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UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
U.S.A.I.D. MISSION TO KENYA



UNITED STATES POSTAL ADDRESS
US AID MISSION TO KENYA
BOX 201
APO NEW YORK, NEW YORK 09675

INTERNATIONAL POSTAL ADDRESS
POST OFFICE BOX 30261
NAIROBI, KENYA

July 31, 1990

Mr. Paul Mugo Maina
Managing Director
Farming Systems Kenya, Ltd.
PO Box 2816
Nakuru

Subject: Grant No. ~~325-0236~~-G-00-0048

Dear Mr. Maina:

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 Farming Systems Kenya, Ltd. (herein after referred to as "Grantee") the sum of \$307,600 to provide support for a program in the development of smallholder agricultural training and credit as described in Attachment 1, the Schedule of this grant, and Attachment 2, entitled "Program Description." The Grantee anticipates that the total estimated grant will be increased to \$324,100, subject to availability of funds and to the mutual agreement of the parties on the terms of any amendment.

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 on the estimated completion date of July 31, 1993.

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

Please sign the original and four (4) copies of this letter to acknowledge your receipt of the grant, and return the original and three (3) copies of the entire document to the Human Resources Development Office, USAID/Kenya, P.O. Box 30261, Union Towers, Nairobi, Kenya.

Sincerely,

Maryanne Hourig-Bacot
for
Richard J. Womack
Grant Officer

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions

Acknowledged:

Farming Systems Kenya, Ltd.

By: *[Signature]*

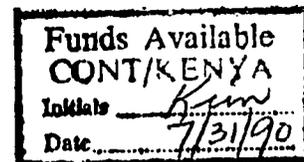
Typed Name: Mr. Paul Mugo Maina

Title: Managing Director

Date: 17/8/90

FISCAL DATA

Appropriation : 72-1101014
Budget Plan Code : GSSA-90-21615-KG13
PIO/T No. : 615-0236-3-00084
Project No. : 615-0236
Total Estimated Amount : \$324,100
Total Obligated Amount : \$307,600



9533N

FSK Grant
Grant No: 615-0236-G-00-0048
Dated: July 31, 1990

ATTACHMENT 1

SCHEDULE

A. PURPOSE OF GRANT

The purpose of this Grant is to provide support to Farming Systems Kenya, Ltd. for a project on smallholder training and credit as more specifically described in Attachment 2 to this Grant entitled, "Program Description".

B. PERIOD OF GRANT

The effective date of this Grant is the date of signature of the Grant. The estimated expiration of this Grant is July 31, 1993.

C. AMOUNT OF GRANT AND PAYMENT

1. A.I.D. hereby obligates the amount of \$307,600 for purposes of this Grant.
2. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 4, entitled, "Cash Advance Guidance".

D. FINANCIAL PLAN

The budget for this Grant is set forth in Annex 1 to this attachment. Revisions to this plan shall be made in accordance with the Standard provision of this Grant, entitled, "Revision of Grant Budget". The Grantee is fully responsible for financial management and accountability for utilization of Grant funds.

E. REPORTING AND EVALUATION

During the life of the Grant, the Grantee will submit to USAID/Kenya Human Resources Development Office the following reports:

1. Technical Reporting

On a quarterly basis, a report will be submitted on project progress and on problems encountered to date in achievement of Grant objectives. The quarterly report will include a general assessment of progress and problems to date; a brief narrative status report on each of the activities and, to the extent possible, a quantitative summary of the achievement of output indicators of outputs as identified in the project logical framework; a brief summary of actions planned for the next period; a description of all goods and services (including amount and source and origin) whose source and origin are not Kenya or the United States; and a table showing all personnel directly financed under this Grant. These reports will contain both quantitative and qualitative information to the extent possible. The first such report will cover the period ending November 30, 1990. Each such report is due 30 days following the end of the reporting period and will be submitted in three (3) copies.

2. Financial Reporting

Financial reporting by the Grantee will be in accordance with the procedures set forth in Attachment 3 - Optional Standard Provision 2, entitled, "Payment -Periodic Advance". All financial reports required by that provision shall be submitted to the Financial Management Specialist, PVO Co-Financing Project, USAID/Kenya, PO Box 30261, Nairobi, Kenya.

