

PDCAW 350



UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
AMERICAN EMBASSY
JAKARTA, INDONESIA

July 17, 1987

Ir. Priyadi Reksasiswaya
Director
Maha Bhoga Marga
Kapal-Mengwi-Badung
Denpasar, Bali

Subject: Grant No. AID 497-0336-G-SS-7120-00

Dear Ir. Priyadi:

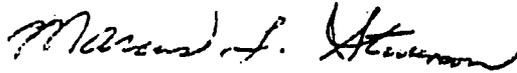
Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the United States Agency for International Development Mission in Jakarta (hereinafter referred to as "USAID" or "Grantor") hereby grants to Maha Bhoga Marga (hereinafter referred to as "MBM" or "Grantee") the sum of \$71,180 to provide partial support in the implementation of a Credit and Entrepreneurial Development Program, as more fully described in the attachment to this grant 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 July 17, 1987 through July 16, 1988.

This Grant is made to Maha Bhoga Marga 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, "Special Provisions"; and Grantee's proposal dated September 8, 1986 (incorporated herein by reference) which have been agreed to by your organization.

Please sign the original and three (3) copies of this letter to acknowledge your acceptance of the conditions under which these funds have been granted and return the original and two (2) copies to the Office of Contract Management.

Sincerely yours,



Marcus L. Stevenson
Grant Officer

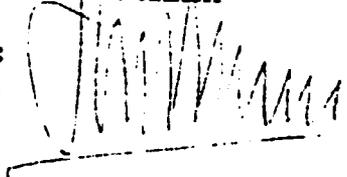
Attachments:

1. Schedule
2. Program Description
3. Special Provisions

ACKNOWLEDGED:

MAHA BHOGA MARGA

By:



Date: 20/1/07

FISCAL DATA

Appropriation	:	72-1171021
Budget Plan Code	:	QDNA-87-27497-KG13;QDEA-87-27497-KG13;
Project No.	:	497-0336 QDSA-87-27497-KG1
Total Estimated Amount:		\$71,180.00
Total Obligated Amount:		\$71,180.00 (57,927.00;5,580.00;7,673.00)
RESCTLNO	:	P700701;P700702:P700703
Grant#	:	AID 497-0336-G-SS-7120

ATTACHMENT 1

S C H E D U L E

A. PURPOSE OF GRANT

The purpose of this grant is to provide partial financial assistance to Maha Bhoga Marga (MBM) for the implementation of a Entrepreneurial Development Program by providing credit, training courses and technical assistance primarily to low-income entrepreneurs, as more specifically described in Attachment 2 to this Grant entitled, "Program Description".

B. PERIOD OF GRANT

The effective date of this grant is July 17, 1987 and the estimate expiration date is July 16, 1988.

AMOUNT OF GRANT AND PAYMENT

1. The total estimated amount of this grant for the period shown in B. above is \$71,180.
2. USAID hereby obligates the amount of \$71,180 for program expenditures during the period July 17, 1987 through July 16, 1989, and as shown in the Budget below.
3. Payment shall be made to the Grantee in accordance with procedures set forth in the Standard Provisions (Attachment 3) entitled, "Payment - Periodic Advance".
4. Request for advances and financial reports for reimbursement of liquidation of advances will be in Rupiah.
5. Documentation required by the payment provision above shall be submitted to:

Office of Finance
USAID/Jakarta

D. BUDGET

The funds provided under this Grant Agreement will be used to finance the USAID portion of the budget set forth below. Revisions to this Budget shall be made in accordance with the Standard Provisions entitled, "Revision of Grant Budget"

Illustrative Budget
July 15, 1987 - July 14, 1988
E/R: \$1 = Rp 1,640

	<u>MBM</u>	<u>USA</u>	<u>-----</u>
Loans	\$ 97,561	\$ 27,439	\$ 125,000
Training and Seminars for Participants	9,147	2,439	11,586
MBM Staff Training	-	2,744	2,744
Travel and Per Diem	-	1,829	1,829
Study of Small Enterprise Development	-	13,253	13,253
Administrative Costs	12,194	6,098	18,292
Office Equipment & Furnitures	-	8,903	8,903
Evaluation	-	3,048	3,048
	<u>\$118,902</u>	<u>\$ 65,753</u>	<u>\$ 184,655</u>
Overhead	-	5,427	5,427
TOTAL ESTIMATED COSTS	<u>\$118,902</u>	<u>\$ 71,180</u>	<u>\$190,082</u>
	(63%)	(37%)	(100%)

USAID Contribution - Rp 116,735,200 = \$ 71,180
 MBM Contribution - Rp 194,999,280 = \$118,902

If the exchange rate varies so that the amount of dollars necessary to purchase the rupiahs specified in the final rupiah budget is greater than the amount stated herein, then the U.S. dollar limitation stated herein will be the controlling limit to USAID's commitment. On the other hand, if the amount of dollars necessary to purchase the rupiahs specified in the final rupiah budget is less than the amount stated herein, the remaining dollars may be used to purchase rupiahs for justified rupiah cost increases over and above rupiah costs listed in the original rupiah budget, if approved in writing by USAID, and provided that Grantee counterpart contributions are adjusted accordingly.

The Grantee may not expend USAID funds in excess of the amount obligated under this Grant.

The Grantee agrees, as a condition to this Grant being made by USAID, that it will assure that the USAID contribution to the Total Program Budget does not exceed 75% of the Total Program Budget with all other funding coming from non-USAID sources. Failure of the Grantee to assure such non-USAID funding from other donors or its own resources may necessitate the termination of this Grant and possible refund action.

