

AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

ORIGINAL

SEP 30 1985

Mr. William C. Doherty, Jr.  
Executive Director  
American Institute for  
Free Labor Development  
1015 Twentieth Street, N.W.  
Washington, D.C. 20036

Subject: Grant No. LAC-0057-G-SS-5131-00

Dear Mr. Doherty:

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 provides to the American Institute for Free Labor Development (hereinafter referred to as "AIFLD" or "Grantee") the sum of Five Hundred Fourteen Thousand Dollars (\$514,000) in support of a project entitled Small Farmer Support Service in Ecuador, as more fully described in the Attachment 1 of this grant entitled Schedule and the Attachment 2, entitled Program Description.

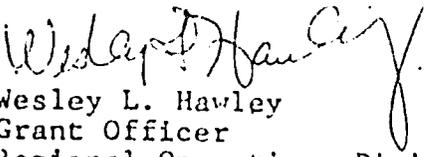
This grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Grantee in furtherance of program objectives through the estimated completion date of June 30, 1988. Funds disbursed by AID but uncommitted by the Grantee at the expiration of this period shall be refunded to A.I.D.

The total estimated amount of the program is \$1,247,966, of which AID's total estimated cost will be \$811,587. It is understood and agreed that the additional cost of \$436,380 will be cost-shared by AIFLD and/or other sources. AID shall not be liable for reimbursing the Grantee for any costs in excess of the obligated amount of \$514,000. However, subject to the availability of funds, and program priorities at the time, AID may provide additional funds during the grant period up to a maximum of \$297,586. It is anticipated that the obligated amount will be sufficient through September 30, 1986.

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

Please acknowledge receipt and acceptance of this grant by signing all copies of this Cover Letter, retaining one set for your files, and returning the remaining copies to the undersigned.

Sincerely yours,

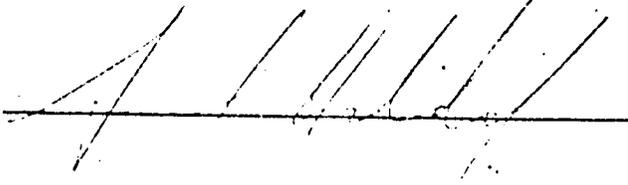
  
Wesley L. Hawley  
Grant Officer  
Regional Operations Division-LAC  
Office of Contract Management

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions

ACKNOWLEDGED:

American Institute for Free Labor Development

BY: 

TYPED NAME: Samuel Haddad

TITLE: Deputy Executive Director

DATE: November 20, 1985

FISCAL DATA

PIO/T No.: 512-0057-3-50076  
Appropriation No.: 72-1151021.3  
Budget Plan Code: LDAA-85-25518-AG13  
This Obligation : \$ 514,000  
Total Estimated AID Share: \$ 811,586  
AIFLD's Share: \$ 436,380  
Total Program Cost: \$1,247,966  
E.I. No.: 52-074718  
Technical Office: LAC/DP/SD  
Funding Source: M/FM/PAFD  
DUNS No.: 074806654

ATTACHMENT 1

SCHEDULE

A. Purpose of Grant

The purpose of this grant is to provide support for a project entitled Small Farmer Support Service in Ecuador, as more specifically described in Attachment 2 to this grant entitled "Program Description."

B. Period of Grant

1. The effective date of this grant is the signature date on the cover letter and the estimated completion date is June 30, 1988.

2. Funds obligated hereunder are available for program expenditures for the estimated period September 30, 1985 to September 30, 1986, as shown in the Financial Plan below.

C. Amount of Grant and Payment

1. The total estimated government amount of this grant for the period shown in B.1. above is \$ \$11,586. It is understood that an additional amount of \$436,380 will be cost shared by the Grantee, bringing the total program cost to \$1,247,966.

2. AID hereby obligates the amount of \$514,000 for program expenditures during the period set forth in B.2. above and as shown in the Financial Plan below.

3. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 3 - Standard Provision No. 7A entitled "Payment - Letter of Credit (August 1984).