The Grantee agrees to consult with the HRD Office concerning further details for submitting all financial reports and estimates.

3. Final Report

A final progress and financial report is required in lieu of the last quarterly report. It will include a comprehensive review and discussion of project activities and achievements. This report will be due 30 days after the estimated expiration date of the Grant.

4. Evaluation

A mid-term evaluation of the entire project will be conducted in the 6th quarter of the project. Two months prior to conducting this evaluation, a scope of

work will be provided to USAID/Kenya for review and comments. USAID reserves the right to participate in the evaluation. The Grantee will submit three (3) copies of the evaluation report to USAID within 30 days of report completion.

A final evaluation of the entire project will be conducted in the 12th quarter of the project. Two months prior to conducting this evaluation, a scope of work will be provided to USAID/Kenya for review and comments. USAID reserves the right to participate in the evaluation. The Grantee will submit three (3) copies of the evaluation report to USAID within 30 days of report completion.

F. SPECIAL PROVISIONS

1. DDC Approval

No funds shall be disbursed under this grant until A.I.D. has received written approval of the project by the District Development Committee of Nakuru district. Written approval shall take the form of the minutes of the DDC meeting during which the project was discussed and approved, or such other documentation satisfactory to A.I.D. USAID will notify the Grantee in writing when it has accepted the required Government of Kenya written approval.

2. Purchase and Use of Pesticides

Prior to procurement of pesticides by this project, a detailed analysis will be carried out by the USAID Regional Pesticide Advisor of the comprehensive pesticide list already provided by the proposal. For Class I (The most toxic) and II pesticides, less toxic alternatives will be identified where feasible. Where identified, these less toxic pesticides will be used by the project in place of their more toxic alternatives. In all cases, pesticide applicators will be trained and protective clothing provided to them as per Label Instructions. This analysis and any recommendations contained within will be legally binding on the part of the Grantee.

3. Religious Activities

No funds allocated under this grant shall be used for activities of a religious nature. Such activities may include, but are not limited to: selection of participants or hiring of staff based on religious affiliation; proselytizing or evangelizing; requiring participation in prayer or other religious activities as a condition for receiving services; etc.. Use of grant funds for such activities may result in termination of the grant agreement.

G. AUTHORIZED SOURCE AND ORIGIN FOR GOODS AND SERVICES

Goods and services financed by A.I.D. under this Grant shall have their source and origin in countries contained in A.I.D. Geographic Code 935 in accordance with the order of preference rules specified in section (b) (1) of the Standard Provision of this Grant entitled, "Eligibility Rules for Goods and Services". (see Annex 2 to this Attachment for details on countries covered in A.I.D. Geographic Codes).

9536N

ATTACHMENT 2

FARMINGS SYSTEMS KENYA, LTD.

PROGRAM DESCRIPTION

Introduction

With a broad goal of increasing the overall productivity and profitability of agriculture and enhancing food self-security, the grant's purpose is to assist Farming Systems Kenya, Ltd. (FSK), a Kenyan NGO, to increase smallholder incomes in the Nakuru district through a program of training and credit.

FSK was established in 1981 as an independent affiliate of the African Inland Church in Nakuru district. Its primary objective is to assist smallholder farmers to undertake agriculture with a business motivation. Since its inception, FSK has served 900 farmers through training and extension, provision of in-kind credit, and market advisory services. To complement the promotion of business techniques among local farmers, FSK's management has a strong orientation towards the business-like operation and financial self-sustainability of the NGO itself.

The Project

The FSK project will run for a period of three years. Specifically, the project seeks to:

- * Train farmers in crop and livestock production techniques.
- * Train farmers in record keeping and credit management.
- * Provide in-kind loans for seed, fertilizer, and heifers.
- * Advise farmers on market conditions and provide some marketing and supply services.

The project will be implemented continuously over the three years. Training will be carried out in the form of two days of classroom sessions, plus follow-up field days and visits with individual farmers. Training will be carried out by FSK staff, with assistance from experts from relevant government ministries and universities. Credit is provided to trained farmers who meet technical criteria. Credit is intended to cover costs that are not within farmers' reach but that are crucial to meeting their production goals. Seed and heifer loans are paid back in-kind, plus a 10% to 25% interest contribution to enable revolving loans and to support loan

administration by FSK. Project implementation will include the computerization of FSK's loan management system. Marketing and market advisory services, currently provided on a limited basis, will also be computerized under the project.

