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Pan American Development Foundation

1889 F Street N.W. • Washington, D.C. 20006 • U.S.A. • Phone: (202) 789-3969 Cable: FUPAD Telex: 440251

OPERATIONAL PROGRAM GRANT REQUEST
\$724,400

For the Establishment of
The National Development Foundation of Grenada

Submitted to

The United States Agency for International Development
Mission to Grenada

By: Pan American Development Foundation
1889 F. Street, N.W.
Washington, D.C. 20006

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Contact: Lewis Townsend
(202) 789-3969

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**Project to Establish and Support
The National Development Foundation of Grenada**

A. Project Purpose and Description

Goal and Purpose:

The goal of this project is the creation of an organization in Grenada whose programs will have an immediate impact on small enterprise development and employment, strengthen the private sector and reinforce the image of the business community as a major role player in national development. The Pan American Development Foundation, with the support of the local private sector, will take the initiative in organizing a National Development Foundation in Grenada to deliver business, accounting and managerial assistance for the start up and improvement of new and established micro-enterprises, and to make credit available to them.

The Pan American Development Foundation is asking for an Operational Program Grant from the United States Agency for International Development (USAID) Grenada mission, in the amount of \$724,400 in support of a three year project whose total cost will be \$969,900.

The National Development Foundation of Grenada will be an indigenous, autonomous, private sector, not-for-profit organization, which has as one of its major objectives the provision of technical assistance and training to micro-entrepreneurs, and the provision of credit, through the administration of a revolving loan fund, to viable micro businesses which are unable to obtain financial assistance from the commercial banks and traditional lending institutions because of lack of collateral, security, credit records etc.

The National Development Foundation of Grenada does not plan to lend directly. It will utilize the facilities and expertise of the commercial banks. Several of the local bank managers have indicated their desire to implement the system used by the NDF of Dominica. The NDFG will therefore:

- 1) Identify productive activities with potential for growth and job creation.
- 2) Provide technical assistance through its resource persons, other PVOs and agencies active in development training and assistance.
- 3) Provide training in seminars and on a one-to-one basis to micro entrepreneurs whether individuals, partnerships or groups.
- 4) Promote small business--especially in the productive sector--encouraging the activities of artisans, tradesmen, craftsmen, women and youths to create and sustain a healthy, vibrant, productive small business sector.
- 5) Recommend viable projects to the commercial banks.
- 6) Utilize the revolving loan fund through the banks, to fund those viable projects which the banks are unable to fund.

- 7) Help the client create a suitable credit rating which will enable him to get future loans directly from other lending institutions.
- 8) Support or create additional employment.
- 9) Establish a link between the established businessmen, who are members of the NDF, and the micro-entrepreneurs, who are its clients.
- 10) Demonstrate upper level private sector business support for development projects.

Beneficiaries:

The visible beneficiaries of the NDF programs will be the individuals and groups coming to the NDF for technical and business assistance and those to whom loans are also granted. Experience in Jamaica and Dominica has shown that over 33% of these people are women; and the majority of beneficiaries, whether men or women, are under 25 years of age. The NDF in Dominica was instrumental in getting legislation considered for changing the minimum legal age for borrowing to eighteen years, because of the large number of youths wishing to start or already running their own enterprises. Similarity of population statistics suggest that Grenada's needs will closely parallel these.

Loans averaging US \$2,000 and up to a maximum of \$8,000 will be made to small-scale or micro-enterprises; presently defined as businesses which employ six or less persons and possess not more than EC\$25,000 in assets, excluding land and building, with a preference for productive enterprises, including farming and agroprocessing activities. The usual recipient would be in businesses such as handicrafts production, carpentry, joinery, welding, bakery, sewing, repairs, fruit drying, charcoal making, chainsaw operating, small printing, and home industry. Subsequently, through its local Board, the NDF may identify other program beneficiaries, based on its experience with its initial and potential clients.

Loans will be made to viable projects run by persons of good reputation who would normally have qualified for credit from traditional sources, save for lack of collateral, security, or previous banking experience. In the special circumstances of Grenada, a number of loans will also be made to new enterprises where the beneficiary has the technical skill and appears to have the business sense needed to manage his own project. This type of borrower is a higher risk, but considering the urgent need for employment generation, the trade off is viewed as feasible. The number of borrowers in the latter category will be minimal.

Other beneficiaries will be the staff of the NDF and its Board and management. The NDF trainers will themselves be trained by PADF, on the job, at seminars and by attachment to regional NDFs for short periods. The NDF members will be highly visible in the Foundation's programs, and in their role assisting the micro-entrepreneur.

End of Project Status:

At the end of the three year project, an administratively sound NDF will be firmly established. The National Development Foundation of Grenada will have a local Executive Director, three small business extension agents and support staff for accounting and secretarial duties.

The Executive Director and staff will be qualified to train and assist micro businesses in marketing, production, bookkeeping, costing and pricing.

The NDF will have a membership of over fifty professional and business persons, representative of the larger and better established private sector enterprises. The Board elected and drawn from this membership will be totally responsible for the policy making and direction of the NDF. By their active involvement in the NDF, which will be given full media coverage, the private sector will emerge with an improved image as a force for national development.

At the end of the first two years, over 250 loans averaging US \$2,000 each will have been made, and over 300 micro enterprises will have received technical assistance and training. At the end of the third year over 350 loans are planned, with training reaching over 400 micro enterprises.

Based on initial data obtainable in Grenada and from experience in similar projects in the Caribbean, NDF loans are expected to generate one to three jobs each. This could therefore translate to around 1000 jobs created at a cost of US \$282 per job, based on administration and set-up cost of about \$282,400. If the total USAID contribution is used, the cost per job would be \$724,400 divided by 1000, or \$725 per job.

Since the loans are made to viable projects, this implies that there will be an increase in the incomes of the recipients. We assume that with more disposable income there will be an increase in family spending on health and education, though no attempts will be made in this project to measure these additional benefits.

Inputs:

Total cost of this three-year project is budgeted at \$969,900. AID/OPG funds, totalling \$724,400, are requested to meet operating costs and the greater part of the revolving loan fund.

On page 19 of the report by the Inter Agency team on Commercial and Private Sector Initiatives entitled "Prospects for Growth in Grenada: The Role of the Private Sector" December 5, 1983, under Banking and credit it says "Simply put, the commercial banks have no cash to lend. Other sources of credit, such as insurance companies, are also dry." Yet, despite the harsh financial situation, the Grenadian private sector has indicated its willingness to raise EC\$100,000 for the launching of the NDF. Other fundraising, membership dues, subscriptions and other income is expected to generate a total of about US \$115,800. The Pan American Development Foundation will contribute \$10,000 as a loan for on lending by the Loan Fund.

PADF has a working agreement with the Peace Corps who has been approached to provide some technical assistance. A PCV has been identified to begin working in September, 1984 with the project in Grenada.

During the course of this project other international organizations and agencies will be approached for support. It is anticipated that with the present high awareness level of the problem in Grenada, some additional funding can be obtained in years one and two. None has, however, been budgeted.

BUDGET SUMMARY

	Year 1	Year 2	Year 3	Total
PADF Set-up & Training Expenses	\$92,00	26,700	26,700	145,400
NDFG Operating Expenses	44,000	43,500	49,500	137,000
NDFG Client Training Expenses	27,000	29,000	31,000	87,500
Loan Fund	<u>300,000</u>	<u>200,000</u>	<u>100,000</u>	<u>600,000</u>
	\$463,500	299,200	207,200	969,900

SOURCES OF FUNDING

	AID/OPG	PADF	NDFG	Other	Total
PADF Set-up & Staff Training	145,400	-	-	-	145,400
NDFG Operational Expenses	57,000	-	80,000	-	137,000
Client Training Expenses	32,000	-	35,500	20,000	87,500
Loan Fund	<u>490,000</u>	<u>10,000</u>	<u>-</u>	<u>100,000</u>	<u>600,000</u>
	\$724,400	10,000	115,500	120,000	969,900

B. Project Background

PADF has helped organize National Development Foundations (NDFs) in nearly two dozen countries of the hemisphere over the past twenty years. NDFs provide business counseling and credit to enable the enterprising poor to successfully start and run their own businesses, providing self-employment for each NDF client and job opportunities for new employees. However, business guidance and credit is more often supplied by the NDFs to established micro-businesses which have already demonstrated their ability to successfully manage a small venture and which seek to expand their businesses by increasing their raw material base or by adding new or used equipment. This usually results in hiring additional workers, increasing wages of existing workers or expanding income for the micro-entrepreneur.

Key members of the private sector support NDFs by working voluntarily on their Boards and Board committees, making their expertise and time

available as an advisory or training pool for the Foundation staff and clients, and by contributing to finances with their membership dues, subscriptions and donations. This is clearly an alternative to government guided development with long lasting implications.

Grenada:

Grenada is a three-island nation in the Caribbean consisting of the islands of Grenada, Carriacou and Petit-Martinique, the latter two being part of a chain of tiny islands stretching northward between Grenada and St. Vincent. The island group is about 133 square miles with a combined population of 120,000, mostly Roman Catholic or Anglican, with minorities of Methodists, Presbyterians, Bereans, Seventh Day Adventists and Baptists. Grenada became independent on February 7, 1974, has dominion status within the British Commonwealth, and is a member of the United Nations, the Non-Aligned Movement, and the Organization of American States. In 1979, Parliament was replaced by a Peoples Revolutionary Government, headed by Maurice Bishop, who was killed in a coup in October 1983 and replaced by the Bernard Coard group. These events ultimately led to a joint Eastern Caribbean-U.S. involvement.

English is the official language spoken by the entire population, the majority of whom are negro, with East Indian, mixed, and white minorities. The island of Grenada is 113 square miles with an estimated population of 85,000-95,000 people. The GDP per capita (1982) was estimated at \$870 and unemployment at 15-20%. The interim government is headed by Sir Paul Scoon, and elections may be held by the end of 1984.

Grenada's problems are both economic and political. The economy is at a virtual stand-still with everyone waiting to see what will be done; especially with regard to the infrastructure and employment. The unemployment issue is compounded by the members of the Grenadian army who have been demobilized. These ex-soldiers create a special problem, as there is an urgent need to find something for them to do to channel their skills and energies into productive areas.

Eric Gairy, who was Prime Minister and popularly supported at the time of Bishop's 1979 coup, has returned. His presence on the island at this time has caused serious concern among various groups; not the least being supporters of the New Jewel Movement and members of the private sector.

Gairy will undoubtedly be a key figure on the political scene and can add another destabilizing factor to an already shaky situation. A crucial element in dampening political unrest will be broad based, tangible economic progress. This can be achieved only if planned programs are speedily implemented and if the private sector is seen as an initiator or vehicle of such progress.

Initial Contacts:

Initial contacts with leaders of the private sector and government officials were established in Grenada several years ago by PADF staff members. In 1982-83 the OAS Mission in St. George's held several meetings

with the private sector on the NDF concept, and the machinery was in place for a PADF visit to Grenada at the appropriate time. The events of late 1983 significantly altered the time frame, and when, in November 1983, Lewis Townsend and Lawrence Correia of PADF met in Miami with Richard Menezes, President of the Grenada Chamber of Commerce, there was an air of urgency to the meeting.

In December 1983, John Miller, Manager of the Royal Bank of Canada (of St. Kitts), formerly a director of the NDF in Dominica, visited Grenada with PADF supplied material, and was guest speaker at a Rotary lunch at Grenville on the NDF concept. Roy O'Neal, a Grenadian and manager of a Caribbean branch of the Bank of Nova Scotia, contacted his counterpart, Chester Hinckson, about an NDF for Grenada. In late January, 1984, Lewis Townsend and Lawrence Correia visited Grenada and held talks with members of the Chamber of Commerce, the Employers Federation, the Farmers Union, representatives from the Grenville area, prominent businessmen, USAID official Ted Morse, DCM US Embassy Mike Yhon, OAS Director Norberto Ambros, and others about the formation of an NDF.

In order to duplicate the NDF programs' success in creating and supporting jobs--and do so in the shortest possible time-- PADF, with its wide experience in the organization and management of NDFs, will set up an NDF office, manage the program in its initial phase, recruit and train local staff to take over management, administration, training and financial roles and identify the initial beneficiaries and make the initial loans. At the same time, PADF will work with the local private sector to create a Board of Directors, formalize the legalization of the NDF and familiarize the members with their roles on the various committees and the practical functions of their Foundation. This approach has already been discussed with leaders of the private sector and is considered the most effective way to deliver in the short time at hand.

