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USAID GUATEMALA



AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES A.I.D. MISSION TO GUATEMALA

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March 8, 1989

COOPERATIVE LEAGUE OF THE USA
1401 New York Avenue, Northwest
Suite 1100
Washington, DC 20005

Subject: Cooperative Agreement No. 520-0276-A-00-5062-00
Amendment No. 6

Gentlemen,

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, A.I.D. hereby amends the Cooperative Agreement in order to extend the completion date from March 8, 1989 to March 21, 1990; obligate the additional sum of \$1,000,000 as detailed in the Illustrative Budget, Page 2 of this Amendment, and to add the Program Description in Attachment No. 1.

Accordingly, cover letter and wherever it appears, completion date is changed to March 21, 1990.

Add to Section F. Establishment of Overhead Rates the following:

<u>Type of Rate</u>	<u>Rate (s)</u>	<u>Base</u>	<u>Period</u>
Overhead	37%	Modified Total Direct Costs	March 9, 1989 Until Amended
General and Administrative	3%	Total Direct Costs	March 9, 1989 Until Amended

Section D, Paragraph 1, delete Financial Plan and substitute the following Illustrative Budget in lieu thereof:

ILLUSTRATIVE BUDGET

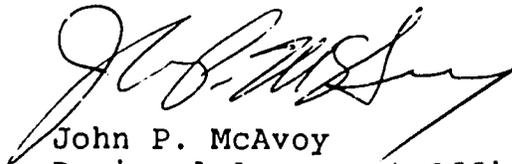
	Est. Costs to 03/08/89	03/09/89- 03/21/90	Total
1. Salaries	\$407,666	\$164,211	\$571,877
2. Consultants	\$40,792	\$100,600	\$141,392
3. Fringe Benefits	\$111,821	\$ 37,190	\$149,011
4. Travel-Transportation	\$109,993	\$150,610	\$260,603
5. Allowances	\$201,494	\$ 92,901	\$294,395
6. Other Direct Costs	\$ 34,501	\$ 16,527	\$ 51,028
7. Participant Training	\$ 10,166	\$ 55,000	\$ 65,166
8. Subagreement	\$ 54,546	\$133,826	\$188,372
9. Equipment and Supplies	\$ 56,192	\$ 6,000	\$ 62,192
10. Overhead	\$276,687	\$181,980	\$458,667
11. General and Admin.	\$ 29,285	\$ 14,935	\$ 44,220
12. Contingencies	\$ -0-	\$ 46,220	\$ 46,220
=====			
TOTAL	\$1,333,143	\$1,000,000	\$2,333,143

The above Financial Plan is illustrative, and the Recipient may adjust individual cost lines by a factor not to exceed 25%. Any adjustment exceeding 25%, or an increase in the total Agreement amount requires the prior written approval of the Agreement Officer.

This Amendment is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning with the effective date and ending March 21, 1990.

Please sign the original and five copies of this letter to acknowledge receipt of this Amendment No. 6, and return the original and four copies to USAID/Guatemala.

Sincerely,



John P. McAvoy
 Regional Agreement Officer

RECEIVED:

By: *J. B. Burton*
Title: *Director, LAC*
Date: *3/8/87*

FISCAL DATA

Appropriation No.:	72-11M1037
Budget Plan Code:	LESA-85-25505-KG13
PIO/T No.:	520-0276-3-90076
Project No.:	520-0276
Total Estimated Amount	\$2,333,143
Amount Obligated Prior to this Amend.:	\$1,333,143
Amount Obligated by this Amendment:	\$1,000,000
Total Obligated Amount:	\$2,333,143

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PROGRAM DESCRIPTION

I. Nature and Scope of Services Required of the RecipientA. Implementation Strategy/Work Methodology

The contractor's technical assistance team will provide assistance to improve production and marketing of produce and strengthen management and operations of the cooperatives and farmer associations with whom the Agribusiness Development project was working in its first phase. Specifically, the technical assistance team will focus the bulk of its efforts providing technical assistance to the following six cooperatives--Rincon Grande, Cuatro Pinos, Magdalena, Kato Ki, Aguacatan, and Chican--referred to hereafter as the primary cooperatives. The team will also provide minor levels of technical assistance to four other secondary cooperatives--Zunil, El Asintal, Bella Vista, and Santa Lucia--primarily through the establishment of purchasing agreements with the primary cooperatives. The contractor should be familiar with the approved project paper amendment for the Agribusiness Development Project and refer to that document for guidance on levels of assistance to be provided to the primary and secondary cooperatives.

