

ISN-1795
PD-AAL-006

5170136/44

AIFLD
OPG

U. S. AID MISSION TO DOMINICAN REPUBLIC
AMERICAN EMBASSY
SANTO DOMINGO, DOMINICAN REPUBLIC



FOR U. S. CORRESPONDENTS
U. S. AID MISSION
SANTO DOMINGO
DEPARTMENT OF STATE
WASHINGTON D. C. 20521

MAR 29 1979

Mr. Z. Joseph Campos
Country Program Director
American Institute for Free Labor Development
Leopoldo Navarro #20
Santo Domingo, D.N.

Subject: Operational Program Grant No. 517-0136

Dear Mr. Campos:

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 American Institute for Free Labor Development (hereinafter referred to as A.I.F.L.D. or "Grantee") the sum of \$100,000.00 to provide support for a credit and marketing program as more fully described in Attachment "A" of this Grant entitled "Program Description".

This Grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Grantee in furtherance of program objectives during the period March 1979 through February 1980. This Grant is made to A.I.F.L.D. on the condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachments "A", entitled "Program Description", and "B", entitled "Standard Provisions", which have been agreed to by your organization.

Please sign the Statement of Assurance of Compliance, enclosed herein, and the original and seven (7) copies of this letter to acknowledge your acceptance of the conditions under which these funds have been granted.

Please return the Statement of Assurance of Compliance and the original and six (6) copies of this Grant to the Grantor.

Sincerely yours,



Patrick F. Morris
Director

Attachments:

"A" - "Program Description"

"B" - "Standard Provisions"

ACCEPTED:

BY: *P. F. Morris*

TITLE: COUNTRY PROGRAM DIRECTOR/DR

DATE: MARCH 29, 1979

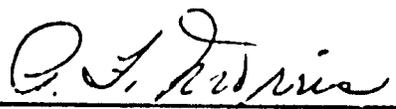
PROJECT AUTHORIZATION

NAME OF COUNTRY/ENTITY: Dominican Republic/American Institute for
Free Labor Development (AIFLD)
NAME OF PROJECT : Agricultural Marketing and Credit Administration
NUMBER OF PROJECT : 517-0136

Pursuant to Part I, Chapter 1, Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Grant to the AIFLD of not to exceed one hundred thousand United States dollars (US\$100,000) to help in financing certain foreign exchange and local currency costs of goods and services required for the project as described in the following paragraph.

The purpose of the project is to develop the administrative and operational capability of the Federación Nacional Agraria Campesina (FENAC) to the end of providing a variety of essential and currently unavailable agricultural services to a large segment of the lower-income rural population. The projects components will include:
(a) the streamlining of the existing production credit delivery system;
(b) the development of an independent, self-sustaining marketing system;
(c) an expansion of the Federation's present programs in technical assistance.

Goods and services financed by AID under the Project shall have their source and origin in the Dominican Republic or in the United States except as AID may otherwise agree in writing (ocean shipping financed under the Grant shall be procured in the United States).

Signature: 

Patrick F. Morris
Director USAID/DR

ATTACHMENT A

PROGRAM DESCRIPTION

A. Purpose of the Grant

The purpose of this Grant is to provide an expanded variety and volume of agricultural services to small farmer members of affiliates of FENAC.

FENAC is the local counterpart organization of AIFLD. The Grant will allow AIFLD to support FENAC as described in AIFLD's Operational Program Grant Proposal of September 12, 1978, which is made a part hereof.

B. Specific Objectives

1. General Administration

The project is designed to strengthen FENAC's administrative capability, through the hiring of a full-time professional Manager, responsible for the implementation and coordination of the essential agricultural services, whether provided directly by the Federation, as in the case of marketing, or indirectly, as in the case of production credit. The Manager will enjoy the support of a team of accountants, field para-technicians, an agronomist and other operating personnel, who will provide the financial and administrative expertise required to manage funds, execute the Federation's service programs, train members in their new roles within the organization, and promote new groups in areas with development potential.