This approach differs from PADF's normal modus operandi wherein the pace of development of the organization has been set by the local business people involved. Normally, after several monthly meetings to gather momentum and form a broad group around a nucleus organizing committee, several months elapse before initial steps are taken to legalize the NDF. It is not unusual for this process to take as much as two to three years before any program of technical assistance or credit is initiated. Action has usually been taken in response to periodic visits by PADF staff to the countries, with these visits serving mostly as a catalyst for decision-making, through the advice and encouragement given. In the case of Grenada, the decision-makers are serving on numerous committees and meeting missions, potential donors, investors, etc.; they realize that without PADF on the spot to assist and advise them continuously, organizing the NDF would be a long, drawn-out affair.

This project will require intensive organizational work with the staff and private sector leaders, NDF members, and the banks and other agencies working in Grenada. PADF staff will therefore have to reside in Grenada for a short period.

Mr. Lawrence Correia, PADF Projects Officer, will go to Grenada to organize the NDF in St. George's, negotiate agreements with the banks, train the staff, and arrange for initial loans while guiding the members of the organizing committee in their task of selecting their Board, naming the

director, establishing a structure, and defining long-term strategies. Mr. Correia initiated and managed the successful NDF in Dominica, and his skills and experience will be important resources in this project. The groundwork has already been laid for the local private sector to take over the NDFG once the initial training and setting up has been completed. Mr. Richard Menezes, formerly head of the chamber of Commerce and Managing Director of Geo F. Huggins & Co. Ltd. is Chairman of the organizing committee. Mr. Menezes is the leading candidate for election to the position of chairman of the Board of Trustees. A large number of leading businessmen are already on the committee. Mr. Correia will be assisted from time to time by PADF staff and by Mr. Ugo Melloni, who is on detail to PADF from the Bank of America (see appendix).

PADF Experience in Project and Related Areas:

PADF is a tax-exempt, non-profit organization which, since 1962, has encouraged cooperation between private financial sources and development in Latin America and the Caribbean. It is the only private voluntary organization formally associated with the Organization of American States (OAS). Its purpose is to mobilize private sector support to help the enterprising poor of Latin America and the Caribbean through indigenous development efforts.

Through PADF's Health Service and Tools for Training programs, over \$40 million in medical and vocational training equipment and supplies received from US private sector donors has been channelled to needy health care facilities and vocational training institutions throughout the Caribbean and Latin America. Working directly with the private sector on another level, PADF's Agroforestry Program has engaged over 10,000 peasant farmers in planting efforts to combat the devastating effects of deforestation through the cash cropping of trees.

Over two decades, PADF has helped local private sector leaders to mount and support small loan schemes and technical assistance for the smallest producers without other access to such services. Building on an original model for savings and investments by Guatemalan peasants (Fundacion del Centavo), PADF had helped establish twenty NDFs by early 1984, and is now working with groups in several other countries, primarily in the Caribbean Basin.

AID has reviewed and analysed PADF activities a number of times since 1969. These evaluations have generally commented very favorably on its assistance to NDFs.

Since 1962, PADF's initiatives have generated over \$200 million in development projects and other services benefitting hundreds of thousands of men, women and children throughout our hemisphere. PADF has had considerable experience in encouraging private sector leaders to become more attuned to the plight of the disadvantaged in their countries by involving them as organizers and leaders of National Development Foundations. To date, NDFs established with PADF assistance have provided business counseling and over \$100 million in credit and technical assistance to low income micro-businessmen and women, resulting in increased employment, expanded productivity and improved standards of living.

NDFs are based on the concept of mobilizing private sector resources to meet needs of marginal populations of a developing country. NDFs are indigenous, autonomous organizations made up of local business and civic leaders who believe there should be a source of loans available at reasonable rates and under reasonable conditions for small producers without access to traditional credit sources. The objective of a Foundation is to provide efficient administration and effective utilization of private capital for socio-economic development purposes. To this end, PADF will train field loan extension agents to identify and help implement small productive projects. Typically such projects of Foundations are either microbusiness ventures or small rural development activities to be carried out by individual farmers or cooperatives.

National Development Foundations established with PADF assistance over the past twenty years have been successful in achieving these objectives. Therefore, drawing on its experience with NDFs, PADF is in the unique position of being able to choose the methods which appear most reliable in a given situation and adapt them to a similar or slightly different framework. The following characteristics of PADF-assisted NDFs will apply to the Grenada NDF:

- The NDF's supporters will be members of the private sector who are committed and willing to participate in development activities that benefit the poor through an organization that is neither welfare nor charity-oriented, but which uses the skills of the people and their desire to better themselves to achieve social and economic goals with dignity.

- The members of the Foundation, as business people themselves, bring sound management techniques to the organization and ensure that the goals are achieved efficiently with relation to costs.

- The local NDF is staffed by the best persons available locally, with PADF providing assistance and support in order to ensure a sound management system capable of efficiently operating the NDF's programs.

- The NDF operates a program that provides business assistance and also extends loans from a revolving loan or loan guarantee fund.

- Beneficiaries are individuals or groups who are unable to receive credit from traditional sources because they lack collateral or security, or because their projects are unclearly defined. Beneficiaries must demonstrate that they have the ability to be successful in their business ventures, though they may need NDF assistance to define and/or make more efficient the activities for which they seek credit.

Relationship of Project to Host Country and USAID Strategies:

The United States Government Inter Agency Team, charged with examining private sector conditions in Grenada reported that a vibrant private sector leadership remains in Grenada and is eager to get on with the job of rebuilding its economy. "We found that although the private sector had been severely damaged by the previous Marxist Government, a nucleus of outstanding leadership remains around which to rebuild economic activity;" said Jay F. Morris, Deputy Administrator of AID and leader of the Inter Agency Team.

Most of the projects now being considered for Grenada by international agencies have not focused on the micro-entrepreneur. The project will direct some of the attention and skills of the vibrant private sector referred to by the Inter Agency Team to help individuals in the micro-sector to help themselves. There has been consistent stress on the importance of a strong private sector in Grenada. This project not only strengthens the poorest in the business sector, but also puts the larger businessmen in the spotlight as a moving force in the development of Grenada's resources and people.

The creation of the National Development Foundation of Grenada to train and make credit available to the micro sector will contribute to the recovery and growth of the economy. The provision of technical assistance, business training, start-up and working capital, production planning and marketing is the principal function of the NDF and a valuable contribution to other initiatives and efforts to help the private sector. AID's strategy places a lot of importance on helping the private sector, especially the smaller or grassroots businesses. AID has identified as appropriate and has supported the type of assistance the NDF will make available to micro entrepreneurs in Grenada.

This project will stimulate economic growth and create employment. It coincides with AID's objectives and strategies for the Caribbean and will complement AID's other programs. This project has been discussed with leading government officials and has received their wholehearted support.

C. Project Analysis

1) Detailed Description:

The objective of this proposal is the involvement of the "haves" in the private sector in the creation and administration of a not-for-profit organization whose programs will have an immediate impact on small enterprise development and employment. This organization, the National Development Foundation of Grenada, will promote self-help development of the underprivileged sectors of the community by supporting and developing viable micro-enterprises and providing advice, training and other forms of assistance.

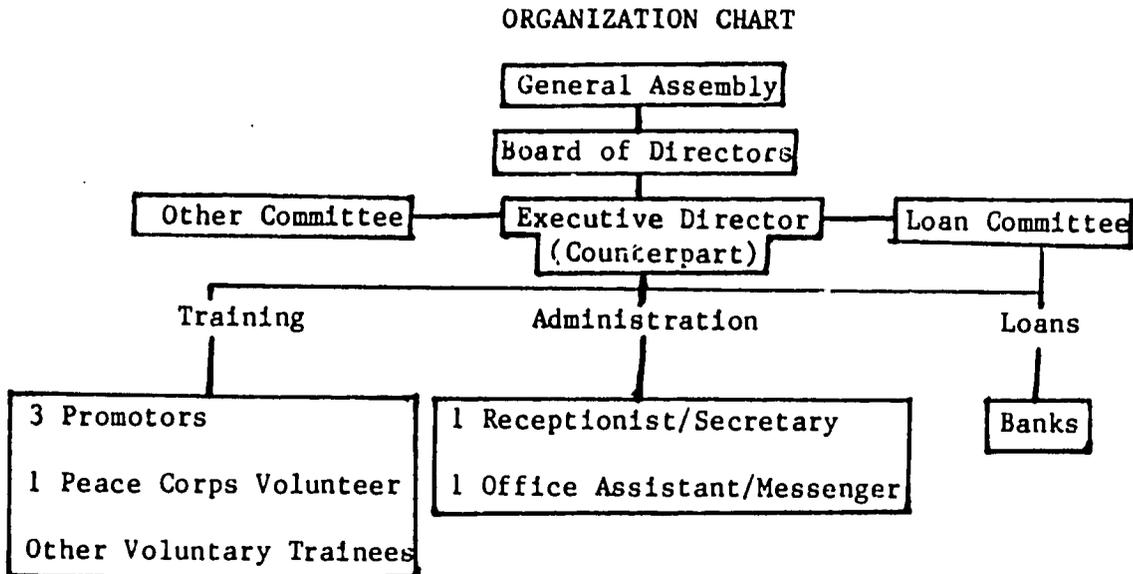
2) Project Components:

The National Development Foundation of Grenada has, among its major goals, the following:

- promotion of self-help development among marginally poor producers in the less privileged sectors of the community by providing loans to them for productive projects of their choice, and by providing them with technical training and guidance through the small business extension agents;
- mobilization of the local business community to contribute to self-help development in the less privileged sectors, thereby supporting projects geared toward economic and social improvement;

- encouragement and advancement of scientific, educational, economic, and social development;

1. The National Development Foundation of Grenada:



The NDF will consist of members who meet annually in a General Assembly, a Board of Directors, an Executive Director, three Promoters (small business extensionists), and support staff and other consultants as needed. A number of prominent local citizens have already indicated interest in becoming members. In addition to a lawyer and accountant and several successful businessmen, they include:

Richard Menezes	Managing Director, Geo. F. Huggins
Charles (Laddy) McIntyre	President, Chamber of Commerce
Gillian Thompson	Executive Director, Gda Hotel Assn.
Geoffrey Thompson	V.P., Chamber of Commerce
Paul Kent	Farmer, Businessman
George Williams	Chairman, Grenada Co-op Bank
Angela Smith	Director, Employees Federation
Geoffrey Commissiong	Banker
Chester Hinckson	Banker
Percival Burke	Credit Union League Manager

Qualities sought in members include dedication and willingness to participate in development activities that benefit the poor. For the time being, given the need to obtain local funds to launch the NDF, successful local businessmen are targeted for membership. However, other persons who have demonstrated an interest to become involved in the development of the micro sector, including small businessmen, social workers, and government/public sector representatives, are also encouraged to become members so as to assure a broad-based membership for the foundation.

A leading firm of auditors meeting AID's criteria will be appointed for the external audit. A Board member nominated as Treasurer to the Board will be responsible for internal controls.

Board of Directors:

A Board consisting of not less than seven persons will be elected on a rotating basis from the General Assembly. At each annual meeting one-third of the Board will retire (the longest serving retiring first) and new members will be elected to take their places. Additional members will be identified from other sectors of the business community.

The duties of the Board of Directors will include: serving as resource persons and trainers for the NDF staff and clients; annual election of its Chairman and Vice Chairman; appointment of the NDF Executive Director who will be responsible for all other hiring and staff affairs; overseeing and guiding the Executive Director; fundraising and public relations; establishing overall policy objectives and review and evaluation of the Foundations training and credit programs and overall operating efficiency.

Executive Director:

The Executive Director will be responsible for the overall management of NDF activities, including administration and supervision of the revolving loan program, coordination of local and international fundraising activities, and management of NDF accounts. A job description is attached as an appendix.

The Executive Director's background should include considerable experience in assistance programming, credit administration, community development and business. Ideally, a Grenadian with a strong accounting or banking background will be sought, and such a person is available and willing to work if selected.

Small Business Extension Agents:

Small business extension agents, or "promoters", are the key figures in the proposed development process. They are responsible for identifying new clients and assessing their reliability (geographic stability, basic skills, willingness to accept technical assistance). The promoters help develop viable productive or social purpose projects.

