

IPD-AB6-970
84740

A.I.D. Project No: 532-0156

AMENDMENT NO. 6
TO THE
PROJECT GRANT AGREEMENT
BETWEEN
THE GOVERNMENT OF JAMAICA
AND THE
UNITED STATES OF AMERICA
FOR THE
MICROENTERPRISE DEVELOPMENT PROJECT

Date:
Appropriation: 72-1131021
BPC: LDVA 93-25532-KG13
Amount: \$610,900

FUNDS AVAILABLE	
<i>[Signature]</i>	
SIGNATURE	DATE
	8/27/93

PROJECT GRANT AGREEMENT

AMENDMENT NO. 6

AMENDMENT Number 6 between the UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D.") and the Government of Jamaica.

The Government of Jamaica and A.I.D. entered into a Project Grant Agreement, dated August 30, 1990 ("Agreement"), which was amended on March 19, 1991, September 26, 1991, January 30, 1992 December 31, 1992, and June 14, 1993.

The Government of Jamaica and A.I.D. now desire to amend the Agreement to reflect certain changes in the scope of the project, to reflect an increase of the Life of Project authorized level from US\$2,000,000 to US\$5,000,000, obligate an additional US\$610,900 in grant funds, and to extend the Project Assistance Completion Date to September 30, 1997.

The parties agree that the Agreement be further amended as follows:

Section 1. Section 3.1. "The Grant" is deleted in its entirety and replaced by the following:

"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 to the Grantee under the terms of the Agreement an amount not to exceed Two Million Six Hundred and Ten Thousand Nine Hundred United States Dollars (\$2,610,900) ("Grant").

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

Section 2. Section 3.2, "Grantee Resources for the Project": Paragraph (b) is deleted in its entirety and is replaced by the following: "Participants in the project, including microentrepreneurs, implementing organizations, other donors, and financial institutions, will contribute approximately US\$4.15 million, including costs borne on an "in-kind" basis.

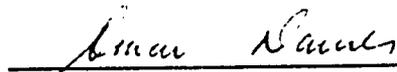
- Section 3.** Section 3.3, "Project Assistance Completion Date", Paragraph (b) is amended by deleting the date, "September 15, 1994", and substituting the date, "September 30, 1997".
- Section 4.** Annex 1, "The Amplified Project Description", is amended by adding the attached Supplement to the Amplified Project Description, together with the revised "Illustrative Cost Summary", appended thereto as Attachment A.

Except as amended herein, the Agreement between the Government of Jamaica and the United States remains in full force and effect.

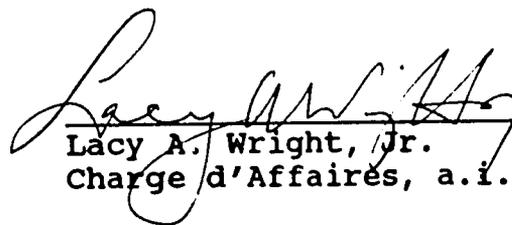
IN WITNESS WHEREOF, the Government of Jamaica and the UNITED STATES OF AMERICA, each acting through its respective duly authorized representative, have caused this Amendment to be signed in their names and delivered as of the day and date below written:

GOVERNMENT OF JAMAICA

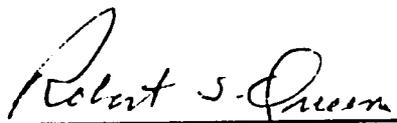
UNITED STATES OF AMERICA



Dr. Omar Davies
Minister Without Portfolio
Ministry of Finance



Lacy A. Wright, Jr.
Charge d'Affaires, a.i.



Robert S. Queener
Director
USAID/Jamaica

Date: _____

Date: 8/31/93

ATTACHMENT A

Annex 1 Supplement

to the

AMPLIFIED PROJECT DESCRIPTION

I. INTRODUCTION

This project was originally authorized on August 30, 1990. The project goal and purpose remain unchanged. This supplement provides for an expansion of the Amplified Project Description, Annex 1.

II. BACKGROUND

The microenterprise sector continues to play a vital role in the Jamaican economy. Given its labor intensive nature, the sector provides employment for approximately 33% of the urban labor force and contributes as much as 24% of GDP. Between 1990 and 1991 self-employed and independent occupation groups grew from 339,000 to 346,000, partly as a result of the shrinkage of employment in the formal sector due to structural adjustment measures being pursued by the Jamaican Government.

