

PD-AAZ-107

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MAR 2 1989

Mr. John F. Coleman
Country Director
International Executive Service Corps.
San Pedro Sula, Cortés
Honduras,

Subject: International Executive
Service Corps.
Grant Agreement
No. 522-0361

Dear Sir:

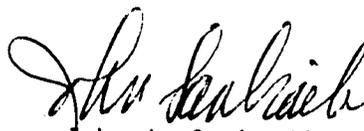
Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D.") hereby grants to the International Executive Service Corps. (hereinafter referred to as "IESC" or "Grantee") the sum of \$450,000 to provide support for a program to strengthen and expand IESC's technical assistance and management consulting programs as described in Attachments 1 and 2 of this Grant.

This Grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Grantee in furtherance of program objectives during the period beginning with the effective date and ending March 31, 1991.

This Grant is made to IESC on the condition that the funds be administered in accordance with the terms and conditions as set forth in Attachment 1, entitled "Schedule", Attachment 2, entitled "Program Description", and Attachment 3, entitled "Mandatory Standard Provisions for U.S. Non-Governmental Grantees", which have been agreed to by your organization.

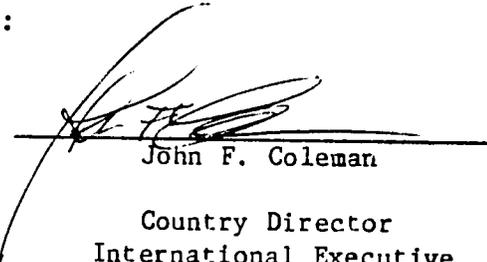
Please sign the original and seven (7) copies of this letter to acknowledge your receipt of the agreement, and return the original and six (6) copies to the Office of Private Sector Programs in the A.I.D. Mission.

Sincerely,


John A. Sanbrailo
Mission Director

ACCEPTED:

SIGNED:


John F. Coleman

TITLE:

Country Director
International Executive
Service Corps.

DATE:

MAR 8 1989

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions

Grant Agreement Schedule

A. Purpose of Grant

The purpose of this Grant is to upgrade managerial and marketing skills, and to improve production technologies of Honduran companies. The Grant will support IESC's efforts to provide technical consultancies to Honduran businesses. IESC's activities are described in more detail in Attachment 2 to this Agreement, entitled "Program Description."

B. Period of Agreement

1. The effective date of this Grant is the date of its signature. The expiration date of this Grant is March 31, 1991. Funds obligated hereunder are available for program expenditures for this estimated time period.
2. Funds obligated hereunder are available for program expenditures for the estimated period March 8, 1989 to March 31, 1991 as shown in the Financial Plan below.

C. Amount of Agreement and Payment

1. The total estimated amount of this Grant for the period shown in B.1 above is US\$950,000 as shown in the Financial Plan below.
2. A.I.D. hereby obligates the amount of US\$450,000 for program expenditures during the period set forth in B.2 above and shown in the Financial Plan below.
3. Additional funds up to the total amount of the Grant shown in C.1 above may be obligated by A.I.D., subject to the availability of funds and completion of objectives for the first and subsequent years of the Project as described in Attachment 2, and the mutual consent of the parties to proceed.
4. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 3, "Standard Provisions" Section No. 10. "Payment-Letter of Credit".

D. Financial Plan

Table 1 contains the Financial Plan for this Grant. Adjustments among budget line items, except for salaries, in an amount up to, but not exceeding, 15% may be made with written notification to A.I.D. Any adjustment exceeding 15% or any salary adjustment must be made in accordance with the mandatory provision No. 4 entitled "Revision of Grant Budget."

TABLE 1

IESC ILLUSTRATIVE BUDGET

USES/SOURCES	CLIENT CONTRIBUTION (\$)	IESC/ STAMFORD (\$)	A. I. D. (\$)	TOTAL (\$)
Salaries	117,750	67,290	151,330	336,370
Office Expenses	47,320	27,030	68,110	142,460
Fixed Assets	2,000	0	32,000	34,000
Capital Assets	2,000	0	32,000	34,000
VE Expenses	272,680	157,120	624,560	1,054,360
Promotion/Local Travel	14,300	8,200	36,000	58,500
Audit/Monitoring/Evaluation	<u>0</u>	<u>0</u>	<u>38,000</u>	<u>38,000</u>
Subtotal	\$454,050	\$259,640	\$950,000	\$1,663,690
In-kind		\$622,500		\$622,500
TOTAL	\$454,050*	\$882,140	\$950,000	\$2,286,190

* Honduran client contributions to IESC are considered Program Income under a Core Grant to IESC from AID/PRE. The above distribution of these funds, is illustrative and represents the anticipated attribution of client contributions by IESC/Stamford to IESC/Honduras. There is nothing in this agreement which would abrogate the Core Agreement that IESC has with AID/PRE.

