

PD-ABC-136

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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

EL SALVADOR

PROJECT PAPEI

AMERICAN INSTITUTE FOR FREE LABOR
DEVELOPMENT (AIFLD)

AID/LAC/P-550

Project Number: 519-0368

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AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

1. TRANSACTION CODE A = Add C = Change D = Delete
 Amendment Number _____

DOCUMENT CODE **3**

COUNTRY/ENTITY **EL SALVADOR**

3. PROJECT NUMBER **519-0368**

4. BUREAU/OFFICE **LATIN AMERICA AND CARIBBEAN**

5. PROJECT TITLE (maximum 40 characters)
AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT (AIFLD)

6. PROJECT ASSISTANCE COMPLETION DATE (FACD)
 MM DD YY **01 5 93**

7. ESTIMATED DATE OF OBLIGATION (Under "8." show, enter 1, 2, 3, or 4)
 A. Initial FY **90** B. Quarter **3** C. Final FY **92**

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AD Appropriated Total						
(Grant)	(6,400)	()	(6,400)	(14,400)	()	(14,400)
(Loan)	()	()	()	()	()	()
Other 1.						
U.S. 2.						
Host Country						
Other Donors)						
TOTALS	6,400		6,400	14,400		14,400

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROXIMATE PRIMARY PURPOSE CODE	B. PRIMARY TECH CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1)ARDN	200	000		4,500				8,500	
(2)PSEF	700	750		1,900				5,900	
(3)									
(4)									
TOTALS				6,400				14,400	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)
 500 | 240 | 730 | 980

11. SECONDARY PURPOSE CODE
 500

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)
 A. Code BR | BL | BS | BU | COOP | EQTY | PART
 B. Amount

13. PROJECT PURPOSE (maximum 480 characters).
 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.

14. SCHEDULED EVALUATIONS
 Interim MM YY **01 5 92** Final MM YY **01 6 93**

15. SOURCE/ORIGIN OF GOODS AND SERVICES
 000 941 Local Other (Specify) **CACM**

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP. Amendments.)
 PAYMENT VERIFICATION PROCEDURES APPROVED:
 Frank Breen
 CONTROLLER

17. APPROVED BY
 Signature: **HENRY H. BASSFORD**
 Title: **DIRECTOR**
 Date Signed: **01 5 93**

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
 MM DD YY

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

PROJECT AUTHORIZATION

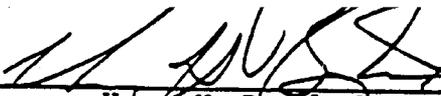
Name of Country: El Salvador
Name of Entity: American Institute for
Free Labor Development
(AIFLD)
Name of Project: Democratic Labor Development
Number of Project: 519-036

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

V'

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:	TLardau, 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>
	RRarchi, DDIR TA	Date:	<u>5-31-90</u>

THIS PROPOSAL SUBMITTED BY AIFLD
MEETS MINIMUM BASIC REQUIREMENTS
TO BE CONSIDERED A PP-LIKE DOCUMENT.



American Institute for Free Labor Development

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Executive Director

April 5, 1990

The Honorable Henry Bassford
Director
USAID/El Salvador
San Salvador

Dear Hank:

Enclosed is our revised Cooperative Agreement Proposal for AIFLD activities in El Salvador for the next three years. This revision is a result of our meeting with you and your staff in February, and responds to the concerns raised by the Mission during these meetings. You will note that we have included the concept for the Labor/Management Foundation in the text, as well as budgeted for start-up and continued dollar costs during the life of the project.

Funding under our current C.A. will expire around May 1. Therefore, time is of the essence in getting a new funding document signed. I would appreciate your assistance in making review of the enclosed a top priority.

If you or your staff have any questions or need further clarification of the proposal, we will be happy to answer them.

Thank you for your cooperation and support for our program that assists the democratic labor elements of El Salvador.

Sincerely,


William C. Doherty,
Executive Director

11h:0139x

cc: AIFLD/El Salvador

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AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT

COOPERATIVE AGREEMENT PROPOSAL

1990 - 1993

EL SALVADOR

January 30, 1990/Revised April 1, 1990

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Rural Unions Agricultural Production Component
Progress Towards Self-Sufficiency
The Foundation
Glossary

EXECUTIVE SUMMARY

The AIFLD Cooperative Agreement proposal which follows involves an expansion of the Institute's support efforts to the Salvadoran democratic labor movement in both its urban and rural parts. The proposed total budget for the three year, life-of-project is \$14,375,129 : 1990 \$5,307,325, 1991 \$4,471,260 and 1992 \$4,596,544.

The justification for this expansion essentially rests on the fact that the organized democratic trade unions and campesino organizations are a vital part of the democratic center in the Salvadoran body-politic, a part which is at risk given the tendencies of polarization present in Salvadoran politics. The free labor movement manifestly needs to upgrade its technical services to its constituent groups, improve and extend its trade union education and training programs, and develop its analytical, policy formulation and presentation capabilities if it is to institutionalize its existence. The AIFLD proposal herein seeks to contribute to this end.

The highlights of the proposal include: 1) an expanded vocational education program through the auspices of the Bricklayers' and the International Masonry Institute which holds great promise of upgrading substantially Salvadoran trade union workers' industrial craft skills in an extended array of fields, as well in generating more jobs and improving labor-management relations; 2) a new integrated agricultural technical assistance program with a modest number of pilot Phase I and Phase III Cooperatives designed to begin to fill the vacuum of modern

dh

technical services to campesino organization-affiliated cooperatives that presently exists; 3) a new economic component built around making accessible to the bases, both rural and urban, resources for a broad array of micro-economic and social development activities; and 4) a Salvadoran Development Foundation which, with AIFLD technical assistance, will provide direct social and economic benefits to the unions of El Salvador, as well as other sectors.

COOPERATIVE AGREEMENT PROPOSAL
EL SALVADOR

AIFLD proposes a new three year Cooperative Agreement with USAID/El Salvador from May 1, 1990 to April 30, 1993, in the program components and amounts described below in the Project Description section and the Financial Plan (Annex 1) of the proposal. The policy/program justification of the proposal follows.

SETTING

Purpose.

The overarching purpose of AIFLD programs in El Salvador has been to promote actively 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. The Institute has shared this purpose of supporting democratic change with U.S. foreign policy throughout this decade

The ideals and practices of the democratic trade union movement in El Salvador certainly mirror this support of democratic change. However, the movement occupies a very fragile democratic center. It is seeking to retain its identity, resist the forces of polarization and survive as an effective representative of its constituency. AIFLD's mission is to support these ends by all appropriate means.

In this regard, although AIFLD's strategic purpose remains the same, tactical adjustments continue to be necessary to reflect changing conditions and needs.

The Salvadoran Trade Union Scene

The evolution of organized labor in El Salvador, both urban trade unions and a wide array of agrarian organizations, over the past few decades, has been marked by the constant of militancy; a strong penchant towards organizing; and a prevailing personalism in its leadership which has also met a continuing and at times quite bewildering process of division and regrouping, as well as a parade of new (and obsolescent) organizations. These characteristics distinguish the labor movement in El Salvador from its brother movements in the other nations of Central America which perhaps have reflected similar characteristics, but certainly not in the same degree. Further, this evolution can be broadly defined along two tracks: a radical left track where labor groupings have been essentially popular auxiliaries of revolutionary parties who fully accept, and use, violence as a political weapon; and a social democratic track where trade unions and campesino organizations though advocates of social change have rejected political violence and pursued their aims through democratic means.

The democratic trade union movement has had its ups and downs over the past thirty odd years. It has, however, sought to maintain its independence, in effect, to assert influence in the body-politic without being co-opted by either the Left or Right. It has been encouraged to follow this course by AIFLD which has nurtured the movement in myriad ways for most of the last three decades.

To view the Salvadoran labor scene from a broader perspective, a soft estimate is that about 20 percent of the work force is organized, including both the urban and rural sectors. Some 45,000 workers are employed under collectively-bargained agreements, of which about half are in the building trades. Although the data is soft, largely gleaned through oral estimates from labor leaders, and making allowance for varying definitions of membership as

between unions, there appears to have been some growth in organized labor in El Salvador at least since 1984 and the opening-up of the political system, perhaps by as much as 10 to 15 percent. These are impressive numbers, particularly in light of the protracted civil conflict which the Salvadorans have endured and the concomitant severe economic deterioration which has brought in its train high un- and under-employment rates.

There are perhaps as many as 150 different worker organizations in El Salvador today, including trade unions, campesino organizations, cooperative federations and employee associations. Given an out-of-date trade union register and the propensity of Salvadoran labor to divide and reorganize under new names, some of the 150 are no doubt paper organizations.

The democratic trade union movement over the years has been no exception to the centrifugal tendencies of Salvadoran labor organizations. The Union Nacional de Obreros y Campesinos (UNOC), the principal confederation that AIFLD now supports, was created in 1986 after the UPD, the predecessor of UNOC, split into various factions in 1985, in the wake of the collapse of the "social pact" between democratic labor and the Duarte government. UNOC is now the largest labor grouping of its kind in El Salvador. Its members include the Central de Trabajadores Democraticos (CTD), a federation of eleven unions, including SUTC, the construction workers union. CTD is also the Salvadoran affiliate to the ICFTU-ORIT, the worldwide and regional labor organizations to which the AFL-CIO also is affiliated. Under the mantle of UNOC are also the two largest democratic campesino organizations, UCS and ACOPAI, the latter representing a break-off some years ago of a faction from the UCS. One regional cooperative federation, FECORASAL, is also affiliated. SIPES, the port workers union, is a member of UNOC as well.

There are two important independent democratic trade union confederations, the Confederacion General de Trabajadores (CGT) and the Confederacion de Trabajadores Salvadorena (CTS). Up to recently the CGT was a member of UNOC. The CGT will likely remain

outside of UNCC until outstanding political differences can be resolved.

Taken together the labor groups noted above constitute the movement that AIFLD supports.

The present principal confederation on the radical left is the Union Nacional de Trabajadores Salvadoreños (UNTS). The UNTS is an urban and rural labor organization of about 50,000 members. It is essentially the popular sector political extension of the FMLN. The federation FENASTRAS (Federación Nacional Salvadoreña de Trabajadores) with 17 affiliate unions represents close to half of the UNTS membership.

UNTS also has affiliate public employees unions, principally in the Finance and Education Ministries as well as member groups in transportation and agriculture. FECORAO, a Phase I land reform regional cooperative federation, is another of the more prominent members of UNTS. It is estimated that radical left groups account for about 20 percent of the organized labor force, while worker and farmer organizations considered in the democratic camp represent the balance of 80 percent.

Within the democratic labor movement, the agrarian organizations, principally UCS and ACOPAI, have tended to dominate, particularly at the national level. This has been in part because of their considerably larger membership and in part because of the extended period of public visibility of land reform issues in the 1980s which has kept the campesino leadership in the public eye. The present senior officials of both UNOC and the CTD are UCS officers.

The weaker democratic trade unions in the urban sector have been adversely affected by organizational conflicts through most of this decade, characteristically by internal divisions, raiding and leftist penetration. FESINCONSTANS, for example, the largest democratic urban federation in the early years of this decade, came apart in the aftermath of the collapse of the "social pact" in

1989. The Salvadoran Construction Workers, SUTC, by far the largest union within FESINCONSTRANS, separated from the latter and joined UNOC independently

There has also been a considerable amount of raiding between the democratic unions. For example, two important unions (Ministry of Economics and Commercial Workers) of the CGT, the CLAT-affiliated but AIFLD-supported confederation, were successfully raided by OSILS which is also now trying to break the traditional hold that the CGT has had among the transport workers. Attempts by the FMLN to capture democratic unions, or to organize competitive ones, are also constant elements of the urban labor scene in El Salvador. Presently, the SUTC is now being challenged in the building trades by SOICSES, a radical left union.

Notwithstanding the weakness that comes from this continuous division and instability, individual urban unions have displayed considerable vigor, especially in the persistent drive to organize, reorganize and extend their constituencies. A system is needed to resolve jurisdictional disputes in the democratic trade union movement, so as to lessen the strains and fragmentation of internal conflicts while maintaining a more cohesive resistance against the incursions of the extreme left. Such a system would require UNOC assistance

The role of AIFLD broadly breaks down into three periods. The first was from the inception of the AIFLD presence in El Salvador in the mid 1960s to 1973 when the Salvadoran government under President Molina ordered AIFLD to close down its program and leave the country. During this period, the AIFLD program was a modest one, focusing on developing the democratic urban trade unions through leadership training, support for small constituent service activities, and the formation of a national campesino organization, the UCS.

The second period from the late 1970s to 1984-85, reflected changes in the program with a concentration on the rural sector as well as an increase in the volume of resource transfers. The Institute was invited to reopen its office in San Salvador by the Salvadoran workers to begin anew its program of support. AIFLD's principal emphasis was assistance to the campesino organizations in the planning and implementation of the agrarian reform programs, mainly the Phase III family farm program. It was not that the urban trade union sector was completely neglected but rather that priority was given to the role of the UCS and ACOPAI - - and their promoters - - in moving land reform in its various facets forward, primarily in the difficult beneficiary title application process at the local level. AIFLD assistance took a number of forms, including technical assistance, the financing of the promoters, leadership training and sustained political support of land reform in Washington with the executive and legislative branches of government.

These were indeed trying times for both AIFLD and the farm worker organizations it supported. At least 150 members of the UCS in the forefront of the land reform struggle fell to the violent resistance of the landlords and their local military cohorts. Thousands more were displaced from their lands. The Secretary General of UCS, who was also President of ISTA, the GOES Phase I Land Reform Agency, as well as two AIFLD officers involved in support of the land reform programs, were gunned down in the Sheraton Hotel coffee shop in San Salvador

When the title application window for new Phase III beneficiaries closed in 1984, the support efforts of the farm worker organizations, particularly in local areas, and of AIFLD for the land distribution process gradually lessened, in part because of the perceived need among the campesino leadership to digest the gains that had been made.

The third phase of AIFLD's role began more or less in this

same period of time. It became clear that AIFLD's program priorities had to be adjusted to place greater emphasis on the urban trade union sector. This shift is reflected in the present four-year Cooperative Agreement now winding down and was in part a countermove to FMLN attempts to repenetrate the urban centers of population, specifically the trade union movement, made possible by the opening up of the Salvadoran political system in the middle years of the decade. Major efforts were made by the Institute in trade union education seminars and conferences, for example in democratic political development, organization and promotion, as well as through union congresses, media events and union publications, to strengthen the sense of mission and capabilities of the urban democratic trade unions so that inter alia they would be better able to defend and extend democratic principles and resist the political tactics of the FMLN. These efforts on the whole were successful, although the individual education and training programs were not as effective as they should have been

This program adjustment was also a reflection of growing recognition in AIFLD of the pressing need for mounting constructive socio-economic development activities which would directly benefit workers in the urban areas of El Salvador. The result of this has been the development of the Institute's Industrial Vocational Training project now being carried out with growing effectiveness and success by the International Union of Bricklayers and Allied Craftsmen and the International Masonry Institute (BAC/IMI).

The next phase of the AIFLD program in El Salvador proposed below seeks to develop more balance and program inter-relation between the urban and rural sectors and to conceive the democratic trade union movement more as a whole national entity rather than through its discrete parts

CONSTRAINTS TO DEMOCRATIC LABOR UNION DEVELOPMENT

The recent Evaluation by Checchi and Co. of the AIFLD program under the present Cooperative Agreement, which terminates February, 26, 1990, affords a useful perspective on the constraints that impinge on the further development of the democratic labor movement in El Salvador.

First, however, there are two transcendent constraints: the war and the decline of the economy. The pernicious influence of these two factors on the growth and stabilization of the democratic labor movement is manifest and need not be belabored. A cessation of the conflict and a revival of economic activities that provide more job opportunities and services to the working class would no doubt energize the labor movement in both the urban and rural sectors. The elimination of fear and insecurity alone would make room for fresh impulses of expansion and participation.

The Checchi Evaluation makes the point that the "AIFLD program should embrace both the rural and urban sectors and assist those democratic confederations that include representation from both sectors". This point alludes to a primary institutional constraint on the further development of the Salvadoran democratic labor movement, that is, the lack of integration, or cohesiveness, of the trade union and agrarian organizations into an authoritative national confederation. The urban and rural elements though meeting periodically and working together, primarily under the aegis of UNOC, are still basically a collection of individual organizations that come together as a loose umbrella group on matters of mutual concern. The concept of a genuine national confederation, linking the urban and rural unions in a continuing organization with the authority to resolve jurisdictional disputes, formulate joint positions on national questions and speak with one voice for all the members, is still on the margin. Such an organization would surely lessen the internal tendencies of divisiveness and fragmentation as well as substantially enlarge the external politico-economic influence of Salvadoran democratic labor. This is an institutional constraint that AIFLD addresses

below in its program activities designed to develop and strengthen UNOC. The constraint will not likely be completely overcome during the life of this proposal, but progress can certainly be made.

A second related constraint which is more in the area of human resources is the lack of capability in the democratic unions, but particularly in UNOC, with respect to the analytical skills of policy formation in its various forms such as legislative proposals, position papers, public presentations, etc. This weakness was also noted in the Evaluation. The point, of course, is that democratic labor presently has difficulty competing constructively, principally at the national level. One of the reasons for this is that it is short on the "analytical ability to produce and promote practical policy positions and legislative proposals." If UNOC does not have the requisite skills to go beyond rhetoric and propaganda, or stated positively, to develop its own policy agenda, then it is certainly constrained in its efforts to protect the interests of its constituency -- which indeed is currently the case.

