



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.

PD ABJ-919

91775

May 25, 1994

Mr. Robert D. Scherer
President
Cooperative League of the U.S.A. (CLUSA)
1401 New York Avenue, N.W.
Suite 1100, Washington, D.C. 20005-2160

SUBJECT: Cooperative Agreement No. 519-0394-A-00-4100-00
National Reconstruction Project Support for
Transition to Peace in El Salvador

Dear Mr. Scherer:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, and the Federal Grant and Cooperative Agreement Act of 1977 (P.L. 95-244), the United States Agency for International Development (hereinafter referred to as "USAID" or "Grantor") hereby grants to the Cooperative League of the U.S.A. (hereinafter referred to as "CLUSA" or "Recipient", under this Cooperative Agreement (hereinafter referred to as "Agreement"), the sum of \$900,000 to increase the production and marketing of non-traditional agricultural exports (NTAEs) by cooperatives and other participant small farmers, as described in the Schedule of this Agreement and the Program Description. The total estimated USAID contribution to this Program is \$900,000 which is fully committed upon issuance of this Agreement.

This Agreement is effective and commitment is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of project objectives through July 30, 1996.

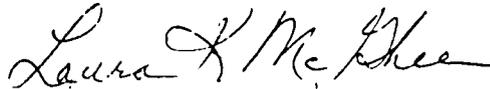
This Agreement is awarded to the Recipient on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment I, entitled "The Schedule;" Attachment II, entitled "Program Description;" Attachment III, entitled "Illustrative Financial Plan;" and Attachment IV, entitled "Mandatory Standard Provisions for U.S., Nongovernmental Grantees" currently in effect, which are hereby agreed to by your organization.

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

Sincerely yours,

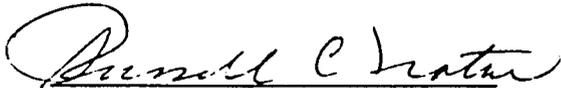


Charles E. Costello
Mission Director



Laura K. McGhee
Agreement Officer

Acknowledged by:



~~Mr. Robert D. Scherer~~ *Russell C. Norman*
President
Cooperative League of the U.S.A. (CLUSA)

Date 9/24/94

ATTACHMENT I

SCHEDULE

A. PURPOSE OF AGREEMENT

The purpose of this Agreement is to increase the production and marketing of non traditional agricultural exports (NTAEs) by cooperatives and other participating small farmers. The purpose will be achieved by increasing and improving production of NTAE; improving and expanding the NTAE marketing systems; strengthening existing and developing new linkages between NTAE producers and processors/exporters; and promoting investment in NTAE production and marketing as more fully explained in Attachment 2, Program Description.

B. PERIOD OF AGREEMENT

The effective date of this Agreement is the date of the covering letter. The expiration date of this Agreement is July 30, 1996.

C. AMOUNT OF GRANT AND PAYMENTS

1. The total estimated amount of USAID contribution to this Agreement is \$900,000 which is intended to cover the entire period from the effective date of this Agreement until July 30, 1996.
2. USAID hereby obligates the amount of \$900,000, for program expenditures during the period specified above and as shown in the Illustrative Financial Plan.
3. Payments shall be made to the Recipient in accordance with the documentation and procedures set forth in the Provision entitled "Payment - Letter of Credit" of Attachment 4, Mandatory Standard Provisions for U.S., Nongovernmental Grantees.
4. Funds to cover the cost of USAID evaluations and audits as well as other project support activities will be reserved by USAID. USAID after consultations with CLUSA, will contract directly for these activities.

D. USAID INVOLVEMENT

USAID El Salvador through its Agricultural and Natural Resources Office (ANR), will participate in the activities under this Agreement in the following manner:

1. USAID will monitor project implementation to assure that the terms and conditions of this Agreement are met. Project monitoring will be exercised principally by a USAID Project Manager assigned by the Agricultural and Natural Resources Office.
2. USAID will approve annual implementation plans presented by CLUSA.
3. USAID will participate in annual reviews of activities financed under this Agreement, based on quarterly reports submitted by CLUSA.
4. USAID will approve the selection of all expatriate staff to be assigned to this project.
5. USAID will approve in advance all contracts with U.S., U.S. resident-alien, and third country nationals.
6. USAID will supervise the program evaluations to be conducted during the life of the Project.

E. ILLUSTRATIVE FINANCIAL PLAN

1. The Illustrative Financial Plan for the Project is set forth in Attachment 3 to this Agreement. Revisions to this Plan shall be made in accordance with the Mandatory Standard Provision of this Agreement entitled "Revision of Grant Budget."
2. The exchange rate to be utilized by the Recipient in converting dollars from this Agreement to local currency shall be the highest rate which is not unlawful in El Salvador.

