



UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL DEVELOPMENT OFFICE-CARIBBEAN

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April 15, 1993

Mr. Milton Lawrence
Regional Director
East Caribbean Organisation of Development Foundations
PO Box 313
Roseau, Commonwealth of Dominica

Subject: Cooperative Agreement No. 538-0133-A-00-3230-00

Dear Mr. Lawrence:

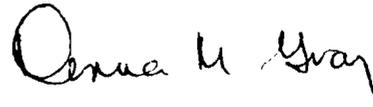
Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby awards a Cooperative Agreement to the East Caribbean Organisation of Development Foundations (hereby referred to as "ECODEF" or "Recipient"), the sum of \$3,325,934 to provide support for the development of privately owned productive enterprises, as more specifically described in the Schedule of this Cooperative Agreement and the Attachment 2, entitled "Program Description."

This agreement is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning February 24, 1993 and ending September 30, 1994.

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

Please sign the original and each copy of this letter to acknowledge your receipt of the agreement, and return the original and all but one copy to the Office of Procurement.

Sincerely yours,



Donna M. Gray
Grants Officer

Attachments:

- 1. Schedule
- 2. Program Description
- 3. Standard Provisions

ACKNOWLEDGED:

East Caribbean Organisation of Development Foundations

By :  MILTON F LAWRENCE

Title : SECRETARY / REGIONAL DIRECTOR

Date : APRIL 28, 1993

FISCAL DATA

Appropriation: 72-1131021
 Budget Plan Code: LDVA 93-25538-KG13
 PIO/T No.: 538-0133.01-30005 A1
 Project No.: 538-0133.01
 Total Estimated Amount: \$3,325,934
 Total Obligated Amount: \$ 500,000

FUNDS AVAILABLE

NAME: R.300.054.US\$500,000

DATE: 4/16/93

SCHEDULE

A. Purpose

The purpose of this agreement is to provide support for the development of privately owned enterprises, as more specifically described in Attachment 2 to this agreement entitled "Program Description."

B. Period of Performance

1. The effective date of this agreement is February 24, 1993. The expiration date of this agreement is September 30, 1994.
2. Funds obligated hereunder are available for program expenditures for the estimated period February 24, 1993 to June 15, 1993 as shown in the budget below.

C. Obligation

1. The total estimated amount of this Grant for the period shown in B.1 above is \$3,325,934.
2. A.I.D. hereby obligates the amount of \$ 500,000 for program expenditures during the period set forth in B.2. above and as shown in the Financial Plan, Obligation Budget below.

3. Payment shall be made to the Recipient in accordance with procedures set forth in Attachment 3 Standard Provision #1, entitled "Payment - Periodic Advance."
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 funds, and to the requirements of the Standard Provision of the Agreement, entitled "Revision of Grant Budget."
5. The budgets shown below are estimated budgets. The Recipient may adjust individual line items up to 15% without Grant Officer approval provided that the total amount of the agreement or the total amount obligated, whichever is less, is not exceeded. Adjustments greater than 15% require prior written approval by the Grant Officer.

D. Financial Plan

Estimated Budget for ECODEF

	<u>This Obligation</u>		<u>Through Sept.30/1994</u>	
	USAID	ECODEF	USAID	ECODEF
<u>Administration</u>				
Salaries	\$54,900	\$6,100	\$162,912	\$18,100
Other Direct Costs	16,200	1,800	43,135	4,795
Staff Training	<u>2,250</u>	<u>250</u>	<u>18,475</u>	<u>2,055</u>
Sub Total	\$73,350	\$8,150	\$224,522	\$24,950
<u>Programme</u>				
Institutional Support	\$55,000		\$223,062	
SME Sector Support	60,000		265,000	
Micro Sector Support	<u>311,650</u>		<u>2,113,350</u>	
Sub Total	\$426,650		\$2,601,412	
	=====	=====	=====	=====
Grand Total	\$500,000	\$8,150	\$2,825,934	\$24,950

