

PD - AM4 - 03  
LSN - 57247

GRANT AGREEMENT AMENDMENT

**CONFORMED COPY**

1. Agreement No.:	538-0140.01
2. Agreement Date:	September 29, 1986
3. Amendment No.:	03
4. Effective Date of Amendment :	Date of last signature

5. Recipient:	6. Administered By:
Agricultural Venture Trust Bridgetown Barbados, W.I.	Agency for International Development Regional Development Office/Caribbean P.O. Box 302 Bridgetown, Barbados

7. PIO/T No.:	538-0140.01-3-80071	8. Previous PIO/T's
Appropriation No.:	72-1181021	Not Applicable
Budget Plan Code:	LDNA-88-25538-KG13	
Oblig. Prior to this Amendment:	\$2,750,000	
Oblig. by this Amendment	3,000,000	
Obligated Amount	\$5,750,000	

9. Description of Modification:

The purpose of this amendment is to increase the amount of funds being provided and obligated under this Agreement by \$3,000,000. This action will increase the total amount of funds obligated under this agreement from \$2,750,000 to \$5,750,000. Accordingly, the Grant Agreement is hereby amended as described on Page 2 attached hereto.

10. Technical Office: Project Development Office, RDO/C

11. This amendment is entered into pursuant to the authority of the Foreign Assistance Act of 1961, as amended. Except as herein provided, all terms and conditions of the agreement referenced in Item 1 above remain unchanged and in full force and effect.

12. RECIPIENT: AGRICULTURAL VENTURE TRUST

THE UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT

BY:   
David Shorey

BY:   
S. D. Heishman

TITLE: Chairman and Executive Representative (Acting)

TITLE: Agreements Officer

DATE: June 29, 1988

DATE: June 29, 1988

SPECIFIC CHANGES IN GRANT AGREEMENT

A. Cover Letter

The phrase "the sum of United States Dollars Two Million Seven Hundred and Fifty Thousand (US\$2,750,000)" where it appears shall be deleted and in lieu thereof the phrase "the sum of United States Dollars Five Million Seven Hundred and Fifty Thousand (US\$5,750,000)" shall be inserted.

B. Attachment 1, Schedule and Attachment 2, Program Description

These attachments shall be deleted in their entirety and be replaced by Attachment 1 and Attachment 2 which are attached.

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SCHEDULE

A. Purpose of Grant

The purpose of this Grant is to establish a Quick Response Fund and to provide support for the Quick Response Activities Component of the High Impact Agricultural Marketing and Production Project, as more specifically described in Attachment 2 to this Grant entitled "Program Description."

B. Period of Grant

The effective date of this Grant is September 29, 1986. The expiration date of this Grant is July 20, 1991.

C. Amount of Grant and Payment

1. The total estimated amount of this Grant for the period shown in B. above is US\$13,600,000.

2. AID hereby obligates the amount of US\$5,750,000 for program expenditures. Additional funds up to the total amount of the grant shown in C.1. above may be obligated by AID subject to the availability of funds, and to the requirements of the Standard Provisions of the Grant, entitled "Revision of Grant Budgets."

3. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 3, Standard Provisions, entitled "Payment - Periodic Advance."

D. Financial Plan

The following is the Financial Plan for this Grant, including local cost financing items. Revisions to this Plan shall be made in accordance with the Standard Provisions of the Grant, entitled "Revision of Grant Budgets."

<u>Cost Element</u>	<u>Obligated Amount</u> (U.S. Dollars)	Total Estimated thru 20/7/91 (U.S. Dollars)
1. Equity Investments and Grants	\$5,225,000	\$12,000,000
2. Trust Administration	\$ 525,000	\$ 1,600,000
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TOTAL	\$5,750,000	\$13,600,000

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E. Trust Sub-agreements

The Trust continues to be required to submit for USAID prior approval all sub-agreements, including grant and equity purchase agreements, involving the expenditure of AID grant funds. However, the parties agree that, following the execution of Amendment No. 3 to this agreement, they will engage in discussion and negotiation toward the objective of removing prior USAID review and approval of the investment decisions made by the Trust and resultant sub-agreements. It is understood that in areas such as environmental protection, certain specified agricultural products and competition with U.S. exports the parties may negotiate certain further covenants to this Agreement in the course of turning full management responsibility over to the Trust.

F. Title to Property

Title to all property purchased or financed hereunder shall be vested in the Trust or in accordance with sub-agreements entered into by the Trust.

G. Authorized Sources

The authorized source, origin and nationality of all commodities and services financed hereunder shall be the United States (AID Code 000) or the Project participating countries of the Eastern Caribbean.