2. Production Credit System Reorganization

A vital component of the project is the reorganization of the present production credit delivery system, around a greater administrative role for the associations. Individual groups must be trained to perform the time-consuming, non-technical tasks, currently handled by SEA and RA employees, such as elaboration of work plans, rudimentary credit analysis, disbursements and collections of funds.

To achieve this objective, the Federation must implement an intensive training program, to form and capacitate credit and supervisory committees in each of its 42 associations.

3. Marketing Services

The third component of the project is the creation of a cooperative marketing program. This service, already initiated on a small scale with the aid of an AIFLD RRLF loan, would permit members to market their crops through the Federation, as opposed to through intermediaries, as is the present practice, thus allowing them to capture a greater share of the benefits of their production. The general strategy will be to advance "créditos de pignoración" to members for 50% of the value of the crop delivered, the balance being paid them upon liquidation. To sustain and expand this program in its early stages, FENAC will require salary support for additional operating personnel, as well as donations of capital for the purchase of essential equipment. Major infrastructure investments, however, will be postponed until the project's economic viability has been "fire tested", and will be financed through loans as opposed to grants.

4. Executive Committee and Para-Technicians ("Activistas") Training Program

In order to make informed decisions regarding the present and future direction of FENAC and its affiliates, the elected leadership must have a basic understanding of how an agricultural business operates. While the professional management will be charged with the day-to-day operations of the organization, it is the Executive Committee, which must approve all major loans and investments and judge whether these are in the best interest of their constituents. They must also learn to recognize employee incompetence or malfeasance, as well as indications that the organization is in financial difficulty. To do this, they must be conversant with the general language of finance, i.e., they must be able to read balance sheets, income statements and other figures, which serve as indices of the financial health of the organization.

The objective of the Executive Committee Training Program is to develop a capability within the FENAC leadership for setting broad policy objectives in the areas of agri-business management, finance and personnel administration, as well as developing their competence to monitor the organization's progress towards these objectives. To achieve this objective, an intensive training program must be carried out to expose the Executive Committee members to general principles of business management, simplified bookkeeping, and other related areas.

One of the cardinal assets of the Federation is its team of para-technicians, or "Activistas". The Federation plans to add a minimum of six more over the coming three year period, two of whom will be female. To achieve this objective, as well as to impart new skills to the present cadre of para-technicians, the Federation must sponsor a higher-level training program in the areas of agronomy, basic investment/yield economics, financial management, project design and planning, educational methodology, and other technical areas encountered in the course of the "Activistas" daily routine.

5. Equipment

The project budget also includes an allowance for the equipment, required to set up two regional offices and to provide motorized transportation for the Manager, the Regional Administrator, and the "Activistas".

C. Implementation Plan

FENAC will be concerned primarily with the re-tooling of its administrative structure, to accommodate a larger volume of services in both production and credit marketing. Additional personnel will be contracted, office and warehouse space rented, and essential commodities and vehicles purchased. The Manager will prepare financial statements describing the first six months' operations, for presentation to the Banco Agrícola, to the end of securing loans of additional working capital. The training program will take a more practical turn, as the association level committees (credit, supervisory, etc.) become functional and cooperate more closely with the field personnel of the Crédito Supervisado Program.

FENAC will begin to borrow significant amounts of working capital for its marketing program from the Banco Agrícola. In the area of production credit, several of the more advanced associations will be graduated from the Crédito Supervisado Program to a "line of credit" type of borrowing under the auspices of the Banco Agrícola.

1. Accounting

A full-time accountant is to be hired by FENAC and will be charged with managing the Federation's accounting system. An outside consulting firm is presently being contracted to set up a combination cost-accounting information system to insure that all parties involved have access to the reports, vouchers and data they require. For auditing purposes, all OPG receipts and disbursements will be entered in a separate ledger account in the Federation body entitled "OPG".

The AIFLD/DR CPD will record receipts and disbursements from the grant in a separate ledger account entitled "OPG".