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E. Special Provisions

1. Local Costs
Local costs are authorized under this agreement per the terms of Optional Standard Provision #8 entitled "Local Cost Financing".
2. Cost sharing
The Recipient agrees to provide 10% of the actual administrative costs. If, at the termination or expiration of this agreement, A.I.D. has advanced more than its 90% share of the administrative costs, the Recipient agrees to reimburse A.I.D.
3. Salaries
All salary must be pre-approved, in writing, by the Grants Officer.
4. Travel
The Recipient agrees to obtain prior written approval for all international travel from the cognizant Project Officer.
5. Procurements
All procurements must be made in accordance with the Optional Standard Provisions #5 and #6 entitled "Procurement of Goods and Services" and "AID Eligibility Rules for Goods and Services" which are found in Attachment 3.
6. Subagreements
All subgrants and other subagreements under this Cooperative Agreement shall be made in accordance with the Optional Standard Provision #7 entitled "Subagreements", found in Attachment 3.
7. Program Income
All income generated under this agreement, including but not limited to charges to trainees and interest on loans, shall be added to the funds committed to the project by A.I.D. and the Recipient and used to further eligible program objectives.

F. Substantial Involvement

1. ECODEF shall submit to USAID RDO/C for prior approval all subordinate agreements (ie subgrants or contracts) with other organizations, firms or institutions when the amount of the agreement exceeds \$25,000.
2. ECODEF shall submit to USAID RDO/C for review and concurrence annual workplans for SEAP program activities.

PROGRAM DESCRIPTION

A. Goal and Purpose

The goal of the Small Enterprise Assistance Project (SEAP) is to increase employment, income, productivity and economic growth in the Eastern Caribbean countries^{1/} and Barbados by assisting in the development of privately owned productive enterprises. During the remainder of the Project, the emphasis will be on sustainability of the NDFs. The capability of these organizations to sustain their operations beyond the end of SEAP is a major objective.

The purpose of SEAP is to increase the ability of local entrepreneurs to establish, expand or increase the efficiency of their micro-, small-, and medium-scale enterprises to produce and sell their goods and services in the local, regional and extra-regional markets.

B. Statement of Objectives

The specific operational objectives of the Small Enterprise Assistance Project as modified are:

- . to assist micro-enterprises through National Development Foundations (NDFs), the Women in Development (WID) and other Non-Governmental Organizations (NGOs);
- . to coordinate the provision of technical assistance and training assistance to entrepreneurs and supporting institutions.

C. Project Components

The Project as amended consists of the following components:

1. Technical Assistance and Training

National Private Sector Organizations having the capacity to deliver services to the small and medium enterprise community as well as account for the use of resources, have been brokering technical assistance and training to small and medium enterprises in participating countries. These organizations referred to as National Delivery Institutions (NDIs) have been recovering 25% of the cost of the interventions from the beneficiaries.

ECODEF will provide technical assistance and training to the NDFs and NDIs as they continue to develop sustainable credit and business development programs built around the effective delivery of SEAP activities.

^{1/}Antigua, Dominica, St. Kitts-Nevis, St. Lucia, St. Vincent and the Grenadines, Grenada, Montserrat

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2. Credit and NDF Support

The eight NDFs of Barbados, St. Vincent, St. Lucia Dominica, St. Kitts-Nevis, Antigua-Barbuda, Grenada, and Montserrat, and WID Limited are being provided capital for on-lending to micro-enterprises. In addition to supporting the NDFs credit activities, the Project provides them support for their operational budget and for technical assistance and training to micro-enterprise clients. A main thrust of the project over its remaining life is to move the NDFs towards sustainability. In this regard the following guidelines will apply:

(i) Establishment of Annual Performance Targets

ECODEF, in collaboration with the NDFs and WID Limited shall ensure that their planning process is adequate for the establishment of annual performance targets in pursuit of sustainability.

NDFs will perform market analyses to identify their client pool and the demand for training, technical assistance, credit and other forms of business development assistance. Those analyses should provide the basis for preparation of annual work plans which estimate the range and quantity of services and assistance needed to adequately serve their micro, small and medium scale enterprise markets. The plans will specify funding support, including fee and interest income as well as other donor and government support. The work plans, following ECODEF and RDO/C approval, shall become the basis for measuring NDF performance.

(ii) Market-Driven Interest Rates

Interest rates to be charged by NDFs on loans to micro and small enterprises will be positive in real terms (adjusted for inflation) and at least equal to the rates commercial banks charge their riskiest borrowers. The NDFs will also be expected to charge appropriate administrative fees to cover the cost of credit transactions and maintain a loss reserve fund.