F. AUDITS AND INSPECTIONS

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

G. REPORTING AND EVALUATIONS

1. Financial Reports

The financial reporting requirements are set forth in the Optional Standard Provision entitled "Payment--Letter of Credit". The financial reports entitled "Financial Status Report" (SF-269), and the "Federal Cash Transaction Report" (SF-272), shall be submitted quarterly to USAID/W, with copies to USAID/El Salvador, Agricultural and Natural Resources Office (ANR) and the Office of the Controller. In addition, CLUSA will send on a quarterly basis a copy of their local financial reports to ANR, USAID/El Salvador. USAID/El Salvador will provide the National Reconstruction Secretariat (SRN) copies of CLUSA's reports.

2. Program Progress Reports

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

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

analysis and explanation of cost overruns or high unit costs.

The Recipient shall submit quarterly technical performance reports to USAID's Agricultural and Natural Resources Office (ANR) within 15 days after the completion of the quarter. The last day of the quarter is defined as the last day of the month of March, June, September and December. If any performance review conducted by the Recipient discloses the need for change in the budget estimates in accordance with the criteria established in Mandatory Standard Provision entitled "Revision of Grant Budget," the Recipient shall submit a request for budget revision.

3. End-of-Project Report

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

4. Evaluations

One Project Final Evaluation will be conducted. This final evaluation will take place in 1996, during the last three months of the Project. Other Project assessments may be conducted during project implementation to provide important information for possible course correction. These evaluations will be contracted by USAID using funds obligated under this agreement.

H. ADDITIONAL PROVISIONS

1. Optional Standard Provisions

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

3. Payment - Periodic Advances
4. Payment - Cost Reimbursement
11. Patent Rights
13. Negotiated Indirect Cost Rate - Provisional (For Profits)
15. Negotiated Indirect Cost Rates - Predetermined

18. Voluntary Population Planning
19. Protection of the Individual as a Research Subject
20. Care of Laboratory Animals
22. Title to and Care of Property (U.S. Government Title)
23. Title to and Care of Property (Cooperating Country Title)
24. Cost Sharing (Matching)

2. Covenants

The Recipient agrees to furnish in form and substance satisfactory to USAID:

- a) A statement indicating the name of person(s) and the office he/she holds in CLUSA who is empowered to act for CLUSA with reference to this Agreement, along with a specimen signature of such person(s).
- b) Written Agreement that an Environmental Assessment (EA) will be undertaken and approved by the LAC Chief Environmental Officer prior to commitment of funds by CLUSA for any activity that would procure, use, or promote the use of pesticides or herbicides, or that would lead to any clearing of forests. Prior to conducting this Environmental Assessment, the mission must first undertake a scoping exercise. The resulting scope of work for the EA must be submitted to the LAC Chief Environmental Officer for approval.
- c) Within thirty (30) days after signing of this Agreement, CLUSA will prepare and submit to USAID an Implementation Plan in form and substance acceptable to USAID outlining the activities to be carried out during the first year. The Implementation Plan will include, but not be limited to: a schedule of activities and goals, a financial plan related to all activities for the first year, and technical assistance requirements including a schedule for such assistance.

4. Special Provisions

- a) The Recipient shall maintain a drug- free workplace in compliance with the certification provided to USAID prior to the signing of this Agreement. Violations of the requirements to maintain a drug-free workplace may subject the Recipient to suspension of disbursements, termination or suspension of this Agreement, ineligibility to receive further grant assistance and such other remedies as USAID may consider appropriate. Violations include the failure to comply with the certification, presentation of a false certification, or evidence that such a number of employees have been convicted of violations of criminal drug statutes for acts occurring in the workplace as to indicate that the Recipient has failed to make a good faith effort to provide a drug-free workplace.
- b) U.S. citizen and TCN employees of the Recipient, as well as the U.S. citizen and TCN employees of its subgrantees and subcontractors, who are in El Salvador solely for the purpose of working under the Agreement, may be granted access to the commissary operated by the American Employee Association in El Salvador (AEAES) in accordance with the policies of the Department of State and the U.S. Embassy to El Salvador.
- c) Pursuant to the Optional Standard Provision entitled, "Air Travel and Transportation," appended to this Agreement, the Recipient is required to present to the USAID Project Officer for written approval an itinerary for each planned international trip financed by this Agreement, which shows the name of the traveler, purpose of the trip, origin/destination (and intervening stops), and dates of travel, as far as in advance of the proposed travel as possible, but in no event less than three weeks before travel is planned to commence. At least one week prior to commencement of approved international travel, the Recipient shall notify the cognizant Mission, with a copy to the Project Officer, of planned travel, identifying the

travelers, flight numbers, and the dates and times of arrival.

