

United States Agency for
International Development (AID)
Quito, Ecuador



PD-ABF-310
81021
Agencia de los Estados Unidos para
el Desarrollo Internacional (AID)
Quito, Ecuador

RCO-88-327
September 16, 1988

Mr. W. Burrus
Executive Director
Accion International/AITEC
1385 Cambridge St.
Cambridge, MA 02139

Subject: Grant 513-0616-A-00-8001-00

Dear Mr. Burrus:

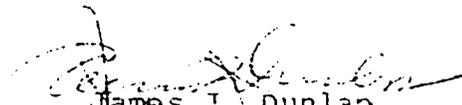
Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor"; hereby provides to Accion International/AITEC (hereby referred to as "Accion" or "Grantee") the sum of (\$300,000) to provide support for a program in small and microbusiness support, as described in the Schedule of this grant and the Attachment 2, entitled "Program Description."

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 December 31, 1991.

This grant is made to the Accion on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1, entitled the Schedule, Attachment 2, the Program Description, and Attachment 3, entitled "Standard Provisions," which have been agreed to by your organization.

Please sign the original and each copy of this letter to acknowledge your receipt of the grant, and return the original and all but one copy to the Regional Contracting Officer, Quito, Ecuador.

Sincerely yours,



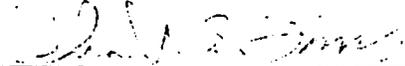
James J. Dunlap
Regional Agreement Officer

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions

ACKNOWLEDGED:

ACCION INTERNATIONAL/AITEC

BY: 

TYPED NAME: WILLIAM W. BURRUS

TITLE: EXECUTIVE DIRECTOR

DATE: SEPTEMBER 28, 1988

FISCAL DATA:

Appropriation:	72-1181021	
Budget Plan Code:	LDSA-88-25513-KG12	
PIO/T No:	513-598-0616-20-3-80002	
Project No:	598-0616.20	
Total Estimated Amount:	\$300,000	
Total Obligated Amount:	\$300,000	
DUNS No.:	07-536-5825	
Funding Source:	AID/W <u> x </u>	USAID <u> </u>

SCHEDULE

A. Purpose of Grant

The purpose of this agreement is to provide support for small scale business credit and assistance program, as more specifically described in Attachment 2 to this grant entitled "Program Description."

B. Period of Agreement

1. The effective date of this Agreement is the signature date of the cover letter. The expiration date is December 31, 1991.

2. Funds obligated hereunder are available for program expenditures for the estimated period September 16, 1988 to December 31, 1991 as shown in the Grant Budget below.

C. Amount of Agreement and Payment

1. The total estimated amount of this Agreement for the period shown in B.1 above is \$300,000.

2. A.I.D. hereby obligates the amount of \$300,000 for program expenditures during the period set forth in B.2. above and as shown in the Agreement Budget below.

3. Payment shall be made to the Recipient in accordance with procedures set forth in Attachment 3 Standard Provision One, entitled "Letter of Credit."

D. Agreement Budget

The following is the Agreement Budget, including local cost financing items, if authorized. Revisions to this budget shall be made in accordance with Standard Provision of this Agreement, entitled "Revisions of Grant Budget."

AGREEMENT BUDGET

	1st YEAR		2nd YEAR		3rd YEAR		ACCION/HOST		TOTAL
	A.I.D.	ACCION/HC	A.I.D.	ACCION/HC	A.I.D.	ACCION/HC	A.I.D.	COUNTRY	
I. TECHNICAL ASSISTANCE & TRAINING	25,924	50,826	22,236	31,764	19,765	20,735	65,925	91,325	157,250
II. PROPESA OPERATING COSTS	80,000	47,391	60,000	120,314	20,000	178,570	160,000	346,275	506,275
III. INCREASE TO ROTATING FUND	-0-	268,448	-0-	498,240	-0-	328,312	-0-	1,095,000	1,095,000
IV. EVALUATION	7,500	-0-	5,000	-0-	17,500	-0-	30,000	-0-	30,000
V. ACCION INTERN.(AITEC HOME OFFICE)	16,725	-0-	15,200	-0-	12,150	-0-	44,075	-0-	44,075
GRAND TOTAL (US \$)	128,149	351,665	102,436	650,318	69,415	527,617	300,000	1,532,600	1,832,600

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E. Reporting

1. Financial Reporting

a. Financial reporting requirements shall be in accordance with the Standard Provision of this agreement entitled "Payment Letter of Credit (November 1985)", as shown in Attachment 3.

b. The original and two copies of all financial reports shall be submitted to AID, Office of Financial Management, Program Accounting and Finance Division (FM/PAFD), Washington, D. C. 20523. In addition, three copies of all financial reports shall be submitted to USAID/Santiago.

2. Program Performance Reporting

a. The Recipient shall submit quarterly program performance reports, and a final report which briefly presents the following information:

(1) A comparison of actual accomplishments with the goals established for the period, including types of trainees placed consistent with the listed priority areas specified in the grant.

