



PDBB 11055

UNITED STATES OF AMERICA

AGENCY FOR INTERNATIONAL DEVELOPMENT

REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE, WEST AND CENTRAL AFRICA



UNITED STATES ADDRESS

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WASHINGTON, D. C. 20520

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29 July 1988

Mr. Gary O. Robinson
Executive Director
Opportunities Industrialization Centers
International, Inc.
240, W. Tulpehocken Street
Philadelphia, P.A. 19144

Subject: Grant No. 636-0171-G-SS-8041-00

Dear Mr. Robinson:

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 grants to the Opportunities Industrialization Centers International, Inc. (hereby referred to as "OICI" or "Grantee"), the sum of \$3,577,506 to provide support for a program in Sierra Leone as described in the Schedule of this Grant and the Attachment 2, entitled "Program Description."

The 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 six and a half years after the effective date.

This Grant is made to OICI on condition that the funds will be administered in accordance with the terms and conditions set forth in Attachment 1, the "Schedule," Attachment 2, entitled "Program Description," Attachment 3 entitled "Mandatory Standard Provisions," and Attachment 4, entitled "Optional Standard Provisions," which have been agreed to by the Grantee.

Please sign the original and five (5) copies of this letter to acknowledge your receipt of the Grant, and return the original and four (4) copies to the REDSO/WCA, at the address given on the cover letter.

Sincerely,



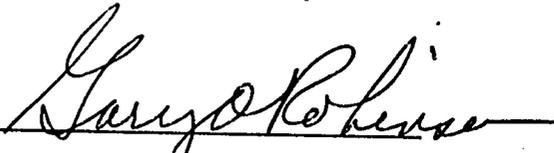
Mary Reynolds
Grant Officer

Attachments

1. Schedule
2. Program Description
3. Mandatory Provisions and Optional Standard Provisions

ACKNOWLEDGED:

Gary O. Robinson
Opportunities Industrialization
Centers International, Inc.

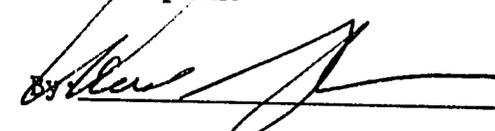
By: 

Title: Executive Director

Date: 7/29/88

ACKNOWLEDGED:

Charles L. Gladson
Assistant Administrator
Bureau for Africa
Agency for International
Development

By: 

Title: Assistant Administrator

Date: 7/29/88

FISCAL DATA

PIO/T No.	:636-0171-3-80001
Appropriation	:72-1181014
Budget Plan Code	:GSSA-88-21636-KG13 (Allowance 814-54-636-00-69-81)
Project No.	:636-0171
Total Estimated Amount	:\$3,577,506
Total Obligated Amount	:\$ 500,000
Letter of Credit No.	:72-00-1211
Funding Source	:M/FM/PAFD
Technical Office	:USAID/Sierra Leone

ATTACHMENT ONE

SCHEDULE

A. PURPOSE

The purpose of this Grant is to provide support for the Small Enterprise Development and Training Project, as more specifically described in Attachment Two to this Grant entitled "Program Description".

B. PERIOD OF GRANT

1. The effective date of this Grant is 29 July 1988. The estimated completion date is 28 January 1995.
2. Funds obligated hereunder are available for program expenditures for the estimated period 29 July 1988 to 31 January 1989, as shown in the Financial Plan below.

C. AMOUNT OF GRANT AND PAYMENT

1. The total estimated amount of this Grant for the period shown in B.1. above is \$3,577,506.
2. A.I.D. hereby obligates the amount of \$500,000 for program expenditures during the period set forth in B.2, above.
3. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 3, "Optional Standard Provision," Clause 1, entitled "Payment - Letter of Credit".
4. Additional funds up to the total amount of the Grant shown above may be obligated by A.I.D. subject to the availability of funds, and subject to the requirements of the "Standard Provision," Clause 4, entitled "Revision of Financial Plans".

D. FINANCIAL PLAN

The following is the Grant budget. The Grantee shall not exceed the obligated amount (C.2. above) except as specified in the Standard Provision of this Grant.