Before the NDF will sponsor a loan application to a local bank, the promoter must evaluate the proposed project, its feasibility and financial rate of return, and make a recommendation as to NDF approval of the proposed guarantee. When the NDF has agreed to a loan for a client, the client applies for the loan to the bank which will be responsible for loan collection. The promoter provides close supervision, assures that the borrower carries out the business skills necessary for successful implementation, and provides training sufficient to enable the client to obtain subsequent commercial bank credit if desired.

The promoters themselves will be recruited from among candidates with some training in business skills, technical education experience, and/or relevant microbusiness backgrounds. They will receive intensive training when they enter on duty.

Promoters will have a profile that requires technical competence, initiative, communication skills, and motivation to assist target groups. They will be Caribbean persons (male or female), probably over twenty years old, and capable of passing a basic business aptitude test and personal interview to assure that they will have the self-confidence and personality necessary to deal with small businessmen and to protect and effectively maintain the interests and policies of the NDF. They will also be expected to have an orientation toward the development of the important, small-scale business segment of society. A sample job description is provided as an appendix.

Small business extensionists will work directly with NDF clients to help them find necessary equipment and potential linkages with other businesses.

ii. Target Population and Revolving Loan Fund:

Target Population:

Loans will be made to clients drawn from the less privileged segments of the private sector; such clients would normally be ineligible for bank credit because of inadequate security or collateral.

Methods for identifying NDF beneficiaries in other countries have included on-site surveys of micro-businesses (such as the one conducted in Belize), studies of existing statistical information, and projections based on historical data from areas with similar population compositions and on the informed judgement of knowledgeable persons in the community.

The survey of micro-businesses in Belize resulted in a document which, though impressively packaged, produced results which were no more assured than an educated guess. For example, while the survey identified a maximum of 142 potential clients for the NDFB in its first two years, with most of the demand in the productive/manufacturing sector, the NDFB was actually visited by 169 potential borrowers during its first month of operations, most of whom were involved in the service sector. In addition, the survey required over one month of field work and two months of collating and assembling, yet its conclusions bear little relationship to the size or potential demand of the target group that evolved.

The NDF experience in Dominica, a country with a population size and economic structure similar to those in Grenada, is highly relevant. With the Dominican population of 78,000 people, the NDFD had a loan portfolio of close to 200 loans in two years. This was achieved with a staff of the same size as that proposed for the Grenada Foundation and the same methodology for promotion training and loan development. Indeed, it is expected that Grenada's progress will be even more rapid than Dominica's, given the apparent demand and supply conditions regarding credit to micro-businesses.

Our analysis of the demand for the NDF/Grenada's services is based on the informed judgement of knowledgeable persons in the community who have been contacted over more than a year's time. PADF was first asked to assist development efforts in Grenada in May of 1983 by representatives of another U.S. PVO and a PVO in Grenada. In January, 1984, following addi-

tional meetings with prominent Grenadan individuals, a PADF team met with the Grenada Chamber of Commerce to discuss various areas in which projects could be developed for the economic reconstruction of the country. From this and other meetings, a general consensus was reached that there was adequate demand for credit among local micro-businesses to sustain a project geared at making 250 loans in two years.

Over the next few months, in discussions with key representatives of such Grenada-based organizations as the Grenada Co-operative Bank, the Employees Federation, Barclay's Bank, and the Nova Scotia Bank, as well as with the local OAS office and the White House Office on Private Sector Initiatives, PADF found firm convictions that 250 loans in two years is an achievable target.

In addition, preliminary results of an ILO-sponsored Man Power Survey of Grenada, being conducted by the Planning Commission, indicate that:

- (a) There is great demand for the services of plumbers, welders, small engine repairers, electricians, carpenters, joiners, shoemakers, tailors, and craftsmen.
- (b) While there is a significant number of persons with the necessary skills, the demand for these services is not fully--and in some instances not at all--satisfied.

In light of these findings, representatives of the Planning Commission have concluded that assistance is required for the establishment of small enterprises which could use the skills available to meet demand for these services. In the opinion of our contact in the Planning Commission, a target of 100 loans per year to small enterprises is realistic. These conclusions have been supported by the following statistics:

Employable Persons

	Female	Male	Total
St. George's South	7,415	6,732	14,147
St. George's North	2,523	2,239	4,762
St. George's Town	1,676	1,337	3,013
St. John's	1,161	1,024	2,185
St. Mark's	2,830	2,413	5,242
St. Andrews	3,430	3,820	7,250
St. Patrick's	<u>6,314</u>	<u>5,597</u>	<u>11,911</u>
	25,349	23,161	48,510

* Ages 15 and over

Unemployment is estimated at 20-25% or approximately 10,000-12,000 persons.

Discussions with representatives of the Grenada Bank of Commerce (formerly the Royal Bank of Canada), the Grenada Credit Union League, and the Grenada Development Bank revealed the following information:

From the Grenada Bank of Commerce, which has traditionally had a greater relationship with the small business sector than other established commercial banks:

- The Commercial Banking Sector is still illiquid.
- Approximately 10 loan applications per month are rejected from micro-business applicants with mainly service type operations and handicrafts, mainly due to lack of security.
- Most micro-businesses do not approach commercial banks because of the stringent requirements for such loans.
- With the availability of credit for such businesses, they anticipate receiving approximately 60-80 applications per month.
- There is a dire need for a program such as that proposed by PADF.
- The Grenada NDF could, in these circumstances, realistically make at least 100 loans per year, as envisaged.

From the Grenada Credit union League, which comprises 20 credit unions spread throughout the country, with a total membership of 5,700 people:

- During 1983, approximately 2,000 loans averaging EC\$800 were made, to members only.
- 50% of loans made were for the productive sector, chiefly in agriculture. Credit union loans to the small productive sector represent approximately 25% of the credit needs of this sector. There is therefore a considerable unsatisfied demand for credit, both actual and potential.
- 100 loans per year for micro-businesses is easily achievable.

From the Grenada Development Bank (GDB), which does not generally lend for working capital purposes, which normally requires fully adequate security for loans (including assets other than those directly connected with the business), and which defines small loans as those ranging from EC\$10,000 to EC\$270,000, with net fixed assets not exceeding EC\$270,000:

- Between June, 1982 and December, 1983, the GDB made approximately 500 partially unsecured loans to small farmers. These loans were secured only by crop liens. Approximately 58% were eventually bad loans.
- Demand for loans from small/micro-businesses in areas other than agriculture was slow, even though the GDB has funds available. Potential small entrepreneurs tended to approach commercial banks instead of the GDB because (a) the GDB's response time was perceived to be too long and drawn out and (b) too much security was required.
- There is a niche for the NDF/Grenada to provide loans averaging US\$2,000 to the productive small business sector in areas such as agro-industry, small service industry, crafts, furniture, cottage industries, garments, etc.
- Agricultural loans should be left to the GDB.

- A first year target of 65 loans to such businesses would be more realistic than one of 100.
- To ensure no duplication of effort, the NDF and the GDB should collaborate closely and regularly.
- The GDB would be willing to serve on the Board of the NDF, subject to the approval of its Chairman.

Based on the foregoing information, it is not unrealistic to conclude that there is an unsatisfied demand for credit, both actual and potential, among small/micro-enterprises in Grenada. Indeed, the experience of those in the private sector and the established banking sector regarding both the demand for and supply of credit suggests not only that there is a niche for the proposed NDF, but also that the NDF can make a significant contribution toward expanding the micro-business sector, thereby broadening the country's entrepreneurial base.

It can be inferred that the demand over three years for micro-business loans as proposed by PADF will easily materialize, but the NDF organizers recognize that, particularly in the first year, a vigorous promotion of the program will be required to translate potential demand into actual demand.

The information provided by the commercial banks interviewed is especially revealing relative to the issue raised regarding past experience of lending to this target group:

With one exception, the commercial banks have traditionally provided only minimal assistance to this group, for two main reasons: first, they generally perceive lending in this area as unprofitable and troublesome and want to avoid risk, and second, potential borrowers tend to avoid applying for loans because of their perception that the banks are interested only in assisting large borrowers.

The GDB, although established to fill the gap, has not nearly performed its developmental role in supporting the total small business sector. Some measured success has been achieved in assisting the agricultural sector, but even so, assistance to micro-businesses in the agricultural sector has resulted in a high contamination ratio in the loan portfolio. Apparently, many borrowers regard the GDB as a government institution, and are therefore lax and delinquent in repaying. GDB assistance to other types of small businesses has been minimal, particularly in the range of EC\$20,000 and below. Perhaps most important, the GDB's program does not include the small business advisory and "hand-holding" services that the NDF will provide in order to ensure greater chances of success for micro-business clients.

Revolving Loan Fund:

The NDF will establish a revolving loan fund from which loans and guarantees will be extended to borrowers via the commercial banks. As repayments on loans are made, the amounts paid will be released back into the fund and used for relending.

An outline of the proposed operating mechanics of the revolving loan fund is attached. The maximum period for any single loan will be 5 years. However, terms of loan repayments will depend upon the size of individual loans made and the particular cash flow generation of each project. It is envisaged that the average repayment period for projects will not exceed three years. Guidelines for loan repayments will be incorporated into the loans policy manual once the NDF has been formally established.

It is expected that the revolving loan fund will eventually reach US \$1 million, which would produce earnings sufficient to meet all of the NDF's operating costs.

It is the policy of the NDF to make loans to businesses that contribute to the production of basic life necessities and thereby reduce trade imbalance, and to those that seek to hire and train more employees. Further specific criteria for loans to small businesses will be established by the NDF Board from time to time. Studies will be conducted to determine profitability, the potential for income and job generation, and amounts of credit and technical assistance needed by each project. Loans will only be made in conjunction with a complete technical assistance program. Typical NDF lending criteria set by the NDF will include the following:

- Assistance will be offered to established small businesses which have demonstrated that they have the basic skills required to conduct the activity in question. (Preliminary information indicate that there are numerous small enterprises which could benefit from both technical and financial assistance. However, the NDF will also examine the possible advantages, in terms of job creation, of a stronger concentration on assistance in the implementation of new project ideas rather than existing ones).
- Only clients without adequate security for a loan are eligible.
- Principal guarantees for execution of NDF loan projects will be feasibility analysis, acceptance of technical assistance, and client reliability (intangible measurements). Collateral will therefore not be a criteria. However, where identifiable equipment is purchased with loan funds bills of sale may be taken.
- Loans will be made on the basis of plans originating with the client.
- Projects must be approved for marketing, feasibility, profitability, potential for job creation and income increase, and impact on economic development, according to standards to be set by the NDF.
- Interest charged will be at commercial rates.

The mechanism to be used to identify potential clients as described under section 2.v., "Community Development" will ensure that the disbursement of US\$500,000 in two years will be done in a controlled, orderly manner without a major risk of decapitalization. The small percentage of bad debts in this project should be exemplary.

All projects, whether recommended by the village committee or by a member, will be examined like any other application, by staff and the credit committee etc.

iii. Institution Support and Training

The Pan American Development Foundation, with the assistance and advice of the Chairman and members of the organizing committee and other knowledgeable persons in Grenada, will recruit qualified personnel for staff positions and will provide training for the Executive Director and Promoters.

Training will take place both on-the-job and in the classroom. Mr. Lawrence Correia, PADF Project Officer for the Caribbean area, who will be assigned to Grenada for the setting up of the Foundation and staff training, has been training persons in accounting for several years and hired and trained all the staff of the NDF in Dominica, of which he was Executive Director for two years. He has also been training NDF staff in St. Lucia, Belize, and Honduras, and has lectured to NDF participants at several PADF seminars dealing with subjects of critical importance to NDFs, such as planning and financial management. (An outline of a typical PADF package on "Training Program and Questions on Setting up an NDF" is attached.)

Mr. Correia is an experienced financial manager who has held various top level jobs in the private sector during the last 25 years. Some of his achievements include setting up the standard costing system for Colgate Palmolive in Guyana, supervising the changeover from manual to mechanical accounting for Colgate Palmolive in Guyana and Trinidad, designing and setting up (including staff training) the costing systems for the Sunbelle Ham and Bacon factory and the Government Milk Pasteurisation plant in Guyana, setting up the financial and costing systems and training staff for the Dominica Coconut Products Ltd. in Dominica, designing an integrated accounting system for the companies managed by Fiduciaria Transatlantica Alemana in Paraguay, reopening the L. Rose & Co. Lime Factory in Dominica while performing other duties including those of project analyst of the Industrial Development Corporation and Executive Director of the National Development Foundation of Dominica.

