

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

AMENDMENT NO. 13
TO THE
PROJECT GRANT AGREEMENT
BETWEEN
THE GOVERNMENT OF JAMAICA
AND THE
UNITED STATES OF AMERICA
FOR THE
MICROENTERPRISE DEVELOPMENT PROJECT

Date: *Sept. 18, 1997*

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PROJECT GRANT AGREEMENT

AMENDMENT NO. 13

AMENDMENT Number 13 between the UNITED STATES OF AMERICA, acting through the Agency for International Development ("U.S.A.I.D.") and the Government of Jamaica.

The Government of Jamaica and U.S.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; June 14, 1993; August 31, 1993; March 31, 1994; June 20, 1994; March 27, 1995; January 26, 1996; July 29, 1996; and May 19, 1997.

The Government of Jamaica and U.S.A.I.D. now desire to amend the Agreement to reflect an increase in the Life of Project authorized level from \$5,000,000 to \$7,400,688; an extension of the Project Assistance Completion Date from September 30, 1997 to December 31, 2001; and, the revision of the Amplified Project Description.

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

Section 1. **Section 3.3.: Project Assistance Completion Date,"** is hereby amended as follows:

(a) The Project Assistance Completion Date (PACD) which is December 31, 2001, 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.

Section 2. **Annex 1, "The Project Description,"** is hereby amended by replacing the attached Amplified Project Description, together with the revised "Illustrative Budget," appended hereto as Attachment 1.

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

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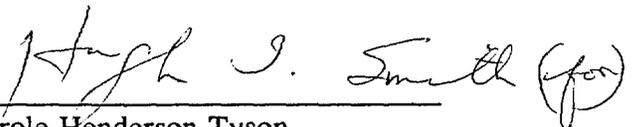
IN WITNESS WHEREOF, the Government of Jamaica and the UNITED STATES OF AMERICA, each acting through its respective duly authorized representative, have caused this Amendment to be signed in their names and delivered as of the day and date below written:

GOVERNMENT OF JAMAICA .

UNITED STATES OF AMERICA



Shirley Tyndall
Financial Secretary
Ministry of Finance



Carole Henderson Tyson
Director
USAID/Jamaica

Date: 18/9/97.

Date: 9/18/97

**MICROENTERPRISE DEVELOPMENT PROJECT
AMPLIFIED PROJECT DESCRIPTION**

ANNEX 1

This project amendment is for a continuation and further consolidation of the Microenterprise Development Project originally authorized in August 1990 and amended in August 1993. The original project provided a) financial assistance to two Jamaican microenterprise credit NGOs; b) technical assistance to the microenterprise financial sector; c) USAID participation in a multi-donor program of sector surveys and studies; and d) funding for project oversight including management, evaluation and audit.

The project/activity was the subject of a major evaluation again in March and April 1997. After assessing project activities, the evaluation team made the determination that the MDP project should be continued. Based on evaluation findings, it was recommended that the project be extended with three main components: Microenterprise Support Services, Credit Institutions Development, and Information and Research. The Mission has accepted those recommendations and the design of the MDP extension has its basis in them.

The project is to provide funding for eligible non-governmental organizations (NGOs), government agencies or private entities for the provision of microenterprise support services. Eligible organizations will be invited to submit proposals for pilot initiatives that might include training, technology transfers, marketing assistance, business advice, mentoring and information which is aimed at helping microentrepreneurs improve the performance of their business. Eligibility criteria and monitoring systems are all incorporated in the design.

The Credit Institutions Development component will concentrate on the Workers Bank Micro Banking Unit. With its strategic alliance with national post office and the 247 postal outlets throughout the island, Workers Bank is uniquely positioned to provide banking and credit services to microentrepreneurs throughout Jamaica. USAID support to Workers Bank will include technical assistance, operating expenses, training and equipment (including computer hardware and software).

The project is also providing funds for information and research. These funds will finance two subsector studies and a third round of the National Micro and Small Enterprises Survey (MSES). Selection of the subsectors to be studied will be guided by data from the 1996 MSES, by discussions with relevant development partners and stakeholders in the public and private sectors, and with

reference to the export potential of the subsectors. The objective of these subsector studies is to understand the economic system in which microenterprises operate, and to identify common constraints and opportunities for large numbers of microenterprises. The National Micro and Small Enterprises Survey will be conducted by the Statistical Institute of Jamaica (STATIN) for the implementation of a third round of the MSES in the year 2000. STATIN has done the field work and data processing for the previous rounds and has developed in-house capability to undertake the survey.

The project includes internal on-going monitoring and reporting systems which should allow for measurement of progress toward a number of targets throughout the life of the project.

Goal and Purpose

The goal of this activity is to provide increased opportunities to reduce poverty and improve the economic status of Jamaican households. The activity will contribute to this goal by upgrading and increasing employment in the microenterprise sector. This increased employment will provide more income to participating and affected individuals and households.

