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AGENCY FOR INTERNATIONAL DEVELOPMENT  
UNITED STATES A. I. D. MISSION TO BELIZE  
EMBASSY OF THE UNITED STATES OF AMERICA  
BELIZE CITY, BELIZE, CENTRAL AMERICA

March 27, 1990

Mr. Jose Matus  
Chairman, Board of Directors  
National Development Foundation of Belize  
109 Cemetery Road  
Belize City

Subject: Grant No. 505-0011-OPG-0001-00

Dear Mr. Matus:

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 National Development Foundation of Belize (hereby referred to as the "NDFB" or "Grantee") the sum of \$200,000 to provide support for a program in expanding and strengthening the lower levels of the private sector, i.e. the micro and small scale entrepreneurs, and create a more solid base for their development and that of the overall private sector, through the provision of credit, business training and technical assistance. A major objective of this grant is to assist NDFB to achieve self-sustainability in the early 1990s.

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 December 1, 1989 and ending September 30, 1992. The total estimated amount of this Agreement will be \$850,000 over the thirty-four month period.

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

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March 27, 1990

Please sign the original and two (2) copies of this letter to acknowledge your receipt of the grant, and return the original and one (1) copy to USAID/Belize.

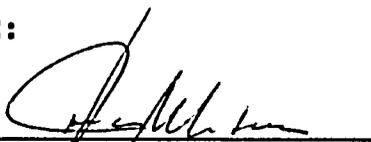
Sincerely,



Mosina H. Jordan  
A.I.D. Representative

ACCEPTANCE:

By:



Mr. Jose Matus

Title: Chairman of the Board  
National Development Foundation  
of Belize

Date:

April 03, 1990

Appropriation : 72-1101021  
Budget Plan Code : LDSA-90-25505-KG13  
Control No. : A010207  
Project Number : 505-0011  
This Obligation : \$200,000  
Total Obligated Amount: \$200,000

SCHEDULE

A. Purpose of Agreement

The purpose of this Agreement is to expand and strengthen the lower levels of the private sector through the provision of credit, business training and technical assistance to micro- and small-scale entrepreneurs. A major objective of this Grant is to assist NDFB in achieving self-sustainability in the early 1990s. A.I.D. assistance is being provided with the understanding that NDFB will have to cover a growing portion of its operational costs, and self-sustainability will be included as a project benchmark or target to measure NDFB's progress in reducing reliance on external support for its operating expenses.

B. Period of Agreement

1. The effective date of the Grant is March 27, 1990. The expiration date of this Agreement is September 30, 1992.
2. Funds obligated hereunder are available for program expenditures for the period from December 1, 1989 to September 30, 1992, as shown in the Illustrative Financial Plan below.

C. Amount of Agreement and Payment

1. The total estimated amount of this Agreement for the period December 1, 1989 to September 30, 1992 is \$850,000.
2. A.I.D. hereby obligates the amount of \$200,000 for program expenditures during the period set forth in B.2 above and as shown in Table 2 - Financial Plan below.
3. Payment shall be made to the Grantee in accordance with procedures set forth in the Standard Provision entitled "Payment - Periodic Advance" and "Payment - Cost Reimbursement" in Attachment 3, Standard Provisions for Non-U.S. Nongovernmental Grantees.

4. Additional funds up to the total amount of the Agreement shown in C.1 above may be obligated by A.I.D. subject to the availability of A.I.D. funds, and to the requirements of the Standard Provision of the Grant entitled "Revision of Grant Budget".

D. Financial Plan

1. The illustrative breakdown of A.I.D. support to NDFB under this Grant, on a yearly basis, is provided in Table 1 below. The breakdown indicates that A.I.D. support for NDFB's operational costs would be on a declining basis, culminating with no A.I.D. funding for NDFB administrative and operating costs in the final year.

Table 1  
Illustrative Breakdown of A.I.D. Support to  
NDFB Phase III Program, FY 90-92, by Year

(in \$000)

	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>TOTAL</u>
Administration (salaries & office costs)	110	100	0	210
Operations	20	0	0	20
Commodities/Capital (Property)	0	0	0	0
Tech. Ass. & Training	15	0	0	15
Int'l Travel & Consultancy	15	0	0	15
Evaluation	0	0	20	20
Revolving Loan Fund	<u>165</u>	<u>200</u>	<u>205</u>	<u>570</u>
TOTAL	325 =====	300 =====	225 ====	850 =====

2. The Financial Plan for this Grant, including local cost financing items, if authorized, is shown in Table 2 below. Revisions to this Plan shall be in accordance with the Standard Provision of this Grant, entitled "Revision of Financial Plans". Actual expenditures may vary up to 15% from the line item amounts presented below, except that A.I.D. funding for administrative and operating costs shall be lower in Year 2 than in Year 1, and will be zero (0) in Year 3. Any variation in excess of 15% must be approved, in advance, by the A.I.D. Representative.