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

D. Financial Plan

The following is the Financial Plan for this grant. The Grantee may not exceed the total estimated amount or the obligated amount, whichever is less (see Part C above). Except

as specified in the Standard Provision of this grant entitled "Revision of Financial Plans", as shown in Attachment 3, the Grantee may adjust line item amounts within the grand total as may be reasonably necessary for the attainment of program objectives.

<u>Category</u>	<u>Budget</u>		
	<u>Total Estimated Cost</u>		
	<u>AID's Share</u>	<u>AIFLD's Share</u>	<u>Grand Total</u>
1. General Administration			
Salaries	\$ 78,367	\$ -0-	\$ 78,367
Commodities	18,000	-0-	18,000
Other Direct Costs	25,860	29,748	55,608
Miscellaneous	-0-	22,796	22,796
Subtotal	<u>\$122,227</u>	<u>\$ 52,544</u>	<u>\$ 174,771</u>
2. Promotion and Education.			
Salaries	\$119,148	\$ -0-	\$ 119,148
Commodities	35,500	-0-	35,500
Education	38,396	33,100	71,496
Other Direct Costs	9,780	9,537	19,317
Miscellaneous	-0-	36,752	36,752
Subtotal	<u>\$202,824</u>	<u>\$ 79,389</u>	<u>\$ 282,213</u>
3. Credit and Technical Assistance			
Salaries	\$265,730	\$ -0-	\$ 265,730
Commodities	23,000	-0-	23,000
Other Direct Costs	47,805	48,741	96,546
Working Capital	150,000	200,000	350,000
Miscellaneous	-0-	55,706	55,706
Subtotal	<u>\$486,535</u>	<u>\$304,447</u>	<u>\$ 790,982</u>
Grand Total	<u>\$811,586</u>	<u>\$436,380</u>	<u>\$1,247,966</u>

2. Notwithstanding the effective date of this grant, and subject to the Standard Provision entitled "Allowable Costs and Payment (Other than Educational Institutions)," costs incurred on or after July 1, 1985, shall be eligible for reimbursement hereunder. Such costs are included in the Financial Plan shown above.

E. Reporting

1. Financial Reporting

a. Financial reporting requirements shall be in accordance with the Standard Provision of this grant entitled "Payment - Letter of Credit (August, 1984)", as shown in Attachment 3.

b. The original and two copies of all financial reports shall be submitted to AID, Office of Financial Management, Program Accounting and Finance Division (FM/PAFD), Washington, D.C. 20523. In addition, three copies of all financial reports shall be submitted to the Technical Office specified in the Cover Letter of this grant.

2. Program Performance Reporting

a. The Grantee shall submit quarterly program performance reports, and a final report, which briefly presents the following information:

(1) A comparison of actual accomplishments with the goals established for the period, the findings of the investigator, or both. If the output of programs or projects can be readily quantified, such quantitative data should be related to cost data for computation of unit costs.

(2) Reasons why established goals were not met.

(3) Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

b. Between the required performance reporting dates, events may occur that have significant impact upon the program. In such instances, the Grantee shall inform AID as soon as the following types of conditions become known:

(1) Problems, delays, or adverse conditions that will materially affect the ability to attain program objectives, prevent the meeting of time schedules and goals, or preclude the attainment of project work units by established time periods. This disclosure shall be accompanied by a statement of the action taken, or contemplated, and any AID assistance needed to resolve the situation.

(2) Favorable developments or events that enable time schedules to be met sooner than anticipated or more work units to be produced than originally projected.

c. If any performance review conducted by the Grantee discloses the need for change in the budget estimates in accordance with the criteria established in the Standard Provision of this grant entitled "Revision of Financial Plans", the Grantee shall submit a request for budget revision.

d. Five copies of each program performance report shall be submitted to the Technical Office specified in the Cover Letter of this grant.

### 3. Special Reports

The Grantee shall provide special reports as requested by the AID Grant Officer, the AID/W Project Officer, LAC/EP/SD, or the USAID/Ecuador.

### F. Indirect Cost Rates

AID and AIFLD are working to establish a separate overhead rate agreement to be applied to OPGs. Once this rate is established, it will be retroactive to the signature date on the cover letter of this grant.