2. Control

The formal records of the user of the grant funds will be kept on the books of the Federation. These books, and all documentation corresponding to the grant-related transactions, will be reviewed in a monthly basis by the Social Projects Officer of AIFLD/DR, who is directly responsible to the AIFLD Country Director. In the event of any irregularities the AIFLD CPD will be notified immediately, and further disbursement from the AIFLD/OPG account suspended. Should any irregularities remain outstanding at the close of a 90-day period, the CPD will request AID to postpone disbursement until the problem is resolved.

3. Contacts and Responsibilities

a. AIFLD Country Director - Responsibilities

- 1) Approves and submits of quarterly reports to AID.
- 2) Submission of disbursement/replenishment requests to AID.
- 3) Receive all disbursements from AID.
- 4) Sign all checks drawn on AIFLD/OPG account.
- 5) Authorize monthly reviews of FENAC's books.
- 6) Approves hiring of all personnel funded under grant.

b. AIFLD Social Projects Officer - Responsibilities

- 1) Assists in preparation of quarterly reports.
- 2) Oversees work of Program Administrator.
- 3) Advise Secretary General and Executive Committee.
- 4) Performs monthly reviews of FENAC books.

c. Project Administrator - Responsibilities

- 1) Prepares quarterly reports.
- 2) Co-signs all withdrawals from FENAC OPG account.
- 3) Supervises work of all professional and para-professional employees.
- 4) Hires all personnel with approval of AIFLD CPD and FENAC executive board.

d. Secretary General - Responsibilities

- 1) Co-signs all withdrawals from FENAC OPG accounts.
- 2) Assists in preparation of quarterly reports.
- 3) Assists in overseeing of all Federation employees (including Project Administration).
- 4) Interviews and assists in hiring of all Federation employees.

e. Executive Committee - Various

- 1) Assists in preparation of quarterly reports.
- 2) Approves all hiring.
- 3) Approves all disbursements requests.

f. AIFLD Agriculture Projects Officer - Responsibilities

- 1) Agricultural technical assistance.
- 2) Liaison with SEA and BA personnel on the field.

g. Activistas - Various

- 1) Promotion of new groups.
- 2) Education.
- 3) Administration duties.

h. Accountant - Responsibilities

- 1) Internal audit.
- 2) Bookkeeping.
- 3) Financial statements.

i. Other Involved - AIFLD

Development Program Director

- 1) Periodic TDY.

Program Officer

- 1) Project design.
- 2) Periodic TDY.

Agrarian Union Development Service Director

- 1) Leadership training.
- 2) Agricultural TDY.

Regional Director - Central American & Caribbean

- 1) Organizing and promotion.

D. Evaluation Bench Marks

Program Goal:

per farmer

Fifteen percent increase/ in average gross income from agriculture and related activities.

February	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
	1,200	1,260	1,320	1,380

1. Production Credit Programization

a. Percent loans received late.

February	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
	85%	75%	50%	25%

b. Average trips required to negotiate loans.

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
	5.3	4.0	3.0	1.0

c. Average cost of negotiating loan.

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
	\$11	\$10	\$7	\$5

d. Percent members using institutional credit.

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
	45%	60%	75%	90%

e. Number of associations receiving group loans from BA.

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
	18	25	30	50

f. Number of associations with unsupervised lines of credit.

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
	0	10	25	50

g. Total loan volume (\$000).

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
	500	600	750	1,000

2. Marketing System

a. Volume marketed through FENAC.

<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
65,000	500,000	1,000,000	2,500,000

b. Net revenues.*

<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
1,900	15,000	45,000	175,000

* Net of Direct Costs. Does not take into account indirect subsidized costs.

c. Percent of Indirect Cost coverage.

<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
0	25%	50%	100%

d. Membership capitalization.*

<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
14,000	20,000	50,000	75,000

* At Federation and association levels.

3. Expansion of On-going Program

a. Number of dues paying members.

<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
1,600	2,000	2,500	3,000

b. Number of beneficiaries.

<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
8,000	10,000	12,500	15,000

c. Number of "Activistas".