The leadership of UNOC is aware of this problem and (perhaps) some progress has recently been made. UNOC did submit to the legislature detailed revisions to the presently wholly inadequate and outdated labor code as well as proposals for changes in the penal code and in anti-terrorism legislation. None of these were accepted or acted upon. In the last quarter of 1989, UNOC staff began a policy study of the present status and issues of the agrarian reform programs in El Salvador. The study provides the basis for a constructive UNOC policy statement on land reform and for a 1990 action plan.

Human resources development is one of the major areas of AIFLD program concentration proposed below. However, the need to upgrade and expand analytical capabilities is but one aspect of a broader problem of using various means such as technical assistance and training to progressively upgrade the expertise and quality of

leadership throughout the structure of the democratic trade unions and campesino organizations. A constraint on the development and expansion of these organizations is clearly their relatively low internal skill levels and the underdeveloped capabilities of their leadership. Substantial training has already taken place through AIFLD courses and seminars and perhaps the capabilities of the Salvadoran trade union leaders are more advanced than in other Central American countries. However, much remains to be done; the constraint of inadequate skilled human resources in the democratic labor movement particularly as compared with other sectors of the society, is manifest. The evaluation notes some of the shortcomings of the present AIFLD training programs, e.g. insufficient control over the courses themselves, and the requirement for more concentrated training efforts in priority areas such as collective bargaining and occupational health and safety. If the constraint of lagging human resources development is to be progressively lessened, the education activities of the AIFLD have to be better tailored to specific needs, penetrate further down the trade union/agrarian association hierarchy -- so as to develop new leadership -- and be more centrally controlled and closely reviewed for quality and effectiveness.

A further constraint is the shortage of development and related services to the local level of democratic labor organizations, particularly on the rural side. The evaluation rightly points out that "the problem of providing services is most acute for the rural organizations Simply belonging to the union does not bring obvious continuing benefits such as wage and other work place benefits that urban unions can provide. Literacy training, improved cooperative management, resulting in increased income, increased access to credit, legal support and protection will come from special programs that the campesino organizations must mount. They need considerable assistance in designing and putting on these programs and executing projects." Indeed, to overcome, or lessen, this constraint, AIFLD must enhance and selectively expand the quality of its technical assistance to the bases, for example, in the field of cooperative management in the agrarian sector or in mounting a steady flow of well-conceived and

locally-supported micro-development projects. AIFLD must respond more effectively to the felt needs from the bottom-up if the democratic labor movement is to develop and expand

The Evaluation also stresses that "all those efforts require financial resources. These efforts should not be attempted unless they are to be done well." The Institute agrees wholly with this view. We therefore propose below selective increases in the volume of resource transfers from the USAID to support some expansion of program activities in priority areas over the level of funding provided in the present Cooperative Agreement.

PROBLEM STATEMENT

The democratic labor movement, like most other institutions attempting to operate in El Salvador, is beset by a panoply of problems. Some result from the overall economic and political situation in the country; others are specific to the sectors, federations, unions or the individual workers themselves. In this section, an effort will be made to describe this complex problem environment, recognizing that there is an inherent relationship between the problems which makes categorization difficult.

National Level Problems

The War

The principal problem facing urban and rural workers alike (and all Salvadorans) is the war. The majority of the economic and social problems faced by Salvadorans today stem directly or indirectly from the conflict. This is not to minimize the impoverished economic conditions of the poor prior to 1979, but only to recognize the impossibility of achieving anything resembling sustained economic growth and stability in an environment of terrorism, sabotage and the interruption of the most routine activities by real or threatened violence. Since 1979, over half a million persons have been displaced from their homes and thousands more have emigrated to other countries. Social and economic infrastructure has been destroyed, and foreign and domestic businesses have closed their doors. The total cost of destroyed infrastructure and lost production is estimated in excess of US\$ 3 billion. The direct impact of the war, as perceived by the majority of Salvadoran workers, is felt in terms of loss of life, property, jobs, incomes, health, nutrition and housing.

The Economy

The war aside, the vast majority of the population, particularly the workers and campesinos, did not enjoy bountiful economic conditions during the pre-war period either. Despite the

fact that the economy reached a high in 1978, the participation of the lower classes in the wealth being generated was never significant. Today, save perhaps for certain land reform beneficiaries, the situation for most workers is even worse. Per capita GDP has declined by 17% since 1980, and inflation runs at 20%. Real wages have also fallen. Unemployment has perhaps declined slightly, but is still high. Agricultural output has declined by 1.7% per year since 1978, meaning fewer agricultural jobs, constricted food supply, and lower incomes.

B. Problems of the Democratic Labor Movement

1. Lack of a Strategy and Plan

Perhaps the principal problem faced by the democratic unions at this juncture is their lack of a strategy or plans to confront the challenges posed by both the new Government and the extreme left. This lack of a strategy -- even the identification of a clear "political space" for the democratic center in the new power equation in El Salvador--is one explanation for their recent and now terminated flirtation with the radical left unions. This problem is itself a product, in part, of the youth and inexperience of the current leadership. At the same time, it must be recognized that a great deal of creativity will be required to recreate the political space which existed for the unions under the Duarte regime.

In the case of the rural unions, the most obvious manifestation of strategic uncertainty is the failure of the unions to cope effectively with actions--legal, administrative and economic--calculated to change the land reform programs. In the urban case, it is the inability of the unions to present practical policy alternatives to the Government's programs of economic recovery. Politically, the urban unions are also at sea. While resorting to violence is abhorrent and self-defeating, they do not fail to notice that the threat of terrorism can sometimes be effective in protecting unions from the right or wresting concessions from employers--a standing offer to all democratic unions extended by the FMLN in its guise as protector of the working class.

The urban centrist unions desperately need a response to these challenges; one which results in tangible gains for their members in order to demonstrate that the moderate path is still a viable one for the resolution of their problems.

Financial Problems

The democratic union movement faces a continuing crisis of financial survival. In the urban case, the immediate crisis stems from the state of the economy, which reduces the ability of employers in both the public and private sector to pay decent wages, with the underlying problem of the inability or unwillingness of urban unions to collect dues. In the rural sector, where dues are a less practical source of finance for unions, many of whose members' income is seasonal, funds must be generated through user fees from service programs. Such programs have received marginal attention in recent years given the prevailing weight of the political agenda. Also, for both rural and urban unions, there is a built-in conflict in those programs which attempt to assist the poorest of the poor: unlike cooperative or credit union movements, whose members have the economic means to support their own service structure, many of the constituents of the campesino unions, particularly the landless, are not in a position to pay for the legal and other services received until they achieve possession of the land. In a similar fashion, the cooperatives in most need of credit, technical assistance and marketing cannot afford to pay for these services until such services begin to generate an income stream.

Despite some progress on the part of the unions in generating their own internal sources of income, this financial problem has been resolved at least in part by AIFLD support of fixed and program costs. Recently, this subsidy was reduced, due to budget constraints. In the long run, this problem needs to be progressively resolved; in the case of the urban unions, through the institution of check-off systems; and in the rural case, through the charging of reasonable user fees for services rendered.

particularly in the cooperative sector. In fact, many union members recognize that AIFLD support is a "mixed blessing", in that it detracts from the independent image of the unions benefited who are perceived by many on the extreme left and right as being instruments of U.S. foreign policy. At the same time in the short term, as the recent Checchi evaluation of the AIFLD program pointed out, if AIFLD does not continue to provide this subsidy, the unions will either collapse, or alternatively, "go shopping" for other support.

Problems of the Urban Sector

a. Social Problems

Unemployment

The urban unemployment rates in El Salvador are currently relatively high with underemployment and El Salvador may have the second highest unemployment rate in the region after Nicaragua. More than any other social ill, unemployment impacts with devastating force upon workers, their families, and their unions. With the destruction of jobs through capital flight, reduced foreign investment and general economic deterioration, and the absence of a "safety net" such as exists in developed countries, the alternative for many of the urban unemployed is migration to other countries.

b. Vocational Training

While urban workers tend to enjoy higher levels of basic education than the campesinos, the marked lack of vocational education and skill-training opportunities is clearly a limiting factor in gaining a foothold in an increasingly competitive marketplace. The present AIFLD vocational training project being carried out by the Bricklayers and the International Masonry Institute, which has resulted in a job placement rate of over 80%, demonstrates that this type of training is effective and much needed.

3. Occupational Health and Safety

A code of workers' health and safety is virtually unknown in El Salvador--by workers and management alike. AIFLD has developed a library of documents and films on this topic, which has been accessed to date by an estimated 100 businesses, unions and students. One indication of the low level of popular consciousness on this subject is that no statistics on job-related accidents are available in the country.

4. Housing and Social Services

While no specific surveys have been carried out, it is known that most workers earn insufficient income to avail themselves of decent housing; nor do they have access to the traditional sources of financing, mortgages, etc. Other more marginal communities lack basic water and sanitation infrastructure.

Youth Problems

The ten-year long violence afflicting the country has created an environment extremely conducive to crime and domestic violence, and the youth are easily drawn to this type of life. With most working class families struggling merely to feed their families, little effort is being made to care for the cultural, educational and recreational needs of the young.

2. Economic Problems

Loss of Household Income and Purchasing Power

Since 1980, per capita GDP has fallen by 17% in El Salvador, and with the annual inflation rate running at 20%, even without taking into account increased competitiveness in the labor market, it is likely that real wages have fallen drastically. In this context, even those fortunate enough to keep their jobs suffer loss of purchasing power and a lowering of their standard of living.

Poorer Collective Contracts

The general economic decline, which translates into lower profits for all sectors, coupled with the labor surplus, naturally weakens the bargaining positions of the unions when they face management to negotiate new contracts. In such a situation, special creativity is required by both labor and management to develop packages of benefits which may impact favorably on the working conditions of the rank-and-file, while not breaking the employers financially.

Shrinking Education Budgets

A further consequence of the belt tightening undergone by the unions is the slashing of education budgets, in an effort to avoid laying-off staff. An important finding of the Checchi evaluation was that the quality and quantity of trade union education courses have diminished in the past year.

d. Lack of Self-Employment Credits

In the difficult economic circumstances prevailing in El Salvador, women can become an important secondary or even primary source of household income, if they can obtain financing to begin a small cottage industry or business in the informal sector. At present, however, such credit is generally not available.

3. Political and Legal Problems

a. Employer/Management Hostility Towards Unions

Employers have been traditionally hostile towards trade unionism in El Salvador, customarily seeing all worker organizations to be on the radical left. The recent confrontational politics of the FMLN "front unions" in the UNTS have tended to confirm this indiscriminate characterization in the eyes of some management. When sector specific actions have been initiated, however, as with the CASALCO construction sector association, progress towards improving the image of unions has

been made. However, at this juncture, such programs are still all

Leftist Infiltration

To an undetermined extent, the extreme left has succeeded in infiltrating some democratic unions. This can confuse the membership and push the leadership toward radical solutions, even when peaceful negotiation is a viable option.

Human Rights Violations

A recent UNOC human rights survey documented a rise in violations of the rights of union leaders and rank-and-file. These incidents in the union sector have been perpetrated by the security forces and right-wing vigilantes as well as the violent left. If this climate worsens, the ability of the democratic unions to function effectively will be seriously compromised. A climate of fear and insecurity is not conducive to the growth and sustaining of a democratic trade union movement.

4. Internal and Institutional Problems

The Salvadoran labor movement has long been characterized by disputes and divisions between unions, and, within unions, between leaders. A major reason for these tendencies is the practice of raiding where one union invades the sector or base of another to enlarge its membership at the other's expense. Raiding is in part a consequence of economic decline: as the pool of gainfully employed shrinks, it is often easier to increase membership by infiltrating the shop of another union than by trying to organize "virgin" workers.

Internal disputes within unions surface, most frequently, at election time, when the deposed leader, rather than retire into the "loyal opposition", takes his defeated constituency and

withdraws from the union, only to reemerge under some new letterhead. The net effect of both these types of conflict is to divide and debilitate the democratic labor movement and lessen its ability to confront the formidable problems described above.

Weak Administration and "Personalism" in Leadership

EFFORTS to turn urban unions into more stable, efficiently managed organizations, though not without success, have fallen short of expectations. In part, it is the environment of the past decade, where simply belonging to a union--let alone being an elected leader--constitutes an act of courage. At the same time, the preference of many union officers is for an informal style of leadership, which minimizes accountability. This situation, while perhaps understandable, needs to change if the urban movement is to mature and develop cadres of younger, more qualified leaders.

D. Problems of the Rural Sector

Ten years after its promulgation, Salvadoran land reform remains the key to a better life for the majority of the country's rural poor. A recent study of the land reform programs undertaken by UNOC revealed a number of continuing social, economic and political problems. At the same time, internal evaluations both of the AIFLD program and the agrarian unions being assisted (principally UCS and ACOPAI) have highlighted certain weaknesses and deficiencies on the part of the campesino organizations which confront these problems. The following attempts to capture both these dimensions.

Social Problems of the Rural Poor

Landlessness

Despite the limited success of the land reform in providing land to some 73,000 formerly landless families, the degree of landlessness, owing to continued population growth, remains at more or less the same level as in 1978 (250,000 to 300,000

families). The consequences of landlessness--social, economic, and political--are just as significant as they were in 1978, both for the individuals affected and the country as a whole. The campesino unions with whom AIFLD collaborates have traditionally been major spokesmen and advocates for this group.

This situation continues, with unions such as ACOPAI representing thousands of families aspiring to gain access to land, through whatever legal means available. For many policy-makers, however, the reform is a dead issue--at least in terms of the expropriatory initiatives undertaken in 1980 via Phases I, II, III. In their place, the Government has offered a voluntary sales initiative, but this has been hampered by lack of resources plus political problems stemming from the change of Government.

The association of the democratic campesino movement with access to the land enjoys a thirty year-old tradition in El Salvador. Unless the process of the land reform is geared up again with the renewed impetus, this critical safety valve against popular unrest may be lost, and the possibility of a return to the social problems of 1979 will remain a present danger.

b. Low Standard of Living of Existing Beneficiaries

The recent UNOC surveys of existing beneficiaries of Phases I and III revealed massive problems of health, nutrition, sanitation, education, housing and literacy. At the same time, the emphasis of past resource flows has been primarily on economic investment, in the belief that this will catalyze a higher standard of living. As such, the connection between health and productivity, or between literacy and better management, has been largely ignored, with the result that the number of projects which deal explicitly with these social problems has been minimal.

Economic Problems

While over 95% of the reform's beneficiaries consider their lives have improved since receiving land, few

would consider that they have as yet realized the full economic potential of the land. An important finding of the UNOC study was that the rank-and-file consider that the emphasis of the campesino organizations to date has been too heavily political, and, conversely, these organizations have not been sufficiently active in helping them to resolve their technical, financial and administrative problems. A more alarming statistic which emerged from the study was that a full 74% of the respondents--of all three phases of the reform--confirmed that the production achieved was insufficient to satisfy both the family consumption needs and meet credit repayment obligations.

Clearly, the war and general economic decline are principal factors in explaining production drops in certain crops--chiefly cotton and coffee--at the macro-level. At the micro-level, some of the constraints identified by farmers in the study are:

.. POOR ADMINISTRATION IN THE COOPERATIVES

Incompetent and corrupt administration of the cooperatives--or at least more than a few of them--is perhaps the chief reason that the economic performance of Phase I has been below expectations. In some cases, it is merely a problem of managers and directors not possessing the necessary management skills; in other cases, it is a problem of an elite gaining control of the cooperative and exploiting its assets for personal gain. Likewise, the less richly endowed Phase III credit and service cooperatives are also lacking in personnel trained in planning and management. In Phase II, many groups recently settled on the land are setting about its exploitation with little or no technical or management training, other than that acquired in the service of the ex-landlords--the same manner in which the Phase I coops began ten years ago.

b. Under-Utilization of the Land, Labor and Other Resources

An important finding of the study was that only 11% of the Finateros stated that their parcels generated sufficient employment to keep them occupied year-round. This situation was blamed on poor soils, lack of credit (see below), and lack of on-farm infrastructure, such as irrigation. On the Phase I coops, land is frequently farmed unintensively, owing to lack of credit, poor management and misallocation of machinery and other productive assets. Another constraint to greater utilization of both land and labor mentioned in the survey was lack of technical training in areas such as crop diversification.

Credit

A full 63% of those interviewed claimed not to have access to production credit.¹ Those who had received loans complained of loans arriving late or in amounts insufficient for them to exploit the land to its full potential. The high cost of credit was mentioned as another problem, particularly since crop prices are controlled to subsidize the urban population, or, owing to storage and marketing constraints, crops must be sold at times of harvest when prices are lowest. The resultant delinquencies create a vicious cycle in which farmers are disqualified from further financing, and hence, remain unable to repay their loans and recover economically.

This refers to financing of individual plots, whether on Phase I, II or III farms.

d. Marketing Problems

The majority of those interviewed cited problems with marketing their production. For basic grains farmers, the problems are mainly that of storage and transportation, which are under control of either the government or intermediaries, who often act in concert to force farmers to sell at the lowest possible prices. For growers of cash crops, the problems are of late liquidation, which increases interest costs and reduces profits, and lack of price and/or quality control information at the farm level, which results in large volumes of production being rejected.

Political and Legal Problems

Farmers affiliated to campesino unions face an array of political and legal problems, some carry-overs from the previous administration, and others the consequence of facing a new administration which has a different agenda vis-a-vis land reform and the economy. The extent to which the democratic campesino organizations can solidify into a common front of loyal (and legal) opposition turns on their effectiveness in negotiating legal and political gains for their membership. A few of the problems they face at present are:

Land Tenure Insecurity

In the perception of the campesino organization leadership, there is a duality in the new Government: one position which stresses respect for the autonomy of the land reform beneficiaries and consolidation and further expansion of the benefits of the reform, and another which seeks to weaken the power base of the campesino organizations, perhaps roll back land reform, and manipulate access to credit to their detriment. This perception raises a great sense of insecurity on the part of the organized campesino sector at present, regarding the true intentions of the new government.