(2) Between the required performance reporting dates, events may occur that have significant impact upon the program. In such instances, the Recipient shall inform AID as soon as the following types of conditions become known:

Problems, delays, or adverse conditions that will materially affect the ability to attain program objectives, prevent the meeting of time schedules and goals, or preclude the placement of selected participants or organizing and completing required seminars within scheduled time frames. This disclosure shall be accompanied by a statement of the action taken, or contemplated, and any AID assistance needed to resolve the situation.

Favorable developments or events which enable required linkages to established.

If any performance review conducted by the Grantee discloses the need for change in the budget estimates in accordance with the criteria established in the Standard Provision of this grant entitled "Revision of Grant Budget", the Recipient shall submit a request for budget revision.

Five copies of each program performance report shall be submitted to the office of the AID Representative, U.S. Embassy, Santiago.

3. Special Reports

The Recipient shall provide special reports as requested by the AID Representative.

F. Indirect Cost Rates

Pursuant to the Standard Provision of this grant entitled "Negotiated Overhead Rates-Provisional", a rate or rates shall be established for each of the Recipient's accounting periods which apply to this grant. Pending establishment of revised provisional or final indirect cost rates for each of the accounting periods which apply to this agreement, provisional payments on account of allowable indirect costs shall be made on the basis of the following negotiated provisional rate(s) applied to the base(s) which are set forth below.

<u>Type</u>	<u>Rate</u>	<u>Base</u>	<u>Period</u>
Provisional Overhead	29.5	Direct salaries and wages including Fringe Benefits	FR: 1-1-88 amended

G. Title to Property

Title to property purchased under this agreement shall vest in the Recipient.

H. Substantial Involvement Understanding

This agreement provides for substantial involvement by USAID as follows:

1. Approval of the qualification of Accion resident advisor in Chile,

2. Approval of evaluation methodology and the qualifications of the consultants used by Accion for program evaluation.

PROGRAM DESCRIPTION

CHILE. MICRO ENTERPRISE PROMOTION

I. BACKGROUND

The recipient of this grant, ACCION Internacional/AITEC ("ACCION"), is a registered U.S. PVO with over ten years of experience in working with small scale business and micro-enterprises in Latin America. ACCION has a network of affiliated organizations in 13 Latin American nations implementing 27 programs for micro-enterprises with important benefits in income and employment generation. In mid 1987, in response to expressions of interest from Chilean private sector leaders, ACCION began exploring the feasibility of initiating a program in Chile.

Based on its initial assessment, ACCION has decided to assist the Chilean business community establish an ACCION-affiliated non-profit organization to provide credit and technical assistance to Chile's informal or micro-enterprise business sector. Towards these ends, ACCION has assigned a U.S. staff member to Chile as its resident representative to help organize, develop, and seek resources for a new program for Chile's micro-enterprises.

The resident advisor has assisted in the establishment of a non-profit Corporation for Small Business Promotion (PROPESA) with a Chilean president and board of directors. PROPESA's initial efforts have been directed at obtaining local donations, selecting staff, and developing its operating plan and procedures. To further the PROPESA program, ACCION is providing a \$ 100,000 guaranty under its existing \$1,000,000 guarantee facility authorized by the A.I.D. PRE Bureau to ACCION. The guaranty will be used by PROPESA as collateral in obtaining loans from Chilean financial institutions for relending for micro-enterprise. As described below, the grant provided herein will provide complementary resources needed to strengthen ACCION linkages with PROPESA and to help cover initial PROPESA operating costs.

II. PURPOSE

The purpose of this grant is to establish a new system within Chile's private sector for channelling credit and technical assistance to small scale business. During the three year program, it is expected that approximately 3,400 micro-enterprises will be assisted, with over 8,500 jobs created or improved (i.e., income increased, duration extended, etc.).

By the end of the program, the ACCION affiliate, PROPESA, will have a fully trained staff administering over \$ 1.0 million in loans to eligible small and micro-businesses. The operating results in terms of loan recovery, operating surplus (net income), demonstrated demand for credit, and the economic impact on beneficiaries, will be sufficient to attract additional local and international support necessary to expand PROPESA operations outside of Santiago.

The A.I.D. grant funds will be used for dollar costs, principally for ACCION technical assistance, training, and related overhead and support, and for local currency costs, principally for PROPESA's operations during the start-up phase. A.I.D.'s share of local operating costs shall be concentrated principally in the first two years of the program. Counterpart contributions will be provided in part by the value of ACCION-furnished technical assistance and cost sharing of the salary of the resident ACCION advisor. Additionally, PROPESA will seek local donations and will secure loans from local banks and for its rotating fund for credit. By the end of the third year of the program, the interest income from lending is expected to be sufficient to cover all of PROPESA's local operating costs, including its interest expense and reserves for bad loans. No A.I.D. funds under this grant shall be used to extend credit to micro-enterprises or small business.