The Recipient's Annual Implementation Plan should, to the extent practical, provide the above information for all planned international travel thereby facilitating A.I.D.'s review and approval. Thereafter, any international travel not included in these annual plans will require separate advance notification and approval of the USAID Project Officer, pursuant to instructions in previous paragraph.

- d) CLUSA agrees that assistance to cooperatives whose export plans include crops or products destined to third country markets, which are also exported by the U.S. to those countries, and for which the Salvadoran exports may result in significant impact on the U.S. exports to those markets, will not receive assistance financed under the Agreement, in accordance with USAID Policy Determination 15 (PD-15), unless USAID makes a prior determination in writing that the specific assistance in question would not violate the requirements of PD-15.
- e) CLUSA agrees that assistance will not be given to cooperatives or agribusinesses in the production, processing, or marketing of sugar, palm oil or citrus for export.
- f) CLUSA agrees to pay no more than reasonable prices for any goods and services financed in whole or in part under this Agreement. Such items will be procured by employing fair and good procurement practices to assure the most effective use of the funds provided.
- g) RELOCATION OF U.S. BUSINESSES, ASSISTANCE TO EXPORT PROCESSING ZONES, INTERNATIONALLY RECOGNIZED WORKERS' RIGHTS (JANUARY 1994)

No funds or other support provided hereunder may be used in a project or activity reasonably likely to involve the relocation or expansion outside of the United States of an enterprise located in the United States if non-U.S. production in such relocation or expansion replaces some or all of the

production of, and reduces the number of employees at said enterprise in the United States.

No funds or other support provided hereunder may be used in a project or activity the purpose of which is the establishment or development in a foreign country of any export processing zone or designated area where the labor, environmental, tax, tariff, and safety laws of the country would not apply, without the prior written approval of USAID.

No funds or other support provided hereunder may be used in an activity which contributes to the violation of internationally recognized rights of workers in the recipient country, including those in any designated zone or area in that country.

I. OVERHEAD RATE

The following provisional rate shall be applied to the costs under this Agreement for the period indicated, in accordance with Standard Provision entitled "Negotiated Indirect Cost Rates - Provisional (Nonprofits)".

Type of Rate	Rate	Base	Accounting Period
Overhead	38.4%	Total Direct Costs excluding equipment. Nonexpendable property, sub-contracts and subgrants, and In-country training costs.	Effective date of Agreement until amended
G&A	3.7%	Total Direct Costs for Contracts and Grants.	Effective date of Agreement until amended

J. TITLE OF PROPERTY

Property financed under this Agreement brought into or purchased in El Salvador will be titled in the name of CLUSA.

K. AUTHORIZED GEOGRAPHIC CODE

The Authorized Geographic Code for procurement of goods and services under this Agreement is 000, the United States, except as USAID may otherwise agree in writing. The Standard Provision entitled "USAID Eligibility Rules for Goods and Services" and Chapter 18, Handbook 1, Supplement B, apply to procurement under this grant.

L. MARKING

1. All Grant-financed equipment and materials and their shipping containers must be suitably marked.

Project construction sites and other project locations must display signs suitably marked and indicating participation by the United States in the project. These signs should be erected at an early date in the construction or implementation phase and be replaced by permanent signs, plates, or plaques, suitably marked, at the end of this phase.

The term "suitably marked" used here means marking with the USAID, red, white, and blue emblem, and for shipping containers, additional marking with the last five digits of USAID financing document number.

The size of the emblem may vary depending upon the size of the item or unit but must be large enough to be clearly visible at a reasonable distance. Emblems are to be affixed by metal plate, decalcomania, stencil, label, tag, or other means depending upon the type of commodity and nature of the surface to be marked, but they must be as durable and at least as large as the trademark or company brand name affixed by the producer.

2. Responsibilities

The Recipient is responsible for:

a. Preparing and issuing instructions regarding USAID marking requirements.

b. Developing procedures to transmit appropriate instructions to suppliers.

c. Incorporating USAID marketing requirements into Recipient issued implementing documents, such as invitations for bids, requests for proposals or quotations, purchase orders, contracts, and Letter of Credit.

d. Monitoring performance, reporting violations, initiating corrective action and recommending exceptions.

M. Program Generated Income

1. Program generated income, including but not limited to income from service fees, sale of commodities, usage or rental fees, and royalties on patents and copy rights, shall be used to finance the non-federal share of the project, as permitted under circular OMB No. A-110, paragraph 5b.