H. Honorarium To Trustees

The Trust may provide honoraria to Trustees as follows: The Chairman and Executive Representative of the Trustees US\$12,000 per calendar year; the Deputy Chairman and Executive Representative of the Trustees US\$10,000 per calendar year; each of the other three Trustees US\$6,000 per calendar year.

I. Conditions Precedent to First Disbursement

Prior to the first disbursement under the Grant, or to the issuance by AID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID:

(i) An opinion of counsel acceptable to AID that the Agreement has been duly signed, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding Agreement, binding on all parties to it, in accordance with all of its terms;

(ii) A statement of the name of the persons holding or acting as Chairman and Executive Representative and Deputy Chairman and Executive Representative of the Grantee together with a specimen signature of the said Chairman and Executive Representative, Deputy Chairman and Executive Representative and each of the remaining Trustees; and,

(iii) Evidence that the Grantee has been duly organized under the laws of Barbados as an independent, non-profit Trust.

J. Reports

The Trust shall provide the following reports to USAID:

1. Minutes of Trustees meetings;
2. Quarterly reports which describe the activities of the Trust during the prior three months (including specific references to attendance at Board of Directors meetings of firms in which the Trust has purchased equity), the actions expected during the upcoming six months, and any major problems or delays. The quarterly report should also include a section on the summary financial status of the grant; and,
3. Annual reports by April 30 of each year with financial, production/processing, and management information on each of the firms in which the Trust holds shares or with which the Trust has a subgrant agreement. The first of these reports to be provided by January 1989 may be too early in the fiscal year to include financial information but should provide as much management detail as possible for evaluating Nonsuch, Stonefort, Windward Island Tropical, Windward Island Aloe, and Dominica Passionfruit.

K. Program Evaluation

In February 1989, USAID in consultation with the Trust will contract for an independent evaluation of the activity covered by this grant. The results of the evaluation will determine the level of future disbursements to the program. The evaluation will assess performance with respect to investments as well as the extent of institutional growth of the Agricultural Venture Trust. The specific indicators of performance success will be communicated to, and discussed with the Trust prior to USAID entering into any contract for evaluation services, but, in any event, not later than September 30, 1988.

PROGRAM DESCRIPTION

A. Purpose

The purpose of this grant is to increase the contribution of agricultural sector enterprises to the gross domestic product of selected Eastern Caribbean countries by improving the investment environment, relieving development constraints to private capital inflows, and demonstrating attractive returns on capital at acceptable levels of investor risk.

B. Description

The grant shall be used by the Agricultural Venture Trust to invest in private sector agricultural enterprises and to cover the costs of managing their portfolio of investments. Using the U.S.A.I.D. grant, the Trust will: (i) take equity positions in for-profit agricultural enterprises; (ii) grant, on a reimbursable basis, funds for capital goods, management, training and technical assistance to not-for-profit enterprises including associations and cooperatives; (iii) grant funds for training, technical assistance, and other non-revenue generating costs to not-for-profit enterprises including associations and cooperatives; (iv) maintain a staff to make investment recommendations and to manage the investment portfolio; and, (v) purchase any other services necessary to accomplish the Trust's fiduciary responsibilities.

C. Criteria for Quick Response Fund Subprojects

1. Eligible Subsectors

To be eligible for equity and reimbursable grant agreements, enterprises must be involved in agricultural production and/or agribusiness activities whose output will be sold primarily to local, regional, and foreign markets. Eligible subsector activities include the production, processing, packaging and marketing of plant and animal (including fisheries, mariculture) products with good market potential.

Because of specific U.S. interests in certain areas, whether indicated by the U.S. Congress or otherwise expressed by the U.S. Government, the Trust understands that USAID will disapprove investment, whether through grant, reimbursable grant or equity participation, in certain types or areas of otherwise permissible agricultural activity.

(a) Because of potential injury to U.S. producers of similar products, USAID will generally disapprove investment in proposed activities or enterprises that involve the production, processing or marketing of sugar, palm oil or citrus.

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(b) USAID generally will disapprove investment in agricultural enterprises which could reasonably be expected to have significant impact (defined as causing "substantial injury") on exports of U.S. commodities to third-country markets.

(c) USAID, utilizing its regulated procedures, will examine proposed investments for possible significant effect on the environment.

Import substitution activities cannot be predicated on introduction of import restrictions and can only receive funding if a detailed economic analysis (using shadow prices and eliminating transfer payments, subsidies, and tariffs) demonstrates that import-substitution will produce an overall net economic benefit to the nation compared to imports. The analysis should pay particular attention to the impact on net foreign exchange earnings and the local resource cost of foreign exchange saved compared to alternative resource uses. Alternately for smaller investments, import substitution activities can be funded only if their output is competitive with the existing CIF plus duty price of imports.