Despite the steady growth of the sector, and changes in Government macro-policies over the past two years, there still remain a number of constraints to its development. Lack of training, high cost of inputs, difficulty in obtaining raw materials, inflation, complex business registration and taxation requirements and access to credit are high on the list of obstacles which microenterprises face in their day-to-day operations.

The major constraint which the Microenterprise Development Project (MDP) sought to address in the original Project Paper was the inability of traditional lending institutions to address the credit needs of the sector. It is estimated that the annual demand for credit is US\$34 million, and although there are about 20 institutions which currently provide credit to the sector only 9% of all micro and small businesses have access to credit.

The goal of the original Project was to increase employment opportunities for the entrepreneurial poor in Jamaica through the development of microenterprises into more productive, sustainable businesses. USAID funding for the MDP which was US\$2 million with a project completion date of September 15, 1994 will now be increased to US\$5 Million with a project assistance completion date of September 30, 1997.

III. PROJECT DESCRIPTION & PURPOSE

The positive results of the MDP to date were noted in the evaluation of the Project which was completed in May 1993. Based on the progress achieved by the MDP the evaluation team recommended that the Project be extended for a further three years with additional funding.

The extended project will build on this achievement and continue to provide credit and technical support to microenterprise lending institutions in their efforts to service the sector. A new component will be an anti-poverty lending component which will provide funds for the provision of loans under US\$300. The Supplement will also provide an opportunity to follow up on the studies and surveys undertaken in the original project, the results of which will assist in informing the development of macro-policies for the microenterprise sector.

The overall goal and purpose of the Project Supplement are therefore basically the same as those in the Project Paper. The goal remains to increase employment opportunities for the poor in Jamaica thereby increasing their income and quality of life.

The Project purpose is to accelerate the development of microenterprises into more productive, sustainable businesses which employ more workers. It will reach the target population and contribute to achievement of the purpose by:

- increasing the capacity of Jamaican microenterprise assistance agencies to provide microenterprise credit on a self-sustaining basis;
- testing methods of delivering sustainable legal, marketing, management and other kinds of technical assistance to microenterprise lending agencies and microenterprises;
- establishing an updated baseline of information on the microenterprise sector and microenterprise lending and a methodology to track trends;
- compiling an agenda of microenterprise policy issues and recommendations for legal, regulatory or policy changes, as appropriate;
- implementing and testing the results of "mini-micro" lending (i.e loans in the US\$200-300 range) as a tool for poverty alleviation.

IV. END OF PROJECT STATUS

At the end of the Project it is expected that two sustainable microenterprise credit institutions will be employing cost efficient lending methods and non-grant funds to finance the

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majority of their loan portfolio. They will make over 2,000 loans annually, charge market interest rates and cover their operational and financial costs. In addition up to three additional microenterprise credit programs will be strengthened through training programs and will be moving towards financial viability. It is expected that these institutions will raise additional equity capital from other sources and finance a growing proportion of their lending from wholesale lending institutions and the commercial financial sector.

A data base on the microenterprise sector will be established and maintained through arrangements with the Government of Jamaica (GOJ) and with the support of other donors. In addition to this data base, information will be collected by lending institutions to track gender-disaggregated data including value of applicants' assets, jobs created or strengthened, and increases in production and sales.

Policy, regulatory or legal improvements identified in the research program will be discussed with relevant donor and GOJ authorities and appropriate action taken.

V. PROJECT IMPLEMENTATION

The basic implementation arrangements which proved so effective over the early years of the project will be continued during the period of the Supplement with some modifications to reflect an emphasis on technical assistance and training. This technical assistance and training will be done in collaboration with lending institutions in the sector and other donor efforts. Cooperative agreements will continue to be the mechanism used for providing operating and credit funds to assisted organizations.

The project will be monitored and managed by the Project Manager (PM) assisted by the Project Assistant. With its greater emphasis on technical assistance the Supplement will focus on upgrading the capacity and productivity of the microenterprise lending sector by hiring a technical expert for one year to work primarily with MDP assisted organizations. In addition short term services will be provided on specialized needs or problems and training provided for lending agency personnel.