ATTACHMENT II

PROGRAM DESCRIPTION

A. BACKGROUND

The Cooperative League of the USA "CLUSA", d.b.a. National Cooperative Business Association "NCBA", in collaboration with PROESA (Asociación de Productores y Empresarios Salvadoreños), a local nonprofit economic development foundation based in San Salvador, presented an unsolicited proposal for nontraditional agricultural export (NTAE) development in the exconflictive areas for a separate but related activity to CLUSA's ongoing NonTraditional Agricultural Export Production and Marketing Project, USAID Cooperative Agreement No. 519-0392-A-00-1153-00, which was begun August 1, 1991.

The current project has brought together all the necessary elements of a successful NTAE project -- individual producers and cooperatives, processors, exporters, and U.S. brokers. The catalyst that made this effort work was the CLUSA technical assistance team. The project has increased and improved non-traditional agricultural products and exports; increased producer/cooperative income; and improved the organization and management of cooperatives. Now, two years into the current CLUSA NTAE Production and Marketing project, the number of cooperatives has increased to 47, plus 3 cooperative associations and 3 small producer groups, who are working with 7 exporters, processors and brokers. However, CLUSA's efforts to date have been focused in areas that were not in conflict during the war.

Now that a peace agreement has been reached, the ex-conflictive areas of the country are in need of assistance as they return to normalcy. This project addresses that need. Other voluntary, non governmental and international donor organizations also work in the exconflictive areas, but none offers sustainable technical assistance in the highly specialized nontraditional agricultural export field.

Given USAID's direct involvement in the exconflictive areas through the financing of the land transfer program, this "pilot" NTAE Production and Export project for the exconflictive areas directly supports that initiative. CLUSA, working with PROESA, will provide technical assistance to producers, producer groups and cooperatives to cultivate, process, market and export non-traditional agricultural crops grown on lands transferred to them as an outcome of the Peace Plan, thereby putting these lands back into economic production for the first time in many years.

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B. PURPOSE OF AGREEMENT

This agreement contributes to the goal of increasing rural incomes in the exconflictive zones of El Salvador through production of alternative crops and access to more lucrative markets.

The purpose of this Agreement is to increase production and marketing of non traditional agricultural exports (NTAEs) by cooperatives and other participant small farmers located in the exconflictive zones of El Salvador. The purpose will be achieved by increasing and improving production of NTAEs; improving and expanding the NTAE marketing systems; strengthening existing and developing new linkages between NTAE producers and processors/exporters; and increasing investment in NTAE production and marketing through a supervised credit program.

C. PROJECT COMPONENTS

The project has 6 basic components: (1) NTAE Production Technology Transfer; (2) NTAE Marketing and Investment Promotion; (3) Strengthening Cooperative Agribusiness Management; (4) Training and Information Management, (5) Supervised Credit, and (6) Administrative Support.

1. NTAE Production Technology Transfer

The project will improve the flow and transfer of NTAE agricultural technologies to cooperatives and small farmers in the exconflictive zones of El Salvador. Technology transfer will be accomplished by:

- * intensive training and focused technology assistance for low resource farmers and producers;
- * linkage of producers to other producers, private sector suppliers and buyers (processors and exporters);
- * development of a network of private sector agricultural service enterprises. These rural enterprises will perform specialized technical services for the target group of producers as well as the processors and exporters.
- * institutional strengthening of the Association of Salvadoran Producers and Entrepreneurs (PROESA) in the provision of

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production, post-harvest handling, and marketing technical assistance for NTAES.

Intensive training and technology assistance will include in-the-field demonstration, supervised production activities, and topical training sessions. Training sessions will cover planning and product selection, land selection and soil preparation, fertilization, pest control including correct utilization of pesticides and other chemical products, phytosanitary control, irrigation management, harvest and post-harvest management and quality control, equipment calibration, and if necessary, welding and acetylene use.

Simultaneously, CLUSA will strengthen the level of technical assistance provided by exporters and processors to the cooperatives and producer-farmers. Currently, the exporters provide limited support to the growers; they need to give explicit advice and technical assistance to assure the quality and timing of product to support the NTAE industry.

CLUSA will also work with and strengthen the Association of Salvadoran Producers and Entrepreneurs (PROESA), a local NGO dedicated to the economic integration into Salvadoran economy and society, of excombatants and all other residents of the exconflictive areas. By collaborating with and strengthening PROESA from the very beginning, the project hopes to develop technical expertise within this organization focused specifically on NTAE crops and supervised credit management. CLUSA staff involvement in the first year would be more hands on and direct. As the producers, cooperatives and PROESA become familiar and comfortable with the technologies, they would assume more responsibility. Upon completion of the project life, PROESA should be able to take charge and continue providing quality technical assistance and credit management in the target region and other areas.

