

PD-ABB-876

Project No. 532-0156

PROJECT GRANT AGREEMENT

Between the

GOVERNMENT OF JAMAICA

and the

UNITED STATES OF AMERICA

for the

MICROENTERPRISE DEVELOPMENT PROJECT

30 AUG 1990

Date:

Appropriation: 72-1101021

BPC: LDNA90-25532-KG13

Amount: \$220,000

and

Appropriation: 72-1101021

BPC: LDSA90-25532-KG13

Amount: \$300,000

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PROJECT GRANT AGREEMENT

Between

The Government of Jamaica ("Grantee")

And

The United States of America, acting through the Agency for International Development ("A.I.D.") as Grantor

ARTICLE 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below and with respect to the financing of the Project by the Parties.

ARTICLE 2: The Project

Section 2.1.: Definition of the Project. The Project, which is further described in Annex I, is aimed at accelerating the development of microenterprises into more productive and sustainable businesses. The Project will strengthen the capacity of existing and potential credit organizations through training and systems development; expand the most promising credit programs with program and commodity support; create a more supportive environment by pursuing policy reforms and supporting advocacy organizations; and improve markets for products.

Annex I attached, amplifies the above description of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex I may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2. without formal amendment of this Agreement.

Section 2.2.: Incremental Nature of Project.

- (a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1. of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to mutual agreement of the Parties, at the time of a subsequent increment, to proceed.
- (b) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Cooperating Country, may specify in Project Implementation Letters appropriate time periods for the utilization of funds provided by A.I.D. under an individual increment of assistance.

ARTICLE 3: Financing

Section 3.1.: The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement an amount not to exceed Five Hundred and Twenty Thousand UNITED STATES DOLLARS (\$520,000) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1., and local currency costs, when A.I.D. agrees in advance, as defined in Section 6.2., of goods and services required for the Project.

Section 3.2.: Grantee Resources for the Project.

- (a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.
- (b) Participants in project, including microentrepreneurs, implementing organizations, other donors, and financial institutions, will contribute approximately U.S. \$1.3 million, including costs borne on an "in-kind" basis.

Section 3.3.: Project Assistance Completion Date

- (a) The Project Assistance Completion Date (PACD) which is September 15, 1994, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

- (b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.
- (c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters are to be received by A.I.D. or any bank described in Section 7.1., no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

ARTICLE 4: Conditions Precedent to Disbursement

Section 4.1.: First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2., and of any additional representatives, together with a specimen signature of each person specified in such statement.

Section 4.2.: Notification. When A.I.D. has determined that the conditions precedent specified in Sections 4.1. have been met, it will promptly notify the Grantee.

Section 4.3.: Terminal Dates for Conditions Precedent. If the conditions specified in Section 4.1. have not been met within 120 days from the date of this Agreement, or such later date as A.I.D. may agree in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

ARTICLE 5: Special Covenants

Section 5.1.: Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

- (a) Evaluation of progress toward attainment of the objectives of the Project;
- (b) Identification and evaluation of problem areas or constraints which may inhibit such attainment;
- (c) Assessment of how such information may be used to help overcome such problems; and
- (d) Evaluation, to the degree feasible, of the overall development impact of the Project.

ARTICLE 5: Procurement Source

Section 5.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1. will be used exclusively to finance the costs of goods and services, including ocean shipping, required for the Project having, with respect to goods, their source and origin, and with respect to services, their nationality, in the United States of America (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance. Ocean transportation costs will be financed under the grant only on flag vessels under flag registry of the U.S., except as A.I.D. may otherwise agree in writing.

Section 6.2.: Local Currency Costs. Disbursements pursuant to Section 7.2. will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Jamaica ("Local Currency Costs").

ARTICLE 7: Disbursement

Section 7.1.: Disbursement for Foreign Exchange Costs.

- (a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods and services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:
- (1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for disbursement or reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services on Grantee's behalf for the Project; or,
 - (2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.
- (b) Banking charges incurred by the Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

Section 7.2.: Disbursement for Local Currency Costs.

- (a) After satisfaction of conditions precedent and if A.I.D. agrees in advance, the Grantee may obtain disbursements of funds under the Grant for local currency costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance costs.

