

United States Agency for  
International Development (AID)  
Quito, Ecuador



PD-ABF-311  
81023  
Agencia de los Estados Unidos para  
el Desarrollo Internacional (AID)  
Quito, Ecuador

RCO-88-300  
August 23, 1988

Executive Director  
Accion International/AITEC  
1385 Cambridge St.  
Cambridge MA 02139

Subject: Grant 52C-0616-G-BS-8005-00

Dear Sir:

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 Accion International/AITEC (hereby referred to as "Accion" or "Grantee", the sum of \$80,000 to provide support for a program in small business and microenterprise development, as described in the Schedule of this grant 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, 1990.

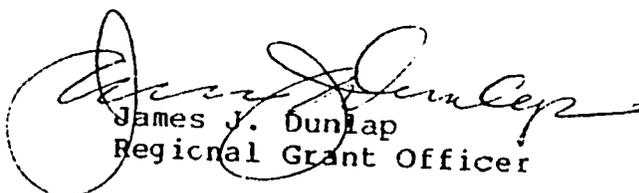
This grant is made to Accion on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1, entitled the Schedule, Attachment 2, entitled "Program Description," and Attachment 3 entitled "Standard Provisions," which have been agreed to by your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

INTERNATIONAL MAIL ADDRESS: U. S. AID Mission to Ecuador - c/o American Embassy - Quito, Ecuador  
U. S. MAIL ADDRESS: USAID Quito - APO Miami, FI 34039  
PHONE: 521 - 100

3

Please sign the original and each copy of this letter to acknowledge your receipt of the grant, and return the original and all but one copy to the Regional Contracting Officer, Quito, Ecuador.

Sincerely yours,

  
James J. Dunlap  
Regional Grant Officer

Attachments:

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

ACKNOWLEDGED:

ACCION INTERNACIONAL/AITEC

BY:

  
Signature

NAME:

William W. Burros

Title:

Executive Director

Date:

8/29/88

FISCAL DATA

Appropriation:	<u>72-1181021</u>
Budget Plan Code:	<u>LDSA-88-25526-KG12</u>
PIO/T No:	<u>526-0616-3-80004</u>
Project No:	<u>598-0616.06</u>
Total Estimated Amount:	<u>\$ 150,000</u>
Total Obligated Amount:	<u>\$ 80,000</u>
Duns No.:	<u>07-536-5825</u>
Funding Source:	A.I.D./W <u>  x  </u> USAID <u>      </u>



SCHEDULE

A. Purpose of Agreement

The purpose of this Grant is to provide support for a microenterprise employment generation program, as more specifically described in Attachment 2 to this Agreement entitled "Program Description."

B. Period of Grant

1. The effective date of this Grant is August 23, 1988. The expiration date of this Grant is September 30, 1990.
2. Funds obligated hereunder are available for program expenditures for the estimated period August 23, 1988 to September 30, 1990 as shown in the Grant Budget below.

C. Amount of Grant and Payment

1. The total estimated amount of this Grant for the period shown in B.1 above is \$150,000.
2. A.I.D. hereby obligates the amount of \$ 80,000 for program expenditures during the period set forth in B.2. above and as shown in the Grant Budget below.
3. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 3 Standard Provision One, entitled "Letter of Credit."
4. Additional funds up to the total amount of the grant 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 Grant, entitled "Revision of Grant/Budget."

D. Grant Budget

The following is the Grant Budget, including local cost financing items, if authorized. Revisions to this budget shall be made in accordance with Standard Provision of this Grant, entitled "Revisions of Grant Budget."

(See Next Page)

**BEST AVAILABLE DOCUMENT**

5

DETAIL BUDGET ESTIMATE  
 Period: 09/01/88 - 09/30/90

BEST AVAILABLE DOCUMENT

GRANT BUDGET

	AID	Year 1 AITEC/Host Country	TOTAL	AID	Year 2 AITEC/Host Country	TOTAL	Total AID Years 1&2	Total AITEC/HCTry Years 1&2
<b>I. <u>Technical Assistance and training provided by Fundación Paraquava</u></b>								
	21,600	0	21,600	18,400	0	18,400	40,000	0
-Salaries and Services	13,600	0	13,600	12,000	0	12,000	25,600	0
-Travel and Perdiem	8,000	0	8,000	6,400	0	6,400	14,400	0
<b>II. <u>Operating Costs of New Foundation (Encarnación)</u></b>								
	34,600	0	34,600	35,400	35,000 <sup>1)</sup>	70,400	70,000	35,000 <sup>1)</sup>
-Salaries and Benefits	17,500	0	17,500	24,400	25,280	49,680	41,900	25,280
-Equipment & Furnitures	11,600	0	11,600	3,000	3,370	6,370	14,600	3,370
-Rents and Utilities	2,000	0	2,000	0	4,700	4,700	2,000	4,700
-Other (supplies, Communications, travel, etc.)	3,500	0	3,500	8,000	1,650	9,650	11,500	1,650
<b>III. <u>Contributions to Rotating Fund</u></b>								
	0	20,000	20,000 <sup>2)</sup>	0	80,000	80,000 <sup>2)</sup>	0	100,000 <sup>2)</sup>
<b>IV. <u>AITEC</u></b>								
	23,800	0	23,800	16,200	15,000	31,200	40,000	15,000
<b>TOTAL</b>	<b>80,000</b>	<b>20,000</b>	<b>100,000</b>	<b>70,000</b>	<b>130,000</b>	<b>200,000</b>	<b>150,000</b>	<b>150,000</b>