CLUSA will access technologies that have been successfully employed in El Salvador and in other areas of Central America by:

- visiting cooperatives participating in the pilot project which have demonstrated efficient application of project-provided technical assistance and training and which can serve as examples of what can be accomplished;
- training in product use and safety by agrochemical companies;

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- visiting production, packing and processing facilities in other Central American countries and in the United States;
- negotiating marketing and technical assistance agreements with U.S. agricultural cooperatives;
- identifying and training for potential cooperative leaders;
- establishing direct contacts between the producers and exporters/processors participating in the project and research and training institutions such as CATIE, Zamorano, and the Salvadoran National Agriculture School.

CLUSA will coordinate its NTAE production and promotion activities with other NGOs and with the European Economic Community to ensure that project activities strengthen rather than duplicate or compete with other NGO or donor activities. Close coordination with other donors or NGOs is critical to maximize impact and efficient use of human and financial resources.

CLUSA will cooperate with training institutions such as CATIE, Zamorano, and the Salvadoran national agriculture school to promote and encourage the development of a network of service enterprises to meet the needs of the expanding and maturing NTAE sector. Options for setting up service enterprises are the establishment of secondary level cooperatives, independent business entities, and specialized divisions within larger cooperatives or marketing organizations.

Examples of service enterprises include:

- apiary management and pollination services;
- integrated pest management and pesticide application services;
- soil and foliar testing and fertilizer application services;
- heavy tillage and land preparation;
- pre-cooling, packing and post-harvest management services;
- feasibility and marketing studies;

- management accounting and loan packaging services;

CLUSA will continue its advocacy and intermediary role in assisting participating cooperatives to secure production and other credit from the banking system, capitalizing on the relationship it has established with the UTFRA, the Central Reserve Bank unit responsible for defining and monitoring agrarian reform credits.

2. NTAE Market Promotion

Parallel to the NTAE production technology transfer component, CLUSA will promote marketing to local and U.S. buyers, brokers, exporters and processors. Project activities will provide information to processors and exporters about market demand and price quotations for NTAE products.

Illustrative activities which strengthen the marketing capability of the exporters and processors include:

- implementing a system for in-country quality control inspection and certification of exporters;
- implementing a quality assurance service for all product exported;
- visit ports of entry to observe U.S. Customs, USDA, and FDA inspection procedures;
- design packing/loading systems to reduce handling fresh produce (e.g. utilization of pelletized loads);
- assist in marketing feasibility studies.

The marketing promotion activities are key to promotion of NTAE investment. Market promotion activities introduced in the earlier CLUSA project will be expanded to identify, counsel, and assist foreign and local investors and otherwise facilitating joint ventures, co-ventures, and marketing contracts between brokers and importers in the U.S. and Salvadoran producers, exporters and processors.

The market promotion will be done jointly by CLUSA in El Salvador and Washington. CLUSA's International Development Division in Washington will be responsible for developing initial contacts and following up on leads provided by staff in El Salvador.

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CLUSA/Washington will utilize its network of associate and member cooperatives and organizations to develop cooperative-to-cooperative links within the project. Although, there is usually general interest in purchasing commodities through cooperatives, the U.S. cooperatives are usually purchasing rather small quantities, so that while direct purchases could be arranged, the cost may become too high. CLUSA will explore ways of combining shipments while keeping costs in an acceptable range.

Market promotion is a process of developing a network of possible buyers based upon an ability to provide quality and quantity product in a timely fashion. To this end, the project will build linkages and institutional capacity within the cooperatives and their supporting institutions so they can continue when the project is completed. It is important that Salvadorans are involved in all steps of the process and gradually, yet as rapidly as possible, take over the activity. This marketing promotion will become institutionalized over the life of the project.

U.S. cooperative assistance may take the form of provision of training in, for example, use of pesticides and their proper storage, fertilizer application, equipment repair, as well as sessions on cooperative board and member responsibilities, accountability, cost accounting, etc. These would supplement the efforts of the project to become sustainable, even though the cooperatives may not be direct buyers of the NTAE. Markets outside of the U.S. also will be explored. Building upon existing relationships with other organizations, the project will pursue foreign markets for Salvadoran NTAE.

3. Strengthening Cooperative Agribusiness Management

Since most of the participating cooperatives are involved in the production of traditional crops as well as NTAE crops, and, since in some instances the amount of land devoted to the former is greater than that devoted to NTAE production, profits reaped from NTAE production and marketing can be quickly dissipated if other production activities suffer losses. Some cooperatives also are carrying heavy debt loads due to inadequate financial management or mismanagement. CLUSA will address these factors to ensure viability and sustainability of participating cooperatives.

