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AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA A. I. D. MISSION
TO EL SALVADOR
C/O AMERICAN EMBASSY.
SAN SALVADOR, EL SALVADOR, C. A.

May 31, 1990

Mr. William C. Doherty, Jr.
Executive Director
American Institute for
Free Labor Development (AIFLD)
1015 Twentieth Street, N. W.
Washington, D.C. 20036
U.S.A.

SUBJECT: Cooperative Agreement No. 519-0368-A-00-0243-00

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 grants to the American Institute for Free Labor Development (hereinafter referred to as "AIFLD" or "Recipient"), under this Cooperative Agreement (hereinafter referred to as "Agreement"), the sum of \$6,400,000 to provide financial support to the Recipient for actively promoting the process of democratization through the development of a strong and vigorous democratic labor movement in both urban and rural sectors, as described in the Schedule of this Agreement and the Program Description. The total estimated cost of this project is \$14,400,000.

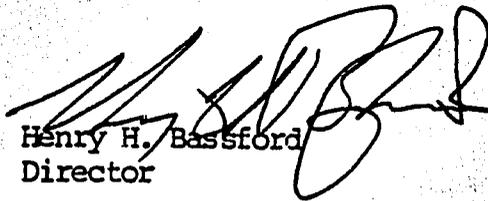
This Agreement is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of project objectives through May 31, 1993.

The Recipient shall be entitled to reimbursement for costs incurred in furtherance of project objectives from the period May 2, 1990 to the effective date of this Agreement.

This Agreement is awarded to the Recipient on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1, entitled the "Schedule," Attachment 2, entitled "Program Description," Attachment 3, entitled "Illustrative Financial Plan," and Attachment 4, entitled "Standard Provisions" (effective March 30, 1990), which are hereby agreed to by your organization.

Please sign the original and six (6) copies of this letter to acknowledge your receipt of the Agreement, and return the original and five (5) copies to USAID/El Salvador.

Sincerely yours,

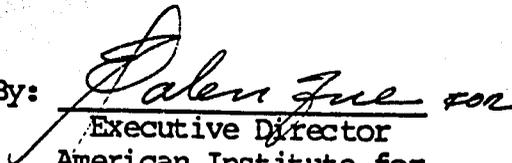


Henry H. Bassford
Director



Laura K. McGhee
Agreement Officer

Acknowledged:

By: 
Executive Director
American Institute for
Free Labor Development

Date: 5/31/90

ATTACHMENTS

1. Attachment 1: "The Schedule"
2. Attachment 2: "Program Description"
3. Attachment 3: "Illustrative Financial Plan"
4. Attachment 4: "Standard Provisions"

FISCAL DATA

Appropriation:	72-1101021	\$6,400,000.00
Budget Plan Code:	LDNA 9025519KG13	\$4,500,000.00 (5000038)
	LDSA 9025519KG13	\$1,900,000.00 (5000039)
Project No.:	519-0368	
Total Estimated Amount:	\$14,400,000	
Total Obligation Amount:	\$ 4,500,000 (ARDN)	
	\$ 1,900,000 (PSEE)	
Funding Source:	USAID/El Salvador	

SCHEDULE

A. PURPOSE OF AGREEMENT

The purpose of this Cooperative Agreement is to improve the services provided by the Union of Workers and Peasants (UNOC) and the Democratic Workers Central (CTD), as well as other democratic trade unions. This Agreement will provide funding to enable the Recipient to actively promote the process of democratization through the development of a strong and vigorous democratic labor movement, representing the interests of urban and rural workers in a progressively more open and pluralistic society.

B. PERIOD OF AGREEMENT

1. The effective date of this Agreement is the date of the covering letter. The expiration date of this Agreement is May 31, 1993.

2. Funds obligated hereunder are available for pre-Agreement costs in furtherance of program objectives and program expenditures from May 2, 1990 to May 31, 1993, as detailed in the Financial Plan shown in Attachment 3.

C. AMOUNT OF GRANT AND PAYMENTS

1. The total estimated amount of A.I.D. contribution to this Agreement is \$14,400,000, which will encompass a period from the effective date of this Agreement until May 31, 1993.

2. A.I.D. hereby obligates the amount of \$6,400,000, from program expenditures during the period specified in B.2. above and as shown in the Illustrative Financial Plan.