Evictions and Legal Oppositions by Ex-Landlords

One development which lends credence to the fears of the campesino leaders is the number of legal oppositions and threatened evictions finally reaching the courts (over 20 cases pending on Phase I farms alone). The survey revealed that 11% of the 45 Phase I coops polled were experiencing problems of this nature, and 20% of the 63 Phase III coops.

c. State Paternalism, Manipulation and Politicization of the Reform Sector

Both major parties have been equally culpable in the manipulation of the reform sector for political purposes. The fact that the parties have moved in and out of power, each bringing in a different approach, has made the establishment of a single policy vis-a-vis the development of the sector extremely difficult. This situation, in turn, has bred cynicism and dependency on the part of the campesinos, too many of whom have come to expect handouts in return for political support, creating an environment in which management of the cooperatives according to sound financial and technical criteria becomes difficult at best.

d. The Agrarian Debt

The manner in which the agrarian debt has been managed has resulted rightly or wrongly in a situation in which the beneficiaries have ceased to view it as a credible legal obligation. At the same time, the existence of this large shadow over the reform causes considerable insecurity on the part of the beneficiaries, constituting a disincentive to savings and investment in the coops, as well as the affiliation of badly needed new members.

4. Internal and Institutional Problems of the Agrarian Unions

Divisions Within the Campesino Organizations

In theory, the campesino organizations constitute the principal defense of the land reform process. In reality, their record has been mixed, including such positive actions as pressures to keep Phase III alive, aggressive local support of the title application process in the early and mid-stages of the Phase III program and the enrollment of landless campesinos in the Land Bank program. However, there has also been frequent internal conflicts, utilization by leaders of their bases for political opportunism, and alleged corruption. Most destructive has been the tendency toward fragmentation, whereby deposed leaders obtain political and/or financial support to create new "shell" unions without major popular support but sufficient media legitimacy to create confusion among the rank-and-file. While these problems persist in the urban sector as well, they are perhaps more serious in the rural sector where the constituency is less well educated and politically sophisticated. Such divisive trends in the democratic labor movement, if not moderated, ultimately could undermine the credibility of the campesino organizations, and perhaps push campesinos toward more radical alternatives.

Among other things, this reflects the collective youth and relative inexperience of the leadership, which has thus far failed to develop a viable counter-strategy to enable them to negotiate effectively with the new Government on behalf of the rank-and-file. This situation, too, if not improved, could precipitate considerable disaffiliations from the centrist unions, and a converse strengthening of the ranks of the extremes.

2. Weakness of the Technical Services Programs of the Agrarian Unions

In 1983, the AIFLD assistance program in the rural sector focused on the creation of a number of technical departments in the campesino organizations of UCS and ACOPAI so that they could provide a variety of economic and social services to their affiliated cooperatives and individual members. Some of these

departments, notably the legal services, perform quite effectively. Others, such as cooperative services, which require better organization, personnel and more resources have never reached their potential. Another problem is that all the departments lack a serious feedback/evaluation mechanism so that management may determine whether or not they are achieving the desired impact. An example of this is the literacy program, which reports having trained over 5,000 campesinos to read and write, but with no information on whether or not these skills are actually being utilized.

At the heart of the services program are the field organizers, or promoters, which at the present are underutilized. Most lack the technical skills to identify problems in the bases, bring these to the attention of the leadership, and then set in motion the means for resolving them. As the "front line" of the campesino organizations in the field, these promoters urgently require more skill training and training in problem-solving techniques.

In summary, the fundamental problems impacting negatively on the democratic trade union movement in El Salvador are the war--the popular disengagement and exhaustion it brings in its wake--and the concomitant enervation of the overall economy. But these problems are givens of which the solution depends on factors or actions beyond the scope of this proposal. The central problem that this proposal does address is the continued viability, or survival, of the democratic labor movement in both its urban and rural parts as a crucial component of the democratic center of the Salvadoran body-politic. This survival is indeed in question.

STRATEGY STATEMENT

Basic Approach

The basic approach to be followed by AIFLD under the new C will be to assist the democratic unions to achieve a more effective strategy for confronting the problems and constraints described in the previous section. The basic aspects of this strategy are described below

a. Greater Balance between Political Action and Economic and Social Services

While the political role of the democratic unions must continue, the new CA program will assist the unions in working towards more balance between the achievement of political objectives and the provision of better and expanded social and economic services to their membership. This "bread-and-butter" aspect of the new CA will enhance the effectiveness of the democratic unions in solving the critical economic and social problems of the rank-and-file.

A central objective of the CA will be to achieve a more unified democratic labor movement in which the separate federations and local unions can collaborate in the formulation of a national-level strategy and plan to confront the basic political and economic challenges described in the previous section. In this regard, AIFLD will structure its programs (see education below) in ways which maximize opportunities for contact and consensus-building among the various unions and federations which it assists.

Creation of new political space for the Democratic Unions

This will involve a change from the present largely negative, reactive opposition to Government's policies to an issue-

by-issue approach, clarifying the democratic center's position on each and developing, through consensus with other unions and other democratic organizations, a viable action-plan. This will entail a reduced set of priorities for each sector (urban and rural), based on a more realistic assessment of resources and constraints in each area.

d. Creation of a centralized education program

While some services are more appropriately provided at the individual unions or federation level (i.e., economic and social services), much of the basic trade union education and training is better delivered through a central structure, where quality and administrative control are enhanced. In this regard, an important feature of the new CA will be the development of a central union training facility, possibly located in the Confederacion de Trabajadores Democraticos (CTD). Another important aspect of the program is that it will be made available to all democratic unions and their members, regardless of whether affiliated or not to the CTD. This will broaden the popular base of the democratic union movement.

Financial and Administrative Support

Given the weak financial conditions of the unions, and the magnitude of the programs to be implemented, it is considered essential to continue the administrative subsidies provided to the unions to ensure that the objectives of the CA are approximated. At the same time, a more concerted effort will be made to facilitate and monitor the progress of the unions towards relative self-sufficiency, to avoid creating a situation of indefinite economic dependency.

The role of AIFLD in the implementation of this strategy is one of facilitation and consultation, not direct intervention. In this regard, the actual details of the plans developed must come from the leaders and rank-and-file of the unions themselves. If in times past AIFLD has played a more direct role in influencing

the policies and plans of the democratic unions, the leadership today is more sensitive to its independence and prerogatives. At the same time, the unions to be benefitted are aware of their weaknesses in analytical, technical and management capabilities, and have participated in the design of this proposal to the end of ameliorating their deficiencies.

The approach to be employed in the urban and rural sectors is described below.

Urban Sector

Job Creation and Skill Training

Two means of addressing unemployment will be used: the direct creation of jobs in the informal sector, via micro-enterprise credits, and vocational training in those sectors which show a return for upgraded skills: e.g., construction and industrial engineering. This will involve, in the former instance, the creation of urban "community banks", based on similar successful credit union type models which operate in the informal sectors of Peru, Colombia and elsewhere in Central America. This program will emphasize the participation of women, who have traditionally found a niche in the informal sector through the establishment of cottage industries and small market operations.

In vocational training, AIFLD will continue its contract with the International Union of Bricklayers and Allied Craftsmen (BAC) and the International Masonry Institute (IMI) for the provision of skill training in the areas of masonry, tile setting, carpentry, and electrical installation repair and maintenance, etc. Efforts will be made to interest other AFL-CIO affiliates.

b. Occupational Health and Safety

The new CA will support the expansion of the nascent Health and Safety Program of the UNOC through the funding of seminars, the library, international consultancies and legal assistance

injured workers. It will co-ordinate with FIPRO to the extent possible.

Social Projects

The new CA will create a unit within UNOC for identifying, designing and negotiating projects to meet the housing, health, education and other basic needs of the union rank-and-file and their family members. This unit, staffed by individuals trained in small project formulation and implementation, will serve as an intermediary between the unions and the various sources of funding in El Salvador, including Government and international donors. The individual projects will be identified by the union members themselves; and the unit technicians will assist in their formulation according to the formats required by the funding sources. To the extent possible, the construction components of these projects will involve affiliated unions, and individual workers trained in the vocational education program. The impact will thus be two-fold: creation of needed social infrastructure, and employment. This component will also include a modest working capital fund, for either loans or grants, to permit the unit to respond immediately with its own resources in appropriate cases, and to allow the unit to establish credibility with donors.

d. Trade Union Education & Training

To resolve the problem of shrinking budgets and to upgrade quality control in basic union organizing and collective bargaining skills, the new CA will finance the creation of a centralized education unit, to be jointly managed by UNOC/CTD/AIFLD, which will strive to unite the best training talent in the democratic movement with adequate financial and technical resources to effect a quantum improvement in the education program. The training center will also offer higher level courses to top union leadership in program planning and evaluation in a practical, hands-on seminar type format, with the intent that these will serve as a catalyst for uniting the various factions of the movement around common priorities, objectives and strategies. The center will also host

Fora with representatives of the private business sector, to the end of promoting a more constructive, creative dialogue between labor and management and laying the basis for future cooperation in the work place.

Specialized Consultants

For the resolution of specific technical and legal problems, or for the execution of studies and surveys, AIFLD will provide funding for the contracting of local and international consultants. The expertise sought will be in such areas as micro-economic development, labor code revision, occupational health & safety, macro-economic policy analysis, political campaign techniques, and housing.

3. Rural Sector Strategy

The first priority in the rural sector will be to assist the agrarian unions to "put their own houses in order", e.g., re-establish programs of social and economic services to the rank-and-file. With the service programs moving forward, the unions will be able to retain existing and affiliate new members. At the same time, AIFLD will assist the national-level leadership to focus on a reduced number of priority issues e.g., the COC and beneficiary rights, to the end of achieving greater impact and maintaining a sufficiently high profile for the democratic trade union movement.

a. Strengthening of the Technical Services Program

In the new CA, AIFLD will continue to support the two largest agrarian unions, UCS and ACOPAI, in providing a basic set of services to their rank-and-file, plus a Phase I regional federation, FECORASAI.

1. Legal Services

The manner in which legal services have been provided will

remain essentially unchanged. Legal services to the membership will consist of assistance in land tenure problems, credit and marketing contracts, criminal cases, and civil matters. Legal services to the unions themselves will consist of review of land reform legislation, drafting of legislative proposals, and legal defense of any suits in which the organization may become involved.

ii. Services to Cooperatives

In a change from the previous CA, the agricultural services component will be sub-contracted out -- by AIFLD -- to a national or international firm (or joint venture between the two) which will field top-quality technicians within a sub-set of cooperatives selected by UCS, ACOPAI and FECORASAL. Properly done, this program will create a set of "model" cooperatives which will serve as an example to the rest as to how problems of credit, inputs, marketing, management and technical assistance can be solved. This change will not result in the disbanding of the agricultural departments of UCS and ACOPAI, but rather will modify the manner in which the latter provides services, preparing the grounds for the replication of the upgraded technology and management in the other cooperatives.

iii. Social and Economic Projects

The Department of Social and Economic Projects will be upgraded, with changes in both personnel and programs. The departments will be staffed with individuals skilled in project formulation, supported by a cadre of field promoters trained in project identification at the village or coop level. The responsibility of the promoters will be to: a) establish the priorities of the communities/coops through a participatory problem identification seminar, b) assist in gathering all pertinent information and data for the formulation of the project, and c) once the project is in implementation, serve as a communication link between the technical staff and the communities and coops for purposes of troubleshooting, monitoring and evaluation. The

responsibility of the technical staff will be to: a) formulate the projects according to the format requested by the potential funder, b) negotiate the funding with the funder, and c) supervise the implementation of the projects. As in the case of the urban unions, the departments will have their own internal rotating funds for financing of a limited number of projects.

Promotion and Organization

A system of specialized promoters is planned, i.e., each service department will receive a complement of promoters whose primary responsibility, after recruiting of new affiliates and educating the public on the organization, will be to serve as field liaisons in the execution of the departments' programs. This will require substantial "retooling" of the existing cadre of promoters, as well as some possible expansion of the provision of the services offered by the departments. At the least, half of the promoters will get training in human rights and project development.

b. Management Assistance

The central management of the UCS, ACOPAI and other unions will also be upgraded, via the assistance of short term management consultants. The focus of these efforts will be on the introduction of planning, monitoring and evaluation systems for each of the service programs to the end of improving performance. Particular emphasis will be placed on better utilization of the promoters, beginning with a reformulation of their job descriptions, and through specialized training.

c. Training

As in the case of the urban unions, a great deal of the training will be carried out by the creation of the new center. This will serve the interests of both quality control and developing an effective forum for increased understanding and cooperation between the urban and rural movements. It will also

serve to standardize the approaches taken by the various agrarian unions to resolution of their various legal, social and economic problem

d. Consultants

As in the urban program, consultants with specialties in land reform, management, project design, women's programs and other topics will be contracted to assist at various stages in the implementation of the rural program.

3. Foundation

A key element in the overall AIFLD strategy of full worker participation in the political, social and economic development of El Salvador will be the creation of a Salvadoran Foundation directed by a board composed of employer groups, the democratic labor movement and other respected Salvadorans from various sectors. The Foundation will be funded by a local currency trust fund managed by the USAID, and partially by this Cooperative Agreement in its initial start up stages. It will receive continuing administrative support, as needed, and AIFLD technical assistance during the life of the C.A.

The foundation will develop socio-economic projects such as housing, community, infrastructure, technology transfer, etc. as well as expand on projects contemplated in the Project section of this C.A. The activities of the Foundation will enable a broadening of regular AIFLD activities to include all urban and rural workers, as well as strengthen labor and management relations not only in the delivery of developmental social and economic services but in their daily working relations resulting in harmony in the work place and increased production.

A new detailed description of the Foundation and its proposed activities will be found in Annex 8

Summary: In viewing the above strategy as a whole, there are two central elements that give it definition and direction: 1) increasing the number and effectiveness of the social and economic development programs that service the constituency of democratic labor; and 2) upgrading the quality of political participation of the democratic labor movement.

Finally, it should be pointed out that, as will be noted from time to time in the Project Description, infra, programs will be developed so as to avoid duplication with other entities in similar fields outside the labor movement, to the maxim extent possible.

V. PROJECT DESCRIPTION

A. Project Goal, Purposes and Objectives

1a. Project Goal: The consolidation and expansion of the democratic labor movement under the umbrella of the UNOC and the CTD.

1b. Purpose: Improved services provided by UNOC and CTD through an array of inter related programs.

2. Project Objectives:

a. The UNOC

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

2. Upgrade the management, technical and operational capabilities of the UNOC, and thereby increase its credibility and authority within the democratic labor movement so that it can more effectively carry out its policies and programs as well as promote greater unity and consensus among its members.

3. Improve the human rights situation of the urban and rural workers by decreasing the number of human rights violations through expanded and better coordinated information flows and greater emphasis on seminars and workshops on basic human rights for the promoters and rank-and-file.

4. The registration to vote of 100,000 urban and rural workers for the 1991 elections.

5. 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, and increase the public credibility of trade union leaders outside the movement.

b. The Urban Unions

1. To improve living standards by the negotiation of 10 new collectively bargained contracts with wage increases at least commensurate with the rate of inflation

2. Improve working conditions through the introduction of health and safety programs, aiming for a 25% fall in the on-the-job accident rate.

3a. Increase incomes and employment among 1,000 currently unemployed CTD members and women through the disbursement of micro-enterprise credits; and

3b. Improve the social welfare, or quality of life, of 5,000 urban workers through small community-based projects in such areas as housing, literacy and health, generally through the Salvadoran Foundation, described in Annex 8, which will receive AIFLD technical assistance.

4. Increase the 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 and consolidate and expand the existing program in labor-management relations to include at least five other sub-sectors of the construction trades

5a. Upgrade the administrative, program planning, design and implementation capabilities of the CTD to service its affiliates.

5b. Improve the efficiency of six (6) urban unions, CTD affiliates, through general administrative support

c. The Rural Unions

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

cooperative farms.

2. 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, partly supplied by the Foundation.

3. Support Phase I and Phase III farmers in the defense of their rights as land reform beneficiaries.

4. Increase employment and incomes of rural women through provision of micro-enterprise credits. (See PB 3 under Urban Unions)

6. Upgrade the management, planning and program execution capabilities of five (5) rural unions, particularly with providing services to their members.

Project Components

The project is divided into four basic components:

(1) UNOC, (2) Urban Unions (3) Rural Unions, and (4) Support to AIFLD, (5) *Foundation Strategy*

1. UNOC

The UNOC component is in turn, divided into five sub-components, which correspond to the purposes defined above.

Increase Membership

The project will finance a total of 100 promoters to be allocated among the various affiliated unions according to size and

importance. These promoters will receive additional training in promotion and organization techniques through a total of 13 advanced seminars (six per year). While many of these promoters may be currently on the unions' payrolls, financed by the present AIFLD CA, their contracts will not be automatically renewed; rather, existing and new promoters will first be evaluated in a competitive recruiting process, managed jointly by the UNOC, the unions, and with technical assistance from AIFLD. Once hired, the promoters will be subject to bi-annual performance evaluations, which serve as the basis for either salary increments or dismissal.

In addition to the organizer program, all the project activities described below will contribute to the membership targets of 20,000 new members and five new affiliated unions or federations.

B. Upgrade UNOC Administration

The basic intent of this sub-component is to assist UNOC to become a more formal, professional organization, allowing it to compete, if not on an equal basis, at least more effectively with the better financed and organized interest groups in the rural and urban sectors. In addition, the aim of this upgrading will be to enhance the role of UNOC as a unifier and conflict resolution agent within the democratic labor movement. The plan includes the hiring and training of a professional staff, i.e., an administrative assistant, accountant, legal advisors, economists, public relations and secretaries.