- NOTE: 1) Host Country contributions  
 2) Rotating Fund ACCION/AID guarantee fund  
 3) This budget covers a two-year activity with a total LOP funding of \$150,000. This PIO/T provides the funds only for Year 1. Funding for Year 2 will be provided with FY 1989 funds if available, under a new PIO/T.  
 4) In country expenses may include local currency costs.

E. Reporting

1. Financial Reporting

a. Financial reporting requirements shall be in accordance with the Standard Provision of this grant entitled "Payment - Letter of Credit (November 1985)", as shown in Attachment 3.

b. The original and two copies of all financial reports shall be submitted to AID, Office of Financial Management, Program Accounting and Finance Division (FM/PAFD), Washington, D. C. 20523. In addition, three copies of all financial reports shall be submitted to USAID/Asuncion.

2. Program Performance Reporting

a. The Grantee shall submit quarterly program performance reports, and a final report which briefly presents the following information:

(1) A comparison of actual accomplishments with the goals established for the period, including types of trainees placed consistent with the listed priority areas specified in the grant.

(2) Between the required performance reporting dates, events may occur that have significant impact upon the program. In such instances, the Grantee shall inform AID as soon as the following types of conditions become known:

Problems, delays, or adverse conditions that will materially affect the ability to attain program objectives, prevent the meeting of time schedules and goals, or preclude the placement of selected participants or organizing and completing required seminars within scheduled time frames. This disclosure shall be accompanied by a statement of the action taken, or contemplated, and any AID assistance needed to resolve the situation.

Favorable developments or events which enable required linkages to be established.

If any performance review conducted by the Grantee discloses the need for change in the budget estimates in accordance with the criteria established in the Standard Provision of this grant entitled "Revision of Grant Budget", the Grantee shall submit a request for budget revision.

**BEST AVAILABLE DOCUMENT**

7

Five copies of each program performance report shall be submitted to the office of the AID Representative, U.S. Embassy, Asuncion.

3. Special Reports

The Grantee shall provide special reports as requested by the AID Representative.

F. Indirect Cost Rates

Pursuant to the Standard Provision of this grant entitled "Negotiated Overhead Rates - Provisional", a rate or rates shall be established for each of the Grantee's accounting periods which apply to this grant. Pending establishment of revised provisional or final indirect cost rates for each of the Grantee's accounting periods which apply to this grant, provisional payments on account of allowable indirect costs shall be made on the basis of the following negotiated provisional rate (s) applied to the base (s) which are set forth below.

<u>Type</u>	<u>Rate</u>	<u>Base</u>	<u>Period</u>
Provisional Overhead	29.5	Direct salaries and wages including Fringe Benefits	FR: 1-1-88 until amended

G. Title to Property

Title to property purchased under this grant shall vest in the Grantee.

## PROGRAM DESCRIPTION

### Introduction and Project Objectives

Increasing attention is being directed in Latin America to very small scale businesses and micro-enterprises as an instrument for increasing productive employment and income for the most disadvantaged sectors of the society. In 1985 AID Paraguay assisted in the establishment of a private foundation that successfully provides credit and technical assistance to micro-enterprises in the greater Asunción area.

This larger program was managed by the U.S. (USAID), Accion Internacional/AMIC and its local affiliate, the Fundación Paraguaya de Cooperación y Desarrollo, which was created for this purpose. To develop its institutional capacity, the Fundación Paraguaya received substantial international training and outside technical assistance from AMIC and its network of affiliated institutions in Latin America. It drew on AMIC's program policy principles that had been tested and developed over many years of experience. Principal policy features include: (a) a non-subsidized approach to lending to micro enterprises; (b) use of solidarity groups to reduce credit risk; (c) high volume, low overhead; (d) and group training of micro-entrepreneurs on marketing, accounting, and business management.

While Asunción is by far the country's biggest city, there is a number of outlying secondary cities that represent growth poles such as Encarnación, Villarrica, Coronel Oviedo, Presidente Stroessner, Concepción, Pedro Juan Caballero, etc. These cities are potential candidates for micro enterprise programs. Their smaller size, remoteness, and scarce resources are impediments to the spontaneous initiation of locally based development efforts. Yet, in many of these places there is already a perceived and expressed need to emulate the Fundación Paraguaya's success in micro-enterprise assistance.

The purpose of this grant is to develop a capacity in the Fundación Paraguaya to replicate its micro-enterprise credit and technical assistance program at a scale appropriate to Paraguay's secondary cities. Successful completion of this project will provide the basis within the Fundación Paraguaya to serve as a change agent to promote and implement a nation-wide micro-enterprise program working through affiliated local foundations.