The purpose of the activity is to develop viable credit delivery institutions and microenterprise support services delivery which will promote expanding, productive and self-sustainable microenterprises which generate employment opportunities. The purpose also includes expanding the information base for policy makers and those who work in the sector and promote microenterprise.

Expected Results

The Microenterprise Development Project and its planned results fully conform with USAID/Jamaica's Strategy plan 1997-2001, Strategic Objective No. 1 **Increased Participation for Economic Growth**. The activity's outputs, i.e. lower level results, will contribute directly to the achievement of Intermediate Result 1.1. **Increased Economic Opportunities for the Poor**. The microenterprises assisted and the employment opportunities they generate will be from the lower strata of the Jamaican economy. Through lending to microenterprises and through provision of microenterprise support services, the project has the potential to generate business and employment opportunities for poverty level and low income families, thus increasing their participation in the national economy. The project has a target for its lending of 50 percent women entrepreneurs. By achieving

this target, the project has the potential to have a particularly positive effect on women's business and employment opportunities. The indicators demonstrating performance at this level will be 1) improved access to microfinance credit and 2) microfinance savings accounts mobilized for this purpose.

The lower level results/outputs parallel the three project components. The first of these **Microenterprise Support Services**, the second **Strengthened Credit Institutions**, and the third **Improved Information on the Microenterprise Sector**.

Lower level result: Microenterprise Support Services. This component will expand upon successful MDP initiatives to provide non-financial services to microentrepreneurs. The component will fund proposal driven pilot initiatives, including solicited proposals from NGOs, government agencies or private entities (trade associations, umbrella groups and private suppliers of business support services) for the provision of a range of business support services to microentrepreneurs, including but not limited to, business planning, marketing, financial management, legal assistance, compliance with public regulations and export assistance. Microenterprise support services may include direct provision of the service, technical assistance or training and may include innovative approaches to service delivery, including distance education modalities, development of marketing cooperatives or preparation of training and learning materials.

The inputs to achieve this output/result include funds for the delivery of pilot microenterprise support services, and technical assistance for the development of parameters, or terms of reference.

Indicators: The indicators that this output/result has been achieved are:

- One or more pilot initiatives are funded;
- up to 2,500 microentrepreneurs receive business support services;
- 50 percent of those receiving assistance are women;
- At least one growing and strengthened microenterprise support service provider with an improved cost recovery rate.

Lower level result: Strengthened Credit Institutions.

This component will increase the ability of the Workers Bank to deliver microbanking services to the target populations. This will be accomplished through the Bank's Postal Office Division which is expected to be managed separately from the regular branch office system to ensure an adequate degree of decentralization and accountability.

The inputs to achieve this output/result include long-term technical assistance within the Postal Division; short-term assistance for specific issues; operational support and commodities.

Indicators: The indicators that this output/result has been achieved include:

- At least 20 of 40 potential microbanking "clusters" fully developed and financially viable;
- a fully functioning Postal Division with lending policies and administrative and information systems in full operation;
- 70 to 80 loan officers in place making 40 to 50 loans each month;
- 50 percent of loan activity with women.

Lower Level Result: Improved Information on the Microenterprise Sector. This component is designed to increase the information base for policy and planning. The information generated is expected to be used by both public and private sector officials who will decide the course of the microenterprise sector.

The inputs to support achieving this result are funding for at least two subsector studies, and funding for the third round of the National Micro and Small Enterprise Survey (field work and analysis).

Indicators: The indicators that this output/result has been achieved are:

- at least two subsector studies completed;
- third round of National Micro and Small Enterprise Survey fielded and analysis completed;
- round-table on survey results held;

- data tables from national survey included in STATIN's Statistical Digest and full report available for sale;
- STATIN institutes open access policy to data set from the Micro and Small Enterprise Survey and documentation of data sets provided by STATIN.

Other Donor Programs

International donors involved in Jamaica are the Government of the Netherlands (GON), Canada (CIDA), European Union (EU); Inter-American Development Bank (IDB) and Germany (GTZ). (Annex 4) USAID efforts complement those of other donors. The Government of Jamaica (GOJ), GON, and EU fund intermediary financial institutions which in turn offer wholesale credit to retail lenders. The GOJ and IDB support the credit unions while CIDA supported the NDF/J. CIDA also supported COPE which lends to the poor of inner Kingston. The credit unions and the NDF/J service larger enterprises while USAID's MDP efforts are directed to microenterprises. USAID support for credit is channeled through the only commercial bank providing services targeted to microenterprises.

In addition to the projects already operating, the World Bank and GOJ are developing a microenterprise project. Negotiations are anticipated for November 1997. The project will: 1) finance policy studies; 2) build on existing systems a minimalist microfinance institution or institutional window and provide support for a credit program; and 3) provide support for a network of privately-managed community-based business support services and provide partial financing mechanisms for microenterprise skills development (possibly through a voucher system).