C. Improve Human Rights Situation

This objective will be achieved through the strengthening of the existing Human Rights Department of the UNOC. A coordinator at the national level will be hired, whose responsibilities will include the establishment of a human rights violation data base, updated semi-annually. To support the coordinator, 100 of the promoters and mentioned in B (1) (a) supra will be trained in three two-week seminars in basic human rights and the criminal

code. These promoters, in turn, will hold 500 workshops in the bases in which 12,000 rank-and-file members will be exposed to basic human rights issues.

Voter Participation

This purpose will be realized through the following activities:

i. Training of the 100 mentioned activists in B (1) (a) in get-out-the-vote techniques through appropriate seminars and round tables.

ii. Hiring and training an additional 100 activists who will concentrate on voter registration

iii. A series of meet-the-candidates fora, staged by UNOC in San Salvador and secondary cities.

iv. A media campaign, involving press, radio and TV.

v. A series of non-partisan, regional rallies

These activities will be non-partisan in nature, directed at increasing participation in the democratic process in general, without aiding the campaigns of specific candidates.

e. Upgrade Leadership Skills

This purpose will be achieved through a two-tiered training program, which will feature advanced leadership seminars to take place in Central America. The topics to be covered in the Central American seminars will include: internal democracy, motivation techniques, economic development policies, public speaking, political analysis, team-building, and union administration.

Selection of the participants in the program will be a joint decision of UNOC, the affiliated unions, and AIFLD, with the imposition of certain prior criteria such as literacy, the holding

of an office, lack of previous overseas exposure, and an assessment of the candidate's future potential. An effort will be made to include at least 25% women, either through mixed groups, or the creation of special women's courses at least once per year. In general, the study tours will be reserved for those students who have demonstrated above average motivation and skill in the Central American courses.

* The Urban Unions

This component is divided into six sub-components.

a. Collective Bargaining

This objective will be achieved via the further training of 50 of the urban promoters and top and middle level union officers in collective bargaining techniques, including financial analysis, economic analysis, and negotiation techniques. A total of 12 advanced seminars will be held over the three year life-of-the-project. In addition, the CTD industrial relations specialist will maintain a schedule of forthcoming negotiations, will prepare fact/briefing sheets prior to each negotiation and will assist the involved unions in devising their strategies.

Improve Working Conditions

This objective will be achieved via the following subset of activities:

- i. Inclusion of Occupational Health & Safety clauses in each collective bargaining contract negotiated.
- ii. Formation of a Labor-Management OHS committee (SUTCASALCO) in the construction trades sector.
- iii. Extension/replication of the STTIUSA Labor Management Committee model currently monitoring OHS concerns in the textile industry to other sectors, e.g. public employees, health

workers, and agricultural workers. The activities of the committees will consist of periodic inspection tours, and joint on-site workshops for employees on accident prevention.

iv. Expansion of the existing OHS resource/information library to serve larger numbers of unions, employers, and the public

v. Completion of five (5) baseline sector surveys (by the UNOC Statistics Dept.) to determine the current OHS situation, e.g. accident rate, employee accident prevention training, if any, etc.

c. Income Generation and Social Projects

This purpose will be realized through the establishment of 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. This system will be initially supervised by the Foundation with AIFLD's technical assistance, though implemented through the trade union network down to the bases. The plan will be to transfer control of the system to the union movement itself in the form of a Program and Technical Management Unit which will be progressively developed. The system will service both the urban and rural sectors. The three principal sub-components are:

i. Income Generation

The income-generation sub-component will consist of a micro-enterprise loan program, similar to the successful "village banking" programs of the Save The Children Foundation, COMCORDE and FINCA currently operating in El Salvador. In essence, these programs disburse small loans (US\$50 to US\$300 per borrower) to micro-entrepreneurs organized within credit-union-like structures at the community level, which are serviced by a small management unit at the national level consisting of a coordinator, accountant, secretary/bookkeeper, and field promoters. The loans themselves are extended to groups (bancos comunales), which in turn make individual loans to their members. The groups elect their credit

committee, screen their own members, disburse, collect and account for the loans. A 20% savings requirement is levied on each loan, which becomes the communities counterpart resources available to expand the bank's working capital, and serve as a reserve in the case of defaults. The choice of activity financed is the borrower's; neither the promoter, the coordinator, nor the local credit committee may coerce a borrower into a given investment. Only banks with high repayment rates are eligible to receive follow-on loans. The credit line is augmented in proportion to the growth in the bank's savings. Interest rates are market, currently 2% per month.

In the present case, a total of 1,000 currently unemployed men and women will be serviced, via the creation of 40 banks, in the rural and urban sectors. Management of the project will be through a village banking methodology. A description of the methodology of this program is offered in Annex 5.

ii. Economic and Social Projects

The basic approach in this sub-component is to identify, formulate, fund and execute small, community-level projects of either a productive or social character. This is conceived as a "second tier" operation from the foregoing sub-component; i.e., communities which have demonstrated their organizational capability through successful operation of a village bank or otherwise will be able to apply for resources to carry out more complicated projects.

The methodology in this case will involve a division of responsibility within the project development process between the communities, the promoters, and the technical staff. Project identification will be the responsibility of the target community, as facilitated by the promoters. The promoters will be trained in a participatory, problem-analysis methodology, out of which will evolve the priorities of the community, and a proposal for a pilot project. The promoters will be responsible for gathering all the pertinent data and information for development of the proposal. The

technical staff will review this information for completeness perfect the project design and verify feasibility

AIFLD will also hire short-term external consultants to transfer their expertise and experience in key areas of the program to the unions and the Foundation.

The types of projects for which requests are anticipated are: housing, infrastructure repair (roads, bridges, drains, schools, etc.) and water supply and sanitation. The goal is that the Program-Technical Unit will identify, formulate and fund one project per promoter per year, or a total of 300 over the life of the CA. It is expected that, at the rate of 50 beneficiaries per project, this component will benefit 15,000 families.

iii. Social Service Programs

The UNOC/CTD/AIFLD will also organize and operate a number of service programs, including the existing mobile health clinic. The CTD health clinic is staffed with a doctor and nurse, and consumes a monthly allotment of medicines and supplies. Equipment has been donated by ASAPROSAR. An additional function to be added under the new CA will be preventive health education.

In the rural area, coordination with ASAPROSAR to replicate its highly successful model of mobile clinics and health education in two additional departments will be initiated.

d. The BAC/IMI Vocational Training Program

This component will finance an expansion of the ongoing successful International Masonry Institute (IMI)-Bricklayers and Allied Craftsmen (BAC) directed construction trades training program. The program will be expanded both vertically, in terms of the number of trainees (to 300), and laterally, in terms of the number of trades covered (carpentry, plumbing, sheet metal, ironworking and heavy equipment operation). The same line items as in the previous CA will be financed (salaries of staff, consultants, training equipment, tools and apparel and instructional materials). Also a budget for remodeling/expansion of the training center itself is included.

A vital aspect of this component is the emphasis on the strengthening of labor-management relations and other, hands-on links between unions and employers. It is expected that at least two other sectors will follow the example of the building trades and establish labor-management centers over the life of the project.

A more detailed description of the BAC/IMI sub-component is contained in Annex 4, including plans for future self-sufficiency.

Upgrade CTD Management

This purpose will be met through the hiring of professional staff, including Industrial Relations, and Education Specialists.

General Administrative Support for Urban Unions

This purpose will be met by improving the efficiency of five CTD affiliated urban unions by selective AIFLD administrative support that will facilitate the enhanced professionalism and retention of core management units already in place.

The Rural Unions

This component of the project proposal consists of four sub-components which correspond to the purposes stated above: a) assistance to the landless, b) technical assistance to Phase I and Phase III cooperatives, c) Beneficiary Rights, and d) administrative support to rural unions.

a. assistance to the landless

The target is that at least 20,000 currently landless families will gain access to land over the life of the project proposal. This will be sought primarily through the re-establishment of means for campesino organization participation in the continued implementation of the land reform program, as currently represented by the Land Bank. To do this, the re-initiation of a constructive dialogue will be started by the Rural Unions (under the umbrella of UNOC) with the various government agencies involved in agrarian reform: FINATA/Land Bank, ISTA, and the Ministry of Agriculture. UNOC, UCS and ACOPAI plan to play a more active role in publicly presenting their views and position on land reform issues and in lobbying for their positions with government officials. Their major aim for the near term is to see the land distribution process moving forward again so as to begin to meet the renewed pressures of the growing numbers of landless.

In addition, the rural unions will compile an inventory of landless campesino groups, and will bring to the attention of the Land Bank interested sellers. Furthermore, creative financing mechanisms, such as owner-financed mortgages, will be explored, with the assistance of the rural union legal departments.

b. Increase Production and Incomes in the Cooperatives

This objective will be accomplished via the establishment of an improved service capacity in the two largest unions, UCS and ACOPAI, and in FECORASAL, the regional Phase I Cooperative Federation. The services to be provided will be farm supply,

marketing, agronomic technical assistance, and credit. The first two services will be provided directly, while in the last, the service will be in the form of credit intermediation with the banking system.

As funding will be insufficient to fully service all the cooperatives affiliated to UCS, ACOPAI, and FECORASAL, a classification will be made between these cooperatives (Group A) which receive the full package, and those (Group B) which receive "subsistence support". It is noted that both groups will include, as sub-categories, both production (Phase I and traditional sector) and service (Phase III) cooperatives. The structure and modus operandi of these two sub-components are briefly described below.

Group A Strategy

1. Phase I and Traditional Cooperatives

The design of this sub-component will borrow heavily from the successful programs of integrated technical assistance currently managed by Technoserve and CLUSA. A modest departure from these strategies will be a more intensive training effort to impart more expertise to the campesino owners of these farms, and their

managers and accountants.

a. Personnel and Organizational Structure

As cost considerations prohibit creation of separate technical units within the campesino organizations, a shared, jointly managed unit will be created to service cooperatives affiliated to these organizations. At the completion of the project their financial situation permitting, the unions may absorb the national technicians as permanent employees. At the minimum, the cooperatives affiliated to these organizations will have trained staff and directors to carry on the services provided.

The staff of this unit will consist of both Third Country National (TCN) and National technicians. The TCN staff will consist of experts in Farm Supply, Farm Management and Marketing. The National staff will consist of four teams of three: an agronomist, farm manager, and marketing specialist. Each team will be responsible for the intensive development of five traditional and/or Phase I cooperatives.

b. Selection of the Client Group

The cooperatives to benefit from this component will satisfy the following criteria:

- Member of UNOC affiliated agrarian union.
- Have existing manager and accountant.
- Some degree of crop diversification in cash/export crops.
- Reasonable financial situation, i.e., still qualify for production credit.
- Good production potential, including soils, access to water, etc.
- Not in an intensive combat zone.
- Acceptance by the Board of Directors (BOD) and membership of sound management practices, and willingness to experiment with new technology

c. Cooperative Development Plans

As in the TECHNOSERVE-CLUSA models, the first step will be the creation of a long term farm development plan. This will involve an analysis of the current production pattern on the farm, as well as its future potential, taking into consideration the possibility of introducing more cash crops. The financial and human resource requirements of implementing the plan will be assessed against present and future sources. A consensus will be achieved among the technical team, the farmers, the BOD, and the involved financial institutions.

d. Farm Supply

The farm supply requirements of the participating cooperatives will be met through the development of an APEX commercial operation as a joint venture of the national organizations and managed by the technical team. A single manager on the technical team will be responsible for this sub-component, while counterpart supply managers in ACOPAI, FECORASAL and UCS will serve as regional distribution managers. At the cooperative level, the logistics of purchase, storage and distribution will be handled by the cooperative managers.

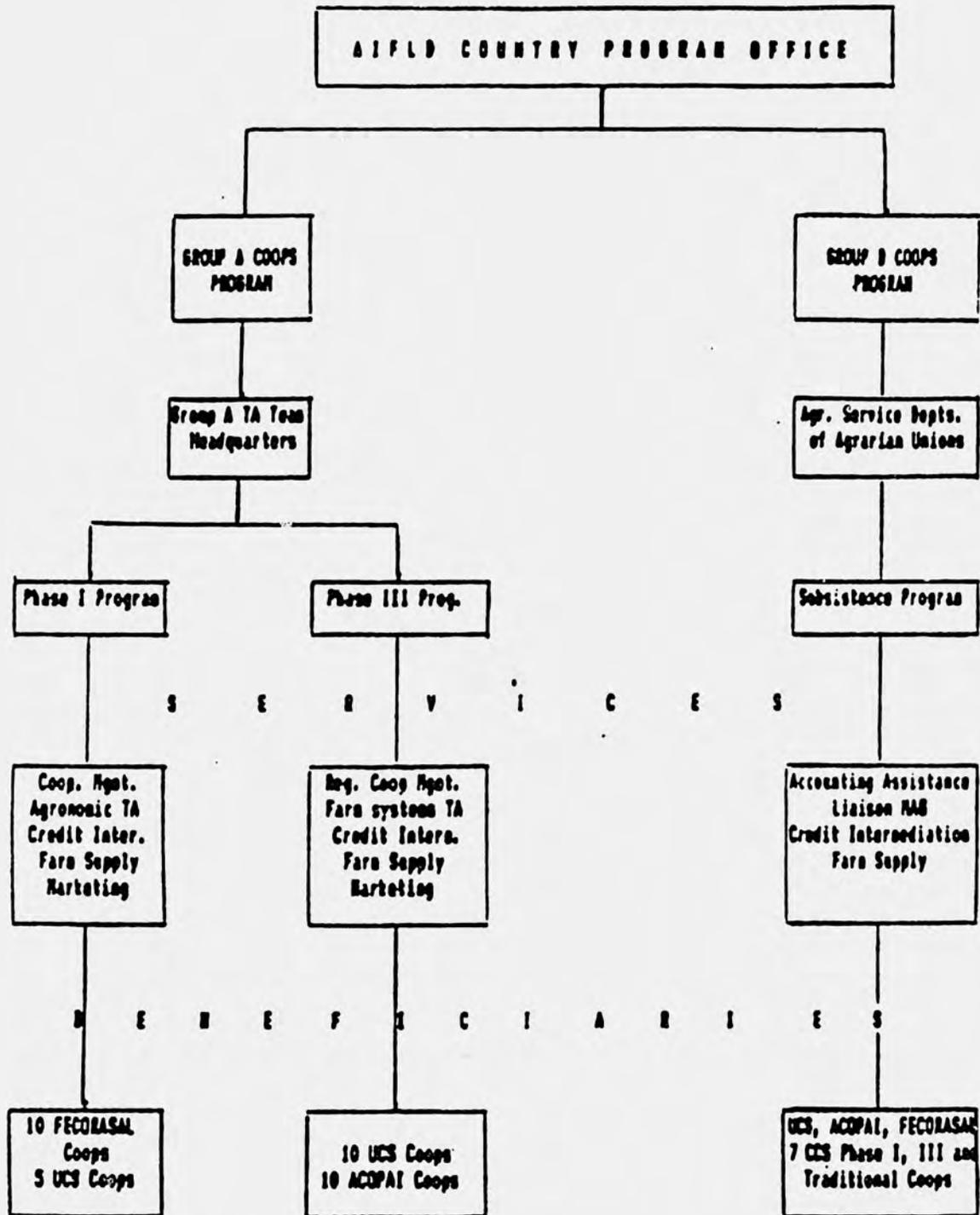
This production input operation will be run on a commercial basis, with profits being allocated to the unions in accordance with the volume managed by each. As it is unlikely that any bank can be persuaded to provide the working capital for this operation in the first year, an initial allotment of US\$300,000 in working capital will be provided to permit the required leverage on the starting inventory. Thereafter, with a proven track record, a commercial bank will be approached for a line of credit. However this program will not be executed until USAID approval is received to the effect that all environmental requirements of U.S. law and regulations have been met. (See Annex 6)

At project completion, the joint venture can either be maintained, or separate operations developed by the rural unions, each servicing their own cooperatives.

e. Farm Management

The farm management sub-component will consist of technical assistance in the development of a standardized, comprehensive farm management system which includes production plans and budgets, farm supply, credit management, organization of workforce, machinery repair and maintenance, accounting and general administration. An important function of the farm managers will be to continually reassess the profitability of the current crop mix. The TCN farm management expert will develop a linear programming model for this

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 ORGANIZATIONAL STRUCTURE



purpose. The farm manager member of the technical group will attend at least one seminar per quarter with the coop managers and accountants to design and implement the system.

f. Marketing

The marketing sub-component will consist of technical assistance in the design, organization and financing of a marketing system for each major crop/livestock activity. This will begin with an orientation/adjustment of the production plan based on market possibilities of all potentially and presently grown crops. For both traditional (cereals) and export crops, the project will intervene as a broker, identifying wholesale buyers, negotiating contracts, and arranging the logistics of transportation, storage, etc. Although this alternative will not provide the margins available through a direct operation, it is less risky, and requires no capital of the project's own. At some later phase of the project, after appropriate experience and resources have become available, the project may enter into direct marketing.

A principal function of the TCM marketing expert will be to explore joint venture possibilities with the ongoing TECHNOSERVE and CLUSA projects. The expert will also endeavor to develop the project's own, independent contacts with buyers and exporters. The coop management teams will receive quarterly training in the design and development of this system, including such topics as: market information, quality control, transportation, packing and storage.

g. Agronomic Technical Assistance

This sub-component will consist of assistance in the technical aspects of production. The agronomists on each team will be responsible for developing simple technical packages including improved seed varieties, agro-chemicals, improved/low cost cultivation practices, conservation of soils, water control, and optimization of machinery use. The agronomists will work closely with the farm managers and marketing specialists to insure that the production mix adopted remains technically viable, both in the

short and long term.

b. Credit

The project will contain only limited working capital of its own (for farm supply operation), and therefore cultivation of good working relationships with the banking sector will be vital for each cooperative. This area will be the responsibility of the farm managers, who will undertake to present complete credit plans to the banks well in advance of each production cycle. The TCN farm manager will develop a format for analysis of medium term credits.

i. Training

Two levels of training will be undertaken: (1) courses in farm management and marketing for the technical teams, taught by the TCN experts, and (2) courses in the same topics for the coop management teams, taught by the technical teams. The first level of training will take place within the first three months of implementation of the project, with one refresher course in the second year. The second level of training will take place on a continuous basis, and will consist of both limited classroom training, and OTJ training.