The major project activities to strengthen the management capacity of the cooperatives may include:

- developing action plans for the overall enterprise, of which NTAE operations will be a major component;

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- developing practical accounting systems within the cooperatives that provide information relating to all of the production and marketing activities of the cooperative;
- building functional management structure within the participating cooperatives to promote the delegation of production and administration responsibilities to cooperative managers;
- developing business norms, operational procedures and administrative controls;
- building communication skills and techniques to improve the ability of managers to report and communicate with the directors and improve the capacity of the directors to communicate with the general membership;
- developing secondary level cooperatives or other organizations which can assist in coordinating the production and export of non traditional crops. The institutional strengthening of PROESA will be the major effort in this area.

4. Training and Information Management

The project will maintain a record keeping and reporting system to monitor the production of the participating cooperatives. The system will provide CLUSA management with information needed to evaluate and monitor the project, such as:

- areas planted summarized by producer organization and planting seasons;
- production yields from each cultivated plot summarized by producer organization and planting season;
- percentage of export quality production summarized by cultivated plot, planting season and the producer organization;
- itemized material, labor and equipment costs to produce crops summarized by plot, producer and planting season;
- income summaries showing distribution of income to each cooperative;

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- production value summaries showing economic returns from each operation;
- summary of training activities completed within each cooperative;
- comparative summary of services and prices offered by exporter and packing organizations;
- breakdown of counterpart contributions to the project.

The project will ensure that the information and data base system is fully operational and meets the needs of the exporters, producer cooperatives or service business supporting the NTAE sector. The project will train PROESA staff in the operation of the information and data base system and ensure that PROESA has the system up and running successfully by project's end.

Training is a major tool for supporting and reinforcing the project. Illustrative training activities to be carried out under this component include:

- develop training modules for the participating producers and other project clients;
- conduct training-of-trainers programs in participatory, interactive training methodologies;
- evaluate the effectiveness of training modules and delivery systems in the transfer of technology.

CLUSA will select individuals to be trained as trainers who are members of the participating groups or who live in the project areas who demonstrate leadership skills and training ability. Neither formal education nor training experience will be prerequisites for project-trained trainers.

5. Revolving Credit Fund

a. Fund Description

This component provides for the creation of a \$200,000 revolving loan fund to finance the production and marketing of non-traditional crops for export by project beneficiaries. The initial credit fund will be managed by CLUSA, in consultation with PROESA. To motivate PROESA to participate in and

aggressively promote credit recovery, after PROESA has received its "Personeria Juridica" and has become accredited by AID as a local NGO, credit reflows will be deposited in a separate account and thereafter managed by PROESA, in coordination with CLUSA, under the same procedures established below during the Life of Project.

b. Interest Rate Earned

Interest earned on loans and on all credit reflow deposits, during the LOP, will become part of the principal of the fund and made available to the borrowers.

c. Role of CLUSA/PROESA

All technical assistance in the production and marketing of the non-traditional crops will be provided by CLUSA. The CLUSA field personnel and PROESA technicians will collaborate with the bank staff and provide them whatever information they need from the field, since CLUSA and PROESA will be more directly involved with the borrowers.

CLUSA's field staff will initially play a direct, hands-on role in helping the borrowers. Each subsequent growing season/year, more responsibility will be shifted to PROESA and to the borrower, so that by the end of the project, PROESA and the producers/producer groups/coops will be substantially able to grow, harvest and market the NTAE crops and manage external credit.

CLUSA will attempt to leverage the initial credit fund by negotiating and obtaining from the commercial bank additional credit lines from the bank own resources that can be accessed by the project and its beneficiaries.

f. Credit Procedures For Project

CLUSA/El Salvador has prepared budgets showing the specific costs of production and expected revenues for one manzana of each non-traditional crop proposed for this initial pilot phase (organic coffee, chili peppers, marigold flowers and cantaloupe). A copy of each budget would be maintained at the branch office of the participating bank, one with the PROESA technicians, and one given to the borrower.

Each borrower may have access to a loan equal to the total cost of production (including harvesting and marketing), times the number of manzanas to be farmed, as more fully defined in the signed credit application.

CLUSA and PROESA will pre-qualify each potential borrower (both cooperative and individual) and assist them in preparing the first credit application and other required bank documentation. Once completed, the application and other forms will be delivered to a credit approval committee comprised of CLUSA and PROESA staff for review and approval.

Because this is a supervised credit program, CLUSA will verify that each borrower is ready to receive the disbursement allocated for each stage of the productive cycle, i.e., that he/she has properly utilized all prior drawdowns, and that the crop is developing as planned.

Throughout the process, CLUSA personnel will be involved, providing technical assistance not only in the production, harvest technologies and marketing, but also in the proper management of credit. At the same time, the PROESA technicians will learning these tasks. To impress upon the borrower that these services are not free, CLUSA may charge a nominal fee of 1% to 1.25% of gross sales of the NTAE harvest.