Table 2  
Financial Plan, NDFB Program  
December 1, 1989-September 30, 1992  
(in US \$000)

<u>Line Item</u>	<u>This</u>	<u>Total Estimated</u>			<u>Total</u>
	<u>Obligation</u>	<u>Amount (All Years)</u>			
	<u>A.I.D.</u>	<u>A.I.D.</u>	<u>NDFB</u>	<u>Others</u>	
Administration (salaries & office costs)	70	210	301	0	511
Operations	15	20	103	0	123
Commodities	0	0	22	0	22
Capital (Property)	0	0	63	62	125
Tech. Ass. & Training	10	15	0	237	252
Int'l Travel & Consultancy	5	15	0	0	15
Evaluation	0	20	0	0	20
Revolving Loan Fund	<u>100</u>	<u>570</u>	<u>1,782</u>	<u>648</u>	<u>3,000</u>
	<u>200</u>	<u>850</u>	<u>2,271</u>	<u>947</u>	<u>4,068</u>

3. A.I.D. grant funds shall be maintained in a separate bank account and shall be accounted for separately from other funds.

E. Reporting and Evaluation

1. Financial Status Report. The financial reporting requirements are detailed in the Standard Provision entitled Payment-Periodic Advance and Payment-Cost Reimbursement, of the attached Standard Provisions. In accordance with this provision, the financial reports entitled "Public Voucher for Purchases and Services other than Personal", SF-1034, and "Federal Cash Advance Status Report", W-245, shall be submitted to A.I.D. on a quarterly or more frequent basis.

2. Program Progress Reports. The Grantee shall monitor performance under the Agreement and ensure that time schedules are being met, projected work units by time periods are being accomplished, and other performance goals are being achieved. Based upon this monitoring, the Grantee shall submit quarterly performance reports to USAID that present the following information for each activity under the Agreement:

- a) A complete list of program, institutional and self-sustainability targets for the quarter being reported. Program targets should include number of beneficiaries, number of jobs protected and created, businesses assisted, loans made, loan portfolio value, and other targets mutually agreed to by the Grantee and USAID,

as indicated in the Program Amendment Description (Attachment 2);

- b) Financial reports as NDFB and USAID may mutually agree upon;
- c) Reasons why established targets were not met;
- d) Adequacy of remaining funds to reach goals; and,
- e) Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit cost.

The Grantee shall submit the quarterly performance reports to USAID's Project Development Office. If any performance review discloses the need for change in the budget estimates, in accordance with the criteria established in Standard Provision entitled "Revision of Grant Budget", the Grantee shall submit a request for budget revision.

3. Evaluations. An evaluation of the program will be undertaken twenty-four months after initiation of activities. The major objective of this evaluation is to assess the NDFB Program's impact, efficiency and effectiveness in assisting micro and small entrepreneurs and the prospects for NDFB achievement of self-sustainability. The specific elements of the evaluation will be mutually agreed to by NDFB and USAID. The evaluation will be financed by this grant.

F. Overhead. The grant will not finance any overhead costs.

G. Special Provisions

Standard Provisions for Non-U.S., Nongovernmental Grantees are contained in Attachment 3. All Standard Provisions apply to this grant, except for those listed below.

- 7 Subagreements
- 9 Patents Rights
- 13 Participant Training
- 14 Voluntary Population Planning
- 15 Protection of the Individual as a Research Subject
- 16 Negotiated Overhead Rates
- 18 Title To and Use of Property (U.S. Government)
- 19 Title To and Use of Property (Cooperating Country)

H. Title to Property

Title to all property financed under this grant shall vest in the Grantee, subject to the conditions stipulated in Standard

Provision No. 29A, Title To and Use of Property (Grantee Title).

I. Authorized Geographic Code

The Authorized Geographic Code for procurement of goods and services under this Grant is 000, the United States, or Belize, except as A.I.D. may otherwise agree in writing.