VI. ILLUSTRATIVE FINANCIAL PLAN

Annex 1, Section V "Illustrative Financial Plan" of the original Project Description, should be deleted and replaced with the following:

The Life of Project new authorized level for this Seven Year Microenterprise Development Project is estimated at \$9,150,000. Of this total, USAID, subject to the availability of funds, will contribute \$5,000,000, and the GOJ, the Jamaican private sector, and other donors will contribute the Jamaican dollar equivalent of US\$4,150,000.

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The total cost of the amendment is \$5,600,000. AID's contribution will comprise \$3,000,000 of the amended budget. The GOJ, the Jamaican Private Sector, and other donors will contribute \$2,600,000 of the amended budget.

Over the Life of Project, USAID will finance: credit, technical assistance, training, the purchase of commodities including computer hardware and software. The project will also finance a project management unit which will contract with Jamaican and US training organizations to carry out short-term training and will provide technical assistance to organizations providing credit to microenterprises.

The following Table 1 represents the illustrative financial plan for the project showing planned obligations for AID funds. The plan is illustrative only and changes may be made by mutual agreement of the representatives of the Parties in Implementation Letters without formal amendment to the Agreement as long as such changes do not increase the total amount of the Grant. Note that project components have changed: Component i. Credit Program Development remains as Component i; Component ii. Anti-poverty Lending has been added; Component ii. Non-Credit Assistance has been changed to Component iii.; Component iii. Pol. Info/ Res, Monit/Eval. has been changed to Components iv. Policy/Info/Research/Monitoring and vii. Monitoring/Evaluation; Component iv. Project Implementation has been changed to Component v.; Component v. Contingency/Infla/audits has been changed to Components vi. Audits and viii. Contingency/Inflation.

Table 2 shows projected expenditures by activity for each year for the \$3,000,000 amendment only.

TABLE 1

ILLUSTRATIVE BUDGET

SUMMARY COST ESTIMATE AND FINANCIAL PLAN
(US\$000)

PROJECT COMPONENTS	PRIOR OBLIGATIONS		THIS OBLIGATION		TOTAL OBLIGATIONS		PLANNED* SUBSEQUENT OBLIGATIONS		TOTAL PLANNED OBLIGATIONS	
	AID	H/C	AID	H/C	AID	H/C	AID	H/C	AID	H/C
I. Credit Program Development	1501.632	1250	120	-	1621.632	1250	1482.366	1750	3104	3000
II. Anti-Poverty Lending	-	-	400	-	400	-	200	600	600	600
III. Non-Credit Assistance	3.368	-	-	-	3.368	-	97.632	-	101	-
IV. Policy/Information/Research	128	300	15	-	143	300	192	250	335	550
V. Project Implementation	225	-	75.9	-	300.9	-	199.1	-	500	-
VI. Audits	13	-	-	-	13	-	87	-	100	-
VII. Monitoring/Evaluation	57	-	-	-	57	-	73	-	130	-
VIII. Contingency/Inflation	72	-	-	-	72	-	58	-	130	-
TOTAL	2000	1550	610.9	0	2610.9	1550	2380.1	2600	5000	4150
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*SUBJECT TO AVAILABILITY OF FUNDS



TABLE 2

PROJECT INPUTS (US\$000)

AMENDMENT ONLY

ACTIVITY	YEAR 1		YEAR 2		YEAR 3		YEAR 4		TOTAL	
	AID	GO./ DONORS	AID	GO./ DONORS	AID	GO./ DONORS	AID	GO./ DONORS	AID	GO./ DONORS
I. Credit Program										
a) Credit			270	500	257	600	70	650	597	1750
b) Program Support										
Training			42		67		36		145	
Study Tours			40		32				72	
OPG/Commodity			116		58		28		202	
c) Technical Assistance										
Long term				98		112			210	
Short term	20		80		80		40		220	
Local	16		80		48		12		156	
II. Anti-Poverty Lending Credit	600			300		300			600	600
III. Non-credit Assistance										
Local TA			24		24				48	
Matching Grants			20		10		20		50	
IV. Policy/Info/Monitoring/Research										
Surveys			10	80	10	80	10	50	30	210
Local TA			4		4		2		10	
Overseas TA			40		40		20		100	
Seminars			5	20	5	20			10	40
V. Project Implementation	11		81		92		91		275	
VI. Audits			20		30		30		80	
VII. Monitoring/Evaluations					40		40		80	
VIII. Contingency/Inflation 5%			50		45		20		115	
TOTAL	647		980	900	954	1000	419	700	3000	2600