In addition to implementing these basic project components, FSK will also purchase a tractor and sell it on a credit basis to a private company which it has recently helped to establish. The company will repay FSK for the tractor in cash plus interest, and will rent the tractor to smallholder farmers to assist in the preparation and harvest of their fields. This arrangement thus contributes both to FSK's financial security and to smallholders' productivity.

The project will be managed by the FSK Managing Director, supported by three technical and three accounting staff, plus clerical staff. FSK staff meet monthly to review, plan and schedule activities. FSK is supervised by an independent Board of Directors.

EOPS/Evaluation

Based on mid-term and final evaluations, success will be measured by the extent to which the project meets the following targets:

- * 2052 farmers trained, of whom at least 80% use improved crop techniques, 60% maintain zero-grazing units, and 80% keep records of farm inputs, produce, and sales.
- * 1026 farmers receive in-kind credit, maintaining an repayment rate of at least 90%.
- * Average yields increase as follows:

Produce	Yield Increase From...	To...
Maize	15 bags/acre	30 bags/acre
Potatoes	100 bags/acre	180 bags/acre
Beans	4 bags/acre	8 bags/acre
Tomatoes	5,000 kg/acre	10,000 kg/acre
Milk	7 kg/day	10 kg/day

FSK uses and trains farmers in a detailed data collection and management system, which will allow the reporting of information on levels of participation, impacts on production, and impacts on income or quality of life. FSK's monitoring and evaluation systems will be further improved by computerization and by interaction with USAID technical offices and local universities.

Funding:

This grant will be for three years. Total project cost is estimated at \$498,990, with USAID's contribution estimated at \$307,600. The Grantee anticipates that the total estimated grant will be increased to \$324,100, subject to availability of funds and to the mutual agreement of the parties on the terms of any amendment. USAID's contribution will cover local costs, such as personnel, commodities and equipment, farm inputs and heifers, operations, training, and evaluation and consultation. Certain supplies and equipment may require dollar payment.

FSK will provide the Kenya shilling equivalent, in cash and in-kind, of approximately \$174,890 for a portion of each of the cost categories listed above. This contribution represents 35% of the total project cost.

Note: A more complete project description is contained in the project proposal, available in the Human Resource Development Office, USAID/Kenya. However, if any provisions of the grant document conflict with those in the final proposal (with revisions, if any), the grant provisions will govern.

FSK Grant
Grant No 615-0236-G-00-0048
Dated July 31, 1990

ANNEX 1 TO ATTACHMENT 1

Estimated Grant Budget
(US \$)
From August 1, 1990 to July 31, 1993

BUDGET ELEMENT	USAID		FSK/FARMERS	TOTAL
	THIS OBLIG	LOP1		
Personnel	76,058	76,058	2,664	78,722
Commodities and Equipment	80,000	80,000	4,400	84,400
Farm Inputs and Heifers	105,989	122,489	162,206	284,695
Operating Expenses	32,544	32,544	3,880	36,424
Training	5,652	5,652	870	6,522
Evaluation and Consulting	7,357	7,357	870	8,227
TOTAL	307,600	324,100	174,890	498,990

Conversion rate for Kenya Shillings: Ksh 23.00 = US\$ 1.00

1. Subject to availability of funds and to the mutual agreement of the parties on the terms of any amendment.

ANNEX 2
to ATTACHMENT 1

RELEVANT A.I.D. GEOGRAPHIC CODES

000 UNITED STATES

899 FREE WORLD

Any area or country in the Free World* excluding the cooperating country itself.

935 SPECIAL FREE WORLD

Any area or country in the Free World*, including the cooperating country itself.