NATIONAL DEVELOPMENT FOUNDATION OF BELIZE  
PROGRAM AMENDMENT DESCRIPTION

This Program Amendment Description provides a summary of the proposed outputs and financing requirements of the National Development Foundation of Belize's (NDFB) Phase III program for which USAID grant assistance will be provided during FY 1990-1992. It also provides background information on the performance and accomplishments of NDFB during Phase I (the Pilot Phase from September 1983-September 1986) and Phase II (the Growth and Consolidation Phase, ending September 1989). The Phase III program is aimed at enhancing the Foundation's institutional and financial growth to enable achievement of self-sustainability in the early 1990s.

1. Project Goal and Purpose. The overall project goal is to assist the country in achieving long-term, sustainable economic growth. The project purpose is to expand and strengthen the lower levels of the Belizean private sector through the provision of credit, business training and technical assistance to micro and small entrepreneurs (MSE), including small farmers. A major objective for USAID's assistance to the NDFB during FY 90-92 is to enhance the Foundation's prospects for achieving self-sustainability.

NDFB's target group includes entrepreneurs and farmers with assets of no more than \$25,000\*, although 95% of its clients have assets valued at \$12,500 or less. The MSE sector is a significant economic group in Belize, being extensively involved in small-scale agriculture, manufacturing, processing, retailing and other essential services. The MSEs are also a major source of jobs and income for many low-income households. Yet, the great majority of this sector has limited or no access to formal credit institutions, partly due to the banking institutions' concerns about high transaction costs and perceived high risks associated with MSE lending and partly due to the banks' excessive collateral requirements. A 1988 USAID-financed survey of small enterprises and small farmers indicated that there are at least 9,000 small and micro-enterprises, excluding retail businesses, and small farm holdings in Belize with an unmet potential credit demand for productive activities of over \$11.5 million.

2. Background and Status of the NDFB Program

A. Background. The NDFB was established in 1983 by several Belizeans, with technical assistance from the Pan American Development Foundation (PADF), to promote and encourage the development and growth of the local private sector through the

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\* all amounts are in U.S. dollars

provision of business guidance, technical assistance and credit to small entrepreneurs with limited or no access to formal financial institutions.

NDFB's members, who contribute both time and money to the Foundation, come from a cross section of the local private sector. NDFB's policies are set by the 13-member Board of Directors who are elected at the annual general meetings. Policy is implemented by sub-committees, namely, the Loans Committee, which monitors the application of the Foundation's loan policy, and the Executive and Fundraising Committees, which deal with administrative and financial matters, respectively. NDFB has a staff of 14 full-time employees headed by the Managing Director.

NDFB operates countrywide, with 44% of NDFB's loans provided to entrepreneurs in the Belize district, 22% in the two Northern districts, 25% in the Cayo district and 9% in the two Southern districts. NDFB has been taking steps to further broaden and improve its outreach capacity, including increasing the number of its field extension officers. The loans have financed, among others, short-term agricultural and agribusiness activities, furniture- and woodwork-making, garment manufacturing and tailoring, retailing and distribution, repairs and servicing, tourism-related operations and crafts production.

An essential ingredient of the NDFB Program is the provision of technical assistance and training (TAT) to target clients. NDFB places strong emphasis on attitudinal changes towards financial/business responsibility, self-help development and self-dependence. Although the impact from such assistance to its clients cannot be directly quantified, the beneficial results from TAT are evident in terms of the quality of the program, the increasing loan portfolio level, low arrearages (NDFB officially cites a 6.3% arrears rate), and widespread community support for the Foundation.

NDFB's interest rate on loans is 12%, normally charged up front. Hence, the effective rate of interest is relatively higher than, or at least competitive to what the commercial banks charge. However, this is justified by the higher risks involved and the higher costs of follow-up technical assistance, monitoring and training provided by NDFB to its clients.

B. Support from USAID and Other Institutions. During NDFB's Phase I program, USAID provided a \$142,000 grant to PADF to provide technical assistance and commodities to the Foundation. USAID and the GOB also provided another \$388,000 grant from the ESF local currency program for NDFB's revolving loan fund and administrative and operational costs.

During Phase II, USAID provided an additional \$730,000 grant to NDFB for operational support and the revolving loan fund. NDFB also received a \$175,000 concessional loan, at 5% interest, from the GOB/USAID ESF Local Currency Program during this period.

NDFB has received financial support and technical assistance from other institutions, including the Inter-American Development Foundation, the European Economic Community (EEC), the Foundation for International Training (FIT) and several other international PVOs. It has collaborated with other local PVOs such as the Belize Enterprise for Sustained Technology, Belize Association for Rural Development and the Council for Voluntary Social Services in programs for small entrepreneur and farmer credit. It has maintained healthy working relationships with the GOB, business community and other external agencies.