Because of the Mission's concern that the cooperatives and farmers organizations achieve a level of self-sufficiency permitting them to sustain an improved level of production and marketing activities beyond the PACD, the contractor will immediately begin to address the following points. Within the first two months from the date of signing of the cooperative agreement extension, the contractor will conduct a financial and economic analysis of each primary cooperative or farmer association that has not yet been analyzed. The model for the financial analysis will be the model used in the Cooperative Strengthening project. The specific programs of technical assistance and training developed for each organization will be focused on overcoming the weaknesses identified in the financial and managerial analysis.

Within the same two month time frame, the contractor's team will develop a set of indicators that measure the degree to which the cooperatives and farmer organizations are becoming self-sufficient in management of their production, post-harvest handling, and marketing operations. Included among these indicators will be a

series of projections, disaggregated by cooperative or farmer organization, of the volume and value of agricultural export products produced and marketed over the next five years. This latter set of indicators, in conjunction with the economic analysis mentioned above, will be used to formulate a plausible projection indicating when each organization will be economically able to assume partial and eventually entire responsibility for the management support program. This projection will be due the same time as the indicators.

Finally, within the same period, the contractor will identify for each primary cooperative or farmer organization key individuals who have the capability to learn the managerial skills that will enable the organization to eventually become self-sufficient. The contractor will ensure that these individuals receive the training necessary to enable them to assume management responsibilities after the T.A. is no longer available.

The contractor will provide assistance to the primary and secondary cooperatives in the form of short-term and long-term technical assistance, management support, and training. Each of these areas of support that the contractor is to provide is elaborated upon in detail below.

1. Technical Assistance

The contractor will provide short and long-term technical assistance to promote cooperative and farmer association improvement in the following technical areas:

- a. Marketing: The contractor will assist the targeted six primary cooperatives to improve their own organizational capabilities and membership's ability to carry out market research and identification, product promotion and market penetration, to identify and maintain contacts with buyers, and to manage the transportation and shipping of their product.
- b. Production and Harvesting: The contractor will plan and carry out training for the target groups to improve their own organizational capabilities and membership's ability to carry out product and variety selection, develop planting and harvesting schedules, be knowledgeable of appropriate and safe use of fertilizers and pesticides, modern plant disease

and insect control, improved cultivation practices, efficient use of irrigation, technological adaptation, the conduct of rudimentary field research and experimental trials, increase awareness of market-driven product grades and standards and methods of post-harvest protection for shipment.

c. Food Processing: The contractor will provide T.A. to the target groups to improve their own organizational capabilities and membership's abilities to establish and maintain quality control procedures, set and maintain health and safety standards, provide equipment maintenance, and be familiar with and able to implement appropriate cold storage techniques and freezing technologies.

d. Business and Cooperative Administration: The contractor will provide T.A. to the target groups to improve their own organizational capabilities and membership's ability to set up and maintain managerial and financial systems, internal controls, audits, plant scheduling, marketing and sales agreements and practices, control of inventory and receivables, cash flow management, organizational structure, personnel management and compensation and procurement of inputs.

e. Financial Analysis: The contractor will provide T.A. to the target groups to improve their own organizational capabilities and membership's ability to carry out analysis of debt load, cash flow and credit worthiness, feasibility studies for diversification and expansion, loan packaging and loan negotiations with BANDESA and other financial institutions.

The contractor will achieve these objectives through direct technical assistance and on-the-job training carried out by expatriate and local long-term technicians who will work both at the level of the individual producer and through counterparts in the participating cooperative and farmer association organizations.