3. Payments shall be made to the Recipient in accordance with the documentation and procedures set forth in the Provision entitled "Payment - Letter of Credit" of Attachment 3, Standard Provisions for U.S. Nongovernmental Grantees.

4. Additional funds up to the total amount of the Agreement shown in C.1. above may be obligated by A.I.D. subject to the availability of funds, and to the requirements of Section 4 entitled "Revision of Grant Budget" of the Attachment 4, Standard Provisions.

5. Funds obligated and dedicated to the line item, "Audits and Evaluations," will not be included in the Letter of Credit. A.I.D., after consultations with AIFLD, will directly contract to undertake these activities.

D. A.I.D. INVOLVEMENT

A.I.D., through its Office of Democratic Initiatives, will participate in the activities described under this Agreement in the following manner:

1. A.I.D. will monitor project implementation to assure that the terms and conditions of this Agreement are met. Project monitoring will be exercised principally by an A.I.D. Project Manager assigned by the Office of Democratic Initiatives.
2. A.I.D. will approve annual implementation plans presented by AIFLD.
3. A.I.D. will participate in annual reviews of activities financed under this Agreement, based on quarterly reports submitted by AIFLD.
4. A.I.D. will approve in advance all contracts with U.S., U.S.-alien, and third country national citizens. For this purpose, AIFLD will provide details of each proposed consultant, including the name of the individual, the dates of travel, flight numbers, and purpose of such travel, at least 20 days in advance of such travel.
5. A.I.D. will supervise the final program evaluation to be conducted during the life of the Project.

E. ILLUSTRATIVE FINANCIAL PLAN

1. The Illustrative Financial Plan for the project is set forth in Attachment 3 to this Agreement. Revisions to this Plan shall be made in accordance with the Standard Provision of this Agreement entitled "Revision of Grant Budget."

2. The exchange rate to be utilized by the Recipient in converting dollars from this Agreement to local currency shall be the highest rate which is not unlawful in El Salvador. Due to the current volatility in exchange rates and new regulations being established, AIFLD may use the exchange facilities at its local bank at the best rates feasible until further notification by A.I.D.

F. Overhead Rate

The following provisional rate applied to the costs under this Agreement for the period indicated, in accordance with the Standard Provisions.

<u>Type of Rate</u>	<u>Rate</u>	<u>Base</u>	<u>Accounting Period</u>
Overhead	22.26%	Total Direct Costs	1/1/88 until amended

G. AUDITS AND INSPECTIONS

A.I.D., using project funds, will engage a U.S. CPA firm, or an affiliate of a U.S. CPA firm to carry-out an annual audit using Government Accounting Office (GAO) standards of the Recipient's financial statements and use of A.I.D. Agreement funds.

H. REPORTING AND EVALUATION

1. Financial Reports

The financial reports requirements are set forth in the Standard Provision entitled, "Payment - Letter of Credit." The financial reports entitled "Financial Status Report" (SF-269), and Federal Cash Transaction Report" (SF-272), shall be submitted quarterly to A.I.D./Washington, with copies to A.I.D./El Salvador, Office of Democratic Initiatives (ODI) and the Office of the Controller. In addition, AIFLD will send on a quarterly basis a copy of their local financial reports to ODI, A.I.D./El Salvador.

2. Program Progress Reports

The Recipient shall monitor performance under the Agreement and ensure that the time schedules are being met, projected work units are being accomplished, and other performance goals are being achieved. Based upon this monitoring, the Recipient shall submit quarterly technical performance reports to A.I.D. that briefly present the following information for each activity under the Agreement:

- a) A comparison of actual accomplishments with the targets established for the period;
- b) Reasons why established targets were not met;
- c) Review expenditures and projected expenditures on planned project activities to determine whether program budget is sufficient to cover all activities or if additional funding is required and justified to meet project goals; and
- d) Other pertinent information including, when appropriate, analysis and explanation of costs overruns or high unit costs.

The Recipient shall submit the quarterly technical performance reports to A.I.D.'s Office of Democratic Initiatives within 15 days after the completion of the quarter. The last day of each quarter is defined as the last day of the month of March, June, September and December. If any performance review conducted by the Recipient discloses the need for change in the budget estimates in accordance with the criteria established in Standard Provision 9 entitled "Revision of Grant Budget," the Recipient shall submit a request for budget revision.