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<u>Cost Element</u>	<u>Financial Plan</u>						<u>Totals</u>
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	
Salaries	\$ 101,000	\$108,500	\$117,925	\$131,815	\$ 89,635	\$ 58,345	\$ 607,220
Fringe Benefits	37,300	41,097	44,410	50,630	36,165	20,420	230,022
Allowances	78,400	66,400	70,400	78,900	51,400	51,400	396,900
Travel and Transportation	72,025	46,825	68,400	75,270	77,310	81,700	421,530
Consumable Materials	79,450	42,900	53,025	46,475	49,025	71,625	342,500
Equipment, Facilities & Infrastructure	580,150	82,000	49,750	45,750	37,750	151,300	946,700
Other Direct Costs	1,500	1,500	1,500	1,500	1,500	1,500	9,000
Indirect Costs	11,950	13,750	18,400	25,700	27,500	30,200	127,500
Revolving Loan Fund	15,000	30,000	30,000	40,000	35,000	20,000	170,000
Peace Corps	1,000	1,000	3,000	3,000	3,000	3,000	14,000
Participant Training	22,225	81,530	58,691	16,461	107,216	26,011	312,134
TOTAL	\$1,000,000	\$515,502	\$515,501	\$515,501	\$515,501	\$515,501	\$3,577,506

Non - A.I.D. (OICI and Local) Contributions

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Totals</u>
	\$ 452,000	\$163,612	\$229,180	\$188,702	\$225,709	\$274,240	\$1,533,443*

*Yearly and total Non-A.I.D. contributions are as indicated in OICI's proposal of February 1988, as amended by an addendum dated June, 1988.

E. REPORTING REQUIREMENT

1. The Grantee must submit five copies of all reports to AID Affairs Officer, Freetown, Sierra Leone. Reports must be typed, and in English. At a minimum the following reports must be submitted:
 - Quarterly Financial Reports: these reports must arrive at AAO/Freetown during the last week of each quarter and must include actual incurred costs pertaining to the reporting period by approved budget line items. The reports must be consistent with financial reports required by M/FM/PAFD.
 - Quarterly Performance Reports: these reports must arrive at AAO/Freetown, during the last week of each quarter. They must discuss progress achieved toward meeting objectives and targets during the quarter to which the report pertains, problems and constraints impeding progress, actions planned during the upcoming quarter, and corrective measures taken or to be taken. Each year's fourth quarterly report will not only provide the above information, but will summarize progress, achievements, problems, and constraints during the year.
 - Annual Training Reports: these reports must list each individual trained, the course(s) attended, the cost, and the dates of training, and must be submitted simultaneously with the fourth quarter reports.
 - Annual Equipment Distribution Report: these reports must list all Grant-financed commodities and vehicles procured and distributed during the year by location and quantity. They must also discuss equipment maintenance problems and how they were resolved. This annual report must be submitted simultaneously with the fourth quarterly report.
 - Trip Reports: these must be submitted within 15 days after each trip to Sierra Leone or each site visit within Sierra Leone, and must include the purpose of the visit, observations, conclusions, recommendations, and a list of key contacts.
 - Conference Reports: these must be submitted within one month after any conference, seminar or workshop and must include, at a minimum, a copy of the final agenda, a list of participants, a summary of discussion items, and final conclusions and recommendations.
 - Special Study Reports: if any of the Grantee's Grant-funded activities result in a study report, the Grantee must submit preliminary and final versions in a timely fashion.
2. Other Reports: upon request, the Grantee may be required to submit copies of reports concerning studies, training curricula and materials, action plans, policy statements, and other items that the AAO/Freetown deems appropriate for submission.

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F. SPECIAL PROVISIONS

1. The Mandatory Standard Provisions for U.S., Non-Governmental Grantees (dated 19 June 1987 and annexed hereto as Attachment 3) constitute the Standard Provisions of this Grant.