C. Performance. At the end of Phase II in September 1989, the value of NDFB's loan portfolio reached \$1.15 million. The total value of disbursed NDFB loans since its inception amounted to \$1.894 million for 1,025 projects/loans. These loans protected or affected some 1,800 jobs, including 352 jobs which were created. Women accounted for some 17% of NDFB's clients. Over 6,000 low-income Belizeans were directly or indirectly benefitted by the NDFB Program. Key indicators on the performance of the NDFB Program are provided in Table 1.

Table 1  
NDFB Performance Indicators, 1983-1989\*

	Phase I (FY 84-86)	Phase II (FY 87-89)	TOTAL
1. Direct beneficiaries/borrowers	270	918	1,188
- of w/c beneficiaries are women	44	157	201
2. No. of new jobs created	126	226	352
3. No. of jobs protected/saved	342	1,104	1,446
4. No. of loans approved	316	853	1,169
- amount (\$000)	502	1,791	2,293
- average size (\$)	1,588	2,100	1,961
6. No. of loans disbursed	270	755	1,025
- amount (\$000)	445	1,450	1,895
- average size	1,648	1,921	1,849
7. Loan portfolio value, end-of-period (\$000)	358	1,150	1,150
8. New Foundation members	49	16	65
9. NDFB locally-raised funds (\$000)	82	50	132

\* NDFB Fiscal Year is from October-September

### 3. NDFB Self-sustainability Program

While NDFB has performed well and achieved most targets during its first six years of operations, it still lacks the resources to be self-sustaining. Its income from loan reflows remain inadequate to support program and operational costs which are required for the effective delivery of financial and technical assistance to target clients.

As of end-September, 1989, the NDFB was 58% self-sufficient, i.e., its own income cover only about half its current expenditures. To improve financial self-sufficiency, NDFB has to generate more income from its lending operations by increasing the loan portfolio and/or increasing the interest rate. Increasing the interest rate is less desirable since NDFB's lending rate is already above what the commercial banks charge. Thus, NDFB is striving to increase its current loan portfolio of \$1.15 million in order to generate sufficient income to cover all its operational and administrative costs, including TAT costs.

A major objective of the Phase III program, therefore, is to enhance the Foundation's institutional and financial growth to facilitate self-sustainability in the early 1990s. The NDFB's main thrust during this period is to strengthen and increase its loan portfolio. This self-sustainability program will require external funding for administrative costs during the initial two years of Phase III, thereby allowing NDFB to augment its revolving loan fund without having to use loan reflows to cover operating expenses. A loan portfolio value of over \$2.0 million by the end of the second year will enable NDFB to generate income adequate to cover its entire current expenditures and at least three-fourths of technical assistance and training costs by the end of Phase III.

USAID proposes to help NDFB on its self-sustainability program by providing a total grant of US\$850,000 during FY 90-92. The assistance is being provided with the understanding that NDFB will have to cover a growing portion of its operational costs, and self-sustainability will be included as a project benchmark or target to measure NDFB's progress in reducing reliance on external support for current expenditures.

A. Phase III Program Targets. While financial and institutional self-sustainability is the Phase III program's overriding objective, the Foundation aims to achieve this without reducing its capability to serve its target MSE clients. During Phase III, NDFB expects to provide 400 loans, valued at \$1 million, yearly. This will enable NDFB to directly assist 1,500 micro and small entrepreneurs, protect or save 2,400 jobs and create 375 new ones during the three-year period. Some 25% of NDFB's direct beneficiaries or borrowers

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will be women. The Phase III women-borrowers target is significantly higher than the 17% level actually reached during the past six years.

NDFB's average loan size is expected to increase from \$1,921 in Phase II to \$2,500 during Phase III. The main reason for the higher average loan size is that NDFB, in order to enhance its income, will start providing more loans to clients who belong to the so-called "gap group", i.e., small entrepreneurs having slightly larger assets and greater credit requirements than the average NDFB borrower, but with limited access to banking institutions. This would result in larger loan size per borrower in the "gap group" and lower average cost for NDFB per dollar loan. However, it is expected that the smaller entrepreneurs (those with assets less than \$12,500) will continue to constitute the majority of NDFB's clientele during the period. Some 60% of NDFB's loans are expected to be \$2,500 or less.

The value of NDFB's loan portfolio is projected to double from \$1.15 million in September 1989 to \$2.368 million by the end of Phase III. This will be achieved as a result of the grant assistance from USAID and the European Community, and concessional credit from the GOB's ESF Local Currency program, the Belize Chamber of Commerce and Industry (BCCI) and other sources yet to be identified.

