



AGENCIA PARA EL DESARROLLO INTERNACIONAL
DE LOS ESTADOS UNIDOS EN EL PERU (USAID/PERU)
C/O EMBAJADA AMERICANA
LIMA - PERU

TELEFONO 288200

September 29, 1987

Mr. James Coberly
Executive Director
Cooperative for American Relief
Everywhere (CARE)
Los Laureles 485
San Isidro

Ref: Cooperative for American Relief Everywhere (CARE)
Private Sector Small Enterprise Credit Program
Operational Program Grant (OPG) 527-0317
Grant No. 527-0317-G-00-7833-00

Dear Mr. Coberly:

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 Cooperative for American Relief Everywhere (CARE) hereinafter referred to as "CARE" or "Grantee", the sum of \$178,560 to support a Small Enterprise Credit Program as described in the "Schedule" of this Grant, Attachment 1, and the Attachment 2 entitled "Program Description".

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 September 30, 1989.

This grant is made to CARE 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"; Attachment 3, entitled "Mandatory Standard Provisions for U.S. Non-Governmental Grantees", and Attachment 4 "Optional Standard Provisions for U.S. Non-Governmental Grantees", which have been agreed to by your organization.

Mr. James Coberly

2.

Please sign all six (6) copies of this letter to acknowledge your receipt of the grant and return five (5) to the USAID Program Office.

Sincerely yours,



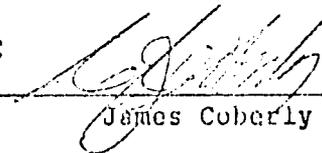
Donor M. Lion
Director

Attachments:

1. Schedule
2. Program Description
3. Mandatory Standard Provisions for U.S. Non-Governmental Grantees" (OMB Control No. 0412-0510, Expiration Date: 12/31/89)
4. Optional Standard Provisions for U.S. Non-Governmental Grantees" (OMB Approval No. 0412-0510, Expiration Date: 12/31/89)

ACKNOWLEDGED:

CARE

By: 

James Coberly

Title: _____

Executive Director

Date: September 29, 1987

Fiscal Data:

Appropriation: 72-1171021
Budget Plan Code: LDSA-87-25527-KG13
Project No.: 527-0317
Total Estimated Amount: \$178,560
Total Obligated Amount \$178,560
Funding Source: USAID/Peru

2.

Schedule

A. Purpose of Grant

The purpose of this Grant is to promote access to credit for small enterprises located in Lima's Pueblos Jóvenes and similar low income areas, as more specifically described in Attachment 2 to this Grant entitled "Program Description".

B. Period of Grant

1. The effective date of this Grant is the date of this letter. The expiration date of this Grant is September 30, 1989.

C. Amount of Grant and Payment

1. AID hereby obligates the amount of \$178,560 for purposes of this Grant.
2. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 4 Standard Provision 2, entitled "Payment-Periodic Advance".

D. Financial Plan

The following is the budget for this Grant, including local cost financed items. Revisions of the Grant Budget shall be made in accordance with Standard Provision 4 of Attachment 3 of this Grant, entitled "Revision of Grant Budget".

	<u>Grant Budget</u>		<u>Financial Plan</u>		<u>Total</u>
	<u>US\$</u>	<u>US\$(L/C)</u>	<u>CARE</u>	<u>SNI</u>	
1. Salaries		98,560		24,690	123,250
2. Operational Costs		31,000		50,310	81,310
3. Materials and Equip.		11,000	11,500 ^{1/}	9,500	32,000
4. Consultants for Eval.		5,000			5,000
5. CARE/Peru Admins. Costs		18,000			18,000
6. CARE/NY Overhead	15,000				15,000
TOTAL	<u>15,000</u>	<u>163,560</u>	<u>11,500</u>	<u>84,500 ^{2/}</u>	<u>274,560</u>
		<u>\$178,560</u>			

Notes: ^{1/} In kind contribution
^{2/} Direct cash contribution plus income generated from 3% fee charged to borrowers

E. Annual Plan, Reporting, Evaluation and Audits

1. CARE will submit to AID for approval before the first request for disbursement, a workplan providing a detailed budget (quarterly), expected accomplishments, and specific progress indicators for the first year of the Project. A similar workplan for the second year should be submitted, for AID's approval, at least 30 days prior to the initiation of second year Project activities.