MDP has worked closely with the GOJ, the donor community and financial institutions. Donor representatives meet as part of a working group on microenterprises and also meet on an informal basis as circumstances warrant to share information and coordinate operations. Efforts at donor coordination have been fruitful with collaboration on funding of surveys and studies and the training program for staff of microfinance institutions.

FINANCIAL PLAN

BUDGET

This amendment to the project/activity requires an increase in the authorized life-of-project funding level of \$2,400,688, from \$5.0 million to \$7,400,688. Estimated

total costs of the amendment design are \$4,172,700. To date obligations total \$4,367,900 of which \$1,139,900 is unearmarked and available for the revised project. Thus additional funding requirements are \$3,032,800.

In addition to the resources provided by USAID, the equivalent of US\$2.3 million will come from other sources for the period of the revision and \$4.8 million estimated over the life-of-project. These funds include the operating costs of participating organization elements affected by the project, credit capitalization, matching funds for policy, research and information from the GOJ and other donors, and shared costs for the delivery of microenterprise support services.

The following tables detail the project budget, both for this revision and for the life-of-project (LOP) (amendment) and the new LOP with a breakout of foreign exchange and local currency, including the "host country contribution".

PROJECT BUDGET BY ELEMENT

1 ELEMENT	2 ORIGINAL LOP	3 LOP AMENDMENT	4 NEW LOP	5 PREVIOUS OBLIGATION	6 AMMENDED OBLIGATION	7 NEW OBLIGATION
<i>Credit Program Development</i>	2,900,732	2,054,315	4,539,947	2,485,632		2,485,632
<i>Non-credit Assistance</i>	234,268	321,027	555,295	234,268		234,268
<i>Policy/Information/ Monitoring/Evaluation</i>	465,000	249,001	712,001	463,000	(50,000)	413,000
<i>Project Implementation</i>	700,000	286,235	986,235	700,000	50,000	750,000
<i>Contingency/ Inflation/Audit</i>	100,000	404,026	489,026	85,000		85,000
<i>Anti-Poverty Lending</i>	600,000	-281,816	118,184	400,000		400,000
TOTALS	5,000,000	3,032,788	7,400,688	4,367,900	0	4,367,900

FOREIGN EXCHANGE/LOCAL CURRENCY BUDGET SUMMARY
(LIFE OF PROJECT)

ACTIVITY	AID		GOJ/ OTHERS	TOTALS	
	FX	LC	LC	AID	GOJ/ OTHERS
Credit Program Development	2,024,848	2,115,099	3,556,000	4,139,947	3,556,000
Anti-poverty Lending	300,000	100,000	600,000	400,000	600,000
Non-credit Assistance		555,295	40,000	555,295	40,000
Policy/Info/Monitoring Research	289,000	343,001	650,000	632,001	650,000
Project Implementation	640,535	345,700		986,235	
Audit/Evaluation	170,000	58,184		228,184	
Contingency/Inflation	226,300	232,726		459,026	
Total	3,650,683	3,750,005	4,846,000	7,400,688	4,846,000
FSDP-II	490,000			490,000	
GRAND TOTAL	4,140,683	3,750,005	4,846,000	7,890,688	4,846,000

ROLES AND RESPONSIBILITIES

USAID Oversight and Management

USAID/Jamaica activity oversight and project management will rest with the Strategic Objective 1 (SO1) Team Leader and his/her designates. The SO Team Leader will be supported by an Activity Manager (paid with project funds) and an accountant and OPPD backstop. The results package team will meet periodically to review project implementation and to consult and advise on project issues and progress.

The SO Team Leader, supported by the Activity Manager, will have direct responsibility for implementation of the Microenterprise Support Services and the Information and Research Elements. The Team Leader will also have oversight of a Long-term Technical Support Team which will work with Workers Bank's Microbanking Unit in implementing the credit component of the project. Long-term technical assistance will be directly contracted by USAID.

The primary role of USAID/Jamaica will be to manage for results and to facilitate the effective and efficient implementation of the Microenterprise Development activity.

Long-term Technical Assistance Contractor

The contractor will provide four persons who will make up the Technical Support Team to deliver long-term technical assistance to Workers Bank. These will include the Chief of Party and Principal Advisor on Microbanking and Finance; a Microbanking Coordinator/Client Services Advisor; a Bank Administrative Systems Advisor; and a Project Assistant.

SPECIAL ISSUES

USAID/Jamaica is concerned about the health of the financial sector in general and about Workers Bank in particular. Against this background, USAID/Jamaica will request Workers Bank to make a commitment, in writing, that provisions will be made to ensure that the activities of the Postal Division, and specifically the Microbanking Unit, will continue should the Bank fail.