

PD-ABL-641



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT
GUATEMALA

August 20, 1993

PLAZA UNO
1A. CALLE 7-66,
01009 ZONA 9,
GUATEMALA

Gremial de Exportadores de Productos
No Tradicionales
Edificio Camara de Industria
Ruta 6, 9-21, Zona 4
6o. Nivel
Guatemala City, Guatemala

USAID
UNIT 3323
APO AA 34024
U.S.A.

SUBJECT: Cooperative Agreement No. 520-0403-A-00-3257-00

Gentlemen,

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter known as AID or USAID) hereby grants to the Gremial de Exportadores de Productos No Tradicionales (hereinafter known as "Recipient" or "the Gremial") the sum of Three Million Six Hundred and Ten Thousand Dollars (\$3,610,000) to support policy reform, non-traditional export development and improved labor relations, as more fully described in Attachment No. 1 entitled "Schedule" and Attachment No. 2 entitled "Program Description."

Notwithstanding the amount indicated above, the Recipient acknowledges that the U.S. dollar amount that is presently obligated for this Cooperative Agreement is \$1,742,973.00 as shown in Paragraph C.2 of Attachment No. 1 hereof. Until such time as the obligation is increased by amendment to this Agreement, the obligation is limited to the amount provided for in the Attachment No. 1 paragraph cited above.

This Agreement is effective and obligation is made as of the date of this letter and shall apply to commitments made by the recipient in furtherance of program objectives during the period beginning with the effective date and ending December 31, 1997. It is agreed that the funds obligated by this agreement are anticipated to be sufficient for program activities through January 31, 1995.

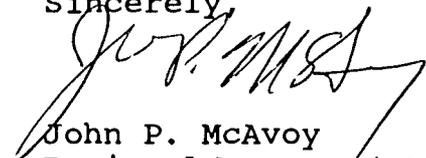
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This Agreement is made to the Recipient on the condition that the funds will be administered in accordance with the terms and conditions set forth in Attachment No. 1 entitled "Schedule," Attachment No. 2 entitled "Program Description," and Attachment No. 3 entitled "Standard Provisions for Non-U.S., Non-Governmental Grantees," which have been agreed to by your organization.

Please sign the original and five (5) copies of this letter to acknowledge your receipt of the agreement and return the original and four (4) copies to USAID/Guatemala, Attn: Contracts Office.

AID looks forward to working with you in this collaborative effort.

Sincerely,


John P. McAvoy
Regional Agreement Officer

ACKNOWLEDGED:

By : _____
Title: Presidente Junta Directiva
Date : Agosto 24, de 1993.

ATTACHMENTS:

- 1. Schedule
- 2. Program Description
- ~~3. Standard Provisions~~

FISCAL DATA:

Appropriation No.: 72-1131021, 72-112/31037
Budget Plan Code: LDVA-93-25520-KG13,
LDVA-93-25520-EG13 and
LES2-93-25520-KG13
PIO/T No.: 520-0403-3-30065, 30066 and
30067
Total Estimated Amount: \$3,610,000.00
Total Obligated Amount: \$1,742,973.00

SCHEDULE

A. Purpose of Agreement

The purpose of this cooperative agreement with the Guild of Non-Traditional Product Exporters (the Gremial) is to support policy reform, non-traditional export development and improved labor relations. Activities with the Gremial will build upon prior assistance through the Private Enterprise Development (PED) project and the Highlands Agricultural Development Support project to strengthen the Gremial's ability to meet the needs of their members through technical assistance, training and promotional and marketing events.

B. Period of Agreement

1. The effective date of this Agreement is the date of the Agreement cover letter. The expiration date of this Agreement is December 31, 1997.

C. Amount of Agreement and Payment

1. The total estimated amount of this agreement for the period shown in Section B above is THREE MILLION SIX HUNDRED AND TEN THOUSAND DOLLARS (\$3,610,000).
2. A.I.D. hereby obligates the amount of ONE MILLION SEVEN HUNDRED AND FORTY TWO THOUSAND NINE HUNDRED AND SEVENTY THREE DOLLARS (US\$1,742,973) and it is anticipated that such amount will be sufficient for program expenditures through January 31, 1995.
3. AID anticipates adding additional funds to this Agreement for a total AID contribution of \$\$3,610,000.00. Any increment is subject to the availability of funds and mutual agreement of the parties at the time to proceed. Until such time as the obligation is increased by amendment to this Agreement, AID's total obligation is limited to the amount shown in the previous paragraph (C.2).
4. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment No. 3, Optional Standard Provision No. 1, entitled "Payment - Periodic Advances".

D. Responsibility of the Parties

1. A.I.D., under this Agreement, will make available \$3,610,000 to support the Gremial in carrying out the activities outlined in Attachment No. 2.
2. The Gremial, in collaboration with A.I.D., will manage the resources assigned for this project. The Gremial will provide all additional professional, administrative, and associated services and resources that may be required above the amounts specified in the project budget attachment.