6. Administrative Support

This component includes the administrative operations of the project:

- a. Project Management
 1. CLUSA/El Salvador

The project office of CLUSA/El Salvador will have the overall responsibility for the management of this pilot project. It is anticipated that the addition of this pilot project to the existing CLUSA/El Salvador operation will not significantly affect its current operations and management because the project will be a self contained entity, having its own staff and equipment.

CLUSA/El Salvador staff will provide administrative and logistical support in terms of payment of salaries and benefits; procurement of vehicles, furniture and office equipment; and the periodic reporting to USAID and CLUSA/Washington on a consolidated basis.

2. Exconflictive Area Project

The day-to-day management, administration and operation will be delegated to a separate project team, consisting of:

- 1 ex-patriate production specialist

- 3 Salvadoran agronomists (one with specialization in production, one in agribusiness, and one in training)
- 1 office manager

This team will be based full time in the city of San Miguel, where they will establish and equip an office.

The ex-patriate production specialist and local agronomists will manage all of the technical assistance services in the target areas, including, but not limited to:

- production, harvest, and post harvest handling
- transportation and marketing
- use and proper management of the credit line

In-country and international training to visit other farms producing these crops, observe how the crops are produced, maintained, harvested and marketed are excellent tools to promote the transfer of technology.

Market promotion will be provided through CLUSA/El Salvador's existing structure and CLUSA/Washington's network of cooperatives and associations.

a. Ex-Patriate Production Specialist

The production specialist will report to the CLUSA/El Salvador Chief-of-Party, and will have as a minimum the following responsibilities:

- assigning and coordinating tasks of the team members;
- approving necessary expenses and time sheets;
- interfacing with the other PVO/NGO and international donor organizations in the area;
- determining short term consultancy needs, preparing the justification, and providing the logistical support to facilitate the completion of their work;
- working with the processors, exporters and brokers, among others, for market promotion, in addition to accessing Reuters, USDA and other automated sources of market volume and price information;
- coordinating the activities with PROESA technicians;
- conducting staff meetings; and
- preparation of annual work plan and quarterly reports.

Other specific tasks/responsibilities will be assigned by the CLUSA/El Salvador Chief-of-Party.

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b. Agronomists

Each agronomist will work in his/her area of specialization with all of the target beneficiaries in the region, but at the same time collaborate with the other members of the team where joint assistance is required to successfully transfer the technology to the beneficiaries and PROESA technicians. The CLUSA/San Miguel project office will maintain continued communication with the PROESA technicians and keep them informed of all travel plans to the producers/cooperatives.

The project proposes one specialist in each of the key technical areas: production, agribusiness, and training. They will report to, and come under the direction of the ex-pat production specialist.

Beyond the normal training functions, the training agronomist will team with the PROESA field technicians and be responsible for assisting the borrowers in: completing the bank's loan application and other forms; dealing directly with the bank branch personnel in charge of these loans; receiving and distributing loan proceeds for paying the field workers; and reconciling loan statements.

The production agronomist will assist the borrowers in the purchase, delivery and application of inputs, and in scheduling and receiving tractor or other mechanized services. He/she will further train any interested PROESA field technicians in all aspects of production and harvest technologies for the designated NTAE crops introduced to those areas.

By the end of the project, the borrowers should be capable of handling all of the banking, inputs and mechanized services by themselves, with little or no assistance from project personnel.

The agribusiness agronomist is responsible for all aspects of the post harvest handling, processing, transportation and marketing of the NTAE crops, and will work closely with any PROESA field technicians to train them in this specialty. He/she will maintain periodic contact with the processors, exporters, brokers and CLUSA affiliated cooperatives in the U.S. for market information and feedback on the quality and acceptability of the project products.

Another function of the Agribusiness agronomist is to oversee and assist in the establishment of accounting and management systems in cooperatives that do not have any, and help improve deficient systems in other cooperatives.

c. Office Manager

The office manager's role encompasses a wide range of activities, including receiving, maintaining and reporting all data relating to the pilot project activities (baseline information, manzanas cultivated by crop, production, yields, revenues); management of the office; small local procurement; control of loan fund balances (see also section F.1.f); monitoring past due loan report; control of vehicles and other assets; monitoring and control of the budget; interface with CLUSA/El Salvador's office manager; etc.

CLUSA home office staff will visit the project annually and will coordinate activities in the U.S. and in El Salvador. A local support staff plus communications and other direct office costs are included in this component. Maintenance expenses such as vehicle insurance and housing repair for expatriate staff are considered administrative support.

Procurement will be undertaken in this component. CLUSA will procure, subject to the applicable standard provision and Buy America guidance, up to 2 vehicles and other equipment for project implementation. Office equipment will be procured for the CLUSA San Miguel office, as will furnishings and security equipment for the expatriate advisors' homes. A listing of commodities planned for procurement is shown in the illustrative budget by component of the CLUSA proposal upon which this Grant is based.

