(972)
Foreign T.A.		(100)		(70)		(30)				(200)
Total	5	(496)	8	(474)	3	(202)			16	(1,172)

\* These figures are based on the cost estimates of "A.1. above  
 \*\* No. of Studies

ANNEX III  
EXHIBIT B

B. TRAINING PROGRAM

1. Estimated Training Costs

Short Term Requirements

- 12 courses/year over 4 years at an average total course cost of \$10,000  
 12 courses/year x 4 years x \$10,000/year course \$480,000  
 (Assumes each course is for 4-6 weeks)

Long Term Requirements

- 10 Masters' degrees (2 years) at \$20,000 /year:  
 10 people x 2 years x \$20,000/year \$400,000

Total Cost of Long and Short Term  
 (\$480,000 + \$400,000) \$880,000

2. SCHEDULE OF TRAINING AND CORRESPONDING EXPENDITURE ESTIMATES\*  
 (\$000)

TOTAL	PY 1		PY 2		PY 3		PY 4		No.	(\$)
	No.	(\$)	No.	(\$)	No.	(\$)	No.	(\$)		
<u>Long Term</u>										
- BCR	0		6	(120)	10**	(200)	4***	(80)	10	(400)
- MEF	0									
- INP										
<u>Short Term</u>										
- BCR	0									
- MEF	6	(60)	6	(60)	6	(60)	6	(60)	24	(240)
- INP	6	(60)	6	(60)	6	(60)	6	(60)	24	(240)
		(120)		(240)		(320)			58	(880)

\* Assumes Course Duration - Short term of 4-6 weeks

\*\* Includes 6 persons from previous year

\*\*\* Includes 4 persons from previous year



C. ESTIMATED PUBLICATION COSTS

- \$8,000 for each Long Term Study x 6 Studies	\$48,000
- \$2,700 for each Short Term Study x 10 Studies	27,000
- Total Publications Costs:	75,000
- AID \$25,000	
- GOP \$50,000	

D. ESTIMATED COMMODITY COST

Each Institution will receive 3 Personal Computers (PC) at an estimated unit cost of \$12,000:	\$133,000
- 9 PCs x \$12,000 = \$108,000 (AID)	
- Supplies = \$25,000 (GOP)	

E. ESTIMATED SEMINARS AND CONFERENCES COSTS

It is expected that 10 seminars/conferences will be held over a four year period with each costing approximately \$10,000 for a total cost of \$100,000 (\$60,000 - AID AND \$40,000 - GOP). 2 in the first year; 3 in the second and third years; and 2 in the fourth year.