Mr. Correia's background in accounting and National Development Foundation work will be useful in ensuring that appropriate financial accounting and control systems, administrative procedures, management reporting, training and management of the Revolving Loan Fund will be in accordance with AID's wishes.

Mr. Correia comes from the West Indies; the NDF from inception will therefore not look foreign.

PADF will assist the NDF in the design and implementation of fund-raising efforts to secure both local and foreign funds to ensure its long term success. A program emphasizing long term local support will be developed to include technical and financial involvement of the business community in the organization. Local businesses have already pledged EC\$100,000 to the Foundation. It remains to be seen, however, how well they will back their words with their actions. Several leading and knowledgeable Grenadians have assured PADF that the EC\$100,000 is a reachable target.

Board members, the Executive Director and field officers will also benefit from visits to and by other Foundations and by attending PADF sponsored training seminars.

iv. Client Training:

Experience has shown that with the micro entrepreneur who will be the NDF's client, a little knowledge goes a long way. It is not necessary to make an accountant or a business management graduate out of the small businessman who, in many cases is not only manager, but also producer, salesman and sole employee. Indeed, many of the clients have not completed elementary schooling and are more comfortable working with their hands than with their heads. Basic business skills, bookkeeping, marketing and production advice given in small doses and at regular intervals appear to be effective in maintaining client interest in the program. Giving advice in a practical manner has been more effective than swamping a largely uneducated client with theory which he cannot apply to his own problems.

In keeping with this experience, the NDF requires that the small business extension agents (or field officers or promoters) maintain their oversight and advisory services to the borrower throughout the life of each loan. The promotor, by providing ongoing advice and assistance in solving specific problems of the clients, builds the clients' abilities to expand output, create jobs and increase income levels. The promotor will ensure that the clients learn and use those small business skills necessary to enable them to successfully implement the loan financed project, that they manage their incomes to repay their loans to the banks and reinvest their profits in the business.

A number of quality training manuals for both the trainers and trainees in small business projects have been developed by the Barbados Institute of Management and Productivity (BIMAP) working with the Manitoba Insitute of Management and by the Foundation for International Training for third world countries. The NDF extension agents will draw heavily from these materials in training the clients.

The NDF will ensure that those clients who can benefit from courses and seminars are given the opportunity to attend.

Experience has shown that not all clients end up as borrowers. In many cases the advice given is sufficient to help them generate additional income. Technical assistance will be extended to non-borrowers.

v. Community Development:

The activities of a successful NDF will contribute to opportunities for broader community development. The NDF assistance program to microproducers is designed to raise their awareness of their socio-economic situation and to involve them in the process of their own development and that of their community as a whole. NDFs become active communities working effectively toward self-improvement and development: El Salvador's foundation, for example, has undertaken a successful housing cooperative program, while NDFs in the Caribbean Basin have provided disaster relief following earthquake and hurricane crises. Over the long term, NDFs' assistance to microproducers will strengthen the private sector as a whole, and help create a community concerned with the development of their country. Some NDFs create other local private institutions as in the Dominican Republic where the DDF created a Foundation working on reforestation.

The mechanism pioneered by Mr. Correia in Dominica, involving Village Councils in the identification of projects beneficial to their communities, will be used in Grenada. The Village Councils not only identify viable projects, but also exert peer pressure on the recipients to repay the loans and on the community to support the project. This is achieved by setting aside what can be described as small revolving loan fund allocations for each community. The loan repayments in a particular community become available for relending to other projects in the same community. If repayments are slow, then less is available for that community. The types of projects identified in Dominica included projects designed to alleviate hardships suffered by members of the community.

3) Technical Considerations:

i. Technical Analysis

Groups and individuals assisted will be involved with small projects in the private sector; projects of their own selection. They will manage the projects as owners and small entrepreneurs or as members of a group. They will use relatively labor-intensive and simple production methods and appropriate technologies, with which they will already be largely familiar.

The promoters will be the primary conveyers of technical and technological assistance to the individual and group clients. They will provide assistance in simple record-keeping, inventory control, purchasing, developing a marketing strategy, displaying products, testing of alternative equipment. A promoter will help his clients find other sources of training for skills that he himself is unable to teach.

ii. Socio-Cultural Factors:

Because the projects assisted will be identified by the potential clients themselves, deleterious effects on tradition and values by the NDF assistance programs should be minimal. The small business extensionists will consider project effect on the local community in addition to other factors, and by remaining involved with the communities should obtain prompt feedback on socio-cultural impact. Moreover, gradual cultural change will derive from extending microbusiness capabilities among marginal elements of the private sector. Traditional financial organizations will become more willing to make loans to small businesses as more very small firms demonstrate ability and willingness to repay loans. Creation of additional jobs and rising incomes will improve the prospects for more optimistic and constructive attitudes and behaviour on the part of poor communities. Furthermore, the technical assistance and training programs accompanying NDF loans to small producers should help to begin a gradual advance of scientific and technical educational development.

The work done by the NDF in Dominica with young entrepreneurs was instrumental in the Government's decision to lower the legal age at which young persons could receive loans. Young persons aged eighteen years and above can now legally borrow from the NDF and other financial institutions there.

The NDF's programs in the English speaking Caribbean have been conscious of the role of youth and women in the society. The Executive Directors of the Foundations in both Dominica and St. Lucia are women. There are a significant number of women on NDF Boards. In the Foundations which have made loans to date, the percentage of loans made to women has greatly exceeded the published statistics showing percentage of women's business. In 1983 in both Jamaica and Dominica the majority of borrowers were female.

The Pan American Development Foundation held a seminar in mid-1983 in Miami bringing together representatives of the leading women organizations in the Caribbean the Interamerican Commission of Women (CIM) and the Board members and Executive Directors of the NDF's. PADF has a trustee liason with CIM and the Women Bank of New York.

PADF will ensure that the NDF established in Grenada includes women at the policy making level and in senior staff positions. Mr. Correia of PADF who will set up the NDF in Grenada was responsible for the selection, hiring and training of the first female Executive Director of a National Development Foundation.

iii. Economic Effects

The fundamental economic benefit of organising an effective National Development Foundation will be the creation of a new, indigenous institution which will enable small businesses otherwise ineligible for bank credit to receive loans.

Through the NDF private sector leaders will tap local resources normally not effectively used for productive purposes and channel them into the development of marginal sectors of the economy, thus initiating a spirit of cooperation between microbusinesses and larger businesses. Furthermore, because of its ability to identify needy communities and to help clients put together development plans and projects, the NDF will be able to attract outside funds to increase its ability to provide loans.

Per capita cost of providing credit and technical assistance will be much higher than the cost of bank credits to established clients, but relatively low as compared to other programs. Even though NDF operating costs will be stable, returns on loans will not entirely cover operating and client training costs in the foreseeable future. Modest technical assistance fees could be charged per loan to contribute to promoters salaries or administrative costs. Memberships, domestic fund-raising activities, and eventually external private sector contributions or project support should contribute to operating costs.

The leverage on private sector resources can be substantial. From its beginnings, the NDF is mobilizing manpower as well as funds that otherwise would be unavailable to the total credit pool for small borrowers. Over time, as the NDF demonstrates a positive track record to the more affluent members of the local business community and to foreign assistance donors, its ability to attract financing will increase. However wide the range of the effectiveness of its consciousness-raising efforts and however slow its

fund-raising efforts, the NDF nonetheless will produce a capital contribution per dollar of overhead that is larger than would be available if only public sector credit were used. By the end of the project, the NDF will have guaranteed credit to about 350 clients, and will have provided technical assistance to many more. During project preparation, additional information will be obtained on the small firms likely to become NDF clients, providing an estimate of the portion who could be assisted during project start-up. In addition to analyses of eligibility of potential borrowers, project preparation will also have to examine alternative credit availabilities to define more precisely its first target groups.

A third person survey as done in Belize will not be done. Experience in Belize showed that more clients approached the NDF in the first month, than the total number targeted by the survey. Also there was no relationship between the survey target group and the client group that evolved.

It is sufficient for the time being to note that there is widespread need for small credits, that there are large numbers of very poor micro-businesses caught in a somewhat hopeless cycle of insufficient low-cost capital and lack of know-how, and that other credit and guarantee mechanisms created for small business and cooperative support have been unable to meet the needs of the proposed NDF clientele.

iv. Environmental Impact:

An environmental impact examination by USAID/Haiti of proposed NDF operations in that country concluded that there would be no adverse effect. Operations benefitting from an NDF will be so small as to have little effect on water, air, or noise pollution, or natural resource conservation, and technology changes would likely be improvements in these areas. These observations can be assumed accurate for this Foundation as well.

v. Relationship of Project to Complementary Programs:

There is no other organization at this moment in Grenada doing what the NDF can do. Some of the most recent studies done on ways to help Grenada have been strangely silent on recommendations or programs aimed at the micro sector. However, there are several areas where the NDFG can complement the efforts of other PVOs and government programs.

Father Gerald Pantin of the Trinidad and Tobago NDF and Servol corresponded with us on the New Life Organization in Grenada and indicated his hope to set up a revolving loan fund as part of the project. Fr. Pantin, however, had not ruled out the possibility of setting up a distinct NDF for this purpose. We have since indicated to him our plans in this direction and he has assured us that our organizations need to complement each other and he has therefore agreed to work with us and give the project the benefit of his experience.

The New Life Organization's planned skills training program, along with an OAS adult education program which, beginning in September, 1984, will focus on skills training, will place an estimated 250-300 youths in the job market with skills in carpentry, plumbing, mechanics, electrical

working, small engine repairs, etc. This is not the kind of training which the NDF will undertake. Yet, even though these youths will be "trained", many of them will be unable to find employment due to the present unemployment situation. A number of them will therefore become self-employed, and to do so will need tools, working capital and training in business skills. The NDFG will complement the skills training programs by providing this additional, essential assistance. If the NDFG lends to only 20% of these youths, it will be making 50-60 loans each year to new enterprises alone. Initial contacts have been made with the OAS and the Vocational Training Institute. Once the NDF has begun operating, further discussions will be held to establish a firm working relationship between them and the NDF.

Mr. T. Van Kean, Associate Peace Corps Director, has agreed to complement our efforts by providing the service of a PCV to the NDF from September 1984. Mr. Rick Barker, with small business development experience in St. Lucia, has been identified for this role.

A number of local banks have already indicated their willingness to participate in this project, serve on the Board committees and make financial contributions. To date, Barclay's Bank, the Bank of Nova Scotia, the Grenada Bank of Commerce and the Grenada Development Bank have made firm commitments to serve on the NDF's loans committee and to participate in the programs as indicated in the attached draft agreement, which will be signed by the NDF and cooperating banks upon finalization of the AID grant and legal establishment of the NDF. The format of this draft agreement has already been approved by USAID/RDO/C and at least one of the commercial banks which have agreed to participate in the project.

D. Project Design and Implementation

1) Implementation Plan:

Overall responsibility for implementing this project lies with the Pan American Development Foundation.

a) Currently Being Done or Already Completed:

i. Organizing Committee

- Discussion of NDF concept with private sector individuals
- Preparation of by-laws and legalization
- Meetings with leadership of other NDFs
- Definition of role and duties of Board
- Formulation of membership development strategy and policy
- Formulation of local fundraising strategy

ii. National Development Foundation

- Formation, expansion of organizing committee
- Contacts with Government
- Visits by organizers to NDF Dominica
- Agreement of commercial banks to participate in loan program

b) Preparation Prior to Setting up Grenada Office (in Washington):

- Establish accounting system
- Establish technical assistance and training procedures and system
- Establish administrative and financial reporting systems

Design and print initial supply of forms, letterheads, etc.
Obtain office equipment and supplies

c) First Month in Grenada:

i. Institution Building

From organizing committee form fundraising committee
Prepare articles and memorandum of Association
Obtain Government approval re tax incentives, etc.

ii. Program Implementation:

Rent and equip office
Employ local staff
Complete arrangements with participating banks

d) Second Month in Grenada:

i. Institution Building

Hold weekend retreat for committee members
Set policy directions for loans committee and
education/training committee

ii. Program Implementation

Train local staff
Prepare brochure
Obtain external audit approval of accounting system
Advertise NDF in media

e) Third Month in Grenada:

i. Institution Building

Hold first loan committee meeting
Plan first general members meeting

ii. Program Implementation:

Start visiting potential clients
Visit rural areas-village councils, leaders etc.

f) Fourth Month in Grenada:

i. Institution Building

Hold first general meeting
Elect Chairman and Board of Directors

ii. Program Implementation

Make first loan

g) Sixth Month in Grenada

i. Institution Building

Hand over completely to local Board

ii. Program Implementation

Make 25th loan at minimum

h) Ninth Month in Grenada

Make 100th loan at minimum

- i) Twelfth Month in Grenada
 - Make 150th loan at minimum
 - Do first year audit and evaluation
- j) Miscellaneous

During the year, the Executive Director, Staff and Board Members will participate in regional PADF-organized NDF training seminars and also in exchange visits.