2. CARE hereby agrees to provide AID with copies of the following reports and any other reports as AID may deem necessary during project implementation:

a. Monthly reports indicating the overall status of loans made, payments received, analyses of overdue accounts and service fees charged for the two offices operating under the project.

b. Comprehensive quarterly performance reports which will include the following information: (a) Quarterly summaries of Loan and Job Creation Statistics detailing the number and types of loans made, the number of jobs created and reinforced, the total amount loaned, the average loan value and an analysis of loans by their value (under US\$1,000 and over US\$1,000) and by economic sector, (b) Quarterly Financial status indicating amounts of funds received, spent and liquidated, in accordance with budget categories of the "Grant Budget"; and (c) Findings, conclusions and recommendations on the activities carried out during the previous quarter.

c. Approximately one year after the opening of the first office, CARE will collaborate with AID in carrying out an evaluation to measure project progress.

d. The Grant budget does not include funding for audits because the Mission is relying on CARE's internal auditing procedures, and also because of the small size of the Grant. If an audit becomes necessary, the Mission will make available the additional funding necessary.

F. Special Provisions

1. The following "Optional Standard Provisions for U.S. Non-Governmental Grantees" apply to this Grant: 2, 6, 7, 8, 9, 13, 20 and 23.

2. To assist in the implementation of the project, AID from time to time, will issue Project Implementation Letters furnishing additional information about matters or requirements stated in this Letter of Agreement.

G. Title to Property

Title to any property purchased under this Grant will be vested in the Grantee, in accordance with Standard Provision 20 of Attachment 4, Optional Standard Provisions.

H. Overhead Rate

It is agreed between the Grantor and Grantee that 9.19% is the current provisional indirect cost rate charged to this grant, associated with the CARE's U.S. headquarters support activities.

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Program Description

I. Purpose of the Grant

The purpose of this Operational Program Grant (henceforth "The Grant") is to promote access to credit for small enterprises located in Lima's "Pueblos Jovenes" and similar low income areas. In this project CARE will institutionalize, within Peru's private sector, its innovative micro enterprise credit model by expanding the capacity of the National Industrial Society (SNI) to serve as a promotor of small business lending and a loan guarantor. The project will also incorporate one of Peru's largest commercial banks into the lending program. Over the two year period, CARE will work with and train SNI staff to assume and expand the program operation. It is expected that eventually the beneficiaries of the program will be able to secure loans directly from the bank and that many of them will become members of the SNI, thus broadening its membership base.

II. Goal and Objectives

A. The project goal is to create and reinforce jobs and enhance family incomes in the Pueblos Jovenes and similar low income areas, and to involve private sector institutions in the solution of under- and unemployment.

B. Objectives

1. To establish two CARE/SNI offices in the Pueblos Jovenes and similar low income areas.
2. To transfer to the Small Business Committee of the National Industrial Society, CARE's streamlined and timely credit applications process and systematized follow up methodology in making loans to small enterprises.
3. To promote institutional change which facilitates the provision of loans by a commercial bank to the informal sector.

III. Project Implementation and Responsibilities of the Grantee and Participating Entities

CARE will implement the project over a period of twenty four months beginning with the date of the Letter of Agreement. CARE will:

1. Submit to AID a signed agreement between CARE and SNI detailing their working relationship and the manner in which funds will be managed and disbursed by CARE to the SNI. This agreement will include a clause in which the SNI agrees to contribute US\$30,000 for each year of the project for a total of US\$60,000 over a two year period to establish a \$50,000 loan guarantee fund with the Banco de Crédito and to help defray \$10,000 of project operating expenses.

2. Assign a CARE full time representative to oversee the implementation of this project, who will work under the supervision of the coordinator of CARE's Small Enterprise Development Program.

3. CARE will assist SNI in the hiring of the project staff including the SNI representatives, promoters, computer and secretarial assistance necessary to effectively carry out the project's activities.

4. Submit to AID a signed agreement between the SNI and the Banco de Crédito that establishes the details of the operations of the revolving loan fund. Said agreement will include a clause stipulating that for every \$1 the SNI deposits with the bank, the bank will make available \$10 worth of credit to the project's beneficiaries.