It is projected that by the end of Phase III, NDFB's income (interest, fund-raising and other fees) will cover 93% of all its current expenditures. While not 100% self-sufficient, this level is equivalent to NDFB being able to cover its entire operating expenses and 75% of TAT costs. The latter is a major cost item for which NDFB has had to rely on grant assistance since it is an expensive yet essential ingredient for a successful MSE program. The increasing loan portfolio value will enable the Foundation to continue generating sufficient income to cover its operating expenses as well as provide sufficient reflows to allow it to lend at least \$1 million annually after the Phase III program.

A summary of the estimated project outputs/targets and self-sustainability benchmarks for the Phase III program is provided in Table 2.

Table 2  
Estimated Project Outputs/Targets, FY 90-92  
(on a cumulative basis)

	<u>FY 89/90</u>	<u>FY 90/91</u>	<u>FY 91/92</u>
<u>Program Outputs</u>			
1. Direct beneficiaries/borrowers	500	1,000	1,500
- of which beneficiaries are women	125	250	375
2. No. of jobs protected/saved	800	1,600	2,400
3. No. of new jobs created	125	250	375
4. No. of new businesses assisted	50	100	150
5. No. of loans approved	400	800	1,200
- amount (\$000)	1,000	2,000	3,000
- average size (\$)	2,500	2,500	2,500
6. No. of loans disbursed	400	800	1,200
- amount (\$000)	1,000	2,000	3,000
- average size (\$)	2,500	2,500	2,500
<u>Institutional Targets</u>			
7. New Foundation members	15	35	50
8. NDFB locally-raised funds (\$000)	25	50	75
<u>Self-sustainability Targets</u>			
9. Loan portfolio value, end-of period (\$000)	1,686	2,096	2,368
10. USAID funding of NDFB's program/operating expenses	45%	27%	0%
11. NDFB self-sustainability rate*	58%	67%	93%

\* self-sustainability rate refers to the percentage of all administrative and program costs (including those for technical assistance, training, capital investment, travel and consultancy but excluding evaluation) which are being financed or covered by NDFB income from the credit program, local fund-raising and other fees.

B. Financial Requirements. The Phase III program will require a total of \$4.068 million during the three-year period. Of this amount, \$3.0 million will be for the revolving loan fund and \$1.068 million will be for administrative and program operating expenses and a capital investment for a Foundation building. NDFB is expected to provide \$2.316 million or 57% of the total financial requirements. The balance will come from USAID (\$850,000 or 21%) and other sources (\$902,000 or 22%). At least \$391,000 or 43% of external financing to be provided by non-USAID sources has already been identified by NDFB.

Based on NDFB's financial projections, the first year of Phase III will not be very difficult for NDFB because it already has obtained "firm" commitments from external donors, including the EEC, GOB, BCCI, FIT and USAID. This will enable the Foundation to acquire land (including reclamation), valued at \$62,500, during the first year of Phase III. NDFB will be securing funds from other sources to help construct a new building which will house its offices as well as provide marketing outlets for clients and incubator space for hands-on management training. NDFB rental income from this capital investment will augment its earnings in the future and help cover part of the Foundation's operating costs after Phase III.

The major financing gaps for the last two years of NDFB's Phase III are for TAT costs and the revolving loan fund. NDFB is expected to tap international PVOs to provide assistance for its TAT activities. The financing gap for the loan fund mainly arises from the need to achieve a \$1.0 million a year lending program. NDFB is expected to secure grant or concessional credit funds from other donor agencies and/or institutional sources to cover the loan program's shortfall.

USAID's proposed grant assistance for NDFB's Phase III will include a total of \$260,000 for administrative and operating costs during the first two years, \$20,000 for evaluation in the third year, and a total of \$570,000 for loans over the three-year period. This breakdown is consistent with AID/Washington's guidance with respect to this project (89 State 259967), which recommended that USAID support for NDFB's operational costs be on a declining basis, culminating with no USAID funding for NDFB operating and overhead costs in the final year. The illustrative breakdown of USAID grant assistance by year is shown below.

Table 3  
Illustrative Breakdown of USAID Support to  
NDFB Phase III Program, FY 90-92, by Year

(in \$000)

	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>TOTAL</u>
Administration (salaries & office costs)	110	100	0	210
Operations	20	0	0	20
Commodities/Capital (Property)	0	0	0	0
Tech. Ass. & Training	15	0	0	15
Int'l Travel & Consultancy	15	0	0	15
Evaluation	0	0	20	20
Revolving Loan Fund	<u>165</u>	<u>200</u>	<u>205</u>	<u>570</u>
TOTAL	<u>325</u>	<u>300</u>	<u>225</u>	<u>850</u>

More detailed financial tables for NDFB's Phase III Program are provided in Annex 1.