### G. Special Provisions

1. For the purposes of this grant, references to "OMB Circular A-122" [A-21 for educational institutions] in the Standard Provisions of this grant shall include the AID implementation of such Circular, as set forth in subpart 731.7 [731.3 for educational institutions] of the AID Acquisition Regulations (AIDAR) (41 CFR Chapter 7).

2. With respect to any credit program carried out under this grant, the Grantee will, to the extent feasible, charge positive real interest rates, and the interest rate charged will in no case be less than that charged for similar types of credit by Ecuador's National Development Bank (BNF).

### H. Alterations and Additions to Standard Provisions:

1. Delete the following Standard Provisions:

- a. Provision 5A : Negotiated Overhead Rates - Predetermined
- b. Provision 7B : Payment - Periodic Advance

- c. Provision 7C : Payment - Reimbursement
- d. Provision 10A : Procurement of Goods and Services Under \$250,000
- e. Provision 13B : Title to and Care of Property (U.S. Gov't Title)
- f. Provision 13C : Title to and Care of Property (Cooperating Country Title)

2. The Standard Provisions of this grant are hereby amended to include the attached Alterations in Grant dated November 1984.

PROGRAM DESCRIPTION

OPERATIONAL PROGRAM GRANT PROPOSAL FOR ECUADOR  
AGRARIAN DEVELOPMENT OF CAMPESINO ORGANIZATIONS:  
SUMMARY PROJECT DESCRIPTION \*

A. Purpose of the Grant

The purpose of the proposed OPG is to develop and modernize the administrative and technical capacities of two Regional Agrarian Campesino Federations \*\* in order to provide essential agricultural services to marginal small farmers in Ecuador; and to promote the development of an autonomous small farmer movement in Ecuador committed to democratic values and practices.

B. Beneficiaries

The principal beneficiaries of the proposed Grant will be those small farmers in Esmeraldas and Manabi Provinces who receive neither credit from the national banking system nor technical and social services from government agencies.

C. Specific Components

1. General Administration

The project will strengthen the administrative capacity of the two Regional Federations by providing a full-time General Administrator to manage the project funds and supervise implementation; a Lawyer to assist farmers attempting to obtain credit and titles to their land; and two Accountants to introduce and supervise accounting systems and expenditure controls among the associations affiliated with the two Regional Federations.

The full project statement in Spanish was reviewed and approved (without funding) by USAID/Ecuador. It is available on request.

La Federación de Trabajadores Agrícolas Autónomas de Esmeraldas and La Federación Provincial de Trabajadores Libres de Manabi.

## 2. Production Credit and Technical Assistance

The Production Credit and Technical Assistance components of the proposed OPG will provide impoverished farmers with the credit and technical assistance necessary to increase production and to provide a profitable return on their investment. By participating in the program, farmers will receive services from an OPG-funded marketing coordinator, agronomists, and paratechnicians and they will be establishing a credit history with the National Development Bank (BNF).

The Grant will permit the Project Commission responsible for managing the OPG to negotiate a US\$350,000 line of credit with the BNF. The Federations will provide U.S.\$150,000.00 (the USAID contribution) and the BNF US\$ 200,000.00. Preliminary negotiations have already produced a document stating the Fund's objectives and how the BNF through its branches will administer the Fund.

Credit will be available to farmers who have no more than three hectares, lack government services, are willing to comply with the requirements of supervised credit and technical assistance, and have not previously received credit from the national banking system. In the first year, the beneficiaries will receive production credit for one (1) hectare; the second year for two hectares and the third year for up to three hectares if performance and need so justify.

Eligible farmers will receive a maximum credit of US\$250 equivalent, to be repaid to the BNF with 16% interest annually. (Interest charged for loans will be divided among the BNF and the two Regional Federations in proportion to the financial participation of each in the credit program.) Each participating farmer will be required to pay an additional 4% annually which the BNF will deposit in a personal savings account.

With a credit level of US\$250,000, about 1500 affiliates, or heads of household, can be serviced, resulting in approximately 9000 beneficiaries for the life of the project.