## 2. Type of Enterprises and Use of Funds

### a. Equity Funds

Only private, for-profit enterprises are eligible to receive equity investments. Profit-making enterprises cannot receive grant funds.

The Trust will, by purchasing stock shares, take equity positions in agricultural enterprises strictly on the basis of financial criteria -- the expected rate of return compared to the risk of the investment. In the case of for-profit enterprises, equity investments in any individual enterprise will not be less than \$20,000 nor exceed \$500,000. The Trust shall hold no more than 49% of the equity shares of the enterprise, thereby preventing the Trust from holding majority ownership in any enterprise. The Trust will normally seek leverage of three or four to one (3:1 or 4:1). Equity fund investments may be used for any appropriate business operation.

### b. Grant Funds

Not-for-profit enterprises (cooperatives, associations, farmers groups, etc.) will be eligible to receive grant funds. Except for non-revenue generating costs such as technical assistance and training, not-for-profit enterprises must repay the grant funds. The reimbursable grant funds may be used for any appropriate business operation. It will be the responsibility of the Trust to identify a mechanism whereby they will benefit from the profits resulting from their investment of reimbursable grant funds.

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Approval of funding requests for these enterprises will be made on the basis of the same financial criteria as used to evaluate for-profit enterprise proposals. Not-for-profit enterprises that are not eligible for equity investments can receive a maximum of US\$500,000; no minimum grant amount will be imposed. Each grant to a not-for-profit enterprise can only cover 49 percent of the total investment cost; group members must contribute at least 51 percent of the investment costs.

#### D. Conditions Governing Equity Funds

##### 1. Determination of Share Price

A fair share price shall be determined by a commercially acceptable practice which the Trust has documented as its policy and which each negotiating memorandum will define with respect to the individual company valuation.

##### 2. Distribution of Earnings

Equity agreements should stipulate that profits must be retained for eventual share repurchase, but at the discretion of the Trust, may also provide for a partial distribution of earnings to shareholders. The split between retained earnings and dividend distribution should balance the need for share appreciation against the desire for immediate return on investment, and take into account any legal restrictions relating to holding company treasury stock.

##### 3. Issuance of New Stock

Additional stock may be issued by the recipient enterprise only with the concurrence of the Trust and a majority of shareholders. The Trust shall not unreasonably withhold such concurrence when a fair price has been set.

##### 4. Buy-Back Provision

The purchase of equity by the Trust in any enterprise will require agreement by the other shareholders of that enterprise or the enterprise itself to repurchase the Trust's equity. The buy-back period should be specified in legal documents governing each equity investment and, unless otherwise agreed by AID, will not exceed ten years from the date of purchase. In cases in which shareholders are not able to repurchase stock, the Trust should be allowed to sell to any buyer.

#### E. Trust Administration

The Agricultural Venture Trust is managed by a Board of five Trustees, consisting of a chairman and executive representative, a deputy chairman and executive representative, and three other members. The Trustees may employ a staff to advise them on investment decisions, to manage the investment portfolio, and to account for the flow of funds. The Trustees also have the option of employing other services which they believe are essential to performance of their fiduciary duties (e.g. a legal advisor and an auditing firm).

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F. Use of Reflows

The full amount of income earned through equity investments and through grant repayments will return to the Trust. After project completion when U.S.A.I.D. funding for administrative expenses ends, the Trust will be authorized to finance administrative costs from the income accruing to the Trust. The Trust will continue, perpetually, utilizing the above conditions and will return subsequent generations of reflows to the fund for investment in agricultural production and agribusiness enterprises, following sound business practices.

Reflows may be invested at the discretion of the Trust in a manner consistent with the objective of the Trust. Accordingly, all reflows shall be accounted for separately from the funds disbursed by U.S.A.I.D.

G. Conflicts of interest

The Trust shall exercise vigilance to avoid any actual or apparent conflicts of interest (a) either on its own part or that of its Trustees; or (b) on the part of its employees. In doing so, the Trust will take the steps necessary to assure that no investments are made in enterprises in which any of the Trustees or the staff of the Agricultural Venture Trust or their families (parents, brothers, sisters, children, nieces, nephews) have a financial interest, and to assure that its Trustees and employees do not take part in any decisional process which may effect their own financial interests.

H. Termination of Trust

The termination of the Trust may take place only as set forth in the Deed of Trust and shall require the prior approval of U.S.A.I.D.

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