2. The following clauses of the "Optional Standard Provisions" are hereby deleted from the Grant:

- Payment - Periodic Advance (NOV 1985)
- Payment - Cost Reimbursement (NOV 1985)
- Subagreements (NOV 1985)
- Patent Rights (NOV 1985)
- Publications (NOV 1985)
- Negotiated Indirect Cost Rates - Predetermined (MAY 1986)
- Voluntary Population Planning (AUG 1986)
- Protection of Individuals as a Research Subject (NOV 1985)
- Care of Laboratory Animals (NOV 1985)
- Government Furnished Excess Personal Property (NOV 1985)
- Title to and Care of Property (U.S. Government Title) (NOV 1985)
- Title to and Care of Property (Cooperating Country Title) (NOV 1985)

3. Cost Sharing/Matching Grants

- Definition: Cost sharing/matching is a required contribution by the Grantee from non-Federal sources toward the total cost of the program, either in cash or in-kind, usually described as a percentage of total costs.
- The determination as to the requirement for and level of cost sharing/matching is the responsibility of the cognizant Program Officer. The Grantee's contribution shall be at least 25% of that amount granted by A.I.D.
- Criteria and procedures for the allowability of cash and in-kind contributions made by Grantees to satisfy cost sharing/matching requirements are set forth in paragraph 1K, "Cost Sharing and Matching," of A.I.D. Handbook 13 and "Optional Standard Provision," Clause 23, entitled "Cost Sharing (Matching)". Except for these requirements, no other requirements set forth in the standard provisions are applicable to costs incurred by the Grantee from non-Federal funds.
- Cost sharing/matching percentages will be applied to the total cost of the Grant program. Cost principles applicable to Grants prohibit the accomplishment of cost sharing/matching through arbitrary limitations in individual cost elements. This is particularly important in the area of indirect costs (overhead). When a negotiated overhead rate agreement is in effect between A.I.D. or another cognizant agency and the Grantee, the negotiated rate will be applied to the agreed upon direct costs to

determine the total cost of the program, and the cost sharing/matching percentage will be applied to the total cost.

- Unless otherwise specified in the schedule of this Grant, verification that the cost sharing/matching requirement has been met will be made at the end of each funding period or on an annual basis as determined by the cognizant program office. Verification is based on expenditures. Individual expenditures do not have to be shared or matched provided that the total expenditures incurred during the designated funding period or year are shared or matched.
- The Grantee must account for A.I.D. funds in accordance with the standard provision entitled "Accounting, Audit and Records" (Standard Provision, Clause 2). However, in the event of disallowances of expenditures from A.I.D. Grant funds, the Grantee may substitute expenditures made with funds provided from non-Federal sources, provided they were otherwise eligible in accordance with "Standard Provision," Clause 1, entitled "Allowable Costs".

G. OVERHEAD RATE

Pursuant to the clause of the "Optional Standard Provisions" of the Grant entitled "Negotiated Indirect Cost Rates - Provisional," a rate or rates shall be established for each of the Grantee's accounting periods during the term of the Grant.

Pending establishment of final indirect cost rates for the initial period, provisional payments on account of allowable indirect costs shall be made on the basis of the following negotiated provisional rates applied to the base set forth below:

<u>Type</u>	<u>Effective Period</u>		<u>Rate</u>
	<u>From</u>	<u>Through</u>	

H. AUTHORIZED GEOGRAPHIC CODE

Commodities financed by A.I.D. under this Grant shall have their source and origin in countries included in A.I.D. Geographic Code 941 and the Cooperating Country unless A.I.D. otherwise agrees in writing. Except for ocean shipping, the suppliers of commodities or services shall have the countries included in A.I.D. Geographic Code 941 and the Cooperating Country as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall be financed in accordance with "Optional Standard Provisions", Clause 5, "Ocean Shipment of Goods", except as A.I.D. may otherwise agree in writing.

I. TITLE TO PROPERTY

Title to Property procured under this Grant will vest in the Grantee in accordance with the "Optional Standard Provision", Clause 20, entitled "Title to and Use of Property (Grantee Title)".