3. End-of-Project Report

Within 30 days following termination of the Project, the Recipient will submit to A.I.D./El Salvador an end-of-project report of the activities carried out under this Agreement, including a section on "lessons learned."

4. Final Evaluation

The costs of the final evaluation of the Project will be financed under this Agreement; A.I.D. will contract directly for this evaluation.

I. SPECIAL PROVISIONS

1. The following provisions of the Mandatory Standard Provisions and the Optional Standard Provisions for U.S. Nongovernmental Grantees are not applicable to this Agreement:

1. Payment - Periodic Advance
3. Payment - Cost Reimbursement
10. Patent Rights
11. Publications
12. Negotiated Indirect Cost Rates - Predetermined
18. Care of Laboratory Animals
21. Title to and Care of Property (U.S. Government Title)
22. Title to and Care of Property (Cooperating Country Title)
23. Cost Sharing (Matching)

2. Condition Precedent to First Disbursement

Prior to initial disbursement under this Agreement, AIFLD will furnish in form and substance satisfactory to A.I.D.:

A statement indicating the name of person(s) and the office he/she holds in AIFLD who is empowered to act for AIFLD with reference to this Agreement, along with a specimen signature of such person(s). Upon meeting this CP, a letter of credit for \$500,000 will be issued to cover initial AIFLD administrative costs, traditional union strengthening activities and the BAC/IMI vocational training.

3. Conditions Precedent to Subsequent Disbursement

a) Within thirty (30) days after signing of this Agreement, AIFLD will prepare and submit an Implementation Plan to A.I.D. outlining the activities to be carried out during the first year. The Implementation Plan will include, but not be limited to: a schedule of activities and goals, a financial plan related to all activities for the first year, and technical assistance requirements and a schedule of such assistance. Upon meeting this CP, the Letter of Credit will be increased up to the obligated amount less the Audit and Evaluation line item.

b) Prior to any expenditures for water/sanitation systems and procurement of pesticides, AIFLD will comply with A.I.D. requirements for obtaining the approval of USAID/El Salvador and the A.I.D. Latin American Bureau Environmental Officer.

4. Special Additional Provisions

a) The Recipient shall maintain a drug-free workplace in compliance with the certification provided to A.I.D. Violations of the requirements to maintain a drug-free workplace may subject the Recipient to suspension of disbursements, termination or suspension of this Agreement, ineligibility to receive further grant assistance and such other remedies as A.I.D. may consider appropriate. Violations include the failure to comply with the certification, presentation of a false certification, or evidence that such a number of employees have been convicted of violations of criminal drug statutes for acts occurring in the workplace as to indicate that the Recipient has failed to make a good faith effort to provide a drug-free workplace.

b) U.S. citizen employees of the Recipient, as well as the U.S. citizen employees of its subgrantees and subcontractors, who are in El Salvador solely for the purpose of working under the Agreement, may be granted access to the commissary operated by the American Employee Association in El Salvador (AEAES) in accordance with the policies of the Department of State and the U.S. Embassy to El Salvador.

c) Interest rates for any credit activities, including village banks and farmer loans, as described in Attachment 2, Program Description, will follow the policies established by Central Reserve Bank (BCR) for investment and production credits.

d) All political related activities will be non-partisan in nature, directed at increasing participation in the democratic process, without aiding the campaigns of specific political parties and candidates.

e) The Recipient shall not procure pharmaceuticals without prior written authorization from A.I.D.

J. AUTHORIZED GEOGRAPHIC CODE

All purchases except those made in El Salvador will be foreign exchange costs. The authorized geographic codes for procurement of goods and services under this Agreement are A.I.D. Geographic Code Countries 000, the United States and the Central American Common Market (CACM).

PROGRAM DESCRIPTION

A. PURPOSE OF AGREEMENT

The purpose of this Cooperative Agreement is to improve the services provided by the Union of Workers and Peasants (UNOC) and the Democratic Workers Central (CTD), as well as other democratic trade unions. This Agreement will provide funding to enable the Recipient to actively promote the process of democratization through the development of a strong and vigorous democratic labor movement, representing the interests of urban and rural workers in a progressively more open and pluralistic society.

B. PROJECT COMPONENTS

The Project consists of five major components: UNOC, Urban Unions, Rural Unions, the Salvadoran Foundation and AIFLD Support. The following represents the major objectives of each component and the general activities planned to meet the objectives. The details of each activity are contained in AIFLD's final proposal. AIFLD will elaborate on the specifics of each activity, i.e., what is planned and how it will be carried out, as part of its yearly submission of the detailed implementation plan.