Counterpart

IESC agrees to provide the local currency equivalent of US\$259,640 in counterpart, both cash and in-kind, for the program. Additional counterpart funds will be provided through client contributions totalling the local currency equivalent of US\$454,050. The program also will receive an in-kind contribution of the equivalent of US\$622,500 based on the time that Volunteer Executives will donate to A.I.D.-financed projects. The sources and uses for this counterpart are shown in the Financial Plan above.

E. Special Provisions

1. For the purposes of this Grant, the official representative of IESC is the person who signs the letter acknowledging receipt of the Grant Agreement.
2. IESC will submit a work plan to A.I.D. each year detailing the project activities that will be carried out as well as an illustrative budget showing Grant and counterpart funds for each activity.

3. A.I.D. will send a letter to IESC of the detailed instructions on actions needed to comply with the requirements of the attached Special Provisions.

F. Title of Property

Title to and use of property shall be in accordance with the relevant provisions in Attachment 3, Standard Provisions.

G. Reports, Records, Inspections, Audit

IESC will:

1. Furnish A.I.D. such information and reports relating to the Grant and this Agreement as A.I.D. may reasonably request.
2. Submit to A.I.D. a Project Progress Report three months from the date of this Grant Agreement and every three months thereafter in order to evaluate the Grant and assess the degree of achievement of the program objectives listed in the Program Description, Attachment 2. Each Quarterly Report will summarize program progress in relation to that planned, any constraints to grant implementation being experienced, and efforts believed necessary to resolve the problems encountered.
3. Maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books, records and underlying documentation relating to this Grant, and the receipt and use of goods and services acquired under the Grant. Such books, records, and underlying documentation will be audited regularly, in accordance with generally accepted auditing standards, and maintained three years after the final disbursement of Grant funds. Such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the program.
4. Afford authorized representatives of A.I.D. the opportunity at all reasonable times to inspect the Grant, the utilization of goods and services financed by A.I.D., and books, records, and other documents relating to the Grant.

H. Evaluation

IESC will carry out, in conjunction with A.I.D. an end-of-project evaluation, based on projected outputs as agreed to by the Parties.

I. Sources of Procurement

Total procurement under the Grant, including commodities and services, is less than \$250,000. The Grantee shall procure all goods and services financed by A.I.D. under the Grant and necessary for the activity, except for motor vehicles, in the following order of preference: (a) United States, (b) Honduras, (c) Central American Common Market countries (d) Code 941 countries, and (e) Code 935 countries. Procurement of any motor vehicles purchased with A.I.D. financing must be of U.S. source and origin unless A.I.D. otherwise agrees in writing. Ocean shipping financed by A.I.D. under this Grant shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

Program Description

A. Purpose and Objectives: IESC's program goals are to increase the private sector contribution to the economic growth of Honduras through increased production and employment generation. The purpose of the Grant is to upgrade managerial and marketing skills, and improve production technologies of micro, small and medium-sized companies in Honduras.

The Grant will expand IESC's consultancy work through broader geographic coverage, increased emphasis on the agribusiness sector, and through promotional activities to increase public awareness of the IESC services. Specific objectives of the Grant are to increase geographic coverage from 2 to 9 provinces, carry out approximately one-third of all consultancies in the agribusiness sector, and increase efficiency of operations by requiring a minimum client contribution of the equivalent of \$1,000 and a minimum length of 30 days for A.I.D.-assisted consultancies.

Activity Description

The grant will support IESC's activities in Technical Assistance, Institutional Support, and Promotion.

1. Technical Assistance

IESC's primary focus is to provide technical assistance and management consulting services to micro, small and medium-sized private sector Honduran enterprises in order to upgrade managerial and production skills. During the two year life of the Grant, IESC will complete approximately 170 technical consultancies of which 70 will be directly supported by A.I.D. resources. These activities will be carried out in the nine provinces of El Paraiso, Francisco Morazon, Comayagua, Cortes, Yoro, Atlantida, Colon, Islas de la Bahia and Choluteca. In addition, an increasing emphasis will be placed on providing services to the agribusiness sector. Each consultancy directly supported by A.I.D. funds will be a minimum of 30 days. Volunteer expenses for shorter diagnostic consultancies generally will be fully paid by the IESC client.

The technical consultancies are carried out by Volunteer Executives (VE) who are experienced, retired U.S. executives and technicians. Recruitment for a VE begins once a Technical Assistance Agreement has been signed. Requests for assistance and the specific requirements are reviewed by an IESC Field Representative to ensure client satisfaction and maximization of VE selection and time. Upon arrival in country, the VE is briefed and introduced to the client and a work plan is drafted and agreed upon. Typical VE consultancies range from product design and/or adaptation to plant redesign and modification or production processes which result in effective cost savings and increased sales.