ATTACHMENT TWO

PROGRAM DESCRIPTION

A. SCOPE OF WORK

1. Background

Sierra Leone is experiencing severe economic difficulties as a result of inappropriate economic and fiscal policies during the first half of this decade and as a result of very unfavorable international economic conditions which have hindered the country's terms of trade in key areas. With the assistance of the International Monetary Fund (IMF) and the World Bank, the Government has devised a structure adjustment program aimed at rectifying the balance of payments situation, rationalizing the parastatal sector, curbing expenditures, and promoting the development of private businesses in urban and rural areas. The greatest potential for developing the Sierra Leonean private sector is in nurturing micro- and small businesses. Micro-businesses of one to four persons operate out of a home or small workshop, use simple production processes, have little or no formal accounting to monitor finances, possess insufficient resources for collateral, have no access to the formal credit system, operate in the informal economy, and produce for a local market. Small businesses of five to seven employees use basic production processes, have some bookkeeping, have recourse only to informal credit sources (e.g., moneylenders), function in the informal sector, and produce for the local market but have limited potential for expansion. These micro- and small enterprises account for high value added production (55 percent), given their generally low capital bases and labor-intensive orientation, rely very little on costly imports which become more expensive as the leone is devalued, and employ 90 percent of all employees involved in non-farm production. The major limitations to these enterprises' growth are: access to credit; information on prices, markets, and production techniques; and, adequate business management and technical skills.

After six and half years of implementation pursuant to activities financed by this Grant, it is expected that the number of micro- and small enterprises will be increased, credit will be increasingly available to these enterprises, business advisory and support services for these enterprises will be improved, and an increased skilled labor supply will be available to these enterprises. In the long term, these benefits are expected to yield increased micro- and small enterprise productivity and increased private sector employment and income.

2. OBJECTIVES

The objectives of this Grant are:

- Provision of credit assistance and technical training to micro- and small entrepreneurs engaged in or planning to undertake small-scale production or agribusiness activities or both, with preference given to those which are labor-intensive and use locally-available inputs.
- Improvement and expansion of management and business development skills training at the basic and advanced levels in course areas such as bookkeeping and accounting, basic business concepts, feasibility study preparation, marketing, loan assistance applications, credit management, and supervision.
- Increased vocational and technical skills training to help develop the skilled labor force required by Sierra Leone's private sector in areas such as carpentry and joinery, masonry, electricity and appliance repair, auto mechanics, metal work, secretarial sciences, furniture production, and tailoring.
- Sustainability of project activities and entities, and their benefits, after termination of Grant financing.

B. ACTIVITIES AND OPERATIONS REQUIRED TO REALIZE OBJECTIVES

1. Summary of Program Activities

To realize the program objectives, the OICI shall undertake activities in the following categories:

- credit assistance and training support services in management and business development;
- management and business skills training and services;
- vocational and technical training program; and,
- national office upgrading.

2. Credit Assistance and Training Support Services in Management and Business Development

The Grantee shall establish a Small Enterprise Development Foundation (SEDF) to provide credit assistance, operate training programs, and manage a \$170,000 revolving credit fund to be loaned to no less than 430 micro- and small-scale entrepreneurs in amounts ranging from \$250-\$1,000. The SEDF will have three branches. The first will be located in Bo during a two-year pilot period, after which the Grantee will establish a branch at Bonthe and another branch in a northern province town to be determined. The Grant will finance staff for each branch consisting of, at a minimum, a Program Manager and an adequate number of Business Counselors and support personnel. The Grantee shall train staff in operating credit assistance and management and business development

training programs for micro- and small-scale entrepreneurs. The Grantee shall renovate and equip, or cause to be renovated and equipped, each SEDF branch building facility. The Grantee shall assure that each facility includes a Resource Information Center containing at least basic technical training materials, appropriate modules on small scale production techniques, basic economic and financial information, and audiovisual equipment. In operating and furthering the institutional development of the SEDFs, the Grantee shall employ the Opportunities Industrialization Centers (OIC) management information system, project performance policies and procedures manual, technical training curricula, and public relations materials. This Grant shall finance the operations of management committees for each SEDF branch consisting of a least five members who are responsible, community development-minded representatives of the Sierra Leonean private sector. The Grantee shall train committee members to develop plans and priorities for their respective branch programs, conduct final reviews of loan applications, select borrowers, and oversee the work of branch Program Managers.