III. OPERATING FEATURES

In carrying out the program, ACCION shall assist and advise PROPESA in incorporating the methodology and operating features outlined in ACCION's August, 1988 proposal to A.I.D. For this purpose, during the effective period of this grant, ACCION will maintain a resident advisor in Chile with qualifications acceptable to USAID. Further, ACCION will consult with USAID and obtain written approval prior to any substantial deviation from the methodologies and objectives set forth in its proposal, key aspects of which are outlined below.

- A. Eligibility Criteria - Clients shall be small businesses and micro-enterprises with the following characteristics:
- Size - up to the equivalent of five full time employees and capital of up to CHP\$ 2,500,000,
 - Ownership - normally in the informal sector with the owner also being the principal worker. The owner is expected to be at least 21 years old and have at least one year of experience in operating the enterprise.
 - Activity - all sectors, i.e., manufacture, service (excluding professional services), and commerce. Preference will be given to activities that directly generate stable employment.

- **Character - there must be a demonstrated interest in improving the operation of enterprises and expanding.**
- B. Absence of Subsidy - Operating principal, ACCION supported programs have as the financial policy of not subsidizing the services offered. Similarly, through vigorous loan collection, monitoring and application of a well developed selection criteria, ACCION supported programs have low default and delinquency rates.
- C. Combination of Services - Drawing on ACCION's Latin American experience, a combination of credit and technical assistance will be developed, tested, and examined constantly until the most effective mix is obtained. Credit will be offered for working capital as well as equipment purchase. Technical assistance and training will be provided in administration, marketing, financial management and accounting. Training will be a mandatory requirement for obtaining credit and participants will be charged an appropriate fee. ACCION will assist PROPESA study the feasibility of and, as appropriate, implement related services in credit insurance, accounting, savings, and employment opportunity information.
- D. Appropriate Credit Terms - The credit approval process will be agile and rapid, with guarantee requirements suitable for the low-income entrepreneurs in the informal sector. ACCION will assist PROPESA in applying its methodology for incorporating a lending system designed to teach informal sector business clients how to manage credit through gradual increases in the amounts and duration of the loans extended.
- E. Graduation of Beneficiaries - ACCION will assist PROPESA establish mechanisms that promote the graduation of its credit clients to the formal credit system as their income level and financial requirements grow. ACCION philosophy is also to encourage the micro-enterprise sector to organize through associations of other appropriate groups to promote their own self-help development efforts.

IV. EVALUATION

The grant budget includes \$ 30,000 for outside evaluation of the program's impact and the progress made with the institutional development of PROPESA. The process will include the establishment of initial baseline data, an on-going beneficiary impact monitoring system, and formal beneficiary impact evaluations at the end of the second and third years of the program. Data gathered for impact evaluations will be gender specific. The evaluation of PROPESA's institutional development, performed at the end of the program, will include a detailed financial analysis of PROPESA's financial situation and policies, as well as a detailed administrative analysis.

4.

The evaluation plan is discussed more fully in ACCION's August, 1988 proposal. ACCION shall collaborate closely with USAID in developing its detailed scope of work for outside evaluation consultants. Any change in the evaluation plan shall require prior USAID written approval.

The following Mandatory and Optional Standard Provisions for U.S., Non-Governmental Grantees in effect as of the effective date of this Grant are incorporated herein by reference with full force and effect as though fully set forth herein:

A. Mandatory Standard Provisions

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|--------------------------------------|-----------------|
| 1. Allowable Costs | (November 1985) |
| 2. Accounting, Audit, and Records | (January 1988) |
| 3. Refunds | (January 1988) |
| 4. Revision of Grant Budget | (November 1985) |
| 5. Termination and Suspension | (May 1986) |
| 6. Disputes | (March 1987) |
| 7. Ineligible Countries | (May 1986) |
| 8. Nondiscrimination | (May 1986) |
| 9. U.S. Officials Not to Benefit | (November 1985) |
| 10. Covenant Against Contingent Fees | (November 1985) |
| 11. Nonliability | (November 1985) |
| 12. Amendment | (November 1985) |
| 13. Notices | (November 1985) |

B. Optional Standard Provisions

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| 1. Payment -Letter of Credit | (November 1985) |
| 4. Air Travel and Transportation | (November 1985) |
| 6. Procurement of Goods and Services | (November 1985) |
| 7. AID Eligibility Rules for Goods and Services | (November 1985) |
| 8. Subagreements | (November 1985) |
| 9. Local Cost Financing | (May 1986) |
| 11. Publications | (November 1985) |
| 13. Negotiated Overhead Rates-Provisional | (May 1986) |
| 14. Regulations Governing Employees | (November 1985) |
| 20. Title to and Use of Property (Grantee Title) | (November 1985) |
| 23. Cost Sharing (Matching) | (November 1985) |
| 24. Use of Pouch Facilities | (November 1985) |
| 25. Conversion of U.S. Dollars to Local Currency | (November 1985) |