The use of short-term consultants shall be coordinated by the contractor's field team, with the approval of USAID/Guatemala and concurrence of the individual cooperative, and will be concentrated in specialized areas of production, marketing, quality control and handling for export, and processing innovations.

2. Management Support

In conjunction with the provision of technical assistance described above, the contractor will also continue and expand, as described in the approved Agribusiness Development Project Paper Amendment, the management support program begun under the original project. This salary-support program will emphasize upgrading current management and accounting personnel, and develop the capacity of cooperatives and farmer associations to hire and maintain personnel that are essential to expansion of the organization's services and improved returns to members.

As a condition to receiving salary support from the project, all recipients will participate in on-the-job training programs and short-term training courses.

As the beneficiary cooperatives and farmer associations receiving management support assistance begin to generate profits, they will be required to assume an increasing percentage share of approved salaries being supported by the project, with the Project contributing a decreasing share.

3. Training

The contractor will continue the management training program developed in conjunction with the Non-Traditional Products Exporters Guild under the original project for project cooperatives and associations, other cooperatives and organized groups. This approach will emphasize a modified INCAE-type methodology with mini-case studies designed to bring problem-solving approaches to the level of typical cooperative and farmer association managers, accountants, and board members. Topics that will be covered under the training program include:

The cooperative as a business organization; decision making in the cooperative; board/management functions, responsibilities and relationships in the cooperative; cooperative law; cooperative tax requirements in business operations, especially exports and imports; agribusiness enterprises; basic economics; markets and pricing policies; product inventory handling and controls; principles of accounting; the logistics of transportation for export marketing of perishables; quality control; inventory loss management; understanding financial statements; management control mechanisms; cost benefit analysis; procedures involved in financial transfers; market development; and determining break-even points on agribusiness ventures.

The contractor will also provide for participation of cooperative and farmer association administrative personnel in trade conferences and seminars where they can meet buyers, shippers and representatives of federal regulatory agencies, attend presentations on consumption patterns and market trends, and become exposed to new equipment and technologies. The contractor will also sponsor attendance at marketing events like agricultural fairs and marketing promotion seminars (e.g. the Produce Marketing Association annual meeting) as well as selected visits to key wholesale markets in the U.S. and Europe.

4. End-of-Project Objectives

a. Manpower Development

The contractor will have trained through advance stages of mini-case studies, short courses, and follow-up on-the-job training at least one full-time manager and accountant in each of the participating cooperatives.

b. Management Support

As each participating cooperative or farmer association begins to generate profits from increased production and marketing activities, the organization will begin assuming a percentage of the salary support program costs. One year after the organization has shown a net annual profit of 15%, the organization will have assumed at least 50% of the cost of the management support program covering its employees.

c. Production Enhancement

Two thirds of all participating cooperatives and farmer associations will have formal production schedules for participating members, with projections for marketing produce through the organization. Production schedules will also exist for each organization sourcing product to a primary cooperative.

d. Market Development

All participating cooperatives and farmer associations will be coordinating marketing/processing through "piggy back" and other purchasing and processing agreements, including supervision of produce selection, handling, and contracting.

e. Personnel trained in Production Improvement, Produce Selection and Handling, and Marketing

Key management and production personnel in each cooperative and farmer association will be trained to work with member producers on production improvement and diversification and produce selection and handling. Key personnel in each organization will have been trained in marketing and will be participating in the coordination of marketing efforts among the various organizations.

B. Functions and Responsibilities of Specialists to be Assigned for In-Country Assistance

1. Team Concept

The cooperative agreement contractor will have atwo person, expatriate technical assistance team in place on the effective date of this agreement. In addition, it will provide a third person on a one-quarter time basis to function as an administrative liaison from the effective date of this agreement until the end of September 1989. Two local hire technical staff will also be in place on the effective date of this agreement. All individuals will serve until the PACD of the project, with the exception of the administrative liaison position, which terminates in September 1989. A local hire administrative assistant will work as an understudy to the administrative liaison and will assume his responsibilities when his position in the project terminates in September 1989.

a. Team Placement

The expatriate technical assistance staff will reside in Guatemala City. The residence of the local technical assistance staff will be determined by the NCBA technical assistance team and USAID in accordance with cooperative needs of those receiving technical assistance. A central office location will be rented and staffed and equipped as required.

b. Complementary Team Composition

The field team will be comprised of technicians with expertise and experience to amply cover and provide overlap among the three basic categories of management, organization and operations, and handling/marketing of agricultural products.

c. Mutually Supportive Team Interaction

Each team member will be sufficiently familiar with all three technical areas to work independently. However, additional technical strength and flexibility will be provided through an interactive team process in which other team members may be called upon by his or her NCBA colleagues to provide support in areas in which they have a particular strength or expertise.