Initially, the credit component will extend production loans to 16 associations in Esmeraldas and Manabí Provinces; as experience is acquired, credit will be extended to additional associations. Personnel designated by the BNF will supervise the credit by means of periodic visits to farmers with loans and by providing technical assistance as needed.

Farmers who receive credit will also receive technical assistance for the use of new technology packages, including planting systems, improved seeds, and the use of fertilizers, fungicides, etc. One of the principal means of technology transfer will be for Agronomists and Paratechnicians to establish demonstration plots in cooperation with the beneficiaries.

OPG/Ecuador

Additional support is to be provided by various government agencies, including the Ministry of Agriculture, the National Institute for Farmers' Training, and the National Institute for Agricultural Experimentation. The technologies to be used in the two regions have been previously tested at local sites and will be applied in a practical manner through the "Learn-by-Doing" method. The crops, patterns of production, soils, environmental conditions and farm-level expertise vary between the two regions. However, the technology packages to be used have been systematically adapted and refined to the local conditions of the different micro-environments where the project will be implemented.

The principal objective of the technical assistance and credit is to generate higher incomes for the participant small farmers by increasing per hectare production by about 40%, while assuring better and more stable prices for their products through the creation of more direct links between production and existing markets, thereby diminishing the present almost total dependence on intermediaries.

### 3. Promotion and Education

The Promotion and Education component is designed to encourage farmers to organize and maintain effective democratic associations and to improve the economic and social conditions of their members. Promotion is to be undertaken by 10 trained Activists from farm families in the local project areas and directed by a General Coordinator. Activists will not only encourage farmers to organize associations but also serve as the links between the associations and government agencies responsible for promoting small-scale rural enterprises and community development.

The adult education will be provided by two full-time instructors on two levels. On the local level, instructors will offer seminars to new members on the objectives of the farmer associations and Federations, rights and obligations of members, principles of free trade unionism, modern agricultural production practices and how to participate in the credit and marketing program funded by the OPG. Women will also be offered seminars on handicrafts, family gardens, food preservation, and organizing cooperatives. On the national level, instructors will offer seminars to senior staff of organizations involved in the OPG with respect to the program's objectives, procedures and the responsibilities of each participant. In addition, instructors will teach participants to recognize problems affecting small-scale farmers, to develop skills for planning, to read and interpret financial reports, and to establish policies and procedures for credit and marketing activities.

The proposed Grant will be to the American Institute for Free Labor Development (AIFLD) which will monitor program implementation. AIFLD will provide technical assistance and supervision through a full-time technical advisor for the duration of the OPG.

AIFLD will disburse program funds to the Regional Federations in monthly allotments. Funds will be maintained in a bank account established exclusively for this program. The program's Executive Unit will submit quarterly budgets, monthly reports and quarterly reports to AIFLD; and AIFLD in turn will submit quarterly reports on the management of funds and progress of the project to the USAID.

2. Project Management

a. OPG Commission

Oversight of the OPG is to be undertaken by an OPG Commission composed of representatives of AIFLD, the two Regional Federations and the General (Project) Administrator of the program. The Commission's responsibilities will be as follows:

- 1) Formulate and monitor implementation policies of the program.
- 2) Approve the quarterly budgets and quarterly work plans presented by the Executive unit.
- 3) Open a special checking account for the exclusive use of OPG funds, and authorize individuals to sign checks on the special account.
- 4) Approve economic reports and monthly and quarterly progress reports prepared by the General Administrator and send copies of those reports to AIFLD.
- 5) Assure that the farm women's program is undertaken and that at least 5 Activists are women.
- 6) Name representatives with whom each branch of the BNF is to work in carrying out the supervised credit program with the program beneficiaries.
- 7) Negotiate cooperative agreements with government institutions that will be providing resources to this program.

b. General Administrator

The General Administrator will participate in the deliberations of the OPG Commission but will not be a voting member. The Administrator will be responsible for implementing the decisions of the Commission. His specific duties will include:

- 1) Develop an accounting system and procedures manual for the management of the financial resources of the program.
- 2) Prepare checks, obtain signatures, and balance the program's account.
- 3) Design simple accounting procedures for the base groups and individual farmers to facilitate the management of their resources.
- 4) Design the appropriate forms to record entries and do work reports for each component.
- 5) Develop procedural manuals for each of the components of the program and train program personnel in their use.
- 6) Prepare economic reports (with supporting receipts) and progress reports to be presented monthly and quarterly to the OPG Commission.

c. Legal Advisor

The Legal Advisor's principal responsibilities will include:

- 1) Negotiate with the appropriate government offices for titles to lands given to farmers by the Ecuadorian Institute for Agrarian Reform.
- 2) Negotiate with the appropriate government office to obtain land for small farmers who are already legally entitled to parcels but who have not as yet exercised their rights.
- 3) Prepare documents required by the National Development Bank to approve and disburse credit to farmers participating in the program.

d. Accountants

The responsibilities of the two Accountants in their respective regions will include the following:

- 1) Organize the accounting systems of the two Regional Federations and their affiliated associations.
- 2) Organize and supervise credit controls in the associations.
- 3) Prepare monthly financial reports to be sent to the General Administrator.

e. Agronomists, Paratechnicians, Marketing Coordinator, Activists

The OPG also provides funds for two Agronomists, 16 Paratechnicians, a Marketing Coordinator, and 10 Activists to assist farmers participating in the program.

The Agronomists' responsibilities include:

- 1) Train the paratechnicians in their functions before the credit program begins.
- 2) Provide technical assistance to producers encountering problems which the paratechnicians cannot solve.
- 3) Keep informed of new agricultural techniques and products and transmit this information to the paratechnicians and producers.
- 4) Review credit applications and investment plans presented by the affiliates.
- 5) Supervise the paratechnicians and activists.
- 6) Develop demonstration plots with the paratechnicians.
- 7) Supervise the use of credit and supplies so as to prevent inappropriate uses.
- 8) Calculate the anticipated production of the producers expecting to use the marketing services and transmit this data on a timely basis to the Marketing Coordinator.
- 9) In conjunction with the Education Coordinator, develop seminars on methods to increase agricultural production, and identify instructors for the seminars.
- 10) Make use of the available laboratory facilities to analyze and combat plant diseases which affect the production of the project participants.
- 11) Carry out on-site visits to project participants on a systematic, regular basis.
- 12) Assist rural women to plan and cultivate family gardens and preserve their produce.

Paratechnicians, in cooperation with the Agronomists, will be expected to perform the following :

- 1) Teach campesinos to use correctly the new technology packages of improved seeds, fertilizers and insecticides, crop rotation, and soil conservation.
- 2) Visit 30 credit beneficiaries every month during the production and harvest cycle to supervise the utilization of supplies.

OPG/Ecuador

- 3) Supervise cost accounting and farm management procedures used by campesinos.

conomist to the agricultural problems of campesinos which require immediate attention.

- 5) Assist the activists to organize groups of male and female campesinos and teach them to manage resources at the farm level.
- 6) In conjunction with the Marketing Coordinator, assure the delivery of the production quota of each beneficiary.

To coordinate and supervise the marketing operation, a professional familiar with local marketing conditions will be hired to accomplish the following:

- 1) Identify potential markets for small-scale producers.
- 2) Coordinate among the associations for the sale of their products at better prices.
- 3) Monitor wholesale and retail price intelligence.
- 4) Assist associations in negotiating contracts for the transportation of produce.

Promotional activities will be carried by a team of 10 Activists under the supervision of a Coordinator, responsible for both promotion and education. Activists will have the following responsibilities:

- 1) Organize campesinos and affiliate their organizations with their respective Regional Federation.
- 2) Promote and support seminars in the communities where they are working.
- 3) Expedite petitions for the adjudication of campesino land in the two regions.
- 4) Coordinate promotional activities with the Ecuadorian Institute for Agrarian Reform (IERAC) in matters pertaining to application of the Agrarian Reform Law. (Note: the involvement of project personnel in Agrarian Reform activities is specifically limited to the implementation of the present Ecuadorian agrarian reform law and to assisting campesino beneficiaries, who are already eligible, to obtain parcels under that law. In this regard, project personnel will work in close cooperation with their counterparts in IERAC).
- 5) Promote the credit program and the extensive use of the demonstration plots .