5. Charge a fee, approximately 3% of amount borrowed, to all borrowers and use the funds generated to purchase needed materials and equipment and help defray project operating expenses.

6. Monitor the program on an ongoing basis using its computerized information system. This will include recording loan repayments made on a weekly basis and preparing monthly reports which indicate the number of new loans, the amortizations and the bad debt rates for each office and the total program.

7. Provide a car and office furniture for the first office to be opened under the project. This equipment will be provided directly by CARE and will not come from AID project financing.

8. With the prior approval of AID, contract a local independent consultant or organization to conduct an evaluation of the project at the end of the first year of operation. This evaluation will focus not only on the management and operation of the project but also on determining, through random sampling techniques, the degree of economic impact that this program has had on the project beneficiaries.

IV. Required Accounting Records

CARE hereby agrees to keep separate accounting records for funds under this Grant, separate and apart from records kept by CARE for any other fund held for similar projects or other purposes.

V. Project Budget and Disbursement of Funds

The proposed budget calls for Grant financing over a twenty four month period not to exceed \$178,560, subject to the availability of funds. Grant funds will be used to pay for salaries of staff and promoters, purchase of materials and equipment, operational costs in connection with the establishment of a new office and certain administration and overhead costs.

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Disbursement of Grant funds under this Agreement shall be made in accordance with Standard Provision 2 of Attachment 4. Shifts of more than 10% among USAID financed budget line items cannot be made without the prior written authorization of USAID.

VI. Conditions and Covenants

A. Source and Origin of Commodities Nationality of Services

Commodities financed by AID under the project shall have their source and origin in Peru or the U.S., except as AID may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Peru or the U.S. as their place of nationality, except as AID may otherwise agree in writing. Ocean shipping financed under the project shall, except as AID may otherwise agree in writing, be financed only on flag vessels of the U.S.

B. Conditions Precedent to First Disbursement

Prior to any disbursement or the issuance of commitment documents under the Grant, except as AID may otherwise agree in writing, CARE shall furnish to AID in form and substance satisfactory to AID: (1) A workplan providing a detailed budget (quarterly), expected accomplishments, and specific progress indicators for the first year of the project. (2) A copy of a signed agreement between CARE and SNI which describes the objectives of the project and the obligations and contributions of SNI and CARE, as well as the general conditions that will govern the management of funds, the placing of loans and the execution of the project. (3) A plan and schedule detailing how and when SNI will make its \$50,000 contribution to the loan guarantee fund and its \$10,000 contribution to defray operating costs; and (4) A copy of a signed agreement between the SNI and the Banco de Crédito in which the Banco de Crédito agrees to make available in local currency the equivalent of \$10 worth of credit to the project beneficiaries for every \$1 that the SNI deposits in the loan guarantee fund; it should also indicate that the bank will pay to the loan guarantee fund interest according to the corresponding regulations.

C. Conditions Precedent to Disbursement for Project Activities during Second Year of Project Implementation

Prior to any disbursement or the issuance of commitment documents under the Grant during the second year of Project implementation, except as AID may otherwise agree in writing, CARE shall furnish to AID in form and substance satisfactory to AID: A work plan providing a detailed budget (quarterly), expected accomplishments, and specific progress indicators for the second year of the Project.

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D. Covenants

CARE covenants that, except as AID may otherwise agree in writing, it will:

(1) Assure that Banco de Crédito charges the highest legal interest rate on loans to small businesses as established by the Central Reserve Bank (BCR).

(2) Make such arrangements as may be necessary so that the calculation of the Project inputs in currency of Peru, from the SNI and the Banco de Credito, is made at the highest rate of exchange which, at the time the input is provided, is not unlawful in Peru and is applicable to the Project.

(3) Assure that the applications processed and the loans placed correspond to amounts ranging from approximately \$500 up to approximately \$2,000 depending on the expressed and demonstrated needs of the borrowers.

(4) Submit to AID annual reports on its actions regarding these covenants, in addition to providing the information requested in Section "E" of the "Schedule" (Attachment 1). These annual reports should be delivered to AID within the first 30 days after each year of the project's life.

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