**Direct Assistance to Federations, Urban and Rural Unions

1. Unión Nacional Obrero Campesina (UNOC)

Objectives:

a) Increase UNOC membership by at least five new federations or unions and by an additional 20,000 new rural and urban workers.

b) Upgrade the management, technical and operational capabilities of the UNOC, and thereby increase its credibility and authority within the democratic labor movement.

c) Improve the human rights situation of the urban and rural workers by decreasing the number of human rights violations.

d) Enhance non-partisan voter registration activities in anticipation of the 1991 elections.

e) Upgrade the leadership capabilities and analytical skills of senior and middle level UNOC and affiliate officials so as to facilitate more effective policy formulation and presentation of democratic labor's positions on national issues.

f) Elaborate a strategy which details plans for attaining self-sufficiency of UNOC-affiliated unions and campesino organizations.

2. Urban Unions

Objectives:

- a) Improve living standards by negotiating at least 10 new collective bargaining agreements between companies and unions without existing contracts.
- b) Improve working conditions through the introduction of health and safety programs.
- c) Increase incomes and employment among 1,000 currently unemployed CTD members and women through the disbursement of microenterprise credits.
- d) Improve social welfare, or quality of life, of 5,000 urban workers through small community-based projects (i.e. housing, literacy, health).
- e) Increase skills, employment and incomes of the members of democratic trade unions by expanding the BAC/IMI vocational education program in five new areas of industrial skills training, as well as consolidate and expand the existing program in labor management relations to include at least five other sub-sectors of the construction trades.
- f) Upgrade the administrative, program planning, design and implementation capabilities of the CTD to service its affiliates.
- g) Improve the efficiency of six (6) urban unions, which are CTD affiliates, through general administrative support.

3. Rural Unions

Objectives:

- a) Assist an additional 20,000 rural families to gain access to land, either through the Land Bank, redistribution of abandoned lands, or incorporation into currently underutilized Phase I cooperative farms.
- b) Improve overall production and incomes of at least 5,000 Phase I beneficiaries and 10,000 Phase III beneficiaries through an integrated technical assistance program.
- c) Support Phase I and II farmers in the defense of their rights as land reform beneficiaries.

d) Increase employment and incomes of at least 1,000 rural women through provision of microenterprise credits.

e) Increase the overall social welfare of 10,000 rural families through social projects in the areas of housing, health, literacy, and rural infrastructure.

f) Upgrade the management, planning and program execution capabilities of five (5) rural unions.

4. Activities

To achieve the objectives under each of the above components the following activities will be carried out:

- Promoters will be allocated among the various affiliated unions and receive additional training in promotion and organization techniques.
- Urban promoters and top and middle level union officers will be trained in collective bargaining techniques.
- Staff members of the rural unions will participate in training in modern planning budgeting and financial management techniques.
- UNOC's existing Human Rights Department will be strengthened by hiring a coordinator at the national level and establishing a human rights violation data base.
- A non-partisan voter participation activity will be initiated by training activists in get-out-the-vote techniques and voter registration.
- A two-tiered training program, which will feature advanced leadership seminars to take place in Central America, will be developed.
- Working conditions will be improved by including Occupational Health and Safety clauses in each bargaining contract negotiated. A Labor Management OHS Committee will be also formed. These activities will complement and be coordinated, to the extent feasible, with those carried out by FIPRO.
- A system for the identification, design, financing and execution of income generating and social projects of direct benefit to the rank-and-file members and their families will be established.

- A total of 1,000 currently unemployed men and women will be serviced, via the creation of 40 village banks, in the rural and urban sectors.
- The agrarian unions (under the umbrella of UNOC) will formulate a policy statement on beneficiary rights in the agrarian reform sector.

**Creation of the Salvadoran Foundation

The objective of this component is the creation of a private, indigenous, Salvadoran Foundation to promote social and economic development, particularly among the country's disadvantaged groups. The Foundation will seek to promote activities which support the concepts of economic growth and equitable distribution of benefits of such growth. The Foundation will establish mechanisms to enhance participation and access to benefits by all elements of society composed of people who have had limited access to social services and economic opportunity.