The Grantee shall adhere to the following principles and procedures in managing the \$170,000 revolving credit fund. Each SEDF will arrange with a local commercial bank for the bank, in return for a modest fee, to hold in a separate account and manage the SEDF's share of the revolving fund. The Business Counselors at each SEDF will provide business advisory services, e.g., managing individual loan portfolios, answering questions, and monitoring repayments through monthly visits. Of the \$170,000, the Grantee must establish a reserve adequate to cover loan defaults and late repayments of principal and interest; otherwise, the remainder of the \$170,000 should be lent out to the extent sufficient eligible borrowers can be identified. The Grantee must assure use of a market-directed interest rate structure in accordance with OICI and A.I.D. Africa Bureau discussion guidelines. OICI must assure that operating costs of credit and banking services and losses from revenues from fees. Accordingly, before implementation of the revolving credit fund, the Grantee shall calculate the annual interest rate and loan charges which must be set to cover operations and losses. Further, the Grantee, through each SEDF branch, shall recalculate these rates and charges at least annually to assure operations and losses are covered, and readjust rates and charges as indicated. The current estimate is that the interest rate charged to entrepreneur clients should be approximately 30 percent. However, this rate will vary with market conditions.

The Grantee will adhere to a seven step loan application and review process involving a request for assistance, training, project proposal and site visit, project review, loan disbursement, repayment monitoring and advisory services, and evaluation. This process must be at least as detailed and rigorous as that described on pages 26-31 of the February, 1988, unsolicited proposal for the Small Enterprise Development and Training Project from OICI. Priority will be given to prospective borrowers who engage in small-scale, labor-intensive production using local inputs such as carpentry, furniture production, masonry, shoe production and repair, gara making, automotive repair, agricultural tool making, and food processing. No credit will be available for agricultural production activities. The SEDF staff must conduct

a market demand analysis to determine commercial areas of priority focus before the revolving fund begins loan operations. The Grantee shall require that all prospective borrowers applying for revolving fund loans have a personal guarantee that the principal and interest on a particular loan will be fully repaid. This guarantee must be in the form of a legally binding document signed by the guarantor establishing his or her responsibility. OIGI further shall require that all SEDF borrowers put up a small percentage of the total requested loan financing, the percentage to be determined on a case-by-case basis. The SEDF branch's Management Committee will make the final loan approval decision.

To facilitate sound management, accurate accounting, and prudent planning, the Grantee shall break down total operating costs of SEDF activities in order to calculate the cost of credit and banking services versus the cost of training as a percent of outstanding loans. A breakdown of 75 percent attributable to training and 25 percent attributable to credit and banking is deemed reasonable in prospect, but the Grantee must confirm and continually verify the reasonableness of this breakdown.

3. Management and Business Development Skills Training and Services

The Grantee shall improve and expand the management and business development skills training program and services so that, at the end of this activity, 710 micro- and small-scale entrepreneurs, private sector personnel, parastatal employees, selected SEDF personnel, and OIG vocational-technical trainees are trained in appropriate business and credit management skills. To this end the Grantee will:

- upgrade the Management and Business Development (MBD) Center of OIG in Freetown. It will continue courses in bookkeeping and accounting, inventory control, managerial principles and decision making, leadership, and supervisory management to entrepreneurs in Sierra Leone's western area. It will commence training SEDF Program Managers and Business Counselors in small business development and in credit management and repayment principles. It further will commence a practical basic skills training program for vocational-technical training center trainees (discussed below). These new activities will be undertaken in conjunction with the Small Enterprise Development Coordinator at OIG'S national office (discussed below).
- train MBD Center staff in currently used subjects and in the important areas of credit management, loan application procedures, micro-enterprise business management, and new business startup;
- convene and train a management committee to develop program policies and procedures, liaise with private businesses and Government agencies, and oversee work of the Program Manager;

- renovate and equip MBD Center facilities for business management skills training with a classroom and a Resource Information Center containing background on small enterprise development, small scale industrial production techniques, and economic and financial information; and,
- develop management information system, training curricula, project performance tracking system, operations work plan, standard operating procedure, and public relations documents.