### Project Activities

The project will assist, advise, and support local community leaders in Encarnación or such other secondary cities acceptable to AID with the

9

establishment of a foundation to provide credit and technical assistance to micro-enterprises in and around the city. The Fundación Paraguaya, an affiliate of AITFC, will be responsible for implementing the project. It will carry out the following activities and others that might be necessary, to establish the local foundation capable of functioning within the basic policy principles of AITFC:

- diagnose the feasibility of a locally supported program capable of obtaining self-supporting status;
- identify and obtain commitment of potential board members;
- assist and advise with all aspects of obtaining legal status of the new foundation;
- assist and advise in staff selection;
- prepare detailed operating plans;
- develop and install all operating procedures including financial management and accounting systems; and
- supervise all operations during the first two years.

In carrying out these tasks, the Fundación Paraguaya will train or arrange for training of the Board and staff of this new local foundation as necessary to create an operational capacity. It will provide all technical assistance necessary to bring about a fully functioning micro-enterprise foundation. In addition to training and technical assistance, the project can finance all other operating costs of the new foundation, including, but not limited to: salaries, office rent and utilities, office equipment and furniture, supplies and materials, transportation, and travel and per diem.

#### Evaluation

During the final three months of the project, the Fundación Paraguaya will carry out an assessment of the status of institutional development of the new local foundation and will prepare a five year strategy plan for its further growth and development.

The assessment of institutional development will address (a) comparative financial performance; (b) administrative capability; and (c) socio-economic impact.

Comparative financial performance shall include a discussion of:

Balance Sheet - Analysis of net worth, long and short-term liabilities, and liquidity.

10

**Income Statement** - Study profitability of the program, will the PVO be moving toward self-sufficiency.

**Sources and Application of Funds Statement** - Analyze data from the income statement and balance sheet to determine portfolio quality, collection performance, portfolio yield.

**Financial Viability** - Analysis of the ability of the institution to operate self-sufficiently in the future through analysis of bad debt reserves, and the erosion of capital funds through inflation.

The assessment of the administrative performance will include:

**Organizational structure** - Analysis of chain of command, responsibility, inspection and control, and administrative duties.

**Internal Inspection and Control Procedures** - Institutionalized management reviews and informal internal evaluations.

**Internal Credit Procedures** - Established guidelines for credit worthiness.

**Staff productivity and Efficiency** - Analysis of loan volume, loan portfolio, number of advisors and support staff and administrative costs.

**Loan Follow-up** - Frequency of visits, content of visits.

The socio-economic impact will cover:

**Financial Information** - An analysis of the data collected for loan purposes to classify loan recipients according to different classifications (such as sector, age, sex, loan size, etc.) to determine the effect of the program on the participating micro-enterprises.

**Social Indicators** - General acceptance by the local community for the program through political approval, local donations and a strong representative board of directors.

The strategic assessment will reach conclusions, based on the evaluation, on the future financial viability of the local foundation. It will recommend in detail the appropriate course of action for further institutional and financial development. The Fundación Paramaya will discuss this assessment fully with the Board and key staff members of the local foundation.

MANDATORY AND OPTIONAL STANDARD PROVISIONS  
(Appendix 4C, AID Handbook 13)

The following Mandatory and Optional Standard Provisions for U.S., Non-Governmental Grantees in effect as of the effective date of this Grant are incorporated herein by reference with full force and effect as though fully set forth herein:

A. Mandatory Standard Provisions

- |                                      |                 |
|--------------------------------------|-----------------|
| 1. Allowable Costs                   | (November 1985) |
| 2. Accounting, Audit, and Records    | (January 1988)  |
| 3. Refunds                           | (January 1988)  |
| 4. Revision of Grant Budget          | (November 1985) |
| 5. Termination and Suspension        | (May 1986)      |
| 6. Disputes                          | (March 1987)    |
| 7. Ineligible Countries              | (May 1986)      |
| 8. Nondiscrimination                 | (May 1986)      |
| 9. U.S. Officials Not to Benefit     | (May 1985)      |
| 10. Covenant Against Contingent Fees | (November 1985) |
| 11. Nonliability                     | (November 1985) |
| 12. Amendment                        | (November 1985) |
| 13. Notices                          | (November 1985) |

B. Optional Standard Provisions

- |  |                 |
|--|-----------------|
| 1. Payment - Letter of Credit                    | (November 1985) |
| 4. Air Travel and Transportation                 | (November 1985) |
| 6. Procurement of Goods and Services             | (November 1985) |
| 7. AID Eligibility Rules for Goods and Services  | (November 1985) |
| 8. Subagreements                                 | (November 1985) |
| 9. Local Cost Financing                          | (November 1985) |
| 11. Publications                                 | (May 1986)      |
| 13. Negotiated Overhead Rates-Provisional        | (November 1985) |
| 14. Regulations Governing Employees              | (May 1986)      |
| 20. Title to and Use of Property (Grantee Title) | (November 1985) |
| 23. Cost Sharing (Matching)                      | (November 1985) |
| 24. Use of Pouch Facilities                      | (November 1985) |
| 25. Conversion of U.S Dollars to Local Currency  | (November 1985) |