2. Phase III Service Cooperatives

The basic strategy with this group will be closely modeled on the successful experience of the UNDP agroforestry program being implemented with 207 beneficiaries in Chalatenango, and upon the USAID/MAG "Agricultura Sostenida en Laderas Project" implemented in Region II. The essential difference will be that, while the latter program focuses primarily on individual farmers, this effort will focus on the development of regional service cooperatives through which the basic services will be channeled. In this regard, the existing 207 cooperatives, lacking appropriate economies of scale, will become primary coops in which the cultivation and ownership of the land is predominantly individual.

As in the previous case, the services offered will consist of

farm supply, marketing, agronomic technical assistance, and credit. It is expected that a total of 20 Phase III cooperatives will be assisted in this manner, with approximately 800 members.

a. Personnel and Organization

Two (2) three person technical teams will be composed of a cooperative management expert, a farming system specialist (agronomist) and a marketing specialist. In the interest of achieving economies of scale in the farm supply and marketing operations, an effort will be made to combine the 20 pilot 207 cooperatives into a regional service cooperative. If this effort proves successful, it can be replicated with more 207 "primary" cooperatives. Eventually, the membership could go as high as 50 cooperatives per regional service cooperative with total individual affiliates of several thousand.

b. Selection of the Client Group

The criteria to be established for participation in this sub component will be:

- Affiliated to UNOC union.
 - Disposed to accept new technology and professional management.
- Reasonable financial situation

c. Farm Supply

This service will be managed in the same form as the previous sub-component. The regional cooperative will serve as the distribution point for the national level operation headquartered in Santa Tecla.

d. Marketing

A joint marketing operation will be organized through the regional cooperative. As in the previous sub-component, cereals marketing will be organized as a low-risk, "brokered" operation.

and will not involve the regional cooperative in a speculative purchase and storage operation

Agronomic Technical Assistance

The focus of the agronomic assistance will be on soil conservation via usable "living walls", more intensive cropping of cereals, and, at a latter stage, irrigation and crop diversification. If possible, the agronomists will intern with the ongoing UNDP and USAID/MAG project staffs to learn the technical package, and then disseminate this through the training of at least one "para-technician" per primary coop, who, on a demonstration plot basis, will disseminate the packages to the other coop members.

f. Credit

The regional coop manager will be chiefly responsible for the credit intermediation function. Ideally, the collaborating bank will allow the project to "package" the production loans of the twenty affiliated primary cooperatives into one regional level production loan. In any case, the cooperative manager will train the twenty primary coop managers/bookkeepers in the preparation of the credit plans so as to expedite the financing process.

g. Training

In this sub-component, training will take place at three levels: (1) TCN staff will train the marketing specialists and the regional cooperative manager; (2) the agronomists will be trained by UNDP and USAID/MAG staff; and (3) coop para-technicians will be trained by the agronomists and coop managers/bookkeepers trained by the regional coop manager.

11. Group B Strategy

The basic strategy will be one of providing sufficient technical assistance through the Foundation to the cooperatives.

in Group A (the majority) to maintain reasonable levels of production until they can be brought into the Group A program. In most cases, this means providing accounting assistance, to put the books in order so that the coop members may qualify for loans, and in "running interference" for the coops with the financial institutions in going through the various stages of the application and approval process. Additionally, the legal departments of the campesino organizations will assist in the satisfaction of any guarantee or collateral requirements. This level of effort approximates the present support activities of the campesino organizations with their affiliated cooperatives.

To attempt to do anything further for this group, unfortunately, would be to over-extend the very limited human and financial resources available for the Group A Program.

c. Beneficiary Rights

Although new legislation is under consideration, this activity will involve four sub-components:

- i. Development of a policy statement by the agrarian unions (under the umbrella of UNOC) on beneficiary rights in the agrarian reform sector.

This policy statement will be developed through a three part procedure. The first step will be an in depth survey/consultation with the rank-and-file to determine how they stand on issues such as parcelization, right of sale, etc. After the survey has been completed, the findings will be given to the legal departments of the agrarian unions for the development of draft legislation which will mirror to the greatest extent possible the expressed views of the membership, i.e., the land reform beneficiaries who are members of UNOC-affiliated rural unions. The result will be a definitive policy statement (and draft legislation), or as an alternative to new legislation.

Seminars with the Rank-and-File

The next step in the process will be the dissemination of the policy statement to the bases. This will afford the opportunity for feedback and amendment, if necessary. It is expected that 150 seminars will be undertaken involving some 4,500 participants.

iii. Lobbying and Political Action

The third stage will consist of political action on the part of the unions to insure that their draft legislation is at least heard and debated in the Assembly. Ideally, the legislation which ultimately succeeds will be a compromise which leaves all parties, if not completely satisfied, at least with the knowledge that their views were taken into account.

iv. Monitoring

The fourth stage will consist of monitoring of the implementation of whatever law which ultimately emerges.

d. Upgrade Administration in the Rural Unions

This objective will be achieved through the provision of administrative support to the five major agrarian unions currently being assisted by AIFLD. This administrative support will permit the retention of the professional core management units already in place in the three larger unions, and for recruitment in two additional unions.

A second sub-component will be the provision of staff training in modern planning, budgeting and financial management techniques. One two-week seminar will be held each year for this purpose. The focus will be on how modern techniques can be used to solve specific management problems. The seminars will also provide the union management with the opportunity to assess each organization's progress toward financial self-sufficiency. A total of 20 staff members will participate.

4. Support to AIFLD

There will be four professional AIFLD officers managing the programs described above: (1) a Country Program Director; (2) an Urban Union Industrial Relations Officer; (3) a Rural Development Officer; and (4) an Administrative/Finance Officer. Two construction trades, vocational training experts will manage the BAC/IMI component of the Cooperative Agreement (CA).

The CPD is AIFLD's senior representative in El Salvador and is responsible for the overall functioning of the CA programs. He will be assisted by two program officers with knowledge and experience, on the one hand, of industrial relations, occupational safety and health and internal union-building; and, on the other, planning and implementation of rural technical support programs for campesino organizations. The Controller will be a CPA or equivalent.

There is also a local Salvadoran staff with clerical, financial/accounting and professional responsibilities. AIFLD/Washington will oversee the financial management of the AIFLD/El Salvador Controller and will send its officers to work with him or her and the local accounting staff as necessary.

The local professional staff includes an education/agrarian affairs officer as well as an industrial relations expert. A medical doctor will oversee all medical services activities and collaborate in the occupational safety and health program which is coordinated by a chemical engineer. The latter also helps in the implementation of the labor/management reconstruction program.

The nature of AIFLD's work in El Salvador means that AIFLD Security Department, with a local supervisor and body and house guards, will continue. The members of the Security Department receive advice and training from an AIFLD Security Advisor and the USAID and Embassy Security offices. One of the older armored vehicles will be replaced in the new contract period.

VI. PROJECT FINANCIAL MONITORING PROCEDURE:

AIFLD's financial accountability system works on a monthly basis. Advances are made at the beginning of each month to our counterpart organizations based on previously agreed upon budgets. The advances are made only after approved liquidations from the previous month. If a liquidation (receipt or invoice) is questionable, further explanation and review are required which may necessitate delay on the requested advance.

For the new proposed Cooperative Agreement, a narrative quarterly progress report, entailing continuing analysis of implementation plans, will be required of our recipient labor organizations. This is in line with the management upgrading described above in the project description section.

The quarterly report requirement will increase the effectiveness and timeliness of AIFLD's monitoring of its programs, both financially and substantively. AIFLD staff field visits to program sites, to the extent practical, will supplement our review of the quarterly reports and financial statements of our counterpart organizations.

In large part, AIFLD makes only direct disbursements based on receipts to its program recipients. The BAC/IMI program is an exception where an AIFLD/Washington sub-grant is made to the former. BAC/IMI financial reports go directly to AIFLD/Washington as well. Also, the proposed Integrated Agricultural Technical Assistance and Community Banks programs describe above will most likely entail sub-grants to local Salvadoran firms.

VII. PROGRAM EVALUATION AND AUDIT

In light of the ~~scope~~ of the new CA proposal, the USAID and AIFLD should cooperatively undertake both mid-term and final program evaluations. The evaluations should be contracted out to independent consultant firms.

The internal progress reports of the recipient labor organizations should provide a useful data base from which to develop the evaluations. It is our expectation that the mid-term evaluation will facilitate adjustments in program design, budgets and staffing as necessary in order to ensure approximation of the proposal's goal and purposes.

The input-output and logframe analyses will provide the parameters for the evaluations, qualified by the inevitable qualitative and incommensurable dimensions of some of AIFLD's activities which make the activities at best amenable to only non-empirical, contingent judgment.

The scope and schedule of AIFLD country program audits are determined by the Finance Office of AIFLD/Washington.

**AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT
BUDGET - COOPERATIVE AGREEMENT
MAY 1990 - April 1993**

SUMMARY

	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>TOTAL</u>
I. URBAN SECTOR	\$895,940	496,840	\$496,840	\$1,889,620
II. RURAL SECTOR	718,696	720,696	720,696	2,160,088
III. VOCATIONAL TRAINING	662,389	702,037	749,511	2,113,947
IV. FOUNDATION	717,641	639,783	715,742	2,073,166
V. STAFF AND ADMINISTRATION	1,226,702 ^{1,211,712}	1,115,638 ^{1,055,638}	1,178,674 ^{1,103,674}	3,521,014 ^{3,371,024}
VI. Evaluation and Total Program and Admin. + Administration	15,000	60,000	75,000	150,000
	\$4,221,378	\$3,674,994	\$3,861,463	\$11,757,835
Overhead at 22.26%	<u>939,678</u>	<u>818,054</u>	<u>859,562</u>	<u>2,617,294</u>
TOTAL BUDGET	<u>\$5,161,056</u>	<u>\$4,493,048</u>	<u>\$4,721,025</u>	<u>\$14,375,129</u>

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AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT
 BUDGET - COOPERATIVE AGREEMENT
 MAY 1990 APRIL 1991

	YEAR 1	YEAR 2	YEAR 3	TOTAL
I. URBAN SECTOR				
A. Organizational Support	\$234,500	\$234,500	\$234,500	\$ 703,500
B. Political Action and Education	400,000	-0-	-0-	400,000
C. Technical Assistance and Education	<u>261,440</u>	<u>262,340</u>	<u>262,340</u>	<u>786,120</u>
	\$895,940	\$496,840	\$496,840	\$1,889,620
II. RURAL SECTOR				
A. Organizational Support	\$183,996	\$183,996	\$183,996	\$551,988
B. Technical Assistance and Education	534,700	536,700	536,700	1,608,100
C. Working Capital	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	718,696	720,696	720,696	2,160,088
III. VOCATIONAL TRAINING				
A. Administration	\$417,399	\$450,537	\$483,011	\$1,350,947
B. Technical Assistance and Education	<u>245,000</u>	<u>251,500</u>	<u>266,500</u>	<u>763,000</u>
	662,399	702,037	749,511	2,113,947
IV. FOUNDATION				
A. Administration	\$365,141	\$485,783	\$498,742	\$1,349,666
B. Technical Assistance and Education	<u>352,500</u>	<u>154,000</u>	<u>212,000</u>	<u>723,500</u>
	717,641	639,783	715,742	2,073,166
V. STAFF AND ADMINISTRATION				
A. U.S. Technical Team and Consultants	\$487,026	\$511,374	\$536,949	\$1,535,349
B. Local Staff and Administration	538,876	592,764	635,225	1,766,865
C. Vehicles	140,000	-0-	-0-	140,000
D. Commodities	<u>60,800</u>	<u>11,500</u>	<u>6,500</u>	<u>78,800</u>
	1,226,702	1,115,638	1,178,674	3,521,014
Total Program and Administration	\$4,221,378	\$3,674,994	\$3,861,463	\$11,757,835
Overhead at 22.26%	<u>939,678</u>	<u>818,054</u>	<u>859,562</u>	<u>2,617,294</u>
TOTAL BUDGET	<u>\$5,161,056</u>	<u>\$4,493,048</u>	<u>\$4,721,025</u>	<u>\$14,375,129</u>

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AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT
 BUDGET - COOPERATIVE AGREEMENT
 MAY 1990 - APRIL 1993

	YEAR 1	YEAR 2	YEAR 3	TOTAL	TEXT REFERENCE NUMBER
I. URBAN SECTOR					
Organizational Support					
A. UNOC	\$44,400	\$44,400	\$44,400	\$133,200	A. 2.1
CTD Management Unit	15,900	15,900	15,900	477,000	B. 6.1
FESIMCONSTRANS	14,400	14,400	14,400	432,000	B. 7.1
SUTC	24,000	24,000	24,000	720,000	B. 7.1
CTS	33,600	33,600	33,600	100,800	B. 7.1
SIPES	6,000	6,000	6,000	18,000	B. 7.1
CGT	50,400	50,400	50,400	151,200	B. 7.1
OSILS	18,000	18,000	18,000	54,000	B. 7.1
CTD	<u>27,800</u>	<u>27,800</u>	<u>27,800</u>	<u>83,400</u>	B. 7.1
	\$234,500	\$234,500	\$234,500	\$703,500	
B. Political Action and Education Elections	400,000	-0-	-0-	400,000	A4.1a to A4.4
	400,000	-0-	-0-	400,000	
C. Technical Assistance and Education					
Human Rights	44,200	44,200	44,200	132,600	A3.1 to A3
Collective Bargaining	12,000	12,000	12,000	36,000	B1.1 & B1
Occupational Health and Safety	9,400	10,300	10,300	30,000	B2.1 to B2
Mobile Health Clinic	21,840	21,840	21,840	65,520	B3.4
Organizing Seminars	9,000	9,000	9,000	27,000	A1.1a
Salaries for Organizers	150,000	150,000	150,000	450,000	A1.1b
Central American Seminars	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>45,000</u>	A5.1
	261,440	262,340	262,340	786,120	
TOTAL URBAN SECTOR	<u>\$895,940</u>	<u>\$896,840</u>	<u>\$896,840</u>	<u>\$1,889,620</u>	

AIFLD - BUDGET, COOPERATIVE AGREEMENT

MAY 1990 - APRIL 1993

II. RURAL SECTOR	YEAR 1	YEAR 2	YEAR 3	TOTAL	TEXT REFERENCE NUMBER
A. Organizational Support					
UCS	99,996	99,996	99,996	299,988	C. 6
ACOPAI	36,000	36,000	36,000	108,000	PC. 6
FECORASAL	24,000	24,000	24,000	72,000	PC. 6
FECORASEN	12,000	12,000	12,000	36,000	PC. 6
CCS	12,000	12,000	12,000	36,000	PC. 6
	183,996	183,996	183,996	551,988	
B. Technical Assistance and Education					
Land Reform Conferences	2,400	2,400	2,400	7,200	C1.2
Increase Production - Group A	312,200	312,200	312,200	936,600	C2.1.1
Increase Production - Group B	179,400	179,400	179,400	538,200	C2.1.2
Beneficiary Rights	40,700	42,700	42,700	126,100	C3.1 to C3.
	534,700	536,700	536,700	1,608,100	
C. Working Capital	-0-	-0-	-0-	-0-	
	-0-	-0-	-0-	-0-	
TOTAL RURAL SECTOR	8718,696	8720,696	8720,696	2,160,088	

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AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT
 BUDGET - COOPERATIVE AGREEMENT
 MAY 1990 - APRIL 1993

III. VOCATIONAL TRAINING:

	Year 1	Year 2	Year 3	Total	Text Refer. Number
a. Administration:					
US Personnel in El Salvador	\$198,600	\$207,180	\$216,228	\$ 622,008	P.B.5
BAC/IMI Administration	44,500	49,810	51,450	145,760	P.B.5
Salvadoran Persnl. & Local Costs	86,600	100,600	116,100	303,300	P.B.5
Other Direct Costs	<u>87,692</u>	<u>92,947</u>	<u>99,233</u>	<u>279,872</u>	P.B.5
		450,537		483,011	1,350,947
b. Technical Assistance & Education:					
Trainee Stipends	48,000	50,000	52,000	150,000	P.B.5
Literacy Program		11,000	11,000	22,000	P.B.5
Eqpt., Tools, Wearing Appl. & Suppl	85,500	78,500	91,500	255,500	P.B.5
Training Facilities	33,000	57,000	57,000	147,000	P.B.5
Program Administrative Support	17,500	16,000	16,000	49,500	P.B.5
Technical Services	11,000	16,000	16,000	43,000	P.B.5
Meetings and Conferences	1,000	1,000	1,000	3,000	P.B.5
Excess Property Acquisitions	3,000	3,000	3,000	9,000	P.B.5
Freight/Shipping Cost	7,000	5,000	5,000	17,000	P.B.5
Curriculum Development	5,000	5,000	5,000	15,000	P.B.5
Program Consultant	1,000	1,000	1,000	3,000	P.B.5
Promotion/Advertisement	20,000	5,000	5,000	30,000	P.B.5
Tools and Equipment	3,000	3,000	3,000	9,000	P.B.5
Campeño Housing Compt. Buildings	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>10,000</u>	P.B.5
	242,000	251,500	266,500	760,000	
Total Vocational Training	<u>\$662,399</u>	<u>\$702,037</u>	<u>\$749,511</u>	<u>\$2,113,947</u>	