941 SELECTED FREE WORLD

Any independent country in the Free World*, excluding the cooperating country itself and the following:

<u>Europe</u>		<u>Other</u>	
Andorra	Luxembourg	Angola	Mozambique
Austria	Malta	Australia	New Zealand
Belgium	Monaco	Bahamas	Qatar
Denmark	Netherlands	Bahrain	Saudi Arabia
Finland	Norway	Canada	Singapore
France	Portugal	China, Republic of (Taiwan)	South Africa
Germany, Federal Republic of (including West Berlin)	San Marino	Cyprus	United Arab Emirates
Ireland	Spain	Gabon	
Italy	Sweden	Greece	
Iceland	Switzerland	Hong Kong	
Liechtenstein	United Kingdom	Iraq	
	Vatican City	Japan	
	Yugoslavia	Kuwait	

*"Free World" excludes the following areas or countries:

Afghanistan, Albania, Bulgaria, Cambodia, Cuba, Czechoslovakia, Estonia, German Democratic Republic, Hungary, Iran, Laos, Latvia, Libya, Lithuania, Mongolia, North Korea, People's Democratic Republic of Yemen (South Yemen or Aden), People's Republic of China, Poland, Romania, Syria, Union of Soviet Socialist Republics, Viet Nam.

ATTACHMENT 3

STANDARD PROVISIONS

The Standard Provisions set forth as Attachment 3 of this Grant consist of the following Mandatory and Optional Standard Provisions marked by an "X", copies of which are attached and incorporated as part of this Grant.

1. MANDATORY STANDARD PROVISIONS FOR NON-NONGOVERNMENTAL GRANTEES

- (x) 1. Allowable Costs (May 1986)
- (x) 2. Accounting, Audit, and Records (May 1986)
- (x) 3. Refunds (May 1986)
- (x) 4. Revision of Grant Budget (May 1986)
- (x) 5. Termination and Suspension (May 1986)
- (x) 6. Disputes (November 1985)
- (x) 7. Ineligible Countries (May 1986)
- (x) 8. U.S. officials Not to Benefit (November 1985)
- (x) 9. Nonliability (November 1985)
- (x) 10. Amendment (November 1985)
- (x) 11. Notices (November 1985)

2. OPTIONAL STANDARD PROVISIONS FOR NON-U.S., NONGOVERNMENTAL GRANTEES

- () 1. Payment - Periodic Advance (November 1985)
- () 2. Payment - Cost Reimbursement (May 1986)
- (x) 3. Air Travel and Transportation (May 1986)
- (x) 4. Ocean Shipment of Goods (May 1986)
- (x) 5. Procurement of Goods and Services (May 1986)
- (x) 6. AID Eligibility Rules for Goods and Services (May 1986)
- (x) 7. Subagreements (May 1986)
- (x) 8. Local Cost Financing (May 1986)
- () 9. Patent Rights (May 1986)
- () 10. Publications (May 1986)

- (x) 11. Nondiscrimination (May 1986)
- (x) 12. Regulations Governing Employees (May 1986)
- () 13. Participant Training (May 1986)
- () 14. Voluntary Population Planning (August 1986)
- () 15. Protection of the Individual as a Research Subject
(November 1984)
- () 16. Negotiated Overhead Rates - Provisional (November 1984)

- () 17. Government Furnished Excess Personal Property
(November 1984)
- (x) 18. Title to and Use of Property (Grantee Title) (May 1986)
- () 19. Title to and Care of Property (U.S. Government Title)
(May 1986)
- () 20. Title to and Care of Property (Cooperating Country
Title) (November 1984)
- (x) 21. Cost Sharing (Matching) (May 1986)

CASH ADVANCE GUIDANCE

General Policy

USG cash advance policy, consistent with AID's cash management procedures, is premised on the principle that advances should not be granted unless absolutely essential since the cost of Treasury borrowing is a considerable burden on the U.S. taxpayer. When deemed to be essential, the amount of advances should not exceed the immediate minimum needs of the recipient. Treasury has defined minimum needs as being no more than a 30 day requirement of cash on hand. The time that it takes for the recipient to liquidate the advance is of no consequence when considering immediate disbursing needs.

Guidelines

The following guidelines should be used when considering the need for an advance to not-for-profit recipients.