<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
4	6	8	10

d. Number of promoters.

<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
25	75	150	250

e. Number of female "Activistas".

<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
0	0	1	2

4. Training Program

a. Members capable of reading and interpreting financial statements.

<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
0	10	20	40

b. Members capable of exercising system of control and vigilance over professional employees.

<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
0	10	20	40

c. Members capable of evaluating investment alternatives and other economic opportunities open to the Federation.

<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
0	0	10	20

d. "Activistas" capable of performing and/or supervising administrative functions in all operational areas.

<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
0	2	4	10

5. General Administration

a. Percent of working capital secured through loans from national and international credit institutions.

<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
0	50%	75%	90%

b. Management functions performed without outside assistance.**1979**

Balance Sheet
Income Statement
Bookkeeping

1981

Investment Analysis
Financial Management

1980

Budgeting
Short Term Planning
Internal Audit
Cash Flow

1982

LR Planning
Personnel
Member Education
External T.A. Contracting

E. BudgetAIFLD/FENAC 90-Day Request

<u>Personnel</u>	<u>Month</u>	<u>90-Day</u>	<u>US\$</u>	<u>Local</u>	<u>Total</u>
Administrator	633	1,900			
Accountant	300	900			
Driver	150	450			
Secretary	150	450			
Messenger	60	180			
Warehouse Clerks (4)	480	1,440			
Warehouse Workers (8)	720	2,160			
Total Personnel				7,480	7,480
<u>Training</u>					
3 one-week Promotional Courses		3,100			
3 one-week Administrative Courses		4,000			
4 one-day Workshops		2,000			
2 three-day Seminars		1,000			
Total Training				10,700	10,700
<u>Commodities</u>					
Vehicles and Equipment		23,200			
Total Commodities			19,000	4,200	23,200
<u>Other Costs</u>					
Travel and Per Diem		1,350			
Fuel and Maintenance		1,350			
Registration and Insurance		330			
Employee Bonding		525			
Materials and Supplies		2,750			
Telephone and Communications		750			
Utilities and Rent (Office)		300			
Consulting		1,350	1,350		
Storage Costs		1,155			
Total Other Costs			1,350	8,010	9,360
TOTALS			20,350	30,390	50,740

AIFLD/FENAC - 1st. Year Budget, FY-1979/FY-1980

<u>Personnel</u>	<u>Month</u>	<u>Local \$</u>	<u>US\$</u>
Administrator	633	7,596	
Accountant	300	3,600	
Driver	150	1,800	
Secretary	150	1,800	
Messenger	60	720	
Warehouse Clerks (4)	480	5,760	
Warehouse Workers (8)	720(6 mos.)	<u>4,320</u>	
Total Personnel		25,596	
<u>Training</u>			
6 one-week Promotional Courses		6,200	
6 one-week Administrative Courses		8,000	
3 one-day Workshops		4,000	
6 three-day Seminars		<u>3,000</u>	
Total Training		21,200	
<u>Commodities</u>			
Vehicles			19,000
Office Equipment		<u>4,200</u>	
Total Commodities		4,200	19,000 (23,200)
<u>Other Costs</u>			
Travel and Per Diem	450	5,400	
Fuel and Maintenance	450	5,400	
Registration and Insurance	110	1,320	
Employee Bonding	175	2,100	
Materials and Supplies	250	3,000	
Telephone and Communications	130	1,560	
Utilities and Rent (Office)	200	1,200	
Consulting	450		5,400
Storage Costs	385	<u>4,620</u>	
Total Other Costs		24,600	5,400 (30,000)
TOTALS		75,596	24,400 (99,996)

F. Reporting

At quarterly intervals after the signature of the Grant, the Grantee will submit reports summarizing program activities, progress towards the Grant purpose, objectives and implementation plan, problems encountered, steps toward their solution, and plans for the next quarter. After the third quarterly report and during the 4th quarter of the Grant, the Mission will perform a project evaluation which will focus on the degree of progress made towards the achievement of the Evaluation Benchmarks.