f. Education Coordinator and Instructors

Seminars for beneficiaries and senior staff of the organizations involved in the project will be planned and conducted in cooperation with the National Institute for Farmers' Training (INCCA). Personnel from INCCA are expected to assist the Coordinator and the two instructors to be hired in carrying out the following:

- 1) Coordination with the activists in planning and implementing local level courses in the two regions.
- 2) Preparation of instructional materials for the local and regional level courses.
- 3) Preparation with the Agronomist of instructional materials for the technical seminars.

E. Disbursement Procedure

The USAID will transfer to AIFLD the annual installments as specified in the approved budget. AIFLD will then make monthly payments in accordance with the quarterly projections of expected expenses presented by the Federations. Prior to the first disbursement, a special checking account will be opened to deposit and withdraw funds from AIFLD. No disbursements will be made from this account other than those specifically approved on the basis of the monthly proposals from the Federations.

The AIFLD project advisor responsible for supervising the program will review the management of the accounts at least once every 15 days. The Project Administrator will submit a monthly economic project report no later than 7 days after the end of the month; and the Executive Committee of each Federation will assign one of its members to each component to supervise the implementation of that component. In addition, AIFLD will maintain constant general supervision through its advisor who will provide the AIFLD Country Program Director reports of major problems and suggested solutions.

After six months, the program will undergo its first evaluation and audit. Thereafter, evaluations will be conducted bi-annually and audits annually. A Committee consisting of representatives of the USAID, AIFLD and the two Regional Federations will conduct a final audit and comprehensive review of objectives achieved at the conclusion of the program.

F. Projected Results

1. A quantified projection of results is detailed below:

Activity	Number of Beneficiaries			
	1st Year	2nd Year	3rd Year	Total
Seminars (Basic)	1,500	1,500	1,500	4,500
Seminars (Mid-level)	300	300	300	900
Affiliation	3,600	7,200	10,800	21,600
Group meetings	9,600	9,600	9,600	28,800
Technical Assistance	1,280	1,750	2,500	5,530
Marketing Assistance	1,280	1,750	2,500	5,530
	<u>17,560</u>	<u>22,100</u>	<u>27,200</u>	<u>66,860</u>

2. With regard to qualitative or substantive results, it is our expectation that after the three year period of the project's life, the following will have been accomplished, or have become realistically achievable soon thereafter:

a) An autonomous, democratic agrarian labor movement dedicated to improving the quality of life, and representing the economic interests, of its members will have emerged -- one which is led by stable and service-oriented federations with sound administration and sufficiently strong to resist penetration and blunt the popular appeal of extreme leftist groups.

b) The proposed program itself will have become institutionalized with domestic resources -- or well on its way to this end -- having the capacity to produce sufficient income for survival with progressively less dependence on external subsidy.

c) A permanent line of credit will have been established with the national banking system for those small farmers who have participated in the OPG, and thereby facilitating similar supervised credit programs with other small farmer organizations. Some 1,500 families will have graduated to the National Development Bank.

d) Farm-level production technology and productivity will be greatly improved with overall annual production and family income increases of at least 40 percent and 20 percent respectively.

e) Farm women will have been better integrated into the productive sector through the establishment of 30 cottage enterprises run by women (10 per year).

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f. A majority of the small farmers participating in the project will have obtained titles for the lands they have received under the Agrarian Reform Law.

g. An on-going education and promotion program for campesinos under the direction of the regional federations will have become institutionalized with the capability for further outreach and specialization.

h. An on-going program of technical assistance based on durable links of cooperation between agrarian organizations and government agencies will have been established.

3. This project model has the potential for replication in other regions of Ecuador given similar agricultural conditions and the great local demand for the services which it provides. However, any such replication or expansion would be contingent on our experience with, and the results of, this pilot effort, and would not be considered by AIFLD until well into the life of the present proposed program in Esmeraldas and Manabi.