C. AID ADMINISTRATIVE FUNDS

AID will program and contract biennial financial and compliance audits of this Agreement and one final evaluation of project activities to be financed under the Peace and National Reconstruction Project (519-0394).

D. END OF PROJECT STATUS

At the end of the Agreement period, PROESA and the project's participating cooperatives will have attained the following status:

1. 1,050 additional hectares will have been planted in selected nontraditional agricultural export crops due to CLUSA's assistance and market facilitation.

2. 12,500 metric tons of incremental production will have been obtained from nontraditional agricultural export crops assisted by the CLUSA.

3. 10 cooperatives and farmer associations (or participating private farms, if any are assisted) representing approximately 1000 rural dwellers will be profitably engaged in the production of non traditional agricultural crops for part of their income.

4. PROESA will have become institutionally and technically capable of providing technical assistance in the production, processing and marketing of 5 nontraditional export crops and in managing a nontraditional export credit line.

ATTACHMENT III

ILLUSTRATIVE FINANCIAL PLAN

COOPERATIVE LEAGUE OF THE USA
BUDGET

UNSOLICITED ADD-ON PROPOSAL - NTAE PRODUCTION AND MARKETING PROJECT

(Assumes 3%/year inflation rate - Budget in US \$)

LINE ITEM	YEAR ONE	YEAR TWO	YEAR THREE	TOTAL
1.SALARIES AND WAGES				
TOTAL SALARIES AND WAGE	\$101,000	\$105,040	\$27,310	\$233,350
2.FRINGE BENEFITS				
TOTAL FRINGE BENEFITS	25,120	26,125	6,792	58,037
3.TRAVEL AND TRANSPORTATION				
TOTAL TRAVEL AND TRANSPOR	24,133	11,547	16,566	52,246
4.ALLOWANCES				
TOTAL ALLOWANCES	28,768	26,345	6,882	61,995
5.OTHER DIRECT COSTS				
TOTAL OTHER DIRECT COSTS	10,000	10,300	2,611	22,911
TOTAL MODIFIED DIRECT COS	189,021	179,357	60,161	428,539
6.OVERHEAD				
TOTAL OVERHEAD	75,608	71,742	24,064	171,414
7.REVOLVING FUND	200,000	0	0	200,000
8.SUBCONTRACTS	\$3,772	\$3,105	\$0	\$6,877
9.PROCUREMENT OF EQUIPMENT				
TOTAL PROCUREMENTS	62,400	2,000	750	65,150
10.GENERAL AND ADMINISTRATIVE COST				
TOTAL G AND A	18,208	7,378	2,434	28,020
11.TOTAL COST				
TOTAL COST	549,009	263,582	87,409	900,000

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COOPERATIVE LEAGUE OF THE USA
 GLUSA/PROESA PROJECT
 ESTIMATED COUNTERPART CONTRIBUTIONS
 DATE PREPARED: 4/10/94

DESCRIPTION	YEAR ONE	YEAR TWO(1)	TOTAL
1. ESTIMATED COUNTERPART CONTRIBUTIONS (2)			
<i>(Assumes 5% annual inflation increase per organization)</i>			
(a) Personnel			
<i>(i) Producer groups</i>			
(a) Number of participating producer groups	5	10	
(b) Multiplied by average contribution/group	\$3,150	\$3,308	
<i>Equals contributions of personnel by group</i>	\$15,750	\$33,080	\$48,830
<i>(ii) Private firms</i>			
(a) Number of participating firms	3	5	
(b) Multiplied by average contribution/firm	\$6,340	\$6,657	
<i>Equals contribution of personnel by firm</i>	\$19,020	\$33,285	\$52,305
Subtotal Personnel	\$34,770	\$66,365	\$101,135
(b) Operating Expenses			
<i>(i) Producer groups</i>			
(a) Number of participating producer groups	5	10	
(b) Multiplied by average contribution/group	\$6,340	\$6,657	
<i>Equals operating expense contrib. by groups</i>	\$31,700	\$66,570	\$98,270
<i>(ii) Private Firms</i>			
(a) Number of participating firms	3	5	
(b) Multiplied by average contribution/firm	\$3,150	\$3,308	
<i>Equals operating expense contrib. by firms</i>	\$9,450	\$16,540	\$25,990
Subtotal Operating Expenses	\$41,150	\$83,110	\$124,260
Total Estimated Counterpart Contributions	\$75,920	\$149,475	\$225,395

NOTES:

(1) Includes an additional 3 months

(1) Counterpart contributions consists of expenses of producer groups and other firms which advance project objectives.