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**AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT
BUDGET - COOPERATIVE AGREEMENT
MAY 1990 - APRIL 1993**

	Year 1	Year 2	Year 3	Total	Text Reference Number
IV. FOUNDATION					
a. Administration					
Director - U.S.	\$124,492	\$130,717	\$137,252	\$392,461	
Finance Officer - U.S.	122,349	128,466	134,890	385,705	
Coordinators/Administrators (4)	13,200	26,400	26,400	66,000	
Accountants (17)	28,500	57,000	57,000	142,500	B.3.1a, B.36 a C2.2
Secretaries	3,300	6,600	6,600	16,500	B.3.1a, B.3. 6a, C2.2
Farming Systems Specialists (6)	10,000	20,000	20,000	50,000	B.3.1 B.36a
Agronomists (8)	14,400	28,800	28,800	72,000	C.2.1.3
Farm Supplies Managers (2)	3,600	7,200	7,200	18,000	C.2.2
Marketing Specialists (6)	10,000	20,000	20,000	50,000	C.2.2
PEM Consultants (4)	10,000	10,000	10,000	30,000	C.2.1.3
Coop Development Specialists (6)	10,000	20,000	20,000	50,000	C.2.1.3
Equipment, Materials & Supplies	15,300	30,600	30,600	76,500	C.2.1.3
	365,141	485,783	498,742	1,349,666	B.3.1a, B
b. Technical Assistance and Education:					
Consultant Project Design	32,000	16,000	8,000	56,000	B.3.1b
Consultant/Arch/Housing	3,500	0	0	3,500	B.3.3a
Consultant/Civil Engineer	5,000	5,000	5,000	15,000	B.3.3a
Capital Fund	0	50,000	50,000	100,000	B.3.3b
Consultant	12,000	8,000	4,000	24,000	B.3.6b
Seed Capital	0	75,000	150,000	225,000	B.3.6c
Working Capital	300,000	0	0	300,000	C.2.3
	352,500	154,000	217,000	723,500	
Total Foundation	\$717,641	\$639,783	\$715,742	\$2,073,166	

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AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT
BUDGET - COOPERATIVE AGREEMENT
MAY 1990 - APRIL 1993

	Year 1	Year 2	Year 3	Total
V. STAFF AND ADMINISTRATION:				
a. U.S. Technical Team and Consultants				
Salaries	\$164,000	\$172,200	\$180,810	\$517,010
Overseas Allowances	146,400	153,720	161,406	461,526
Travel and Per Diem	22,000	23,100	24,255	69,355
Benefits	74,166	77,874	81,768	233,808
Supplies, Equip., Postage	3,600	3,780	3,970	11,350
Consultants	61,860	64,950	68,200	195,010
Other Direct Costs	<u>15,000</u>	<u>15,750</u>	<u>16,540</u>	<u>47,290</u>
	487,026	511,374	536,949	1,535,349
b. Local Staff and Administration:				
Salaries	123,876	136,264	149,075	409,215
Travel and Per Diem	90,000	99,000	100,900	289,900
Rent and Utilities	54,000	59,400	61,340	174,740
Supplies and Equipment	36,000	39,600	41,560	117,160
Communication and Postage	24,000	26,400	27,040	77,440
Benefits	36,000	39,600	43,560	119,160
Security	<u>175,000</u>	<u>192,500</u>	<u>211,750</u>	<u>579,250</u>
	538,876	592,764	635,225	1,766,865
c. Vehicles:				
7 Cherokees	140,000	<u>0</u>	<u>0</u>	<u>0</u>
	140,000	0	0	140,000
d. Commodities:				
Computers, typewriters, etc.	60,800	<u>11,500</u>	<u>6,500</u>	<u>78,800</u>
	60,800	11,500	6,500	78,800
Total Staff and Administration	<u>\$1,226,702</u>	<u>\$1,115,638</u>	<u>\$1,178,674</u>	<u>\$3,521,014</u>

ANNEX 2: INPUT-OUTPUT STATEMENT

AIFLD EL SALVADOR: C.A. PROPOSAL
OUTPUTS AND INPUTS LISTED BY OBJECTIVES

A. UNOC

OBJECTIVE A.1: INCREASE UNOC MEMBERSHIP AND INFLUENCE

Output A.1.1.: Train organizers: 50 urban and 50 rural.

Output A.1.2.: Affiliation of five new federations or unions representing 20,000 new urban and rural workers

Input A.1.1.a: Three (3) organizing seminars per year.

OBJECTIVE A.2: UPGRADE UNOC ADMINISTRATION

Output A.2.1: Full time, professional support staff in place.

Input A.2.1. Salaries, office and vehicle expenses.

OBJECTIVE A.3: IMPROVE THE HUMAN RIGHTS SITUATION

Output A.3.1.: System for regular collection of human rights data for UNOC member.

Output A.3.2.: Network of army and security force commanders cognizant of UNOC, its leadership and objectives.

Output A.3.3.a: 100 promoters trained in basic human rights and criminal code.

Output A.3.3.b: 25,000 rank-and-file members trained in basic human rights and criminal code.

Input A.3.1: Full-time human rights staff members.

Input A.3.2: Human rights materials, travel costs and fora.

Input A.3.3.a: 3 Human Rights Promotional seminars

Input A.3.3.b: 500 grassroots level meetings on human rights topics.

OBJECTIVE A.4: 100,000 VOTERS REGISTERED FOR 1991 ELECTIONS

Output A.4.1: 100 activists trained in voter registration techniques.

Output A.4.2: Politically informed membership.

Output A.4.3: Politically informed membership.

Output A.4.4: Politically informed membership.

Input A.4.1.a: 100 organizers for voter reg

Input A.4.1.b: Three (3) registration seminars

Input A.4.2: 15 Meet-the-candidates fora.

Input A.4.3: Media campaign.

Input A.4.4: 15 rallies.

OBJECTIVE A.5: UPGRADE TOP & MIDDLE LEVEL LEADERSHIP SKILL

Output A.5.1: 240 top and middle level leaders trained in leadership and union action.

Input A.5.1: 6 seminars in Central America on leadership training.

B. URBAN UNIONS

OBJECTIVE B.1: TEN NEW COLLECTIVE BARGAINING CONTRACTS

Output B.1.1.: 50 union officers and 50 urban promoters trained in negotiation techniques.

Output B.1.2.: Financial and economic analysis brief sheets produced for each contract negotiation.
12 advanced seminars on collective bargaining.

Services of an economist/financial analyst for ---
CTD/Covered under UNOC budget

OBJECTIVE B.2 IMPROVE THE HEALTH AND SAFETY OF WORKING CONDITIONS

Output B.2.1: Joint management-labor committees formed in each major sector.

Output B.2.2: Expanded library and information center.

Output B.2.3: At least five baseline sector surveys performed to determine extent of problems with follow-on surveys for monitoring.

- Input B.2.1: 36 meetings and inspection tours for labor and management representatives.
- Input B.2.2.a: Services of one librarian and information specialist.
- Input B.2.2.b: Production and distribution of OHS material
- Input B.2.3: Materials and processing for 5 OHS sector surveys per year.

OBJECTIVE B.3: IMPROVE THE SOCIAL WELFARE AND GENERATE INCOME AND EMPLOYMENT FOR URBAN AND RURAL WORKERS

- Output B.3.1: Management proposal unit hired and trained in project design, analysts proposal marketing.
- Output B.3.2: 100 promoters trained in participatory project identification methodology
- Output B.3.3: Total of 300 projects in housing, infrastructure repair, water supply and sanitation completed.
- Output B.3.4: Operational mobile health clinic created.
- Output B.3.5: National level management unit of micro-enterprise loan program created.
- Output B.3.6: Accounting and supervisory system established for micro-enterprise loan prog
- Output B.3.7: 40 Community Bank credit committees created in the urban and rural sectors.
- Output B.3.8: \$70,000 in year one, \$150,000 in year two. and \$300,000 in year three worth of credit disbursed and collected
 - Input B.3.1.a: Supplies and staff serv management unit.
 - Input B.3.1.b: International short-term consultant to train the social projects management staff.
 - Input B.3.2: International short-term consultant to set up the ial projects implementation methodology.
 - Input B.3.3.a: Two national consultants (Architecy and Civil Engineer) for social projects implementation.

- Input B.3.3.b: Working capital and counterpart funding of \$150,000 COP for social projects.
- Input B.3.4: Mobile health clinic full-time staffed, medicines, supplies and educational materials.
- Input B.3.5: Materials, supplies and staff services (promoters are covered by CTD budget) for national level management unit of micro-enterprise loan program.
- Input B.3.6: International short-term consultant for micro-enterprise loan program designed and implementation.
- Input B.3. Services of field promoters/covered by CTD budget.
- Input B.3. Seed capital for micro-enterprise loans.

OBJECTIVE B.4 COMBINED WITH OBJECTIVE B.3

OBJECTIVE B.5 IMPROVE LABOR-MANAGEMENT RELATIONS AND VOCATIONAL TRAINING IN THE BUILDING TRADE SECTOR (BAC-IMI CONSTRUCTION TRADES TRAINING PROGRAM)

- Output B.5.1: 100 workers trained in masonry, carpentry, plumbing, sheet metal, ironworking, electrical and heavy equipment operation.
- Output B.5. Renodeled and expanded Training Center.
- Output B.5. Additional syllabi for courses in carpentry, plumbing, sheet metal, electrical and heavy equipment.
- Output B.5.4: 1 Monthly meetings of IMI Labor/Management Committee
- Output B.5.5: Feasibility study for tool and equipment cooperative.
- Output B.5.6: Construction of campesino housing and community buildings.
- Input B.5.1.a: Salaries of instructors and administrative staff.
- Input B.5.1.b: Trainee stipends
- Input B.5.2.a: Materials and labor for training facility.
- Input B.5.2.b: Training equipment, tools, apparel and supplies.
- Input B.5.3.a: Short-term consultants for design of courses.

- Input B.5.3.b Production of instructional materials.
- Input B.5.4: Meeting expenses
- Input B.5.5: Staff services for equipment cooperative study.
- Input B.5.6: Materials and labor for rural housing.

OBJECTIVE B.6: UPGRADE CTD MANAGEMENT

- Output B.6.1: Full-time professional staff trained in modern techniques of program planning, budgeting and administration.
- Output B.6.2: Service program in place for industrial relations, trade union education and economic analysis.
- Input B.6.1: Salaries, supplies and communication costs for CTD management unit.
- Input B.6.2: Same as above.

OBJECTIVE B.7: IMPROVE THE GENERAL ADMINISTRATION OF URBAN UNIONS

- Output B.7.1: Core management teams in six (6) urban unions.
- Input B.7.1: Salaries, supplies and communication costs for administrative support to urban unions.

C. RURAL UNIONS

OBJECTIVE C.1: PLACE 20,000 ADDITIONAL CAMPESINOS ON THE LAND

- Output C.1.1: Inventory of landless campesinos.
- Output C.1.2: Joint Land Bank/UNOC Committee for negotiation of farms.
- Output C.1.3: Inventory of interested sellers presented to Land Bank.
- Input C.1.1: UNOC promotional and organizing services/covered by UNOC budget.
- Input C.1.2: Monthly meetings of UNOC with FINATA and other government agencies.
- Input C.1.3: UNOC promotional and organizing services/covered by UNOC budget.

OBJECTIVE C.2: INCREASE AGRICULTURAL PRODUCTION AND INCOMES OF RURAL COOPERATIVE

- Output C.2.1: 15 Phase I and Traditional good management teams trained in modern production, administration, marketing and financial management techniques and operating procedures.
- Output C.2.2: Two (2) Phase III regional service co-ops with base group para-technical teams trained in accounting and agronomic support services.
- Output C.2.3: Integrated technical assistance packages for the economic development of both production co-ops (Phase I and Traditional) and regional service co-ops (Phase III).
- Output C.2.4: 25 Phase I and Traditional coops and 100 Phase III co-ops with production planning systems and sound financial and credit management.
- Output C.2.5: Commercial farm supply operation functioning as a joint venture of the rural unions and managed by a technical team specialist.
- Input C.2.1.1: Phase I staff technical services in administration, agronomy, farm management, marketing and farm supply.
- Input C.2.1.1: Phase I technical training activities in above areas.
- Input C.2.1.1: Fuel, per diem, transportation and indirect costs.
- Input C.2.1.2: Phase III staff technical services in regional coop administration, farming systems, marketing and farm supply.
- Input C.2.1.2: Phase III para-technical services for base coops in agronomy and administration.
- Input C.2.1.2: Phase III technical training activities in above areas.
- Input C.2.1.2: Fuel, per diem, transportation and indirect costs/42,400 per year.

International consulting services in farming systems, marketing, cooperative development and program planning

- Input C.2.2: Subsistence program staff technical services in agronomy, accounting and farm supply.
- Input C.2.2: Subsistence program technical training activities in above areas.
- input C.2.2: Fuel, repairs and indirect costs.
- Input C.2.3: Working capital for commercial farm supply operations.

OBJECTIVE C.3: PROMOTE BENEFICIARY RIGHTS FOR PHASE I A FARMERS

- Output C.3.1: Policy statement by UNOC on beneficiary rights, parcelization, etc. in the reform sector.
- Output C.3.2: 200 rural promoters trained in beneficiary rights issues.
- Output C.3.3: Increased awareness and receptivity by Salvadorean officials to agrarian union land reform initiatives.
- Input C.3.1: Legal services provided by four (4) Lawyers with secretarial support and supplies.
- Input C.3.2: Beneficiary rights seminars to analyze UNOC policy statement with bases.
- Input C.3.3: Three (3) international conferences on beneficiary rights.

OBJECTIVE C.4: MORE EFFICIENT ADMINISTRATION IN RURAL UNIONS

- Output C.4.1: Core management teams in five (5) rural unions.
- Output C.4.2: Implementation of improved financial management and program planning procedures.
- Input C.4.1: Administrative, technical, promotional and educational services with overhead.
- Input C.4.2: Same as above.

PROJECT DESIGN SUMMARY

LOGICAL FRAMEWORK MATRIX

ANNEX TABLE 1 INSTITUTIONAL DEVELOPMENT OF DEMOCRATIC TRADE UNIONS AND CAMPESINO ORGANIZATIONS IN EL SALVADOR

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Sector Goal: Institutionalize the democratic labor movement under UNOC and the CTD by means of complementary programs to develop the institutional capability and performance of affiliated trade union and agrarian organizations.</p>	<p>Measures of Goal Achievement:</p> <ol style="list-style-type: none"> 1. Upgraded technical services to urban and rural unions. 2. Improved and expanded programs in trade union education and training. 3. Formulation and presentation of trade union policies on labor sector and national issues. 4. Increase the organized work force in El Salvador from the current 20%. 5. Increase the number of workers employed under collective bargaining agreements from the estimated 45,000. 	<ol style="list-style-type: none"> 1. Project records and program evaluations. 2. Project records and program evaluations. 3. UNOC and CTD records. 4. Ministry of Labor figures. 5. Ministry of Labor figures. 	<p>Essential External Conditions</p> <ol style="list-style-type: none"> 1. War, terrorism, sabotage and threatened violence are eliminated or greatly reduced. 2. The decline in the economy can be stabilized or reversed. 3. Political interference in the democratic labor movement is lessened.
<p>Project Purposes:</p> <ol style="list-style-type: none"> 1a. Develop institutional capability of UNOC. 1b. Improved institutional performance of UNOC. 2a. Develop institutional capability of urban unions. 2b. Improved institutional performance of urban unions. 3a. Develop institutional capability of rural unions. 3b. Improved institutional performance of rural unions. 	<p>End of Project Status:</p> <ol style="list-style-type: none"> 1a. Increased membership, upgraded management, upgraded leadership. 1b. Effective promotion of human and trade union rights, land reform promotion program effective program for worker's voter registration, policy formulation, organized labor representation. 2a. Vocational education program, health and safety program, community banks program, social projects program, upgraded CTD and urban union management. 2b. Increased collective bargaining contracts, industrial skills training, decreased on-the-job accidents, disbursement of micro-enterprise credits, community projects, improved labor/management relations. 3a. Federation land reform promotion programs, federation TA teams, coop management teams, federation legal offices, federation social projects offices, federation community banks programs, federation central offices. 	<ol style="list-style-type: none"> 1a. UNOC central administration files and department reports. 1b. Same as above. 2a. CTD and urban union central administration files and department reports. 2b. Same as above. 3a. Rural union central administration files and department reports. 	<p>Assumptions for Achieving Purposes:</p> <ol style="list-style-type: none"> 1. El Salvador government policies tend to support urban and rural union activities and services.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
	3b. 20,000 landless families assisted, improved coop management and production services, beneficiary rights services, 300 community projects proposals, micro-enterprise credits disbursed, federation financial statements.		

NOTE:

Some of the Indicators will be verifiable through the work of the Foundation, Annex 8.

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ANNEX 4: The International Union of Bricklayers and Allied Craftsmen and the International Masonry Institute (BAC/IMI) Program

Over the course of the 1986-90 Cooperative Agreement, the BAC/IMI Vocational Training Program has developed into a highly successful skills-training and job-creation set of activities. This was verified by the recent evaluation of the AIFLD program in El Salvador by Chechi and Company which praised the BAC-IMI for the quality of its training program as well as the contribution it was making in labor-management relations in the Salvadoran construction industry.