Micro business demand will be analysed for training and loan policy direction.

Monthly Board meetings will be held, and committee meetings as often as necessary.

The formal inauguration of the NDF with local Board in place will be held.

2) Measurement and Evaluation of Accomplishments

Evaluation of the NDF and the project would occur yearly over a three week period. PADF will contract to conduct the evaluation according to an agreed schedule and on the basis of key indicators of progress. NDF will conduct a "self-evaluation" biannually to ensure that objectives and targets are being realized. The Foundation leaves the way open for USAID to participate in evaluations in whatever way it wishes.

A final evaluation of the project as a whole will be conducted at the end of the three year project life. That evaluation will assist in determining the feasibility and form of subsequent assistance.

Benchmarks for evaluation will include reports on staffing and staff performance, amount and value of loans made, percentage of loans repaid, number of jobs created, number of new businesses formed, increases in productivity and profitability of existing businesses assisted.

At least once a year a financial audit of the NDF will be conducted. The auditors will be appointed on a yearly basis at each Annual Meeting.

FIRST YEAR CASH FLOW STATEMENT

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	US\$ Year
Capital Expenditures	\$20,000	--	--	--	\$20,000
Project Officer	11,250	4,750	750	750	1,750
Project Management	2,750	2,000	1,900	1,850	8,500
Travel & Per Diem	10,500	6,900	1,600	1,600	20,600
Misc.	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>1,000</u>
	\$44,750	\$13,900	\$4,500	\$4,450	\$67,600
Overheads	<u>16,200</u>	<u>5,000</u>	<u>1,600</u>	<u>1,600</u>	<u>20,600</u>
SUBTOTAL PADF	\$60,950	\$18,900	\$6,100	\$6,050	\$9,2000
NDF/G Office:					
Personnel	\$ 4,750	\$4,750	\$4,750	\$4,750	\$19,000
Other Admin.	6,000	5,000	5,000	5,000	21,000
Audit	--	--	--	2,000	2,000
Evaluation	--	--	--	2,000	2,000
Client Training	<u>7,250</u>	<u>6,750</u>	<u>6,750</u>	<u>6,750</u>	<u>27,500</u>
TOTAL COSTS	\$78,950	35,400	22,600	26,550	163,500
Revolving Loan Fund	<u>--</u>	<u>50,000</u>	<u>150,000</u>	<u>100,000</u>	<u>300,000</u>
TOTAL	78,950	85,400	172,600	126,550	463,500
Less Interest & other	21,500	11,000	--	7,000	39,500
USAID CONTR.	57,450	74,400	172,600	119,550	424,000

150 loans averaging US\$2000 will be made. The first loan will be disbursed in the 4th month, the 150th loan will be disbursed in the 12th month. The 25th loan will be disbursed in the 6th month. The 100th loan will be disbursed in the 9th month. The average loan repayment period is two years. The interest rate is 7 1/2% net. The interest income is taken in the 12th month.

BUDGET (US\$)

	SOURCES			
	YEAR 1	YEAR 2	YEAR 3	TOTAL
PADF Tech. Assistance & Training				
<u>Salaries</u>				
Project Officer:				
Preparatory work in DC (2 weeks)	1,500	-	-	1,500
Stationed in Grenada (4 months)	13,000	-	-	13,000
Periodic follows-up visits (\$400 each)	1,600	2,400	2,400	6,400
Follow-up time in DC (\$350 each)	1,400	2,100	2,100	5,600
Project Manager:				
Project Supervision in DC (\$3500 per month)	7,000	3,500	3,500	14,000
Staff backup typing etc. in DC	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>4,500</u>
TOTAL SALARIES	26,000	9,500	9,500	45,000
<u>Travel & Per Diem</u>				
Air Fares (\$900 each)				
Set-up	7,200	-	-	7,200
Follow-up visits	3,600	5,400	5,400	14,400
Food, Lodging, Misc. (4 months)	7,000	-	-	7,000
Per Diem (\$150)	2,400	3,600	3,600	9,600
Ground Transportation & Misc. (\$100)	<u>400</u>	<u>600</u>	<u>600</u>	<u>1,600</u>
	20,600	9,600	9,600	39,800
Stationary, Telephone & Misc.	1,000	500	500	2,000
<u>Capital Expenditures for NDF</u>				
Vehicles	8,000	-	-	8,000
Furniture	6,000	-	-	6,000
Equipment	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
	20,000	-	-	20,000
Subtotal PADF Expenditures	67,600	19,600	19,600	106,800
Overheads 36%	<u>24,400</u>	<u>7,100</u>	<u>7,100</u>	<u>38,600</u>
TOTAL PADF COSTS	92,000	26,700	26,700	145,400

NDF Grenada Office Costs

	<u>SOURCES</u>			
	YEAR 1	YEAR 2	YEAR 3	TOTAL
<u>Administration</u>				
Salaries & Benefits				
Local Executive Director	10,000	11,000	12,000	33,000
Secretary/Typist	5,000	5,000	6,000	16,000
Office Assist./Messenger	4,000	4,500	5,000	13,500
Subtotal Personnel	<u>19,000</u>	<u>20,500</u>	<u>23,000</u>	<u>62,500</u>
Local Travel	2,500	2,500	3,000	8,000
Overseas Travel	3,000	1,000	1,000	5,000
Rent & Utilities	12,000	12,000	13,000	37,000
Stationary & other office expenses	3,000	3,000	3,000	9,000
Audit	2,000	2,000	2,000	6,000
Evaluation	2,000	2,000	4,000	8,000
Misc.	500	500	500	1,500
Subtotal other administration	<u>25,000</u>	<u>23,000</u>	<u>26,500</u>	<u>74,500</u>
<u>Client Training</u>				
Field Officers (3 x 12 months x \$500)	18,000	19,000	20,000	57,000
Local Travel	7,500	8,000	9,000	24,500
Overseas Travel	1,000	1,000	1,000	3,000
Materials	1,000	1,000	1,000	3,000
	<u>27,500</u>	<u>29,000</u>	<u>31,000</u>	<u>87,500</u>
Total Grenada Office Costs	71,500	72,500	80,500	224,500
Revolving Loan Fund	300,000	200,000	100,000	600,000
Total Project Costs	463,500	299,200	207,200	969,900

Yearly Costs (US\$)Sources of Funds (US\$)

	<u>Yearly Costs (US\$)</u>				<u>Sources of Funds (US\$)</u>				NDFG	PADF	OTHER
	YEAR 1	YEAR 2	YEAR 3	TOTAL	AID	YEAR 1	YEAR 2	YEAR 3			
PADF Set-up & Training Costs	92,000	26,700	26,700	145,400	92,000	26,700	26,700	145,400	-	-	-
NDFG Admin. Expenses	44,000	43,500	49,500	137,000	22,000	23,000	12,000	57,000	80,000	-	-
Client Training	27,500	29,000	31,000	87,500	20,000	6,000	6,000	32,000	35,500	-	20,000
Revolving Loan Fund	<u>300,000</u>	<u>200,000</u>	<u>100,000</u>	<u>600,000</u>	<u>290,000</u>	<u>200,000</u>	-	<u>490,000</u>	-	<u>10,000</u>	<u>100,000</u>
TOTAL:	<u>463,500</u>	<u>299,200</u>	<u>207,200</u>	<u>969,900</u>	<u>424,000</u>	<u>255,700</u>	<u>44,700</u>	<u>724,400</u>	<u>115,500</u>	<u>10,000</u>	<u>120,000</u>
			Percentage	100%				74%	12%	1%	13%

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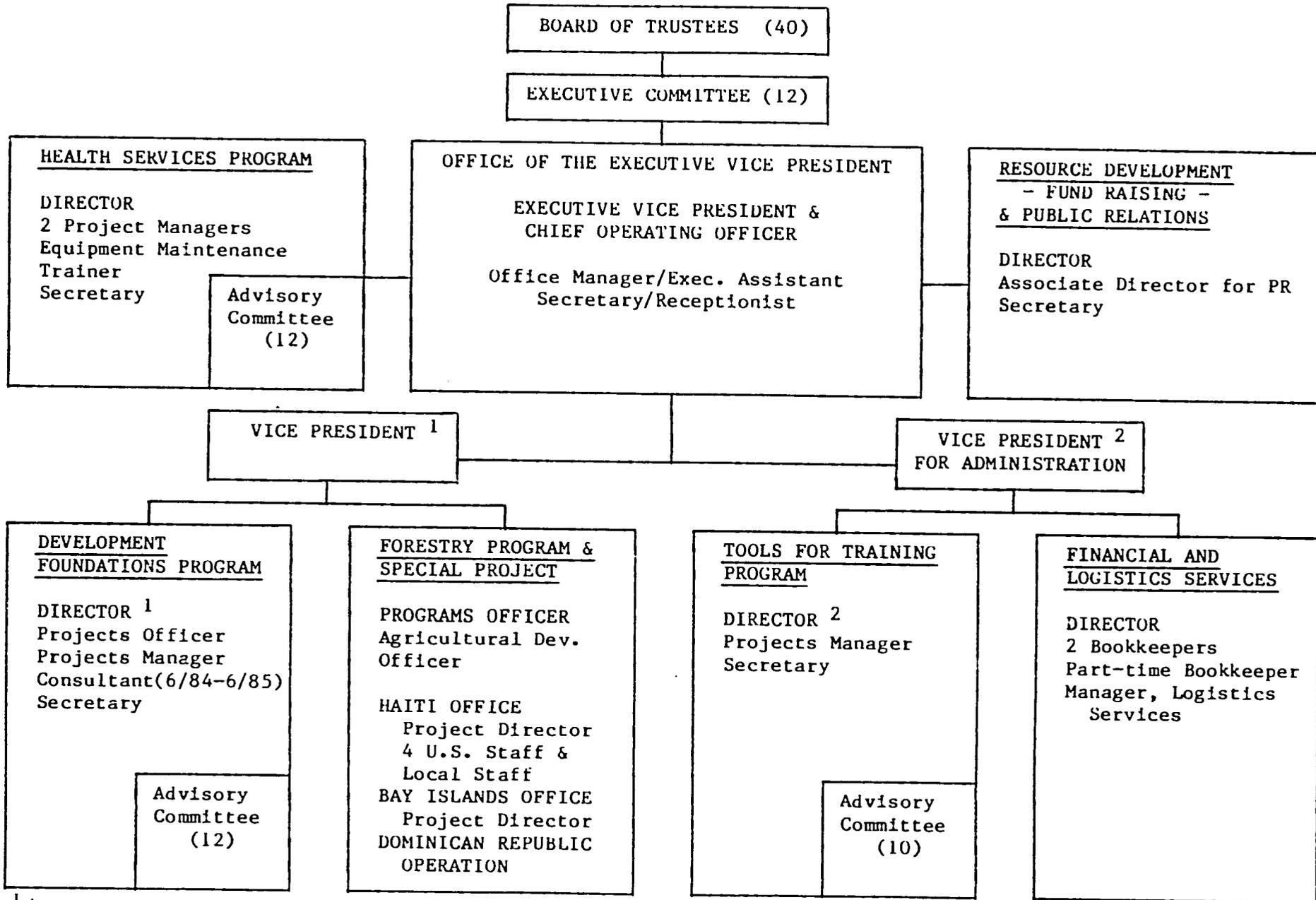
APPENDIX

- Job Title:** Executive Director, National Development Foundation
- Job Summary:** Under the guidance of the Board of Directors of the NDF, the Executive Director is responsible for planning, coordinating and monitoring all the activities of the NDF. The Executive Director plans and prepares proposals for funding of the Foundation by regional and international agencies; administers and supervises the revolving loan fund of the Foundation; sets targets and guidelines for assisting the growth of small businesses; is responsible for the efficient and effective work of the promoters; monitors the program and results of the NDF.
- Work Performed:**
- 1) Within the approved policy, establishes short and long term goals, objectives and priorities for the NDF loan portfolio.
 - 2) Assesses the potential for development of small businesses in specific areas of the economy.
 - 3) Assesses and evaluates the potential for small businesses based on new and appropriate technologies.
 - 4) Prepares projects and proposals for presentation to local, regional and international bodies for funding of the Foundation's activities.
 - 5) Prepares monthly reports on the revolving loan fund.
 - 6) Establishes and supervizes proper accounting and control systems for handling the funds of the Foundation.
 - 7) Prepares the training program for the promoters.
 - 8) Provides on-going training to the promoters.
 - 9) Supervizes the work of the promoters.
 - 10) Prepares quarterly, half-yearly and annual reports on the Foundation.
 - 11) Provides technical assistance to the Foundation's clients.
 - 12) Performs the function of Secretary to the Board of Directors.
 - 13) Organizes the promotional and public relations affairs of the Foundation.
 - 14) Liaises with various government departments and statutory bodies for keeping in tune with national plans and policies.