The private Salvadoran Foundation will meet all legal requirements of the Government of El Salvador and will be duly registered in the country as a non-profit organization. It will have a Board of Directors composed of five to seven eminently respected Salvadorans in accordance with the criteria established in the implementation plan to be approved by USAID/El Salvador. It is planned that this Board will represent a broad spectrum of societal interests. All members will share strong convictions regarding the need for equitable economic development. These members will also share concerns for institutional development based on financial responsibility and the concept of self-sustainability. The Board will be responsible for the overall policy direction of the Foundation, as well as developing linkages with the public and private sectors in El Salvador.

The operational management responsibility of the Foundation will rest with an Executive Director, an individual with the requisite managerial and technical expertise who is a Salvadoran National. The Director will lead efforts to shape and implement the social and economic program. He/She will supervise a staff consisting of division chiefs for technical programs and administrative support. It is expected that technical divisions will consist of vocational training, housing, agriculture, health, microenterprise and infrastructure. The administrative divisions will include accounting, contracting and management. All direct hire officers employed by the Foundation will be Salvadoran Nationals. The exact functions, programs and intra-institutional relationships will be laid out in subsequent documentation.

AIFLD's role will be to assist in the Foundation's creation, and solidification, and startup of its initial social and economic programs. During the first year of the Cooperative Agreement, AIFLD will focus on providing technical expertise to assist Salvadoran counterparts (viz., the Foundation's Board of Directors and key operating officials) to create the Foundation in accordance with the Salvadoran legislation. This support will include legal expertise, organizational and management technical assistance, and accounting systems technicians among others. Simultaneously, technical assistance will be provided to help develop a substantive action plan, which will guide the implementation of the Cooperative Agreement as it pertains to the Foundation. The expatriate technical experts and Salvadoran counterparts will prepare and receive appropriate approval for the action plan prior to disbursement of social and economic program funds from the Cooperative Agreement and/or local currency funds allocated by the host country.

Upon the formal legal creation of the Salvadoran Foundation, AIFLD's technical assistance efforts will serve to strengthen the Foundation's capability to carry out its series of social and economic programs. To this end, the Cooperative Agreement will finance the costs of two long-term technical assistance advisors. These individuals will work with the Executive Director and other senior Foundation officials to specify the design and implementation arrangements of each activity. Short-term technical experts will complement the long-term technical and administrative advisors in various skill areas. The short term specialists will apply their expertise to assure each activity has the appropriate technical design, is executed with the appropriate Salvadoran institutions and is implemented in a manner to reach the greatest number of beneficiaries. AIFLD will also employ short-term technical assistance to develop a self-sufficiency plan for the Foundation. At the end of the three-year period, it is fully expected that, after the injection of technical assistance, commodities and program funds, the Foundation will have matured to become a free-standing, independent Salvadoran development entity. The self-sufficiency plan will guide the Foundation's efforts to generate sufficient levels of resources to assure continuance of development activities by the end of the Cooperative Agreement. It will be presented to A.I.D. within 60 days of receipt of the Foundation's formal legal status.

As part of the overall effort to assist in the startup of Foundation activities, the Cooperative Agreement will also contain a modest level of funding for the purchase of offshore commodities and for initiating the social and economic programs.

** Support to AIFLD

AIFLD staff will consist of four U.S. professionals, in addition to the two assigned to the Foundation, to manage the activities described above: (1) a Country Program Director, (2) an urban union-industrial relations officer, (3) a rural development officer, and (4) a controller. Two construction trades, vocational training experts will manage the BAC/IMI component. There will also be local salvadoran staff with clerical financial/accounting and professional responsibilities.

Attachment 3

E FINANCIAL PLAN BY OBLIGATIONS

	<u>T O T A L</u>
1. URBAN SECTOR	\$ 1,000,000
2. RURAL SECTOR	950,000
3. VOCATIONAL TRAINING	900,000
4. SALVADORAN FOUNDATION	800,000
5. STAFF AND ADMINISTRATION	1,555,000
6. EVALUATION AND AUDITS	30,000
SUBTOTAL PROGRAM AND ADMINISTRATION	<u>\$ 5,235,000</u>
7. OVERHEAD (+/- 22.26%)	1,165,000
<u>T O T A L</u>	<u>\$ 6,400,000</u>