- When an activity commences, the grantee will provide a projection of cash requirements over a specified period (normally 3 months/by month).
- Based on an analysis of this projection, the amount of the initial advance will be determined based on a 30 days' need from the date the advance is received by the grantee.
- Subsequent monthly advance requests should be submitted with enough lead time for processing within AID and delivery of a check to the recipient. The new request should include an updated cash requirement projection as long as 'the 30 days' cash on hand' requirement is met.
- It may take AID as long as 30 days to process this request and deliver a check. Therefore, for example the grantee should submit a request for an advance by the last week of August for cash needs of October. The check would be put in the grantee's account as close to October 1 as possible. Therefore, at that point in time the grantee would have 30 days' cash on hand. By the end of October the grantee would be running out of cash but would soon receive the November advance requested at the end of September. The key is that 30 days' needs are not exceeded.

Within 30 days following the end of each month, a Grant Financial report is required. This report will include a consolidated report of grant expenditures which shows by budget line item: amount budgeted per the financial plan, amount expended for the month's period under consideration, total cumulative amount expended, and remaining balance per line item. See sample format attached entitled "Expenditure Report". Failure to submit such a report as required may preclude the issuance of further advances.

Documentation

The following is a list of what is required prior to approving a cash advance and should be circulated with the initial advance voucher:

- A written request every month from the entity desiring the advance which would include:
 - a detailed budget of eligible project activities covering the period of the proposed advance (see sample format attached entitled "Statement of Certified Cash Needed"),
 - identification of the separate bank account where the advance will be placed,
 - a properly executed Standard Form 1034 (Public Voucher for Purchases and Services other than Personal). Copies of SF1034 are attached.

(Name of PVO/NGO)

REQUEST FOR CASH ADVANCE

PERIOD: _____ TO _____
GRANT NO: _____

	KSHS.
1. Amount Authorized	_____
2. Total Cash Advances Received	_____
3. Total Disbursements to Date	_____
4. Accrued Payables to Date	_____
5. Unexpended Cash Advances (2-(3+4))	_____
6. Cash Requirement for this period	_____
7. Cash Advance Requested (6-5)	_____

Details of Projected Expenditures
for the period:
(as per approved budget line items*)

MONTHLY BREAKDOWN

	1	2	3
A. Personnel Costs	_____	_____	_____
B. Equipment & Commodities	_____	_____	_____
C. Training	_____	_____	_____
D. Administrative Costs	_____	_____	_____

Total Required for the Period

The undersigned hereby certifies: 1) that the above represents the best estimates of funds needed for expenditures to be incurred over the period described; 2) that expenses under any previous advances are progressing in accordance with projections; 3) that appropriate refund or credit to the grant will be made in the event funds are not expended; 4) that appropriate refund will be made in the event of disallowance in accordance with the terms of this grant and, 5) that any interest accrued on the funds made available herein will be refunded to USAID.

By: _____

Signed: _____
Project Officer/Authorized Representative

Date: _____

NOTE: One (1) copy of the Request for Cash Advance should be submitted to the Office of the Controller, USAID/Kenya thirty (30) days before the start of the period of the advance described.

*The breakdown of budget line items should be as per the approved budget. The categories shown above are illustrative only. Details supporting the individual line item should be provided on a separate page(s).

PVO/NGO FORM 4

(Name of PVO/NGO)

MONTHLY EXPENDITURE REPORT

PERIOD _____ TO _____
GRANT NO _____

Budget Items*	Approved Budget L O P	GRANT FUNDS		Total Disbursement	Unexpended Balance	COUNTERPART FUNDS		Total Disbursement
		Advances Cumulative	Disbursements This period			Approved Budget L O P	Disbursements This Period	
1. Personnel Costs								
2. Equipment & Commodities								
3. Training								
4. Admin. Costs								

I, the undersigned, hereby certify that: 1) the expenditures claimed under the cited agreement are proper and due and that appropriate refund to USAID will be made promptly upon request of USAID in the event of non-performance, in whole or in part, under the terms of the agreement; 2) that the information on the Fiscal Report is correct and such detailed supporting information as USAID may require will be furnished at the grantee's home office, as appropriate; and 3) that all requirements called for by the agreement to date of this certification have been met.

By: _____

Signed: _____

Project Officer/Authorized Representative

Date: _____

NOTE: One (1) copy of the Expenditure Report should be submitted to the Office of the Controller, USAID/Kenya within thirty (30) days after the end of the period covered by the advance.

*The breakdown of budget line items should be as per the approved budget. The categories shown above are illustrative only. Details supporting individual line item should be provided on a separate page(s).