E. Restrictions

A.I.D. and the Gremial agree that A.I.D. funds provided pursuant to this Agreement shall not be committed, disbursed or otherwise utilized in areas where the provision of such funds would contravene any provisions of the Foreign Assistance Act of 1961, as amended. A.I.D. shall advise the Gremial in writing from time to time of such areas.

F. Financial Plan

The Financial Plan for this Cooperative Agreement is shown as Attachment No. 3. Revisions to this plan shall be made in accordance with Standard Provisions of this Cooperative Agreement entitled "Revision of the Grant Budget". The Financial Plan is illustrative in nature and the Recipient may adjust individual cost lines by a factor not to exceed 15%. Any adjustment exceeding 15%, or any increase in the total amount, requires the prior written approval of the Agreement Officer.

G. Counterpart Contribution

The Gremial shall provide Q20,974,100.00 (equivalent to \$3,610,000) in counterpart funding in cash or in kind over the period of this Agreement in support of program activities. This amount is equivalent to 50% of total program costs. If the Recipient does not match total funds at a rate of at least 50% over the life of the Agreement, A.I.D. will disallow costs proportionately. The counterpart contributions to this Cooperative Agreement will be documented by quarterly reports and verified by independent audits of the Recipient's programs. The quarterly counterpart contribution report (see form attached) should be received by the Mission no later than 30 days after the end of each calendar quarter.

H. Standard Provisions

The Standard Provisions relevant to this Agreement are attached as Attachment No. 4 and are made a part of this Agreement.

I. Special Provisions

1. The Agreement Officer's Technical Representative (AOTR) for the performance of this Cooperative Agreement is the Chief of the Office of Economic Analysis and Policy Reform Implementation or his designee. This individual shall be named in writing and the Recipient shall be notified in writing should the AOTR be changed. The AOTR will have the following duties:
 - a) Certification of work performed on all vouchers submitted;
 - b) Clarifications of, or minor non-cost-related adjustments to, the program description in Attachment No. 2;
 - c) Approval of all reports, plans, timetables or other such technical submissions required under the Program Description;
 - d) Approval of the contracting of all long-term personnel charged to this Cooperative Agreement provided that their salary does not exceed the current salary or the salary of an A.I.D. employee at the FS-1 grade, whichever is less and
 - e) Approval of travel and procurement of commodities.
2. The Gremial will furnish the AOTR with an annual implementation plan specifying all activities to be undertaken during the calendar-year, performance indicators of program progress and an indication of the Agreement financial resources needed to fund these planned annual activities. Failure to provide the implementation plan will result in a suspension of funding until the delinquency is remedied.
3. The Financial Plan for this Agreement shall be based upon the provision that the Agreement will cover 70% of the Gremial's total costs in the first year of implementation, 50% of these costs in the second year and 30% in the final year. Adherence to this provision will be verified through annual audit reports.
4. No pesticides will be procured or used with funding from this Agreement nor will there be any support of activities or use of material or equipment for commercial timber harvest in primary forests under this Agreement without first having completed an environmental assessment, that has been approved by A.I.D.

J. Understanding of Substantial Involvement

A.I.D. and the Recipient anticipate that A.I.D. will have substantial involvement in assisting the Recipient to carry out its responsibilities hereunder.

K. Administrative and Fiscal Provisions

The Gremial will contract an annual audit of the funds provided under this Agreement as well as of the financial statements of the organization as a whole. The Gremial will select an independent auditor from the A.I.D.-approved list of audit firms. The audit will be a financial audit performed in accordance with the "Guidelines for the Financial Audits Contracted by Foreign Recipients" issued by the A.I.D. Inspector General and the Government Auditing Standards (1988 Revision).

L. Authorized Geographic Code

The authorized Geographic Code for procurement of goods and services shall be in accordance with Provision 6 of the Optional Standard Provisions.

Local costs are authorized pursuant to Standard Provision No. 8 "Local Cost Financing".

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PROGRAM DESCRIPTION

A. GENERAL

The purpose of the Trade and Labor Relations Development Program (TLRD) is to encourage growth in the Guatemalan economy through increased two-way trade and expanded participation of the labor force in the benefits of growth. Assistance to the Guild for Non-Traditional Product Exporters (the Gremial) will contribute to the achievement of the overall objective by promoting a policy climate more conducive to expanded trade, by increasing non-traditional exports through more effective promotion and marketing and improved business skills of local exporters and by improving labor relations.

B. PROJECT COMPONENTS

This grant shall support policy reform activities, improved labor relations, non-traditional export development, trade promotion and the Applied Agricultural Research Fund and the Program for Integrated Pesticide Management as well as provide financing for institutional support, monitoring and evaluations and annual audits.