ILLUSTRATIVE FINANCIAL PLAN FOR LIFE OF PROJECT

<u>LINE ITEMS</u>	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>TOTAL</u>
1. URBAN SECTOR	\$ 950,000	\$ 560,000	\$ 555,000	\$ 2,065,000
2. RURAL SECTOR	785,000	765,000	760,000	2,310,000
3. VOCATIONAL TRAINING	665,000	710,000	750,000	2,125,000
4. SALVADORAN FOUNDATION	375,000	550,000	325,000	1,250,000
5. STAFF & ADMINISTRATION	1,320,000	1,250,000	1,323,178	3,893,178
6. EVALUATION & AUDITS	30,000	15,000	90,000	135,000
SUBTOTAL PROG. & ADMINIS.	<u>4,125,000</u>	<u>3,850,000</u>	<u>3,803,178</u>	<u>11,778,178</u>
7. OVERHEAD (22.26%)	918,225	857,010	846,587	2,621,822
<u>TOTAL</u>	<u>5,043,225</u>	<u>4,707,010</u>	<u>4,649,765</u>	<u>14,400,000</u>

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AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA A. I. D. MISSION
TO EL SALVADOR
C/O AMERICAN EMBASSY.
SAN SALVADOR, EL SALVADOR, C. A.

ACTION MEMORANDUM FOR THE DIRECTOR

FROM: Deborah Kennedy, PRJ *DK*

SUBJECT: Project Authorization and Cooperative Agreement for the
American Institute for Free Labor Development (AIFLD),
Project No. 519-0368

Problem: Your approval is required to authorize the Democratic Labor Development Project No. 519-0368, and Cooperative Agreement with AIFLD providing first year funding of \$6,400,000, out of a total estimated life of project funding of \$14,400,000.

Background: AIFLD has had a presence in El Salvador since the mid-1960s. Its original program focussed on developing the democratic urban trade unions through leadership training, small constituent service activities, and the formation of a national campesino organization, the Salvadoran Communal Union (UCS). The second phase increased emphasis on the rural sector and campesino organizations as a result of the Agrarian Reform. The third phase shifted activities back to the urban unions, where AIFLD expanded efforts to improve negotiation capabilities, political awareness and vocation skills. Although AIFLD's programs have served to increase the number of democratic labor unions, their programs have met with mixed results. The unions have not achieved a level of management nor the ability to attract new members as expected. This has affected their capabilities to represent well the interests of their members at the bargaining table and in the fora of the democratic institutions. Project implementation experience and evaluations have indicated that both urban and rural unions and their federations still need to strengthen organization/management skills and traditional union building skills. In addition, experience has shown that the unions need to address the social and economic conditions of their members in order to improve their lot and create incentives for attracting new members.

Discussion: In February, 1990, AIFLD submitted a proposal to carry out a three year project for \$14.4 million dollars. The Mission has reviewed the proposal on two different occasions. AIFLD was asked to clarify and strengthen various elements of the proposal after each review. The elements included: identification of constraints, strengthening and focusing of the strategy statement, fuller description of some project subactivities, clarification to the budget, integration of the Salvadoran Foundation concept and description of AIFLD's role, and enhance AIFLD's administrative support capabilities.

The goal of the new project is to consolidate and expand the democratic labor movement. The purpose is to improve the services provided by the Union of Workers and Peasants (UNOC) and the Democratic Worker Central (CTD). The Project has five main components, which encompass several subactivities. The Components are: (1) UNOC, (2) the Urban Unions, (3) The Rural Unions, (4) Administrative support to AIFLD, and (5) the Salvadoran Foundation. The subactivities under the first three components will cover traditional union activities, such as membership drives, organizational strengthening, leadership training, collective bargaining training, workers safety, voter participation and vocational training. They will also include new social and economic programs, such as human rights training, microenterprise and farm credit programs, housing, infrastructure, water/sanitation systems, land to the landless, and agriculture production and marketing. The fourth component will provide support to AIFLD for project management and local operation costs.

The objective of the fifth component is to create a private, indigenous, Salvadoran Foundation to promote social and economic development, particularly among the working class and the country's disadvantaged groups. The Salvadoran Foundation will establish mechanisms to enhance participation and access to benefits by all elements of society which have had limited access to social services and economic opportunity. AIFLD's role will be to provide a mix of long-term and short-term technical assistance to help in the creation and solidification of the Foundation, as well as initiate start-up activities. It is expected that at the end of the three year period, the Foundation will have matured to become a free-standing, independent Salvadoran development entity.