The pertinent field representative will participate in periodic meetings to become familiar with the VE's recommendations. This will aid the field representatives in their follow-on visits, verifications and quarterly reports. IESC's Country Director will make sure the VE leaves a copy of his/her recommendations for every consultancy undertaken.

a. Selection of Recipients

Potential clients seeking IESC/USAID funded consultancies will present to IESC their financial statements and other financial information such as bank references reporting average balances and loan repayment records. In the event that such financial information is not available, particularly in response to requests from micro entrepreneurs or groups of micro entrepreneurs, IESC may proceed to make a site visit to assess the physical condition and asset level of the client company, including the number of employees. IESC also will draft a potential beneficiary client profile that will include a general description of the economic situation of the applicant. IESC will use this information and its findings to determine the level of financial support which will be required by a potential client and will present a summary of the findings in its disbursement request to A.I.D.

b. Client Contribution

The efficiency of IESC's technical assistance program will be enhanced through increased client contribution per consultancy (local currency equivalent of minimum US\$ 1,000) and a 30 day minimum length of consultancy. The client contribution and the amount of USAID support per consultancy will be defined based on the analysis of financial resources and ability to pay as described above.

c. Definitions

For the purpose of the grant, the definitions of the A.I.D. Advisory Committee on Microenterprise Development will be used to define micro, small and medium-size enterprises which will receive assistance. Microenterprises are firms which employ less than 10 persons and have fixed assets of less than \$10,000; small enterprises are firms which employ from 11 to 25 workers and have fixed assets of \$10,001 to \$50,000. Medium-scale enterprises also are eligible to receive assistance from IESC/USAID and are defined as firms employing 26 to 99 workers and having a capital base between \$50,001 and \$250,000.

2. Institutional Support

To support its current level of activity, IESC has two offices, one in San Pedro Sula and one in Tegucigalpa. The grant will provide resources to establish a third office in La Ceiba which will cover Olanchito, Trujillo, the Bay Islands, Tela and Bajo and Alta Aguan. The La Ceiba office will open with a total staff of three, consisting of a field representative, who will be the manager for the region, a secretary and a driver/messenger.

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Grant funds also will finance the operating expenses of the Tegucigalpa office. USAID resources thus contribute to all IESC technical consultancies facilitated by those offices whether or not actual volunteer expenses are covered.

3. Promotion

In order to increase public awareness of the assistance available through IESC, the three regional offices will carry out aggressive public relations efforts which will include direct advertising as well as the establishment of advisory boards. USAID's financial support for these efforts will be mentioned as appropriate. Appointments to the advisory boards will be on a revolving basis for a term of one or two years in accordance with IESC's by laws. Board members will include individuals who work or have direct access to target and hard to reach business populations. The creation of advisory boards will support IESC's efforts to broaden its marketing campaigns and increase access to services.

IESC will continue marketing its services through various chambers of commerce, private voluntary organizations (PVOs), development organizations, Rotary Clubs, personal acquaintances of its personnel and by word of mouth. In addition, IESC will begin marketing its services through trade associations and cooperatives.

Local promotion materials, such as pamphlets, will be produced and distributed to describe IESC programs, and will mention USAID financed support of these activities as appropriate. Brief summaries of program achievements and success stories based on assistance to local businesses will be included.

C. Major Outputs

The expected major outputs of these A.I.D.- assisted activities are summarized as follows:

- 200 new jobs generated and approximately 800 existing jobs maintained,
- 20 companies reporting increased profits,
- 20 companies using new production technologies resulting in a minimum of 10% average cost savings,
- 20 companies adopting administrative or other management reforms, and
- 20 companies increasing annual sales by a minimum of 20%.

D. Project Administration

1. IESC Responsibilities

IESC will directly manage all activities under this Agreement and undertake all procurement, except as agreed to in writing by A.I.D. IESC will be responsible for the contracting of additional staff members required under Project activities and for commodity procurement actions. IESC will adhere to

procurement and personnel policies previously approved by A.I.D. IESC will maintain acceptable management and financial control systems and will upgrade its system as its program expands. IESC will be responsible for full accounting of Grant funds and for the presentation to A.I.D. of appropriate financial documents.

2. A.I.D. Responsibilities

A.I.D. is responsible for the disbursement of Grant funds to IESC. A.I.D. will arrange for all independent evaluations and will provide continuous monitoring of the Grant.

E. Refunds

In case of any disbursement which is not supported by valid documentation in accordance with this Grant, or which is not made or used in accordance with this Grant Agreement, A.I.D. may require the Grantee to refund the amount of such disbursement to the Grant within sixty days after the receipt of a request thereof.