Shortly after the October 1986 earthquake, BAC/IMI technicians conducted a feasibility study to determine demand for construction craft skills training in El Salvador. The BAC/IMI team met with contractors, architects, engineers and union leaders and visited materials warehouses and numerous construction projects as well as the government-sponsored masonry training program, INSAFORP. The overall finding of the study was that craft techniques were in need of major improvement. The inefficient utilization and poor quality of materials and masonry tools not only led to low quality results but also contributed to low wages. Occupational safety and health standards were wholly inadequate and there was little labor-management cooperation in this field. In addition, the study pointed out that the demand for skilled masons was noticeably increasing, beginning with the manpower requirements for the repair of the extensive damage caused by the earthquake.

Early in 1988, the BAC/IMI sent a team of seven Salvadoran craftsmen from SUTC and SIGMO to the IMI Gainesville, Florida facility for training in U.S. masonry techniques. Upon their return to El Salvador, the instructors, under the direction of a veteran IMI instructor, began to train union members.

The program now trains as many of 40 masons at any given time. To date, 166 union members have entered the program; 105 have graduated; and 85 have been placed in jobs. This represents a better than 80% job-placement rate. It should also be noted that most IMI graduates receive union wages or better and given the piecemeal wage structure for bricklayers, graduates get an additional bonus for their more efficient techniques.

Further, the IMI offers skill training in a variety of masonry crafts (basic brick and block, cement finishing, plastering, tile setting, iron work and carpentry). The IMI competency-based system permits students to advance from one skill to the next after obtaining a minimum competency level in each skill. This system has worked well, allowing students to gain experience in all the crafts; however, each student is required to specialize in a particular craft and is given craft-specific tools after graduation. In addition, students attend two weeks of classroom training at the beginning of the program (basic math, blueprint reading, drawing and safety and health). Safety and health is reinforced by the instructors throughout the program. The use of protective gear (hard hats, mason gloves, goggles and hard boots) is a shop requirement which is strictly enforced. The students also receive training in trade unionism and labor-management relations. The students are recruited through the union, the majority being hodcarriers and helpers, though some bricklayers have entered the program for upgrading. A night and weekend course for foremen is in the design stage.

Apart from the training, the development of the labor-management relations component of the BAC/IMI program merits special mention. The activities under this component have had a positive impact on earnings and working conditions in the Salvadoran construction industry. The minimum wage under the SUTC-CASALCO collective bargaining agreement is 30% greater than the minimum wage established by the Ministry of Labor. The IMI labor-management committee is in part responsible for a recent 20% industry-wide wage increase. In addition, the committee has been a vehicle for dispute-resolution and discussions of occupational

safety and health problems. Recently, SUTC and CASALCO formed the Comision Obrero-Patronal para la Reconstruccion Nacional to collaborate with government and private institutions in the housing reconstruction effort in the aftermath of the November 1989 FMLN offensive.

Over the past year, BAC/IMI initiated a rural community development activity as part of its regular training program. IMI students, after six weeks of training, are sent to campesino cooperatives in teams under the direction of an instructor to assist in the construction of housing and community centers. Teams are assigned to cooperatives for a two-week period, and live in the cooperatives. The cooperative supplies sleeping arrangements while the IMI supplies food, water and other provisions. The participating campesino federation obtains building materials through an international source, World Vision. To date 18 campesinos dwellings and a community center have been constructed in Ahuachapan.

The plan is to expand the BAC/IMI Vocational Training Program over the course of the 1990-93 Cooperative Agreement. The impressive results thus far and the manifest needs in this field in El Salvador make a very strong case for the selective and careful expansion which is proposed. Augmenting the present instruction in masonry crafts, the program will add training in other construction trades: carpentry, electrical, plumbing, sheet metal and heavy equipment. The additional lines of training will be phased in over three years. Carpentry, electrical and plumbing will be introduced over the first year; sheet metal in the second; heavy equipment operation in the third. It is estimated that over the life of-the-project that at least 700 craftsmen will be trained.

This expansion will require increasing staff technical and program capacity, enlarging the training facility, a greater effort in curriculum development, and enhanced coordination. In addition to the six masonry craft instructors, the program will require at least one Salvadoran instructor for each of the newly introduced trades as well increased supervision, and in-country instructor training from the U.S. based support staff. A U.S. direct hire

vocational training coordinator will be added. Skill-specific trainers will visit periodically for instructor training and upgrade.

The training facility will be expanded so as to accommodate the larger number of trainees. Either a leased facility will be retrofitted or property will be leased to build a new facility. We anticipate that at least twice as much overall space will be needed for hands-on training, classrooms, instructor and administrative offices and materials storage.

There are a few other new program initiatives planned. Instructor training will be expanded to incorporate new instructors into U.S. in-service programs such as the IMI Annual Trowel Trade Instructor Program. This program involves teaching both training techniques and advanced technical knowledge in the specific trade.

Another important initiative is in research and development. U.S. and Salvadoran experts will identify construction equipment and material research needs for El Salvador construction. Then, based on the findings, industry-wide advanced training for contractors, architects, and engineers will be provided at appropriate U. S. and Salvadoran sites. This training will focus on incorporating new technology and practices into design and construction and will deal with critical issues such as earthquake resistant building design, effective use of natural/renewable resources, advances in building codes, and new products.

The Labor/Management Quality of Worklife Project is another important initiative. The project deals with leadership training, first aid, safety, and work environment issues. More specifically, the project will include (a) analyzing worksite and accident issues and (b) two feasibility studies. BAC/IMI El Salvador staff will examine the feasibility for developing a tool and equipment cooperative. Second, the feasibility of establishing a National Residential Construction Training Center will be investigated.

Finally, during the period, a program for self-sufficiency will be drawn up including items such as student tuition (pre-paid and/or postpaid), industry surcharges,

ANNEX 5: Village Banking Methodology

I. Purpose & General Concept

The purpose of this component of the project is to finance the creation of a network of community-based "village banks" which will, in turn, sublend working capital loans of between US\$50 and US\$300 local artisans and other self-employed business persons, approximately 50% of whom will be women. We expect the number of loans to reach 1,000 per cycle by the beginning of the second year. Examples of the kinds of activities to be financed include small animal rearing and fattening (pigs, chickens, and turkeys), petty trade (buying and selling vegetables, milk and cheese), cheese production, sewing and clothes production, candy production, tamales and tortilla production. Experience with similar type programs in El Salvador and elsewhere in Central America has demonstrated that, even with small loans, micro-entrepreneurs can generate significant supplementary family income from these activities.

II. Personnel and Organization

The Village Banking program will be operated through a small AIFLD/UNCC management unit at the national level, consisting of a coordinator, accountant, secretary/bookkeeper, and five field promoters. The unit will operate as a "profit center", with its operating expenses initially covered by the CA, and then eventually covered by interest revenues generated by the loans made. The attached cash flow projection shows how this will occur.

III. Operations

The actual operation of the VB system may be described as a seven-step process:

Organization of the Village Banks

The Village Banks (VBs) are organized in the following manner.

... a meeting is held in an interested village or cooperative. The Coordinator or promoter explains the ten basic principles:

a. Loans are made to groups, not individuals, and the group is held jointly responsible for repayment. The groups may then sublend to the individual members, or may undertake a community-level project.

b. The VBs enjoy full autonomy in selecting or expelling members. This places the burden of responsibility for performance of any given member on the group.

c. Repayment of all loans must be 100% before new loans are granted.

d. Initial loans are small, limited to US\$50 per borrower. This reduces the risk to both borrower and lender, and allows the VB to put its members on "probation", until their credit-worthiness is proven.

e. The interest rate is not concessionary, but covers the full cost of capital and administration. This may vary, but generally translates to a real rate of 2% per month.

f. In addition to principal and interest, the borrowers commit to achieving a minimum level of savings in each cycle, e.g., 20% of the loans received. Additional increments in the loans are tied to the accumulated savings rate. For example, if a VB of 25 members receives a total of \$1,250 in the first cycle, and collects \$250 in savings, the following cycle they will receive \$1,500. If they continue to save at the rate of 20% per cycle, their credit line will be increased to \$1,800 ($20\% \times \$1,500 = \$300 + \$250 + \$1,250 = \$1,800$). Eventually, it is expected that each village bank will create an amount of internal capital sufficient to permit most members to self-finance their micro-enterprises. At this point, the seed capital can be withdrawn and utilized to finance the start-up.

g. The term of the loans is a maximum of four months. The idea here is to encourage borrowers to find more profitable, rapid turnover type investments, versus, in the rural areas, financing basic grains.

h. Borrowers are not restricted as to how they invest the loans. However, if the credit committee determines that an individual is making an unsound investment, it may reject the application.

The functions of credit analysis, approval, disbursement and collection at the village level are delegated to the VB itself. This increases responsibility and lowers the costs of administration of the program.

Once the concept and principles are explained, the group is left alone to decide whether it is interested in the program. If the response is positive, then in the same meeting, a credit committee is elected, and an acta is drawn up, officially creating the village bank. Three subsequent meetings are held over the next three weeks, in which a simple accounting system is explained and installed, the members of the committee trained, and any new members taken in. In this process, also, uninterested members from the first meeting drop out. Token savings are also collected.

2. Loan Disbursement

At the fifth meeting, the loan is disbursed. The credit committee of the village bank makes the subloans to the members, recording each both in the VB's loan register, and in a "passbook."

held by the borrower. The Credit Committee also executes a note with the program management guaranteeing repayment of the loan, plus interest at the end of the four month cycle.

3. Loan investment and productive activities

Over the next four months, the borrowers carry out their business. Meetings of the VB are held once a week. At the meetings, the members begin to repay their loans in small installments, scheduled to leave the loan fully repaid by the end of the cycle. They also make deposits to their savings accounts. The savings constitute additional loan capital for the VB, and can be relent, either to members or non-members, under any terms the VB wishes to establish. This latter aspect refers to the "internal fund" of the bank, which will eventually replace all external capital. Until this occurs, the savings also constitute a reserve upon which the VB can draw to cover any default among its members, so as to maintain its good credit status with the program management.

4. Supervision by the Management Unit

The promoter visits the VB at its weekly meetings, at first four times per month, then twice monthly, and, finally, after the first cycle, once per month. Naturally, this schedule can be adjusted if particular problems are encountered, but the general idea is a declining level of direct supervision as the VB credit committee matures. The idea is to accustom the VB to solving its own problems, and not relying on external assistance.

5. Loan Collection & Roll-over

At the end of the 4-month loan cycle, the promoter meets with the entire VB to collect the loan, plus interest, and verify the level of savings. If repayment of principal and interest is complete, and savings have been accumulated, the promoter immediately returns the principal to the VB, adding an amount equivalent to the accumulated savings. The interest remains with

the management unit to cover administrative costs

If the loan is not completely repaid, the promoter collects what principal has been recovered, and informs the VB that, as soon as they have recovered the delinquent balance, he will return and the financing of their activities can be continued. Otherwise, if the missing money is not recovered, the VB is closed and further lending discontinued.

6. Maximum loan amounts

The process of lending and re-lending continues, until the total credit capital invested by the project in the VB reaches \$300 per member, or, for a bank of 25 members, US\$7,500. As can be seen from the attached table, this is the same point at which the VB will have accumulated savings of \$421 per borrower, or \$10,375.

In many cases, this level of capital will be sufficient to continue on a self-financing basis the productive activities of the members. In this case, the capital will be withdrawn and utilized to finance a new bank in another coop or village.

7. The Role of the Program Management Unit

The management unit will be responsible for managing the VB system. This will involve setting up a loan tracking and reporting system, visiting the VBs according to an established schedule, and, periodically, conducting participatory evaluation exercises with the banks. In theory, neither the promoters nor the coordinator will be called upon to provide technical assistance to the borrowers, other than in the administration of the VBs. The idea is that the loans will finance activities already well-known to the borrowers.

Best Available Document

AIFLD EL SALVADOR COOPERATIVE AGREEMENT 1990-93
 VILLAGE BANKING COMPONENT
 VILLAGE BANK LOAN & INCOME PROJECTIONS

ANNEX 3

YEAR/CYCLE	Y1/C1	Y1/C2	Y1/C3	Y2/C4	Y2/C5	Y2/C6	Y3/C7	Y3/C8	Y3/C9
A. PER BORROWER									
1. Base Loan (Ext. Capital)	050	050	060	084	0120	0172	0240	0350	0358
2. Savings (prev. cycle)	00	010	014	022	031	045	063	094	0103
3. Cumulative Savings	00	010	024	036	053	076	0110	0150	0197
4. Savings Match (New Ext. Cap.)	00	010	024	036	053	076	0110	00	00
5. Total Loan	050	070	0100	0153	0225	0324	0460	0517	0555
6. Projected Gross Income	075	0105	0162	0233	0337	0486	0702	0775	0832
7. Projected Costs	050	070	0100	0153	0225	0324	0460	0517	0555
8. Interest Expense	04	06	09	012	018	026	037	041	044
9. Projected Net Income	021	029	045	065	094	0136	0197	0217	0233
B. Per Bank									
1. No. Borrowers	25	25	25	25	25	25	25	25	25
2. Total Loans	01,250	01,750	02,700	03,880	05,622	08,107	011,690	012,913	013,874
3. Total New Savings	00	0250	0350	0540	0776	01,124	01,621	02,340	02,503
4. Accumulated Savings	00	0250	0600	01,140	01,916	03,040	04,662	07,001	09,504
5. Total External Capital	01,250	01,500	02,100	02,990	04,306	06,206	08,952	08,952	08,952
6. Total Bank Capital	01,250	01,750	02,700	04,130	06,222	09,247	013,614	015,954	018,536
7. Total Interest Revenues	0100	0140	0216	0310	0450	0649	0936	01,033	01,110
8. Total Interest on Ext. Cap.	0100	0120	0160	0239	0344	0497	0716	0716	0716
9. Net Interest Income	00	020	048	071	0105	0152	0220	0317	0394
C. Total Program									
1. No. Banks	10	20	30	40	40	40	40	40	40
2. No. Borrowers	250	500	750	1000	1000	1000	1000	1000	1000
3. Total Loans	012,500	035,000	081,000	0153,200	0224,800	0324,272	0467,917	0516,324	0554,975
4. New External Capital	012,500	015,000	021,000	032,400	039,060	046,964	0107,502	00	00
5. Cumulative External Capital	012,500	027,500	048,500	080,900	0119,960	0186,924	0294,506	0294,506	0294,506
6. Interest Income	01,000	02,200	03,880	06,472	09,597	014,954	023,560	023,560	023,560
7. Estimated Program Expenses*	09,700	09,700	09,700	09,700	09,700	09,700	09,700	09,700	09,700
8. Net Income to Program	(08,700)	(07,500)	(05,820)	(03,228)	(0103)	05,254	013,860	013,860	013,860
AIFLD CA Contribution	09,700	09,700	09,700	09,700	09,700	09,700	09,700	09,700	09,700
Net Flow	01,000	02,200	03,880	06,472	09,597	014,954	023,560	023,560	023,560
Accumulated Reserve	01,000	03,200	07,080	013,552	023,149	038,103	061,663	085,224	0108,784

* Costs of staff salaries & admin.: coordinator, accountant, sec/bkkeeper, 3 promoters

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ANNEX B: Rural Unions Agricultural Production Component

I. Basic Concept

The objective of this component is to create a self-sustaining agricultural services structure which will endure after outside assistance has terminated. In this regard, the new CA will have as a specific aim the creation of a joint venture farm supply operation, with the dual purpose of providing inputs efficiently and economically to the affiliated cooperatives and farmers, while generating a cash flow adequate to cover the cost of providing this service, as well as a surplus available to defray the costs of the technical assistance program. An additional advantage of this structure is that it will provide a basis for further cooperation and unification of the various democratic agrarian unions around a common need.

II. Pre-Feasibility

The farm supply operation has been chosen as it is logistically the simplest and most easily implemented (vs. marketing, which, while potentially more profitable, is a high risk area). Furthermore, it is AIFLD's understanding that this area, once monopolized by the BFA, will now be opened to free enterprise.

The final design of this sub-component will require a feasibility study, including a more precise estimate of the demand, the discounts available at wholesale and retail levels, and the availability of the different products.

A preliminary estimate of the demand is presented in tables B.1 & B.2, based on information obtained from the agrarian unions which will participate in the venture.

More refined projections of costs and returns can await the feasibility study. However, it appears that coverage of the technical assistance component through this operation is feasible.

III. Design

The basic design would be to establish a distribution network, allowing each agrarian union to serve as agent for its affiliated cooperatives. A farm supply manager position would be financed through the CA in each agrarian union for this purpose. For local storage infrastructure, the network would rely on centrally located Phase I or traditional cooperatives with such facilities. Transportation would be rented, ideally from Phase I and traditional cooperatives which presently have underutilized vehicles. Eventually, profitability of the operation permitting, the joint venture would acquire its own fleet of vehicles.

The CA will provide an initial allotment of working capital in the amount of US\$300,000. This should be sufficient, after the first cycle, to begin leveraging larger amounts through the banking system.

IV. Legal Aspects

A. autonomous cooperative or corporate structure would be established for the purpose of managing this operation. Possibly the existing multi-purpose cooperatives which both ACOPAI and UCS have already established could serve for this purpose. The different unions participating could purchase shares, and participate in the profits according to the volume generated by each. Legal services will have to be obtained in order to establish the appropriate structure for the enterprise.

U.B. No funds for insecticides, fungicides and fertilizers will be disbursed ^{without} the USAID approval. Obviously, because there will be a feasibility study before the program is implemented, AIFLD and USAID will have time to review the use of these commodities.