APPENDIX

- Job Title: Field Officer (Promoter), National Development Foundation
- Job Summary: Under the guidance of the Executive Director, the Field Officer will identify new clients, assess the feasibility and viability of their proposals and/or businesses and make recommendations to the Executive Director for funding of the clients. The promoter will be the "link-man" between the NDF and actual and potential clients.
- Work Performed:
- 1) Conducts discussion/meetings with individuals, groups such as the Small Business Association and generally informing them of the functions and procedures of the NDF.
 - 2) Establishes and maintains links with existing small businesses.
 - 3) Develops a register of small businesses through personal contacts, community development records, records of private associations and cooperatives, and those of private consulting firms.
 - 4) Assists potential businesses in formulating and establishing themselves.
 - 5) Makes preliminary evaluations of the proposals of potential clients for economic, financial, marketing and organizational feasibility.
 - 7) Assists and counsels clients throughout all stages of loan request, approval and disbursement.
 - 8) Monitors businesses to which loans were made from the revolving fund to ensure that conditions and procedures agreed upon are being complied with.
 - 9) Provides training in specific areas of business activity to the NDF's clients
 - 10) Follows up on clients who default on loan repayments.
 - 11) Submits projects at loans committee meetings.
 - 12) Reports to the Executive Director as and when determined by the former.
 - 13) Conducts any other activity as directed by Executive Director from time to time.

PAN AMERICAN DEVELOPMENT FOUNDATION
Organization Chart



1/ Dual incumbency
2/ Dual incumbency

PADF Staff and Consultants

Ron Scheman, former Executive Director and President of PADF's Board of Directors and current Chairman of our Development Foundations Program Advisory Council, has been involved with PADF and the NDFs since the creation of the first NDF in 1962, and in fact has been instrumental in defining and refining the NDF concept. An experienced development institution administrator and lawyer, he has participated as a resource person in several of PADF's regional NDF seminars, and is exceptionally knowledgeable in the operations of Boards of Directors.

Edward Marasciulo, Executive Vice President, has almost three decades of AID experience in programming and administration in South and Central America. He was the Honduras USAID Director. At the OAS before joining PADF, he was Executive Officer of the Secretariat for Management, responsible for programming systems management. He was also instrumental in forming the first NDF in Guatemala 20 years ago.

Lewis Townsend, Vice President and Director of the Development Foundations Program, has had nearly 20 years experience in international rural credit and development project administration in South and Central America as well as Africa. He served as project director for the Cooperative League of the USA and for AID, and was a Peace Corps Volunteer.

Lawrence Correia, Projects Officer, has worked for over 20 years in developing countries in the field of financial management and accounting, as well as in the position of Executive Director of the National Development Foundation of Dominica.

Laura Roosevelt, Projects Manager, is a Phi Beta Kappa graduate of the University of Virginia. She began at PADF as an intern and later became a permanent staff member, working on project design, preparation, and reporting, and providing logistical support for the program.

Paul Prentice, Consultant to PADF, has, in addition to his extensive experience as a consultant, held several positions both abroad and in the US at AID, the American Technical Assistance Corporation, and the Cooperative League of the USA. Having recently completed an intensive external evaluation of the National Development Foundation of Jamaica, he is well-versed in the operations of NDFs.

Sam Edwards, Consultant to PADF, has extensive US and international experience in program planning, evaluation, and organization, development and analysis of training programs, and management and organization of human resources. For PADF, he helped organize and establish the Haitian Development Foundation (HDF). He is currently a full-time consultant to the HDF.



Pan American Development Foundation

1889 F Street N.W. • Washington, D.C. 20006 • U.S.A. • Phone: (202) 789-3969 Cable: FUPAD Telex: 440254

ADVISORY COUNCIL FOR DEVELOPMENT FOUNDATIONS PROGRAM (DFP)

1. Mr. L. Ronald Scheman (Chairman)
Coudert Brothers
1 Farragut Square South, N.W.
9th Floor
Washington, D.C. 20006
202/ 783-3010
2. Lic. Bolivar Baez Ortiz
Director Ejecutivo
Fundacion Dominicana de Desarrollo
Apartado Postal 857
Santo Domingo, Republica Dominicana
809/ 688-8101
3. Mr. Enrique Dreyfus
7506 Masonville Drive
Falls Church, Virginia 22042
703/ 560-9321
4. Mr. G. Stimson Eveleth
Senior Vice President
American Security Bank, N.A.
1501 Pennsylvania Ave., N.W.
Washington, D.C. 20013
5. Mr. William B. Fitzgerald, Sr.
President
Independence Federal Savings & Loan
1229 Connecticut Avenue, N.W.
Washington, D.C. 20036
202/ 628-5500
6. Mr. James Hammond, Jr.
Vice President
Citibank, N.A.
One Citicorp Center
153 East 53rd Street
17th Floor
New York, New York 10043
212/ 559-3202
7. Ms. Beatrice Harrette, Gen'l Manager
Banco de la Provincia de Buenos Aires
650 5th Avenue, 30th Floor
New York, N.Y. 10019
212/ 397-7650
8. Mr. Pedro-Pablo Kuczynski, President
First Boston International
The First Boston Corporation
Park Avenue Plaza
New York, New York 10048
212/ 909-2466
9. Mr. Russell E. Marks, Jr., President
The Americas Society
680 Park Avenue
New York, New York 10021
212/ 249-8950
10. Mr. Richard E. Marriott
Group Vice President, Corporate
Marriott Corporation
1 Marriott Drive
Washington, D.C. 20058
301/ 897-1420/21
11. Mr. Ulrich Merten
Senior Vice President
Latin American/Caribbean Division
Bank of America, International
999 Ponce de Leon Avenue
Coral Gables, Florida 33114
305/ 445-6300
12. Mr. Leveo V. Sanchez
Development Associates
2924 Columbia Pike
Arlington, Virginia 22204
703/ 979-0100
13. Mr. Peter Sorge, Vice President
Consumer Credit
American Security Bank, N.A.
730 15th Street, N.W.
Washington, D.C. 20013
202/ 624-7670
14. Mr. Frank Penna
14 Sachem Road
Stony Creek, Connecticut 06405
203/ 488-8932

The procedure for the Revolving Loan Fund in Grenada will be the same as that outlined in the attached "Guide for the Operation of a Loan Guarantee Program", with the following exceptions:

1. The NDF will have separate non-interest bearing current accounts for expenses and for the loan fund.
2. On approval of the application by the bank the NDF issues a check drawn on the revolving loan fund account in the name of the payee.
3. The check is given to the loan officer of the bank who places the proceeds of the check into an account in the payee's name. This ensures that the payee then has a bank account and he is encouraged to bank his receipts and savings in the account to create a credit record with the bank.
4. When the borrower makes a repayment on his account, a deposit slip is kept by the borrower for his records, the second copy is forwarded to the NDF by the bank, and the bank retains the original for processing.
5. Periodically the interest portion of the repayment is agreed with the bank and two checks are issued from the Revolving Loan Fund Account, one to the bank representing their fee and the other representing interest earned by the NDF is credited to the NDF Administration Account.

NATIONAL DEVELOPMENT FOUNDATIONS
GUIDE FOR THE OPERATION OF A
LOAN GUARANTEE PROGRAM

Prepared by: Lawrence Correia, Projects Officer
Pan American Development Foundation
January, 1984

NDF/BANK AGREEMENT

The following seeks to set out the substance of a typical agreement between a National Development Foundation and co-operating banks for the operation of a loan guarantee scheme.

As with all legal documents and agreements, format will vary from country to country according to local laws and practice. The advice of solicitors should be sought to ensure that the document to be signed is legal and has the desired meaning.

The agreement seeks to set out the roles of the banks and the foundation, set interest rate parameters for the loans and foundation deposits, and explain what is expected in case of default by the borrower.

The percentage of the outstanding balance for which the foundation assumes liability and whether the balance will be principal only or will include bank interest will appear on the banks' usual guarantee forms, but may also form part of the agreement.

The foundation will not be expected to deposit dollar for dollar for amounts loaned but only for the estimated liability that would be incurred from defaulting borrowers.

The foundation can therefore guarantee several times the amount on deposit.

AGREEMENT

Between

NATIONAL DEVELOPMENT FOUNDATION OF _____

And

COOPERATING BANKS

1. It is recognized that the National Development Foundation of _____ does not at this stage wish to adopt the role of a direct lender, preferring to leave this function to established lending institutions. The NDF's primary role is envisaged as being the identification of and the provision of practical assistance to those small businesses which can benefit from development of entrepreneurial and business skills, and to provide an acceptable substitute for equity or collateral in circumstances where the lack of them may be preventing a business from obtaining bank loans necessary for establishment or expansion.
2. The proposed substitution for equity or collateral will take the form of a guarantee from the NDF on the banks' usual forms for an amount to be agreed between the NDF and the banks. The NDF will support its guarantees by placing deposits with the banks in the amounts sufficient to cover the liability under its guarantees. The interest rates chargeable on NDF guaranteed loans will be in the range from one percent to three percent above the banks' current minimum lending rates depending upon the ability of the borrower to service as determined by the banks. The interest rate applicable to NDF deposits supporting guarantees will be at the best available rate.
3. Loan applications sponsored by the NDFs will be processed by the banks in the normal fashion, and normal lending criteria will apply with the exception of the requirement for equity or collateral.
4. The banks will have the ultimate say in whether a loan should be approved or declined, and in recognition of the fact that the banks will be exercising their normal credit judgements, it is expected that the banks will not automatically resort to NDF funds in case of default, but will diligently apply their usual methods of collection. Only when the banks are satisfied that their normal collection methods are proving ineffective will they resort to calling on the guarantee of the NDF, and in any case not before a period of 90 days has elapsed from the date of default.
5. Instances may arise in which the NDF particularly wishes to sponsor a borrower but the banks, exercising their normal credit judgement, are not willing to grant the loan. In such cases the banks may grant the loan on the strict understanding that if there is any default then they will automatically take recourse to the NDF funds without instituting any other collections methods.
6. The banks will provide the NDF with a monthly report on guaranteed loans which which are in default. Default is defined as being any loan on which payment of principal or interest has not been made on the due date.

CLIENT APPROACH

All potential clients must be registered in the NDF office. A register for this purpose should be kept by the receptionist. A suggested ruling is:

NO	DATE	NAME OF CLIENT	ADDRESS	PHONE	AGE	SEX	BUSINESS	APPROVED YES/NO	Date

From this register a monthly analysis of persons visiting the foundation for assistance can be compiled for statistical purposes for the information of the Board of Directors and donors.

This facilitates the compilation of an annual list showing:

- No. of requests received
- Total male
- Total female
- Clients over 21
- Clients under 21
- Breakdown of clients by types of business
- Breakdown of types of businesses by geographical location.

It is important to register every potential client even though the foundation's policy may exclude a person or his project from participation. The analysis will give a clear and early indication of the demand in the sector catered to, and of those sectors that have been overlooked. At this point, the receptionist does not inquire whether a loan is required. She should indicate to the client that a field officer (promoter) will visit him to determine his needs, indicating that training/technical assistance needs will be the first consideration.