Annex 1: Table A

NDFB Phase III Program, FY 90-92  
Budget Summary  
Estimated Disbursements  
(in \$000)

	<u>FY 89/90</u>	<u>FY 90/91</u>	<u>FY 91/92</u>	<u>TOTAL</u>
Administration (salaries & office costs)	152	175	184	511
Operations	39	41	43	123
Commodities	6	8	8	22
Capital (Property)	63	62	0	125
Technical Assistance & Training for clients	81	84	87	252
International Travel & Consultancy	15	0	0	15
Evaluation	0	0	20	20
Revolving Loan Fund	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>3,000</u>
TOTAL	<u>1,356</u>	<u>1,370</u>	<u>1,342</u>	<u>4,068</u>

## Annex 1: Table B

NDFB Phase III Program, FY 90-92  
Budget Summary  
 Sources of Funds  
 (in \$000)

	<u>USAID</u> (proposed)	<u>NDFB</u>	<u>OTHERS</u>	<u>TOTAL</u>
Administration (salaries & office costs)	210	301	0	511
Operations	20	103	0	123
Commodities	0	22	0	22
Capital (Property)	0	63	62	125
Technical Assistance & Training for clients	15	0	237*	252*
Evaluation	20	0	0	20
International Travel & Consultancy	15	0	0	15
Revolving Loan Fund	<u>570</u>	<u>1,782</u>	<u>648**</u>	<u>3,000**</u>
TOTAL	<u>850</u> ===	<u>2,271</u> =====	<u>947</u> ===	<u>4,068</u> =====
% distribution	21%	56%	23%	100%

\* FIT will provide 20; sources for the remaining balance (217) are still unidentified, but may likely be financed by possible NDFB surpluses;

\*\* EEC, BCCI and GOB-USAID ESF Local Currency will provide 246, 100 and 25, respectively; sources for the remaining balance (277) are still unidentified;

Annex 1: Table C

NDFB Phase III Program, FY 90-92  
Loan Funds Level and Portfolio Projections, End of FY  
(in \$000)

	<u>FY 89/90</u>	<u>FY 90/91</u>	<u>FY 91/92</u>
<b>A. <u>Loan Targets/Sources</u></b>			
Disbursed loan amount target	1,000	1,000	1,000
Less 5% bad debts provision on disbursed loans (NDFB provision)	50	50	50
Total loan funds available	950	950	950
Sources for which are:			
NDFB - reflows	414	540	678
USAID	165	200	205
EEC	246	0	0
GOB/USAID ESF local currency	25	0	0
BCCI credit fund	100	0	0
Others - still to be identified	0	210	67
Total	950	950	950
<b>B. <u>Projected Loan Portfolio Value</u></b>			
Loans outstanding (beginning)	1,150	1,686	2,096
Loan funds available	950	950	950
Less reflows used	414	540	678
Loan portfolio value	1,686	2,096	2,368

## Annex 1: Table D

NDFB Phase III Program, FY 90-92  
Projected Expenditure and Income Sources, by Year  
(in \$000)

A. Expenditure categories

	<u>FY 89/90</u>	<u>FY 90/91</u>	<u>FY 91/92</u>	<u>TOTAL</u>
Administration (salaries & office costs)	152	175	184	511
Operations	39	41	43	123
Commodities	6	8	8	22
Capital (Property)	63	62	0	125
Technical Assistance & Training for clients	81	84	87	252
Int'l Travel & Consultancy	15	0	0	15
Evaluation	0	0	20	20
Revolving Loan Fund (loans made and bad debt res.)	1,000	1,000	1,000	3,000
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<b>TOTAL</b>	<b>1,356</b>	<b>1,370</b>	<b>1,342</b>	<b>4,068</b>
	=====	=====	=====	=====

B. Sources

NDFB Interest Income	163	204	255	622
NDFB Local Fund Raising	25	25	25	75
NDFB Other Fees	20	20	20	60
NDFB Reflows	414	540	678	1,632
NDFB Reserves for bad debts	50	50	50	150
USAID Grant-Admin/Oper.	160	100	0	260
USAID Grant-Evaluation	0	0	20	20
USAID Grant-Rev. Loan Fund	165	200	205	570
GOB ESF Local Currency	25	0	0	25
EEC Credit Fund	246	0	0	246
BCCI Credit Fund	100	0	0	100
FIT - Tech. Ass. & Training	20	0	0	20
Other sources (still to be identified)	(32)*	231	89	288
	-----	-----	-----	-----
<b>TOTAL</b>	<b>1,356</b>	<b>1,370</b>	<b>1,342</b>	<b>4,068</b>
	=====	=====	=====	=====

\* estimated NDFB surplus which may be used to cover shortfall in the following year.