Notification: The Congressional Notification for this Project was forwarded to Congress on March 15, 1990 and the mandatory fourteen day waiting period expired on March 29, 1990, without objection, thereby permitting the obligation of these funds.

Waiver: Section 110 of the FAA, "Cost-Sharing and Funding Limits", requires that Development Assistance (DA) projects receive at least 25 percent of the costs from the recipient country. This mandate is not applicable as a matter of law to PVO projects. However, A.I.D. has administratively determined to apply this requirement whenever possible, i.e., a non-A.I.D. contribution of at least 25 percent of the total Project cost, unless it is waived by the authorizing officer. The nature of this project, its political sensitivity and its specific component objectives, are such that we can not expect a recipient country financial commitment of this magnitude. While there are, in fact, numerous host country in-kind contributions, such as the value of voluntary services and community labor on self-help projects, these would be difficult to quantify and, in any case, not approximate 25% of the total Project cost. Moreover, AID/Washington has exempted AIFLD from application of the PVO policy requirement of deriving 20 percent of its overall funding from sources other than the U.S.G., in reflection of its special function as an AID-intermediary in accomplishing high priority USG goals of promoting democratic development. Based on these circumstances, and in accordance with Handbook 3, Chapter 2, Appendix G, Section E-3, the Mission recommends that you, as authorizing officer, waive the counterpart requirement based on the "Nature of the Project" and "Other Factors" criteria.

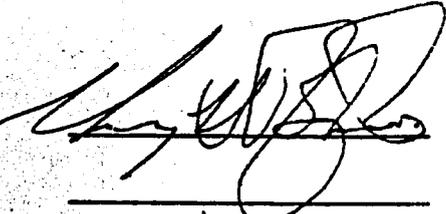
Authority: The approval to proceed with this activity was conferred during the AID/W review of the 1990-91 Mission Action Plan in FY89. Delegation of Authority No. 752 dated December 16, 1988, provides you with the authority to sign the attached Project Authorization. Certificate of Appointment and Delegation of Authority 149.1.43 from December 2, 1985, provides the Mission's Grant Officer, Laura K. McGhee, unlimited authority to sign Cooperative Agreements and Amendments thereto. Ms. McGhee is prepared to sign the Agreement following your approval of this Action Memorandum, the Project Authorization, and the PIO/T, attached hereto.

Recommendation: 1) That you indicate your approval by signing the Project Authorization, the Cooperative Agreement and the PIO/T attached hereto; and 2) that you approve waiver of AID policy requiring a 25% non-AID contribution to this PVO OPG Project.

APPROVED:

DISAPPROVED:

DATE:



5/31/90

Drafted by:	PRJ:ETLandau/ACMejia (draft)	Date:	05-22-90
Cleared by:	PRJ:DKennedy (in draft)	Date:	05-25-90
	DPP:TMckee (in draft)	Date:	05-31-90
	ODI:GLEcce (in draft)	Date:	05-29-90
	A/CONT:FBreen (in draft)	Date:	05-30-90
	CO:LMcGhee (in draft)	Date:	05-3-90
	DDIR:RKArchib <i>RKArchib</i>	Date:	<i>5-31-90</i>

5041B

AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA A. I. D. MISSION
TO EL SALVADOR
C/O AMERICAN EMBASSY.
SAN SALVADOR, EL SALVADOR, C. A.

PROJECT AUTHORIZATION

Name of Country: El Salvador
Name of Entity: American Institute for
Free Labor Development
(AIFLD)
Name of Project: Democratic Labor Development
Number of Project: 519-0368

1. Pursuant to Sections 103 and 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Democratic Labor Development Project for El Salvador, encompassing a Cooperative Agreement with the American Institute for Free Labor Development (AIFLD), involving planned obligations of not to exceed Fourteen Million Four Hundred Thousand Dollars (US\$14,400,000) in grant funds over a three year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process and administrative approvals, to help in financing foreign exchange and local currency costs for the Project. The planned life of the Project is three years from the date of the initial obligation. In addition, AIFLD shall be entitled to reimbursement for costs incurred in furtherance of project objectives from the period May 2, 1990 to the effective date of the Agreement.

2. The Project consists of financial support to enable AIFLD to actively promote the process of democratization through the development of a strong and vigorous democratic labor movement, representing the interests of urban and rural workers in a progressively more open and pluralistic society.