CLIENT INVESTIGATION

The field officer's supervisor will assign a field officer (promoter) to the client. The field officer will visit the client to determine what assistance and training would be useful to the client and how many visits are required. If the field officer feels that the foundation cannot assist the client, he will prepare a letter to the client to be signed by the Executive Director, indicating the foundation's regrets. A suggested letter is Form C1.

During the training sessions the promoter will get to know the client, know if his product or services are marketable, know the demand and have some idea of what is needed to improve the client's business. If what is needed is a loan, he should know approximately how much is needed, for what purpose, and the result expected from the loan. When the promoter feels he has a grasp of what is needed, he should find out from the client exactly what the latter feels he needs. If the promoter agrees with the client that a loan is needed and the Foundation should guarantee it, he will assist the client in filling out an application. (FORM L1)

The promoter will prepare a project visit report (Form C3) for every visit to the client.

FORM C1

TO _____ DATE _____

ADDRESS _____

DEAR SIR/MADAM,

We regret to inform you that the Foundation is unable to assist you with your project at this time. However, we wish you success in your venture.

Yours respectfully,

Executive Director

The form C1 will be attached to the Preliminary Visit Report (Form C2). The Executive Director will review the promoters' comments and reasons and sign the C1 for mailing to the client and will initial the C2 for filing.

NATIONAL DEVELOPMENT FOUNDATION
PRELIMINARY VISIT REPORT

REGISTER NO. _____

DATE OF VISIT TO OFFICE _____

DATE OF VISIT TO CLIENT _____

NAME OF CLIENT _____

ADDRESS _____

PHONE NO. _____

AGE _____

SEX _____

NAME OF CLIENT'S BUSINESS _____

BRIEF DESCRIPTION OF CLIENT'S BUSINESS _____

ASSISTANCE & TRAINING NEEDS OF CLIENT _____

ESTIMATED NUMBER OF VISITS REQUIRED _____

SPECIAL DIFFICULTIES _____

PROMOTER'S COMMENTS _____

PROMOTER'S SIGNATURE

NATIONAL DEVELOPMENT FOUNDATION OF _____

PROJECT VISIT REPORT NO _____

FILE NO. _____

DATE OF VISIT _____

NAME OF BUSINESS _____

PROJECT'S PROGRESS _____

ASSISTANCE RENDERED
BY PROMOTER _____

SPECIAL DIFFICULTIES _____

PROMOTER'S COMMENT _____

PROMOTER'S SIGNATURE

SUPERVISOR'S SIGNATURE

FORM C3

NATIONAL DEVELOPMENT FOUNDATION OF _____
APPLICATION FOR LOAN

Date _____

PROMOTER _____

All information given in this form will be held in the strictest confidence.

PERSONAL INFORMATION

Name (Mr. Mrs. Miss) _____ Age _____

Nationality _____ Resident Status _____

Address: Home _____

Business _____

Telephone: Home _____ Business _____ Closest Contact _____

Marital Status:

Married _____ Single _____ Divorced _____ Separated _____

Name of Spouse _____

No. of Children _____ Other Dependants _____

Closest Relative _____ Relationship _____

Address _____

Do you own any property (Security?) _____ Value _____

Occupation/Professional Skill _____

How long have you been in this profession? _____

Where did you get your training? College _____ Primary School _____

Apprenticeship _____ Other _____

Education: Last School _____ Last Grade _____

Present Employment _____

Name of Present Employer _____

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Jobs in past 5 years

Description

Employer

_____	_____
_____	_____
_____	_____
_____	_____

Source of Income: Main Employment _____

Other _____

INFORMATION ON BUSINESS FOR WHICH THE LOAN IS REQUIRED

Village/Town _____

Name of Business _____

Type of Business: Sole Proprietorship _____ Partnership _____

Company _____ Co-operative _____

New _____ On-Going _____

Date of Establishment/Incorporation _____

Location of Business _____

Names of other Owners _____

Brief description of Business: _____

Product/Services: _____

Market Information:

Names of Main Customers

Addresses

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FINANCIAL INFORMATION

	Present Value	Expected Value with Loan
Do you own the building? (Yes/No) If so, how much is it worth?	_____	_____
What is the value of all furniture & equipment?	_____	_____
Do you own a vehicle?	_____	_____
What small tools do you have? _____	_____	_____
What machinery do you have? List Below:		
_____	_____	_____
_____	_____	_____
_____	_____	_____
What is the value of all goods in stock today?	_____	_____

What value of unsold finished products do you have?

<u>Product</u>	<u>Qty</u>	<u>Unit Cost</u>	<u>Total Value</u>		
_____	_____	_____	_____		
_____	_____	_____	_____		
_____	_____	_____	_____	_____	_____

What value of work in progress do you have

<u>Product</u>	<u>Qty</u>	<u>Unit Cost</u>	<u>Total Value</u>		
_____	_____	_____	_____		
_____	_____	_____	_____		
_____	_____	_____	_____	_____	_____

What Stocks of raw materials do you have?

<u>Product</u>	<u>Qty</u>	<u>Unit Cost</u>	<u>Total Value</u>		
_____	_____	_____	_____		
_____	_____	_____	_____		
_____	_____	_____	_____	_____	_____

44

What stocks of raw materials do you have?

<u>Material</u>	<u>Qty</u>	<u>Unit Cost</u>	<u>Total Value</u>	Present Value	Expected Value with Loan
_____	_____	_____	_____		
_____	_____	_____	_____		
_____	_____	_____	_____		

Do you give credit? If so, how much is owed to you today by all your customers?

Does the business have a Bank Account? Banker: _____
How much is in it?

How much cash do you have on hand belonging to the business?

Total value of things in your business today is therefore

=====

Do you get credit from suppliers? (Yes/No) If so, how much do you owe them altogether today?

Do your customers ever pay in advance? (Yes/No) If so, how much have you got from them now, for goods not yet collected?

Do you have any loans outstanding? If so how much do you owe now?

How much money did you or your partners put into the business at the beginning? (1)

How much have you put since then? (2)

Total amount put into the business or lent to it is therefore (1)+(2)

=====

Total value of the business is therefore

=====

MONTHLY PRODUCTION

What is the total value of your sales in an average month?

=====

What is the total cost of these goods sold?

What do you take out of business for yourself in an average month in wages, salary, value of goods taken and not paid for etc.?

What do you pay in salaries and wages to employees per month?

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Present Value

Expected Value with Loan

What do you spend on gas, water, electricity, tele- phone, etc. per month?

What rent do you pay per month?

What do you spend on transport per month?

What is the monthly cost of your licenses?

What do you spend on loan interest & repayments per month?

Other expenses, consumable tools, etc. (Specify)

Total monthly expenses is therefore

=====

How much drawings do you take per month?

Monthly profit/loss is therefore?

Will you manage this project yourself? _____

Amount requesting from NDF \$ _____

Purpose of Loan _____

Period of Repayment _____

To be repaid by _____ Monthly Installments of \$ _____

Commencing _____ 19 _____

Co-operating Bank _____

Source of Other Funds for Business: _____

Do you employ any other persons in business? Yes/No

How many employees did you have at start? Male _____ Female _____

How many employees do you have now? Male _____ Female _____

How many additional persons do you expect to employ with loan? _____

Male _____ Female _____

4/6

I hereby certify that all the information given in this document is TRUE and CORRECT and that I have not held back any information which would negatively affect the NDF's decision to make the Loan.

I further confirm that I will personally manage the project for which this loan is requested and I accept as a condition of approval of the loan that NDF officers will be allowed to inspect my operations to obtain relevant information affecting the proper use of the loan funds and that I will willingly accept technical advice from them for the development of the project.

Signed this _____ day of _____ 19 _____

Signature of Applicant

Signature of Promoter

LOAN APPLICATION

The promoter will fill in the application form with the client, using information supplied by the client, obtained to the extent possible from the client's records. The promoter will help the client get competitive prices for items purchased by directing him to alternative suppliers, even eliciting discounts on his behalf. Because of the volume of purchases that will be made with foundation-guaranteed loans, the foundation will be able to command discounts not ordinarily available to the client.

The client will not ordinarily know what a cash flow statement is, nor is he likely to be able to prepare proper profit and loss accounts and balance sheets. The promoter will therefore assist the client in preparing these, but any projections made must be made by the client. The promoter may guide the client, but what is written must reflect the client's opinion. When the promoter disagrees with the client's projections, he should attach his own projections with the client's for his supervisor's information. The promoter is responsible for the evaluation of the client's project and will make his recommendation on a suitable printed form. A suggested form is attached (Form L2).

The complete package forwarded to the executive director for his attention will contain:

- (1) Application Form L1 which includes profit and loss statements and balance sheets for the actual project and for the project if the loan is approved.
- (2) Form L2--The Promoter's report
- (3) Field officer's projection if different from client's
- (4) All the project visit reports (Form C3)

LOAN APPROVAL PROCEDURE

The executive director or another officer authorized by the Board will review the promoter's report referring to the application form and supporting documents as needed. If he agrees that a loan should not be made, he will send the client Form C1. If he agrees that additional training should be given, he will review the needs with the promoter and will schedule additional visits. After these visits, or whenever the client is deemed ready to receive the loan, the procedure for loan approvals will commence.

When the executive director has received an application supported by the promoter, he himself should meet the client and review the application with him. This follow-up interview is important, since many of these projects--while viable--will be only marginally so, and their success will depend a great deal on clients' abilities and attitudes. Therefore, in many cases, there is a need for a subjective or intuitive approach to the borrower. Negative feelings about a project can arise during these interviews; these feelings are generally substantiated by bad project performance. While this may be an unscientific way to operate, the interviewing officer should seriously take intuitive observations into consideration in making his recommendation to the loans committee.

All applications recommended by the promoter, after interview by the executive director or other authorized officer, should go to the loans com-

mittee. After the executive director has demonstrated that he is experienced and capable of assessing applications' merits, the board should consider authorizing him to give final approval for certain levels of loans. This will allow the loans committee to spend more time on larger or more complex project decisions.

A summary of applications to be reviewed by the loans committee will be prepared on form L3.

The loan application package, Forms L1, L2, C3, with the field officer's projections if different, should be circulated to each loans committee member several days before the meeting to enable them to be studied beforehand. This also helps any member who is unable to attend to give his comments in the decision column of Form L3.

The decision on whether an application should be forwarded to the bank for processing should be unanimous. If the decision is by majority, a note to this effect should be made and the dissenting persons identified. Over a period, committee members will be able to see if the dissenting persons had been over cautious or if their fears were justifiable. Dissenting opinions should be encouraged and decisions should not be rushed in order to finish the meeting by an appointed time. If there are too many loan applications to consider in the time available, a next meeting must be scheduled.

At the end of the meeting, the chairman of the committee will ensure that the total columns are properly completed, and will sign the summary Form L3. Form L3 must be filed in date order and kept for the auditor's or evaluator's inspection.

When an application has been approved by the loans committee, the client will be taken to the bank by the promoter. The executive director will sign form L4 to authorize the cooperating bank to commence their process. The promoter will give the bank's loan officer the form L4 and copies of the loan application form L1 and promoter's report form L2.

The promoter will remain with the client while he fills in the bank's own forms to assist if needed and also to ensure that the information being given the bank is consistent with that received by the foundation.

On approval of the loan, the bank will fill in the bottom half of the form L4 and return it to the foundation. The foundation will arrange with the bank for a suitable day to finalize the loan. The Promoter will obtain the guarantee forms which are to be signed by the foundation and ensure they are properly signed and witnessed and that the foundation's stamp is placed thereon. He will go with the client to the bank (or arrange to meet to the client at the bank) and witness the client's receipt of the loan.

RECEIPT OF LOANS

Where loans are made for the purchase of materials or equipment, as far as possible the proceeds of the loan should be paid to the supplier. If the loan is to purchase goods from John Jones' store, then the bank should make out a check to John Jones' Store for the amount, the promoter should accompany the client to the store and ensure that the check is used only to purchase the item or items listed in the loan approval. Where the loan is to be expended over a period, whether of months or of only one or two days, the money must be

given to the client in instalments. Only when the promoter has verified that the initial amount has been spent for the purpose approved should the next instalment be advanced. The time spent in the proper approval and disbursement of the loans will save much more time and effort than is needed to follow up bad loans.

GUARANTEES, COLLATERAL, SECURITY

The Board should make the decision on how much or what security the foundation will seek. By definition, guarantees should be reserved for those projects that do not have the kind or amount of collateral required by banks or traditional lending institutions; but that does not mean that there is no security or collateral available. Some foundations or programs have taken bills of sale on the equipment purchased as well as on existing equipment and personal household appliances; items may be purchased in the name of the foundation with the client signing a hire purchase agreement for receipt of the goods or equipment.