- (b) The local currency needed for such disbursements may be obtained:
- (1) by acquisition by A.I.D. with U.S. Dollars by purchase; or
 - (2) by A.I.D. (A) requesting the Grantee to make available the local currency for such costs, and (B) thereafter making available to the Grantee, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee or its designee, an amount of U.S. Dollars equivalent to the amount of local currency made available by the Grantee, which dollars will be utilized for the procurement from the United States under appropriate procedures described in Project Implementation Letters.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b)(1) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency, and in the case of subsection (b)(2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

Section 7.3.: Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

Section 7.4.: Rate of Exchange. Except as may be more specifically provided under Section 7.2., if funds provided under the Grant are introduced into Jamaica by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of Jamaica at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Jamaica.

ARTICLE 8: Miscellaneous

Section 8.1.: Communications. Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

To the Grantee

Mail Address

The Minister of Finance
Ministry of Finance
30 National Heroes Circle
Kingston 4, Jamaica

Cable Address

The Minister of Finance
Ministry of Finance
30 National Heroes Circle
Kingston 4, Jamaica

To A.I.D

Mail Address

Director
USAID/Jamaica
P.O. Box 541
6b Oxford Road
Kingston 5, Jamaica

Cable Address

USAID/Jamaica

Other addresses may be substituted for the above upon giving of notice. The Grantee, in addition, will provide the USAID Mission with a copy of each communication sent to A.I.D.

Section 8.2.: Representatives. For all purposes relevant to this Agreement and its amendments, the Grantee will be represented by the individual holding or acting in the office of Minister of Finance and A.I.D. will be represented by the individual holding or acting in the office of the Mission Director, USAID/Jamaica, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1. to revise elements of the amplified description in Annex I.

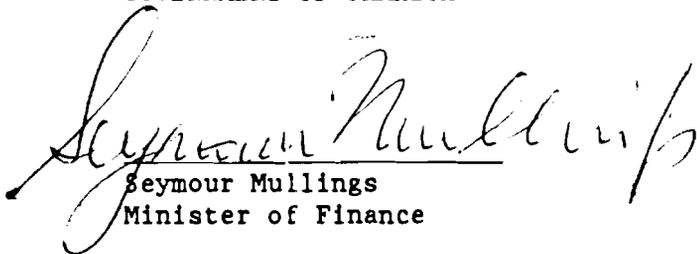
The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D, which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

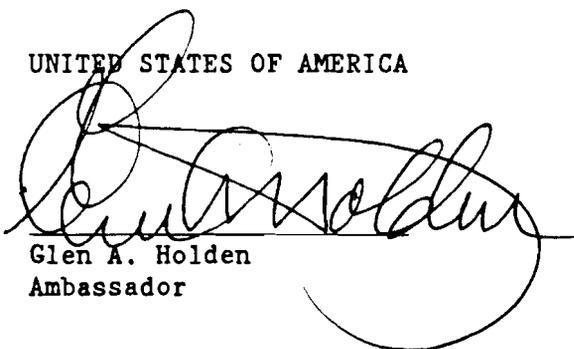
Section 8.3.: Standard Provisions Annex. A "Standard Provisions Annex" (Annex II) is attached to and forms part of this Agreement.

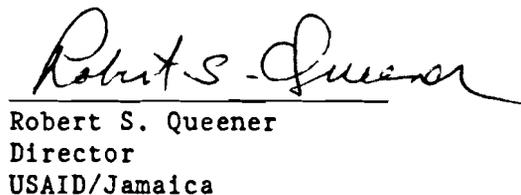
IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

GOVERNMENT OF JAMAICA

UNITED STATES OF AMERICA


Seymour Mullings
Minister of Finance


Glen A. Holden
Ambassador


Robert S. Queener
Director
USAID/Jamaica

30 AUG 1991

Date: _____

ANNEX IAMPLIFIED PROJECT DESCRIPTION

I. Background

The microenterprise sector* in Jamaica is the principal source of employment for the unskilled and economically disadvantaged in the population, providing the means to earn a living for as many as 350,000 persons. For this same group of people, it is also an important source of goods and services.

The basic requirements for a growing microenterprise sector include: a market for their goods and services; business and technical know-how; access to resources; and a supportive environment in which to pursue their trade. In some measure, the project will improve all of these, but focus principally on their limited access to resources, namely financing. Microentrepreneurs in Jamaica cite access to credit as the single most important element for the success of their future plans. This is supported by similar findings elsewhere in the region regarding microenterprise needs.