3. The Project Agreement, which may be negotiated and executed by the officer 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 and services financed by A.I.D. under the Project shall have their source and origin in the United States of America and in member countries of the Central American Common Market including El Salvador, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the United States or El Salvador 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, except as A.I.D. may otherwise agree in writing, shall be financed only on flag vessels of the United States.


Henry H. Bassford
Director

5/31/90
Date

Drafted by:	ACMejía, PRJ (draft)	Date:	<u>5-22-90</u>
Cleared by:	TLandau, PRJ (draft)	Date:	<u>5-23-90</u>
	DKennedy, PRJ (draft)	Date:	<u>5-25-90</u>
	TMcKee, DPP (draft)	Date:	<u>5-30-90</u>
	GLecce, ODI (draft)	Date:	<u>5-29-90</u>
	FBreen, A/CONT(draft)	Date:	<u>5-30-90</u>
	LKMcGhee, CO (draft)	Date:	<u>5-30-90</u>
	RArchi, DDIR TA	Date:	<u>5-30-90</u>

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AID 1350 I
13 871

AGENCY FOR
INTERNATIONAL DEVELOPMENT

PROJECT IMPLEMENTATION
ORDER/TECHNICAL
SERVICES

1 Cooperating Country
El Salvador

2 PIO/T No
519-0368-2-00035

3 Original or
Amendment No

4 Project/Activity No and Title
American Institute for Free Labor Development
(AIFLD) - Project No. 519-0368

Page 1 of 1 Pages

DISTRIBUTION

5 Appropriation Symbol
72-1101021

6 Budget Plan Code
LDSA 90-2507-10013 24,500,000
LDSA 90-2507-10013 1,100,000.00

7. Obligation Status
 Administrative Reservation Implementing Document

8. Project Assistance Completion Date
(Mo., Day, Yr.) May 31, 1993

9 Authorized Agent
USAID/EL SALVADOR

10 This PIO/T is in full conformance with PRO/AG No
519-0368-A-00-0243-00 Date

11a Type of Action and Governing AID Handbook
 AID Contract (IIB 14) AID Grant or Cooperative Agreement (IIB 13) PASA/RSSA (IIB 12) Other

11b Contract Grant, Cooperative Agreement/
PASA/RSSA Reference Number (if this is
an Amendment) N/A

12 Estimated Financing (A detailed budget in support of column (2) is attached as Attachment No. _____)

Maximum AID Financing Available	A Dollars	(1) Previous Total	(2) Increase	(3) Decrease	(4) Total to Date
		B U.S. Owned Local Currency		\$6,400,000	

13 Mission References

14A. Instructions to Authorized Agent
AUTHORIZED AGENT IS REQUESTED TO EXECUTE THE ATTACHED COOPERATIVE AGREEMENT WITH THE AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT (AIFLD). FUNDS WILL PROVIDE FINANCIAL SUPPORT TO THE RECIPIENT FOR ACTIVELY PROMOTING THE PROCESS OF DEMOCRATIZATION THROUGH THE DEVELOPMENT OF A STRONG AND VIGOROUS DEMOCRATIC LABOR MOVEMENT IN URBAN AND RURAL SECTORS OF EL SALVADOR.

14B. Address of the Paying Office
OFFICE OF THE CONTROLLER, USAID/EL SALVADOR
c/o AMERICAN EMBASSY, SAN SALVADOR
EL SALVADOR, CENTRAL AMERICA

15 Clearances - Include typed name, title, position, and date for all clearances

A	B	C	D
ACMEJIA, PRJ Date 5/23/90	DKENNEDY, PRJ Date 5/25/90	TLANDAU, PRJ GLECCE, ODI Date 5/29/90	FBREEN, CONT Date 5/31/90
TMcKEE, DPP LMcGHEE, CO Date 5/30/90	RARCHI, DDIR Date 5-31-90	17 For the Agency for International Development Signature HENRY H. BASSFORD Title DIRECTOR Date 5/31/90	

16 For the Cooperating Country: The terms and conditions set forth herein are hereby agreed to

Signature _____ Date _____

*See IIB 3 Sup. A App. C, Att. B, for preparation instructions. Note: The completed form contains sensitive information whose unauthorized disclosure may subject an employee to disciplinary action.