APPENDIX 4D  
MANDATORY STANDARD PROVISIONS FOR  
NON-U.S., NONGOVERNMENTAL GRANTEES

W

AMENDMENT NO. 3 TO THE  
MEMORANDUM OF UNDERSTANDING  
ON THE ECONOMIC STABILIZATION FUND (ESF)  
LOCAL CURRENCY PROGRAM

Article I. General Provisions

On February 28, 1985, the Government of Belize (GOB) and the Government of the United States of America, acting through the Agency for International Development (A.I.D.), signed a Loan and Grant Agreement for Economic Stabilization, which provided a loan in the amount of US\$13 million and a grant in the amount of US\$1 million to the GOB. Amendments to the Agreement on August 29, 1986, July 22, 1987 and September 24, 1987 had increased the loan amount to US\$15 million and the grant amount to US\$2.579 million.

The Memorandum of Understanding (MOU), originally signed on June 7, 1985, sets forth the arrangements regarding the use of local currency generated under the ESF Loan for Economic Stabilization. The purpose of Amendment No. 3 to the MOU is to program the use of the remaining local currency generated by previous ESF Loan disbursements and the new local currency generated by the disbursement of the US\$2 million seventh tranche of the ESF Loan for the period January 1, 1990 to March 31, 1991.

Article II. The 1990-1991 ESF Local Currency Program

A. Composition of the Program

The GOB and A.I.D. hereby agree that the local currency to be derived from the ESF Loan for Economic Stabilization will be allocated for joint GOB-USAID development projects, selected private sector activities and A.I.D. operating expenses. With the exception of A.I.D. operating expenses, the purpose and amounts of local currency to be allocated to these activities are contained in Annex 1.

B. Limitation of Commitment

Neither the local currency use projections, nor the understandings reached in this memorandum with respect to the use of local currency derived from the ESF Program, represent a commitment on the part of A.I.D. to provide the levels of funding indicated. Nor does this MOU commit the GOB to any expenditure on projects or programs beyond those amounts for which expenditure has been duly authorized by the National

Assembly, and disbursement requested by the executing agency. These projections are included and understandings are reached solely in order to establish agreement between A.I.D. and the GOB as to the uses of any local currency that will be derived from this source if funds in these amounts become available.

C. Sources of Funds

The GOB and A.I.D. hereby agree that financing for the local currency program described herein will be derived from the ESF Loan for Economic Stabilization, including the Amendments thereto.

It is estimated that the local currency available for the activities included in Annex 1 for the period January 1, 1990 to March 31, 1991 will be approximately Bz.\$4.289 million from the following sources:

	<u>Amount in Bz\$000</u>
1. Balance of ESF Local Currency Special Account at Central Bank as of 12/29/89	588
2. LC from US\$2 million seventh tranche (US\$2.0 M at Bz\$2=US\$1.0) less Trust Fund deposit of approximately Bz\$299,000)	<u>3,701</u>
T O T A L	BZ\$4,289 =====

D. Period of Eligibility for Use of Funds

The GOB and A.I.D. agree that funds allocated to the activities included in Annex 1 will be available during the period January 1, 1990 to March 31, 1991. Any unused local currency after the expiration of the above mentioned period will be subject to reprogramming in a manner to be agreed upon in writing by the GOB and A.I.D.

Article III. Fund Allocations

A. Joint GOB-A.I.D. Development Projects

Funds allocated for joint GOB-AID development projects, up to the amount of Bz\$4,139,000, will be used to finance the local currency costs of these projects, as indicated in Annex 1, during the period January 1, 1990 to March 31, 1991. Unless otherwise agreed upon in writing, the GOB will make this amount available to these joint GOB-A.I.D. projects until the funds are completely used up.

B. Private Sector Development Activities

Funds allocated for private sector development activities, up to the amount of Bz\$150,000, will be used to support selected development activities of private organizations. The funds may be used for private sector activities related to agriculture development, small business credit, education, health, and export and tourism promotion. The programming and disbursement of funds to private organizations will be mutually agreed upon by the Government of Belize and A.I.D.

C. Ineligible Uses

None of the local currency derived from the ESF Program shall be used for police training, military or paramilitary purposes.