**AIFLD EL SALVADOR COOPERATIVE AGREEMENT 1990-92
ESTIMATES OF DEMAND FOR INPUT SUPPLY OPERATION**

I. COOPERATIVES SERVICED BY UNIC AFFILIATES

SUBSECTOR	NO. COOPS	NO. MEMBERS	TOTAL LAND (HAZ)	CULTIVATED (HAZ)	MAIZE	BEANS	COFFEE	SUGAR	SORGHUM	COTTON	WICE	OTHERS
A. TRADITIONAL												
UCS	60	1,000	10,000	7,500	6,000	3,000	0	0	4,600	0	0	0
ACOPAI	10	500	2,500	1,875	1,500	750	0	0	1,300	0	0	0
CCS	5	250	1,250	938	750	375	0	0	500	0	0	0
Subtotal	75	2,550	13,750	10,313	8,250	4,125	0	0	6,400	0	0	0
B. PHASE I												
UCS	10	850	8,500	4,250	935	298	978	765	213	340	128	595
ACOPAI	15	1,275	12,750	6,375	1,403	446	1,466	1,148	319	510	191	893
FECOBANAL	42	3,570	35,700	17,850	3,927	1,250	4,106	3,213	893	1,478	536	2,499
CCS	5	425	4,250	2,125	468	149	489	383	106	170	64	298
Subtotal	72	6,120	61,200	30,600	6,732	2,142	7,038	5,508	1,530	2,448	918	4,284
C. PHASE III												
UCS	30	900	1,800	1,800	1,044	342	0	0	378	0	36	0
ACOPAI	100	3,000	6,000	6,000	3,000	1,140	0	0	1,260	0	120	0
FECOBANAL	3	90	180	180	104	34	0	0	38	0	4	0
CCS	15	450	900	900	522	171	0	0	189	0	18	0
Subtotal	148	4,440	8,880	8,880	5,150	1,687	0	0	1,865	0	178	0
TOTALS	295	13,110	83,830	49,793	20,132	7,934	7,038	5,508	9,793	2,448	1,096	4,284

NOTE:

The data in this table on the number of coops in each sector was obtained from the records of the indicated campesino organizations. The data on the cropping areas in Phase I and Phase III was inferred from the surveys conducted by PERA.

AGROCHEMICAL REQUIREMENTS FOR AGRARIAN UNION AFFILIATES

INPUTS/CROP	UNITS PER HZ	TOTAL HZ.	TOTAL UNITS	UNIT COST	TOTAL COST
I. FERTILIZERS					
(Lbs.)					
A. Complete					
Maize	150	20,132.0	3,019,860	90.12	272,283
Beans	230	7,954.0	1,829,466	90.12	165,536
Coffee	500	7,038.0	3,519,000	90.12	317,280
Sorghum	150	9,795.0	1,469,220	90.12	132,864
Rice	250	1,095.6	273,900	90.12	246,816
Subtotal					912,779
B. Nitrogen					
Maize	200	20,132.4	4,026,480	90.12	362,818
Rice	300	1,095.6	328,680	90.12	296,142
Coffee	300	7,038.0	2,111,400	90.12	190,368
Sorghum	150	9,794.0	1,469,220	90.12	132,864
Subtotal					982,292
Subtotal Fertilizers					1,965,071
II. Insecticides					
Maize (kg.)	2	20,132.0	40,265	96.79	3,897,398
Beans (kg.)	1	7,954.0	7,954	915.00	7,278,313
Coffee (kg.)	50	7,038.0	351,900	91.86	32,245,334
Sorghum (kg.)	2	9,795.0	19,590	96.79	1,897,813
Rice (lb.)	2	1,096.0	2,465	913.70	2,252,772
Subtotal insecticides					70,311,630
III. Fungicides					
Coffee (kg.)	250	7,038.0	1,759,500	93.00	163,273,500
TOTAL AGROCHEMICAL DEMAND					142,548,197

PROJECTED MARGINS AND COSTS ON AGRARIAN UNIONS FARM SUPPLY
& TECHNICAL ASSISTANCE OPERATION

PROJECTED SALES	NORMAL	-10%	+10%	-10%	+10%	-10%	+10%
A. Fertilizers	\$2,165,000	\$1,948,500	\$2,381,500	\$1,948,500	\$2,381,500	\$1,948,500	\$2,381,500
B. Insecticides	\$1,214,030	\$1,092,627	\$1,335,433	\$1,092,627	\$1,335,433	\$1,092,627	\$1,335,433
C. Fungicides	\$5,278,500	\$4,750,650	\$5,806,350	\$4,750,650	\$5,806,350	\$4,750,650	\$5,806,350
Total Sales	\$8,657,530	\$7,791,777	\$9,523,283	\$7,791,777	\$9,523,283	\$7,791,777	\$9,523,283
Net Margin (7%)	\$606,027	\$545,424	\$666,630	\$545,424	\$666,630	\$545,424	\$666,630
COSTS OF TA PROGRAM	NORMAL	NORMAL	NORMAL	-10%	+10%	+10%	-10%
A. Group A							
1. Phase I	\$228,600	\$228,600	\$228,600	\$205,740	\$251,460	\$251,460	\$205,740
2. Phase III	\$168,600	\$168,600	\$168,600	\$151,740	\$185,460	\$185,460	\$151,740
B. Group B	\$113,400	\$113,400	\$113,400	\$102,060	\$124,740	\$124,740	\$102,060
Total Cost	\$510,600	\$510,600	\$510,600	\$459,540	\$561,660	\$561,660	\$459,540
Net Cash Flow	\$95,427	\$34,824	\$156,030	\$85,884	\$104,970	(\$16,236)	\$207,090

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ANNEX 7 Progress Towards Self-Sufficiency

The new CA provides for a significant strengthening of the administration of both the UNOC, the CTD, as well as a continuation of the administrative subsidies for the affiliated unions and federations in both the urban and rural sectors. The question might well be posed: will the result not be increased financial dependence upon AIFLD, rather than, as has been an expressed objective of previous CAs, eventual financial self-sufficiency of both the unions and their umbrella organizations?

In fact, despite the difficult environment in which the unions have operated over the last decade, some progress has been made towards the realization of the goal of economic self-sufficiency. UCS, for example, currently covers approximately 10% of its total annual operating budget of approximately US\$150,000. ACCPAI, another recipient of substantial administrative support, now receives an estimated US\$50,000 per year as part of a tithe of 2% on the total value of production of its affiliated cooperatives. Most important, perhaps, is a growing appreciation on the part of all the unions of the importance of sound, professional administration and financial management, without which, it is now recognized, neither AIFLD nor any other organization, national or international, will have the confidence to entrust them with significant resources, either on a grant or loan basis. Concomitantly, both the unions and their employees have come to realize that their survival beyond the AIFLD programs will depend to a great extent on their ingenuity and creativeness in establishing income-generating services.

To this end, the new CA attempts to prepare both the urban and rural unions for the day when, hopefully, they can relinquish the present "survival footing" for a role in the peaceful reconstruction of the country. In this latter instance, having organized major sectors of the urban and rural workforce, these unions will serve as a logical conduit for economic assistance. In the rural sector, the task involves a large scale reorganization of the small farmer sector. Models abound, but what most likely will emerge is some variation on the service cooperative scheme.

which the agrarian unions provide farm supply, credit and marketing services, and through these generate the revenues they require to maintain the support staff. In the urban sector, where unions can rely more on dues as a direct deduction from salaries, the unions will still need to create viable social service programs to address those needs of their members not met by employers or the government.

It is expected that, in balance, the new CA policies are building blocks for this transformation, rather than increasing levels of dependency, barring intervention of unforeseen circumstances.

As to EAC/INT, this has been discussed in Annex 4.

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 constitute 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 sit 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 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 limited to assisting in the creation, solidification and startup of the initial social and economic programs of the Foundation. During the first year of the Cooperative Agreement, AIFLD, principally, 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, organization 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.

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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. This plan will guide the Foundation's efforts to generate a sufficient level of resources to assure continuance of development activities by the end of the Cooperative Agreement. This plan 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.

Estimated Budget: Foundation Dollar Costs

	<u>Year</u>			
	<u>ONE</u>			
Long-Term Advisors	\$125,000	\$260,000	\$270,000	\$ 655,000
Short-term TA	\$ 50,000	\$100,000	\$ 55,000	\$ 205,000
Commodities	\$ 50,000	\$ 25,000		\$ 75,000
Program Start-Up	<u>\$150,000</u>	<u>\$165,000</u>		<u>\$ 315,000</u>
Total	\$325,000	\$550,000	\$325,000	\$1,250,000

ANNEX 9

GLOSSARY

COOPERATIVE AGREEMENT 1990-1993

ACOPA1	Asociación de Cooperativas de Producción Agropecuaria Integrada. Association of Cooperatives of Integrated Agricultural Livestock Products
AFL-CIO	American Federation of Labor Congress of Industrial Organizations Federación Americana de Trabajo Congreso de Organizaciones Industriales.
AIFLD	American Institute for Free Labor Development. Instituto America para el Desarrollo del Sindicalismo Libre.
ARENA	
ASAPROSAF	Asociación Salvadoreña Pro-Salud Rural Salvadorean Association for the Rural Health
BAC	Bricklayers and Allied Craftsmen Sindicato Internacional de Albañiles y Artesanos Aliados.
BFA	Banco de Fomento Agropecuario. Agricultural Development Bank
CA	Cooperative Agreement

CASALCO Cámara Salvadoreña de la Construcción.
 Chamber of Salvadorean Building Contractors.

CCS Central Campesina Salvadoreña
 Salvadorean Peasant Central

CIT Confederación General de Trabajadores.
 Central Confederation of Workers

CLAT Central Latincamericana de Trabajadores
 Central of Latin American Workers.

CLUSA Cooperatives League of United States of America
 Liga de Cooperativas de los Estados Unidos.

COC Consejo de Organizaciones Campesina
 Peasant Organization Council

CPD Country Program Director

CTD Central de Trabajadores Democráticos
 Democratic Worker Central.

CTS Confederación de Trabajadores Salvadoreños
 Salvadorean Workers Confederation

- FECORAO** Federación Cooperativa de la Reforma Agraria de Oriente.
Cooperative Federation of the Western Agrarian Reform.
- FECORASAL** Federación Cooperativa de la Reforma Agraria Salvadoreña
Cooperative Federation of the Salvadorean Agrarian Reform.
- FENASTRAS** Federación Nacional Salvadoreña de Trabajadores
Salvadorean workers National Union Federation.
- FESINCONSTRAS** Federación Sindical de la Construcción, Similares, Transportes y otras actividades.
Trade Union Federation of Construction, Transportation and Related Industries.
- FINATA** Financiera Nacional de Tierras Agrícolas.
National Financing Agency for Agriculture Land
- FINCA** Foundation International Communal Assistance.
Fundación para la Asistencia Comunitaria International.
- Frete Farabundo Martí para la Liberación Nacional
Farabundo Martí National Liberation Front.
- Gross Domestic Product.
Producto Interno Bruto.
Gobierno de El Salvador

Salvadorean Government.

ICFTU-ORIT

International Confederation of Free Trade Unions.
Organización Regional Interamericana de
Trabajadores.

Confederación Internacional de Sindicatos Libres
Inter-American Regional Organization of Workers.

IMI

International Masonry Institute

Instituto Internacional de Albañilería.

ISTA

Instituto Salvadoreño de Transformación Agrarian
Salvadorean Institute for Agrarian Reform.

LM

Labor Management

Obrero-Patronal.

Labor Rights.

Derechos Laborales

Ministerio de Agricultura y Ganadería

Ministry of Agriculture.

Occupational Health and Safety.

Salud y Seguridad Ocupacional.

OTJ	On the Job Training.
PEM	Planning, Evaluation and Monitoring System. sistema de Planificación, Evaluación y Revisión
RDO	Rural Development Officer. funcionario para el Desarrollo Comunal.
SIGMO	Sindicato Gremial de Maestros de Obra de la Industria de la Construcción. Trade Union of Construction Foremen.
SIPKS	Sindicato de la Industria Portuaria Autónoma Trade Union of Salvadorean Port Workers.
SOICERS	Sindicato de Obreros de la Industria de la Construcción, Conexos y Similares de El Salvador. Trade Union of Construction Workers, Related and Similar Industries of El Salvador.
STT(USA)	Sindicato Textil de Trabajadores de Industrias Unidas. Worker Textil Union of United Industries.
SUTC	Sindicato Unión de Trabajadores de la Construcción. Construction Workers Union.
TA	Technical Assistance.

Asistencia Técnica.

TECHNOSERVIC: Technical Services.
Servicios Técnicos.

TCN: Third Country National.

UCS: Unión Comunal Salvadoreña.
Salvadorean Communal Union.

UNDP: United National Development Program.
programa de las Naciones Unidas para el Desarrollo.

UNOC: Unión Nacional Obrero-Campeesina.
Union of Workers and Peasants.

UN: Unión Nacional de Trabajadores Salvadoreños.
National Union of Salvadorean Workers.

UPD: Unión Popular Democrática.
Democratic Popular Union.

URB/RUR: Urban/Rural.
Urbano/Rural.

US: United States of America.
USAID: Unites States Agency for International Development.

Agencia Americana para el Desarrollo Internacional

VB Village Bank.

Banco Rural.

WFTU World Federation of Trade Unions
Federación Sindical Mundial.

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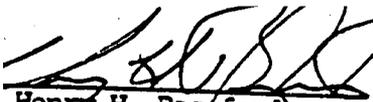
AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA A. I. D. MISSION
TO EL SALVADOR
C/O AMERICAN EMBASSY.
SAN SALVADOR, EL SALVADOR. C. A.

INITIAL ENVIRONMENTAL EXAMINATION

<u>Project Location</u>	El Salvador
<u>Project Title and number</u>	AIFLD II 519-0368
<u>Funding</u>	\$14.5 Million (LOP)
<u>Life of Project</u>	5 years
<u>IEE Prepared by</u>	Edward Landau, Environmental Coordinator USAID/El Salvador
<u>Date Prepared</u>	April 25, 1990

Recommendation for Threshold Decision:

The AIFLD program will undertake several wide-ranging activities to reach the goal of strengthening and expanding the democratic labor movement in El Salvador. Included in its social and economic program are activities which may impact on the environment. These activities are infrastructure such as potable water and sanitation projects, and rural development such as the procurement and application of pesticides and other chemical inputs. The Mission, therefore, recommends a positive determination for the foregoing activities. However, given AID/W's and the Mission's wish to sign the Cooperative Agreement in the near term, we propose that language be included into the Agreement prohibiting initiation of the potable water and sanitation, and agricultural inputs activities until the appropriate environmental review system and procedures are established (see accompanying Determination). We further request the assistance of a Bureau or Regional Environmental Officer to accomplish this task.


Henry H. Bassford
Director

5/3/90
Date

I. Project Description

The goal of the 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 Workers Center (CTD) through an array of inter related programs.

The Project has four basic components: 1) UNOC, 2) Urban Unions, 3) Rural Unions, and 4) Support to AIFLD.

-1) The objectives of the UNOC Component are: To increase membership; upgrade management, technical and operational capabilities of UNOC; improve the human rights situation; undertake a voter registration program; and upgrade leadership capabilities and analytical skills of UNOC and affiliated offices.

2) The Urban Unions Component has seven subcomponents: a) enhancing collective bargaining techniques; b) developing health and safety programs; c) financing a microenterprise credit program; d) formulating small community-based projects; e) expanding the vocational education program in five new areas; f) upgrading the administrative program, planning and implementation capabilities of the CTD; and g) improving the efficiency of at least six CTD affiliate unions.

-3) The Rural Unions Component includes six subcomponents: a) assisting rural landless families to gain access to land; b) supporting the rights of land reform beneficiaries; c) facilitating integrated technical assistance packages to reform beneficiaries; d) fomenting a micro-enterprise credit program, particularly for women; e) developing social projects activity; and f) upgrading the capabilities of rural unions to provide services; and,

-4) The Support to AIFLD component will finance the costs of managing the program with U.S. and local staff, as well as the procurement of vehicles and other administrative requirements.

II. Environmental Review: Project Review and Environmental Impacts.

The AIFLD proposal presents a program-wide approach in order to strengthen the democratic labor movement. The project will assist the labor unions to improve administration, legal services and collective bargaining techniques. The project will also involve social and economic activities, which mirror those undertaken by the USAID, for the unions to develop with members and to provide incentives for new members to join. Specific activities will include management and financial training, microenterprise credits, health activities, housing, infrastructure, rural development, voter registration, etc.

The majority of activities should have little or no impact on the environment. However, activities related to infrastructure and rural development could affect the environment and natural resource base. The infrastructure activities with potential impacts include access roads, and potable water and sanitation facilities. Given that the access road activity will basically emphasize minor leveling of existing roads, the Mission suggests that this activity receive a negative determination. If AIFLD proposes to go beyond basic leveling and maintenance, additional environmental analysis will be required. The procurement and application of various agricultural inputs, including pesticides and other chemicals, as part of technical assistance packages could also produce unintended negative consequences.

The proposal contains a discussion regarding AIFLD's intention to use appropriate AID environmental procedures during implementation of the project, particularly pertaining to agricultural inputs.

III. Determination

The project will require a systematic way to analyze the potential environmental impacts and to devise procedures for the various risk activities. However, given the breadth and scope of the proposal, as well as the imperative to sign the Agreement as soon as possible, a pre-Agreement Environmental Assessment is not possible. Therefore, in accordance with 22 CFR 216.2(d)(xi), "potable water and sewerage projects...", and 216.3(b), "pesticide procedures" and in lieu of a pre-Agreement environmental assessment, the Mission will incorporate into the Cooperative Agreement language which prohibits initiation of the potable water and sanitation, and rural development activities (pertaining to pesticides and other chemical inputs) until an appropriate environmental analysis system and procedures are established. Relating to potable water and sanitation activities, which will consist of small-scale interventions, the Mission proposes that AIFLD use the criteria established to judge environmental impacts under the Water Supply, Sanitation and Health Component of the Public Services Improvement Project (519-0320). The Mission proposes that a Bureau or Regional Environmental Officer visit El Salvador at the soonest possible date to develop the proposed system and procedures.

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