Enterprise promotion programs in Jamaica and elsewhere have taken either a transformational approach--seeking to transform firms or enterprising activities from one level of operation up to a substantially higher level--or an expansionary approach--seeking small, achievable improvements over a larger number of firms. In Jamaica, with few exceptions, implementing institutions and government planners have adopted variations on the transformational approach, with high per beneficiary costs and little prospect for sustainable service delivery. Experience in other countries has shown under the expansionary approach credit can be delivered to large numbers of microenterprises in a sustainable, cost-effective manner, often relying heavily on non-grant resources for expansion. This approach generally requires quick disbursing loan mechanisms; a close, long-term, and repeat relationship with borrowers; low overheads; and quick turnover portfolios carrying at least market rates of interest. The existing institutional capacity to deliver credit on these terms in Jamaica is either weak or nonexistent.

*Refers to that sector of the economy characterized by enterprises which:

- are usually operated by their owners
- are usually unregistered and unlicensed,
- have no access to the formal financial system,
- have less than 10 employees.

This sector is sometimes referred to as the "informal sector"

II. Project Purpose and Description

The goal of the project is to increase employment opportunities for the entrepreneurial poor in Jamaica, thereby increasing their income and quality of life.

The purpose of the project is to accelerate the development of microenterprises into more productive, sustainable businesses. It will reach the target population and contribute to achievement of the goal by;

- increasing the capacity of Jamaican microenterprise assistance agencies to provide microenterprise credit on a self-sustaining basis;
- pilot testing methods of delivering sustainable legal, marketing, technology, management, production or other kinds of non-credit assistance to microenterprises; and
- establishing an updated baseline of microenterprise information, and supporting policy reforms through analysis and dialogue.

Project funds will be used for on-lending to microenterprises, short term technical assistance from local and U.S. sources, training of staff, and public and private policy makers, small amounts of commodities for implementing organizations, and to fulfill monitoring, evaluation and audit requirements.

III. End of Project Status

It is expected that two or more sustainable credit programs will emerge during the life of the project and mobilize additional resources, such as savings, equity investments or other commercial and donor funds, thereby leveraging AID's limited funds. At least two other programs will adopt sustainable lending strategies and develop the potential to tap non-grant sources of financing. Several methods of delivering sustainable non-credit assistance to microenterprises will be piloted, and an analytic base to conduct policy dialogue will be established. In addition, it is expected that approximately 2,000 loans will be made and 10,000 skilled and unskilled employees of microenterprises will benefit from increased income through new job opportunities or fuller employment.

IV. Implementation Arrangements

The project will be implemented by USAID/Jamaica in collaboration with several Jamaican non-government organizations. Negotiations with several organizations interested in

microenterprise promotion will be initiated early in project implementation. Based on their ability to plan and execute a sustainable microenterprise lending program, and mobilize additional resources, USAID will enter into agreements to assist them. The participation of government representatives is anticipated in policy related activities.

USAID will also hire a full-time project manager and obtain technical assistance from local and U.S. sources to provide technical direction. Annual plans will developed between the project manager, USAID and the implementing and technical assistance organizations to detail annual project implementation.

V. Illustrative Financial Plan

The total cost of the project is estimated at US\$3.3 million. AID's contribution will be \$2.0 million, divided approximately as follows: \$950,000 for credit; \$483,000 for technical assistance; \$392,000 for training, commodities and program support; \$400,000 for project implementation, audit and contingency; and \$185,000 for policy information, monitoring and evaluation. The project will be incrementally funded on an annual basis.

In addition to A.I.D. funds, it is anticipated that other participants in the project including microentrepreneurs, implementing organizations, other donors, and financial institutions will contribute approximately US\$1.3 million in cash and kind.

OBLIGATION SCHEDULE
[US\$000]

PROJECT COMPONENTS	This Obligation	Subsequent Obligations*	LOP Totals
I. Credit Program Development	\$360.0	\$955.0	\$1,315.0
II. Non-Credit Assistance	20.0	80.0	100.0
III. Pol Info/Res, Monit/Eval	50.0	135.0	185.0
IV. Project Implementation	80.0	145.0	225.0
V. Contingency/Inflation/Audit	10.0	165.0	175.0
Totals	\$520.0	\$ 1,480.0	\$2,000.0

* Subject to the availability of funds