Examples of hire purchase agreements can be had from stores in each country. Even though the foundation may only be taking these forms of security to demonstrate to the client that the foundation is serious and business-like, the foundation must ensure that the documents comply with the law and can be enforced in court if necessary. The loans committee should be authorized to decide what legal action should be taken in individual cases according to the circumstances. While there is a need to take legal action against a client who can pay but does not want to, both to recover the foundation's money and set an example to other borrowers, the foundation should not create additional expense for itself or for a poor client whose project has been unsuccessful even though he may have tried his best.

REGISTER OF LOAN COMMITMENTS & ARREARS

A register should be kept for all loans guaranteed. The information for this will be obtained from the monthly return furnished by the bank. This register can be in a book or on cards. A card system is generally best as the client's card can be extracted for examination or can be removed from the active file when repayment has been completed. Form L5 is a suggested ruling.

Periodically all the cards for clients in arrears should be examined by the loans committee. The promoter should be present to explain why the client is in arrears, say what he has done to encourage the client to bring the account up to date and what his recommendations for future action are.

Examples of letters to clients in arrears are Forms C4, C5, and C6.

TER'S EVALUATION OF APPLIC

APPLICANT _____ AMOUNT REQUESTED\$ _____

PROJECT _____

PURPOSE OF LOAN _____

I visited the above named applicant and discussed his project with him/her making the necessary inquiries needed to form an opinion on the applicant and on his/her project.

<u>APPLICANT</u>	VERY GOOD	GOOD	FAIR	POOR
Credit Worthiness				
Reputation				
Financial Prudence				
Leadership Qualities				
Employment Record				
Skill in this Business				

BUSINESS Comparison of Product/Service with Competition:

Quality				
Price				

Can the business produce the quantities projected? YES _____ NO _____

Can the business sell the quantities projected? YES _____ NO _____

Reasons for assuming that the quantities projected can be successfully marketed:

After careful assessment of the applicant and his project, I feel that the applicant:

- _____ (1) needs additional technical assistance before the loan can be made.
- _____ (2) should not be given a loan.
- _____ (3) should be considered by the Loans Committee for the loan.

SIGNED _____

From the above report and from the opinion formed during the interview, I recommend the following: _____

SIGNED _____
EXECUTIVE DIRECTOR

NATIONAL DEVELOPMENT FOUNDATION OF _____

Summary of applications for Loans Committee review on _____, 19__

Register Number	Applicant	Type of Project	Purpose of Loan	Amount \$	Decision

Total requested today \$ _____

Total requested to date \$ _____

Total approved today \$ _____

Total approved to date \$ _____

Signed, Chairman Loans Committee

FORM L3

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NATIONAL DEVELOPMENT FOUNDATION OF _____

TO _____

APPLICANT _____

PURPOSE OF LOAN _____

This is to inform you that the National Development Foundation of _____ has agreed to provide a loan guarantee to the above-named applicant covering an amount of \$ _____ for the purpose described above.

The NDF recommends the applicant to you and requests that you commence processing of the request in accordance with the procedures agreed upon between ourselves.

Sincerely,

Date: _____

=====

TO: National Development Foundation of _____

FROM: _____

This is to inform you that the loan request made by the NDF on behalf of _____ has been granted*/not been granted*.

Rate of interest _____

Repayment by _____ monthly installments of \$ _____, commencing on _____, 19__.

(*Delete that which is not applicable.) Amount approved _____.

Sincerely,

Date: _____

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Dear Friend of the NDF:

We know, as you promised in discussing your loan with us, that you want the NDF to succeed and continue to be able to help others with the capital they need for helping their business along.

As you know, we can only do this if all borrowers are prompt and regular in meeting their loan repayments.

We note that your payment of \$ _____ due on _____ has not been made. Would you kindly look into this as soon as you receive your letter and put your record straight?

If you are in need of help do not hesitate to call us.

Your partners in progress,

NATIONAL DEVELOPMENT FOUNDATION OF _____

FORM C4

Dear _____:

It has been brought to our attention that your loan account at _____ is now _____ in arrears. We shall be grateful if you will settle this amount on immediate receipt of this letter.

Yours truly,

NATIONAL DEVELOPMENT FOUNDATION OF _____

Form C5

Dear _____:

We are again writing you in connection with your loan account which is now _____ overdue. It appears that you are making no effort to wipe off these increasing arrears which now stand at \$ _____ and were due on the _____ day of _____ 19____.

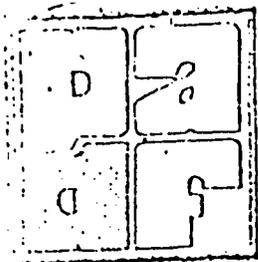
For the last time, we are asking you to settle these arrears or to call at our office to discuss your problem. Failure on your part to do so will leave us no choice but to take legal action against you.

Yours truly,

NATIONAL DEVELOPMENT FOUNDATION OF _____

Form C6

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pan american development foundation
 1625 Eye Street N.W. • Suite 622 • Washington, D.C. 20006 • U.S.A. • Phone (202) 789-3559 Cable: FUPAD Telex: 4401

PAN AMERICAN DEVELOPMENT FOUNDATION

PROCUREMENT STANDARDS

In the procurement of supplies, equipment construction and other services using AID or other federal funds from any source, the following standards must be met:

1. Ethical Standards:

No employee, officer or agent shall participate in the selection, award, or administration of a contract in which Federal funds are used, where, to his knowledge, he or his immediate family, partners, or organization in which he or his immediate family or partner has a financial interest or with whom he is negotiating or has any arrangement concerning prospective employment. PADF's officers, employees, or agents shall neither solicit nor accept gratuities, favors or anything of monetary value from contractors or potential contractors. Any violation of this rule shall cause immediate dismissal.

2. Procurement Transactions:

All procurement transactions shall be conducted in a manner to provide to the maximum extent practical, open and free competition. PADF's employees should be alert to organizational conflicts of interest or noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements or work, invitations for bids, and/or requests for proposals should be excluded from competing for such procurements. Awards shall be made to the bidder/offeree whose bid/offer is responsive to the solicitation and is most advantageous to PADF, price and and factors considered. Solicitations shall clearly set forth all requirements that the bidder/offeree must fulfill in order for his bid/offer to be evaluated by PADF. Any and all bids/offers may be rejected when it is in PADF's interest to do so.

3. Procedural Requirements:

At a minimum the following requirements must be met:

- a) Proposed procurement actions shall follow a procedure to assure the avoidance of purchasing unnecessary or

duplicate items. Where appropriate, analysis shall be made of lease and purchase alternatives to determine which would be the most economical, practical procurement.

- b) Solicitations for goods and services shall be based upon a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such a description shall not, in competitive procurements contain features that unduly restrict competition. "Brand name or equal" descriptions may be used as a means to define the performance or other salient requirements of procurement and, when so used, the specific features of the named brand which must be met by bidders/offerors shall be clearly specified.
- c) Positive efforts shall be made by the recipients to utilize small business and minority-owned business sources of supplies and services. Such efforts should allow these sources the maximum feasible opportunity to compete for contracts utilizing Federal funds.
- d) The type of procuring instruments used; e.g., fixed-price contracts, cost-reimbursable contracts, purchase orders, incentive contracts, must be appropriate for the particular procurement and for promoting the best interest of the program involved. The "cost-plus-a-percentage-of-cost" method of contracting shall not be used.
- e) Contracts shall be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources, and accessibility to other necessary resources.
- f) All proposed sole sources contracts or where only one bid or proposal is received in which the aggregate expenditure is expected to exceed \$10,000 shall be subject to prior approval of PADF's Executive Vice President.
- g) Some form of price or cost analysis should be made in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.

- h) Procurement records and files for purchases in excess of \$10,000 shall include the following;
 - (i) Basis for contractor selection;
 - (ii) Justification for lack of competition when competitive bids or offers are not obtained;
 - (iii) Basis for award cost or price.
- i) A system for contract administration shall be maintained to ensure contractor conformance with the terms, conditions, and specifications of the contract, and to ensure adequate and timely follow-up of all purchases.

4. Contract Provisions:

All contracts shall include, in addition to provisions to define a sound and complete agreement, the following provisions in all contracts under an AID grant or agreement. The provisions shall also be applied to subcontracts under prime contracts.

- a) Contracts in excess of \$10,000 shall contain contractual provisions or conditions that will allow for administrative, contractual, or legal remedies in instances in which contractors violate or breach contract terms, and provide for such remedial actions as may be appropriate.
- b) All contracts in excess of \$10,000 shall contain suitable provisions for termination by PADF including the manner by which termination will be effected and the basis of settlement. In addition, such contracts shall describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.
- c) In all contracts for construction or facility improvement awarded for more than \$100,000, recipients shall observe AID bonding requirements of OMB Circular A-110, Attachment B, herewith appended.
- d) All contracts awarded by PADF subgrantees having a value of more than \$10,000, shall contain a provision requiring compliance with Executive Order 11246, entitled "Equal Employment Opportunity," as amended by Executive Order 11375, and as supplemented in Department of Labor Regulations (41 CFR, Part 60), if applicable.
- e) All contracts and subgrants in excess of \$2,000 for construction or repair awarded by PADF and subrecipients shall include a provision for compliance with the

Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor Regulations (29 CFR, Part 3). This Act provides that each contractor or subgrantee shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he is otherwise entitled. PADF shall report all suspected or reported violations to AID.

f) All negotiated contracts (except those of \$10,000 or less awarded by PADF and subgrantees shall include a provision to the effect that PADF, AID, the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the contractor or subgrantee that are directly pertinent to a specific program for the purpose of making audits, examinations, excerpts, and transcriptions.

g) Subcontracts, but not subgrants, which require performance outside the United States shall contain a provision requiring Workmen's Compensation Insurance (42 U.S.C. 1651, et seq.). As a general rule, DOL waivers will be obtained for persons employed outside the United States who are not United States citizens or residents provided adequate protection will be given such persons. PADF will refer questions on this subject to the AID Grant Officer, who will coordinate his/her answers with SIR/CM's Insurance Advisor (CM/SD).

**Training Program
and Questions on Setting up an NDF**

I. Understanding the Concept

Goal: To accept and understand the concept of the NDF and to begin a commitment to such a concept.

- * characteristics of an NDF
- * philosophy
- * impact an NDF can have
- * history of NDFs
- * structure of organization
- * local support, counterpart and local commitment
- * who are the actual and potential beneficiaries
- * goals of an NDF
- * importance of local commitment and involvement
- * importance of local administration and role of the private sector
- * NDF role in development

II. Setting up an NDF-Organization

Goal: To understand structure and genesis of NDF and to begin the actual set up of the organization.

- * understanding local environment, needs, beneficiaries--analysis and interpretation
- * organizing a board--role of the board
- * developing membership--what is involved
- * staff responsibilities
- * legal framework and needs
- * adaptation of existing NDF examples and models to local circumstances
- * program planning
- * evaluation--how to do it and setting up criteria for such evaluation, as well as self evaluation
- * setting up credit process
- * role of fundraising--local vs. international

III. NDF Financial Management

Goal: To understand the need for sound financial management and to actually put such a structure in place.

- * cash flow management
- * accounting, internal controls
- * financial planning/budget
- * tax exemptions
- * non-profit vs. profit
- * role of Board in budget & planning
- * NDF relationship to banks and traditional sources of funding
- * staff responsibilities

IV. NDF Outreach--Key to NDF Success

Goal: To train staff, especially promoters, to understand and be able to effectively reach beneficiaries and service their needs

- * role of the promoter
- * understanding needs, environment, beneficiaries
- * overview of loan delivery
- * training beneficiaries
 - business skills
 - accountability
 - book keeping
 - repaying debts
 - assessing needs
 - program planning
 - evaluating progress
 - decision making
- * reporting, evaluating, assessing good projects
- * promoting NDF--reaching beneficiaries & meeting needs
- * explaining credit to beneficiaries
- * individual vs. group

V. Fundraising/Public Relations

Goal: To develop fundraising capabilities and understand need and crucial importance of raising funds.

- * approaches to public sector, corporations, and foundations
- * proposal writing
- * local support
- * newsletters, annual reports
- * membership
- * international assistance
- * counterpart and matching funding