Each team member will retain primary responsibility for the participating cooperative(s) which he is assigned, as well as responsibility for specific technical areas cited in the scope of work where his particular experience and expertise predominate. Each team member will coordinate training and technical assistance inputs for the assigned cooperative(s), involving other team members and short-term consultants.

Short-term consultants in specific technical areas will be required from time to time as agreed to by USAID/Guatemala. The short-term consultants will aid the 6 primary and 4 secondary cooperatives and will provide an additional complement to each long-term technician's efforts.

2. Technical Specialties Covered by the T.A. Team

The field team will be comprised of the following technical and administrative specialists:

a. Administrative Liaison: Specialist in cooperative management, operations and training materials development; also have familiarity with USAID operations and administration, procurement requirements, and documentation requirements.

b. Specialist in credit, finance, accounting, and business administration.

c. Specialist in agricultural production, marketing, and product handling.

d. Two local hire specialists in agricultural production, marketing, and product handling.

A detailed scope of work for each position is presented below:

-- Administrative Liaison:

This is a quarter-time position of shorter duration, terminating the end of September 1989. Responsibilities include providing overall administrative support to the technical assistance team, including preparation and submission of all reports required by USAID/Guatemala; management of local finances and accounts related to technical team field operations; supervision of local-hire support staff, procurement of commodities, and local office management; the scheduling and coordination of visits of short-term consultants; coordinate training for cooperative managers, accountants, technical personnel, and board members in conjunction with programs conducted by the Guild of Exporters of Non-Traditional Products; and draft and manage agreements for salary support for individual cooperatives and establish payment procedures for the overall program of management support.

-- Specialist in Credit, Finance, Accounting and Business Administration:

This individual will have extensive experience in credit operations for production and marketing including export operations, and practical Central American field experience in management of an agricultural and marketing operation.

This position's primary responsibilities include providing technical assistance in the following areas:

- systems of bookkeeping and management of accounts
- budgeting, cost accounting and analysis
- purchasing and inventory control
- loan preparation and follow-up
- financial soundness analysis

This technician will also support the other technicians, when needed, in the areas of labor use and distribution, contracting for sales, agricultural production, and market development. He will have responsibility for development of training materials and scheduling of courses on accounting and financial management.

-- Specialist in Agricultural Production, Handling, and Marketing:

This technician will have extensive experience both in production management, handling, and marketing operations, and in quality control and application of grades and standards. He will also have practical experience in production, harvesting, handling, and sales in the U.S. and abroad, including export sales to the U.S. and development of internal markets.

Principal responsibilities include:

- scheduling of planting and harvesting with particular attention paid to extension of growing season and crop diversification
- scheduling labor use and distribution
- input supply of members
- liquidations on sales of produce
- pre-cooling, receiving, trimming, grading, packing and storage of fruit and vegetables
- transportation of produce for market
- contracting for sales

In addition, the technician will have responsibility for developing short courses on production and handling, and scheduling of short-term consultants for direct assistance and participation in related short-courses.

-- Two Local-Hire Specialists in Agricultural Production, Handling, and Marketing:

These specialists will have experience in local production management, including harvesting and handling of produce, and marketing. They will assist and be responsible to the two expatriate technicians in providing support to the primary and secondary cooperatives.

C. Home Office Support

Home office support of the cooperative agreement contractor will be provided in two areas:

1. Quality control and oversight to ensure that the USAID/Guatemala and targeted-cooperative needs are met.
2. Administrative support services in personnel, contract administration, finance and accounting, recruitment, and procurement.