Article IV. A.I.D. Operating Expenses

Funds allocated for A.I.D. operating expenses from the seventh tranche of the ESF Loan, estimated at Bz\$298,472, will be used by USAID/Belize to help defray some of the local costs associated with the operations and maintenance of the A.I.D. Mission in Belize. These funds will be available to support USAID/Belize's local currency operating costs until the amount is fully expended.

Article V. Administrative Procedures

A. Special Central Bank Local Currency Account

The GOB and A.I.D. agree that local currency funds generated from the ESF Program will be deposited into the ESF Local Currency Special Account in the Central Bank immediately following each disbursement of ESF loan funds for Economic Stabilization. This Special Account will earn interest similar to the rate earned by similar deposits in Central Bank. Interest earnings of the Special Account will be programmed and used in the same manner as the principal.

Disbursements from the Special Account will be made only for activities described in Article II, Section A, and in Annex 1, upon agreement by both the GOB and A.I.D.

B. Disbursements to Project Activities

1. Upon written request from the Ministry of Finance (MOF) and approval by A.I.D., ESF local currency funds will be withdrawn from the ESF Local Currency Special Account at the Central Bank

and deposited into the Treasury Account. These funds will be disbursed to executing agencies by the MOF to finance project activities included in Annex 1.

2. The MOF and the executing agencies will manage the funds in accordance with the GOB's existing fiscal and monetary guidelines and disbursing authority.

3. ESF local currency will be disbursed to the MOF and the executing agencies in such amount and manner as to assure the timely financing of respective project activities consistent with the total availability of resources.

4. In accordance with the Trust Fund Agreement, local currency funds will be transferred from the Special Account at the Central Bank into the Regional Disbursing Officer Account of the U.S. Treasury, Account No. 0170, Atlantic Bank Ltd., Belize City. Such transfer will take into account the status of disbursement under the tranche method of disbursement of the Economic Stabilization Program.

#### Article VI. Reports

##### A. Reports by the MOF

The MOF will submit to A.I.D. a quarterly report showing the status of disbursements from the ESF Local Currency Special Account and expenditures against each project approved for financing. The first such report under this Amendment shall be submitted no later than July 30, 1990. Subsequent reports will be presented every three months thereafter throughout 1990 and 1991.

##### B. Reports by the Central Bank

The Central Bank will submit to A.I.D. a monthly statement showing disbursements and current balance of the Special Local Currency Account.

##### C. Reports by A.I.D.

Required reports will be furnished to the MOF in accordance with the Trust Fund Agreement.

#### Article VII. Refunds

The GOB shall refund to the Special Account any jointly programmed local currency which is not used in accordance with the provisions of the MOU.

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Article VIII. Further Amendments to the MOU

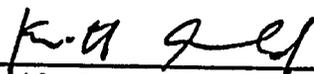
The GOB and A.I.D. agree that Amendment No. 3 to the MOU, which is effective as of the date of execution, may be further amended, with the consent of the parties, by a joint written agreement.

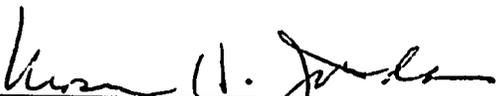
Article IX. Precedence

In witness whereof, the GOB and A.I.D., each acting through its duly authorized representatives, have caused Amendment No. 3 to the MOU to be signed in their names and delivered in Belize City on February 28, 1990.

GOVERNMENT OF BELIZE

UNITED STATES OF AMERICA

By:   
Keith Arnold  
Financial Secretary

By:   
Mosina H. Jordan  
A.I.D. Representative

  
Alan D. Slusher  
Governor of the Central Bank

ANNEX 1  
ESF LOCAL CURRENCY PROGRAM ALLOCATION  
January 1, 1990-March 31, 1991

<u>PROJECTS/ACTIVITIES</u>	<u>APPROVED ESTIMATES</u> (in Bz.\$000)
1. Ministry of Natural Resources Increased Productivity Through Better Health	831
2. Ministry of Health Increased Productivity Through Better Health	10
3. Ministry of Agriculture Livestock Development	150
Agricultural Diversification	1,000
Toledo Agricultural Marketing	350
4. Ministry of Education Training for Employment and Productivity	400
Learning Technologies	56
5. Establishment Department Training for Employment and Productivity	330
6. Ministry of Works Rural Access Roads and Bridges (Mullins River Bridge)	772
7. Ministry of Tourism and Environment Caracol Consolidation	240
8. Private Sector Support	<u>150</u>
GRAND TOTAL	Bz\$4,289 =====