(iii) Efficient Credit Management

ECODEF will administer the NDF credit component by:

- * Providing technical assistance and training to facilitate cost-containment measures in NDF loan portfolio management;

- * Ensuring that uniform loan arrearage policies, are in place including fines and/or legal prosecution in response to delinquency and default situations;
- * Ensuring the practice of effective loan monitoring to provide early warning information on potential "problem loans";
- * Requiring NDFs to keep loan interest rates at least equal to the opportunity cost of capital as represented by rates used by commercial banks in lending to their non-prime clients; and
- * Providing a phased-approach to full implementation of a cost recovery program to include providing credit to clients to cover such costs, if necessary.

3. Operating Expenses

Project resources will be used to meet costs associated with the implementation of program activities in accordance with the AID Standard Provision - "Allowable Cost".

4. Audits

Project grantees and sub-grantees receiving more than US\$25,000 per year must have annual audits conducted by a certified Public Accounting firm using Scopes-of-Work provided by RDO/C. The audit firm will determine if the requirements of the Grant Agreement and applicable U.S. Government laws and regulations are being followed. It will also verify the adequacy of the Grantee's accounting system, the accuracy and allowability of direct costs claims, and verify the accuracy and allowability of indirect reimbursement claims.

5. Evaluations

RDO/C will conduct an evaluation towards the end of FY 1994. The evaluation team will include regional and U.S. personnel who will be hired through direct contracts with RDO/C or under a direct contract between RDO/C and a consulting firm.

D. Project Management

The ECODEF Council will appoint a SEA Project Management Committee which will take responsibility for the management of Project resources through a Regional Director and appropriate support staff. ECODEF will also maintain established systems for disbursement and control of funds.

In addition, ECODEF will have the following responsibilities:

- o assist the participating national institutions in the development and updating of annual work plans;
- o maintain a regional and extra-regional technical assistance and training resource roster, and enter into agreements for TA/T services when necessary.
- o screen requests for technical assistance and training for small and medium enterprises from National Delivery Institutions (NDIs);
- o maintain an information-sharing network among the project's national implementation entities, to facilitate regional coordination of project activities, and to ensure that non-proprietary information generated by the project is available to all;
- o administer all credit funds associated with the project according to the guidelines established in the grant agreement; and
- o maintain project records and accounts, via a separate "project" accounting system for SEA activities, and the submission of required reports to RDO/C.

E. Project Outputs

The following outputs are expected to be accomplished during the period March 1993 to September 1994. Overall, at least 40 percent of the businesses assisted shall be owned by women.

- a. An estimated 2000 micro and small enterprise will receive credit from NDFs.
- b. An estimated 1200 micro enterprises that do not receive credit will receive NDF provided business counselling.
- c. An estimated 1800 micro and small entrepreneurs will receive NDF provided training, of which 50 percent will be women.
- d. An estimated 432 small and medium scale enterprises will be provided with NDI sponsored technical assistance.
- e. An estimated 1800 entrepreneurs and employees will receive NDI sponsored training.

F. USAID Substantial Involvement

a. ECODEF shall submit to USAID for prior approval all subordinate agreements (i.e. grants or contracts) with other organizations, firms or institutions when the amount of the agreement exceeds \$25,000.

b. ECODEF shall submit to USAID for review and concurrence annual workplans for SEAP program activities.

G. Conditionality

Since the guidelines relating to the NDF credit program are considered of crucial importance for achieving their financial sustainability, ECODEF agrees to enforce the following non-compliance sanctions:

- a. Credit program funds will be withheld from NDFs which are not charging interest rates equal to or above the full opportunity cost of capital, i.e., no lower than banks charge non-prime clients (usually 2-3 percent above base rate).
- b. ECODEF will not channel any credit program funds to NDFs whose costs for credit administration exceeds 50 percent of the micro enterprise loan principal.
- c. ECODEF will not channel any credit program funds to NDFs whose default rate (defined as a loan in arrears for 180 days) reaches 7.5 percent.
- d. ECODEF will not channel any credit program funds to NDFs whose annual performance consistently falls below their set targets.