1. Policy Reform:

The purpose of this component is to support trade policy analysis and dialogue to allow the Gremial to play a constructive role in the design and implementation of trade policies. This will include working with the National Export Council, supporting international trade negotiations, analysis of monetary, tariff, transportation and financial policies and promoting deregulation of the processes for exporting and importing goods. The Gremial's policy reform activities will be closely coordinated with those of the Chamber of Enterprises (CAEM) and the Ministry of Economy to avoid duplication of effort. Financing for a one and a half year contract with a long-term advisor will be provided under this component to assist in formulating the policy dialogue activities.

2. Labor Relations:

The purpose of this activity is to improve labor relations and encourage greater tripartite (labor, public and private sector) cooperation on labor issues. Training and technical assistance activities under this component will strengthen the private sector's understanding of labor issues, encourage more modern methods of labor-management relations and highlight the relationship between improved labor relations and

increased productivity and competitiveness. These activities will be closely coordinated with other labor relations activities implemented by CAEM and the Ministry of Labor.

3. Non-Traditional Export Development:

The purpose of this component is to assist Guatemalan exporters improve their capacity to engage in productive international trade transactions. Short-term technical assistance and training will be provided to local exporters to improve their business skills, production techniques and quality control standards and procedures. Training will also be provided to Gremial staff to improve their technical skills and knowledge.

4. Trade Promotion:

The purpose of this component is to identify and attract private businesses to increase trade in non-traditional exports (NTEs). Funding will be provided for the production of promotional material, the participation of local exporters in international trade shows and the maintenance of a trade information center.

The results (measured in terms of new or expanded contracts for NTEs) from participation in these trade fairs, both local and international, will be monitored to determine the overall cost-benefit ratio. This will assist the Gremial in quantitatively measuring overall program progress.

5. Environmental Programs:

The purpose of this component is to encourage the sustainable use of natural resources in non-traditional export development. This will be accomplished by providing funding for an applied agricultural research fund, a program for the integrated use of pesticides and environmentally-related studies.

6. Institutional Support:

The purpose of this component is to assist the Gremial in achieving greater institutional self-sufficiency and financial autonomy over the life of the project through the provision of gradually declining resources for operational costs and support for technical assistance and training related to increasing institutional sustainability.

C. IMPLEMENTATION ARRANGEMENTS

1. Program Financing:

The Gremial is currently pursuing a series of activities to increase their organizational sustainability. In support of this goal, funding under this Agreement will be provided on a declining basis, beginning with 70% of total Gremial costs in the first year of program implementation, 50% in the second year and

30% in the third year to gradually increase the Gremial's level of self-sufficiency.

USAID/Guatemala will carefully monitor planned versus actual expenditure rates under the Agreement to ensure compliance with the 70%-50%-30% funding provision, and will control the flow of funds to the Gremial through the request for advances approval process.

2. Timing of Disbursement:

No funds for program costs that are eligible under the Private Enterprise Development Project will be disbursed to the Gremial until funds from the Private Enterprise Development project have been fully expended or the PACD of the Private Enterprise Development Project has been reached, whichever is sooner, and a self-sufficiency plan and a detailed plan for the utilization of program resources, including expected accomplishments, performance indicators and benchmarks, have been submitted and approved by USAID/Guatemala. It is expected that these conditions will be met on or before January 31, 1995.

D. Program Impact Measurement

A program planning, management and implementation workshop will be held in the first quarter of FY 1994 to review the objectives of the Trade and Labor Relations Development Project, to discuss the Sectoral Reform Agenda and the steps involved in its implementation, to review the objectives, performance targets and major activities for each of the four institutions participating in the program, and to present the Monitoring and Evaluation System for the program as well as for the Trade and Investment Strategic Objective.

In its quarterly reports to USAID, the Gremial will track the results achieved under the two long-term technical assistance and training contracts, the Gremial's own technical assistance and training activities and participation in trade fairs and commercial missions in terms of additional NTE contracts generated. To the extent possible, this will be defined in terms of new exports in dollars. The Gremial will also provide, as part of their annual financial and work plans, a definition of interim performance indicators and targets, including the annual volume of NTEs generated through program activities.

Progress reported in the quarterly reports in meeting the interim and final performance indicators will provide a measurement of the Gremial's contribution to the overall program goal of expanding the production and marketing of NTEs from \$399.8 million in 1991 to \$887 million by the end of the program in 1998.

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FINANCIAL PLAN
Dollars

<u>Line Item</u>	<u>Life of Project</u>		
	<u>AID</u> <u>Total</u>	<u>Counterpart</u> <u>Total</u>	<u>This</u> <u>Obligation</u>
1. Policy Reform Support	440,000	440,000	298,000
2. Labor Relations	220,000	220,000	200,000
3. Export Development	800,000	800,000	200,000
4. Trade Promotion	440,000	440,000	100,000
5. Environmental Programs	525,000	525,000	500,000
6. Institutional Support	980,000	980,000	444.973
7. Monitoring and Evaluation	165,000	165,000	---
8. Audits	<u>40,000</u>	<u>40,000</u>	<u>---</u>
TOTAL COST	<u>3,610,000</u> =====	<u>3,610,000</u> =====	<u>1,742,973</u> =====

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