4. Vocational and Technical Training Programs

The Grantee will develop three vocational-technical OIC skills training programs at three OIC centers. It will upgrade the Bo Center to fulfill the needs of skilled labor and establish a center at Bonthe and one in the northern province in a town to be identified. Illustrative of subjects to be taught are: carpentry, electricity, masonry, auto mechanics, auto body repair work and auto panel heaters, secretarial sciences, agricultural surveying, fisheries, tailoring, and shoe making and repair. The Grantee will assure the training of no less than 1,220 persons in these and similar appropriate competency-based skills in vocational and technical areas for the purpose of job placement or self-employment. The Grantee also will provide these trainees with counseling, pre-vocational preparation, basic business management skills training, job placement or self-employment services, and follow up advice and support. The Grantee will assure that no less than 40 percent of the trainees are women.

The Grantee will train center staff to operate and manage their centers. It also will train a management committee for each center in OIC methods of community-based program management, strategic planning, public relations, liaising with local government and private sector representatives, and overseeing the center's Program Manager. The Grantee will renovate and equip each center to accommodate the center's training needs and include Resource Information Centers. It further will develop management information system, project performance tracking system, operations work plan, training curricula, standard operating procedures, and public relations documents.

5. National Office Upgrading

The Grantee will upgrade its Freetown national office from being primarily an administrative entity to functioning as a technical assistance center for the SEFs, MBD program, and the vocational-technical Centers. The Grantee will staff its national office with at least the following professional Sierra Leonean Personnel: an Executive Director, a Small Enterprise Development Coordinator, a Vocational Training Coordinator, a Finance Coordinator, and a Resource Mobilization Coordinator. The Grantee will train its national office professional and support staff in programmatic and financial management, business credit management, vocational training, and resource mobilization. The Grantee will renovate and fully equip its national office.

Also at the national level the Grantee will designate members of and convene a Board of Directors composed of selected personnel serving on the above-mentioned seven management committees, and of national leaders. The Grantee will train these Directors in development of national OIC plans and priorities, liaison with private business and Government representatives, and mobilization of national and international resources to sustain this activity's operations and create expansion opportunities.

The Grantee also will formulate and implement a resource mobilization plan to assure that adequate human, financial, and material resources are available for continuation of this activity's operations at the end of this Grant's financing.

C. SUPPORT ACTIVITIES

Grant-funded support for the above-described project operations to be arranged by the Grantee which are hereby incorporated as described in OICI's unsolicited proposal dated February 1988:

- two long-term technical assistance personnel, the expertise and responsibilities of which are described at page 36 and at pages 95 to 98 of the unsolicited proposal from OICI cited above. According to the June, 1988 Addendum to this document, the Program Advisor's term of service has been modified from five to six years. The Small Enterprise Development Advisor's term remains at four years.
- a Program Development Conference in Year One described at page 37 of the cited document.
- selected participant training described at page 37 of the cited document.
- OICI home office staff visits described at page 37 of the cited document.

D. PROJECT MANAGEMENT

The management of this project is described in detail in the February, 1988, proposal from OICI, pages 38-42. This management, as well as the implementation of the above described project activities and operations, will be facilitated by the two long-term technical assistance personnel.

E. RELATIONSHIPS AND RESPONSIBILITIES

1. The Grantee, primarily through the Program Advisor, will report and be directly responsible to the Director, AAO/Freetown. The Grantee must submit all technical communications, reports, and queries regarding programmatic and implementation decisions to the Director.

2. The Grantee will address all Grant issues and concerns to REDSO/WCA Grant Officer designated for this Grant.

3. The Cooperating Country Liaison Official is the Minister of Education, Freetown, Sierra Leone.

F. LOGISTIC SUPPORT

1. No logistic support will be provided by AAO/Freetown. The Grantee will provide for all its own logistic needs except office space which will be provided by the cooperating country.

2. The Grantee personnel will have access to the American Embassy diplomatic pouch for first class mail not to exceed 3 pounds in weight.

3. The long-term consultants will be allowed duty-free entry of a privately-owned vehicle, and the A.I.D. authorized weight limit of household effects one time during the first six months after their respective arrivals, provided that these goods are not left in nor sold in Sierra Leone. Duty-free entry of project-related materials and equipment will be allowed.