E. REPORTING AND EVALUATION

1. The Grantee will prepare and submit to USAID/VHP a semi-annual narrative report on the progress of the project. This report is to be in sufficient detail for USAID to judge the effectiveness and efficiency with which the project was implemented.
2. The Grantee will also prepare and submit to USAID/VHP, on a quarterly basis, financial reports pursuant to the "Payment - Periodic Advance" clause of the Standard Provisions. A final financial report will be submitted within 90 days of project completion.
3. In addition, an evaluation will be conducted by the Grantee in consultation with USAID at the conclusion of the project.
4. Prior to the required final performance reporting date, events may occur that have significant impact upon the project. In such instances, the Grantee shall inform USAID/VHP 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 attainment of project work activities by the established time period. This disclosure shall be accompanied by a statement of the action taken, or contemplated, and any assistance needed to resolve the situation.
- Favorable developments or events that enable time schedules to be met sooner than anticipated or more work activities to be performed than originally projected.

F. SPECIAL PROVISIONS

1. The total amount of this Grant is \$71,180. It is estimated that this amount will be sufficient to fund the Grant for one year. Subsequent year funding may be agreed to dependent on the availability of funds and the progress of the project; however, this does not constitute a commitment of any additional funding by USAID.

2. Provision for Partially Funded USAID Grants

a. The funds provided by this grant represent partial support of the program/project as described in the Schedule of this grant, and may be used to support the costs of the program/project as specified in the Financial Plan included in the Schedule.

b. The restrictions on the use of USAID grant funds hereunder set forth in the Standard Provisions of this grant are applicable to expenditures incurred with USAID funds provided under this grant. The Standard Provisions are not applicable to expenditures incurred with funds provided from non-U.S.G. sources. The Grantee will account for the USAID funds in accordance with the Standard Provisions of this grant entitled, "Accounting, Audit and Records".

c. Notwithstanding paragraph (b) of the Standard Provision of this grant entitled, "Refunds", the parties agree that in the event of any disallowance of expenditures from USAID grant funds provided hereunder, the Grantee may substitute for such disallowance expenditures made with funds provided from non-U.S.G. sources provided they are otherwise incurred for the purpose of this grant. At the expiration or termination of this grant, amounts of disallowance of expenditures from USAID grant funds for which a substitution with expenditures from non-U.S.G. funds cannot be made will be refunded to USAID.

2. Closeout Procedures

This section prescribes uniform closeout procedures for this grant.

a. The following definitions shall apply for the purpose of this section:

i. Closeout. The closeout of a grant or agreement is the process by which USAID determines that all applicable administrative actions and all required work of the grant or agreement have been completed by the recipient and USAID.

ii. Date of Completion. The date of completion is the date on which all work under grants is completed or the date on the award document, or any supplement or amendment thereto, on which USAID sponsorship ends.

iii. Disallowed Costs. Disallowed costs are those charges to a grant that USAID or its representative determines to be unallowable, in accordance with the applicable U.S.G. cost principles or other conditions contained in the grant agreement.

b. USAID closeout procedures include the following requirements:

i. Upon request, USAID shall make prompt payments to a recipient for allowable reimbursable costs under the grant agreement being closed out.

ii. The recipient shall immediately refund any balance of unobligated (unencumbered) cash that USAID has advanced or paid and that is not authorized to be retained by the recipient for use in other grant agreements.

iii. USAID shall obtain from the recipient within 90 calendar days after the date of completion of the grant agreement all financial, performance, and other reports required as the condition of the grant agreement. USAID may grant extensions when requested by the recipient.

iv. When authorized by the grant agreement, USAID shall make a settlement for any upward or downward adjustments to USAID's share of costs after these reports are received.

v. The recipient shall account for any property acquired with USAID funds, or received from the U.S.G. in accordance with Attachment N of OMB Circular A-110 entitled, "Property Management Standards".

vi. In the event a final audit has not been performed prior to the closeout of the grant agreement, USAID shall retain the right to recover an appropriate amount after fully considering the recommendations on questioned costs resulting from the final audit.

3. Ownership of the Loan Funds - Subject to any applicable restrictions under the Grant or elsewhere regarding lending criteria, MBM shall possess all rights to use and dispose of assets in the loan funds and shall continue to possess such rights after the grant termination date. After the grant termination date, if the programs authorized under the grant cease to continue, Grantee agrees to seek AID approval, or, in the absence of an AID Mission to Jakarta, U.S. Embassy approval, for an appropriate expenditure of undisbursed program funds.
4. With respect to Mandatory Standard Provision 3, Refunds, the Grantee is authorized to use program income for program purposes rather than refunding to USAID provided the income is used to continue and/or expand the activities originally planned. Program income earned through USAID-funded activities may revert to a "revolving fund" and may be used by the Grantee in the abovementioned ways, without accountability to USAID after termination of the project period, provided that prior to the expenditure of such reflows, the Grantee will inform USAID of the plan of operations and will keep USAID informed of actual activities during the life of this project. Please note that grant funds including cash advances cannot accrue interest prior to initial disbursement by the Grantee; interest on cash advances cannot be considered program income and must be refunded to USAID pursuant to Standard Provision 3.
5. The following Standard Provisions (OMB Control No. 0412-0510) are applicable to this Grant:
 - a. Mandatory Standard Provisions for U.S. NonGovernmental Grantees, Clause 1-13; and

b. Optional Standard Provisions for U.S. NonGovernmental Grantees, except that the following provisions are deleted:

- 2. Payment - Cost Reimbursement
- 7. Subagreements
- 13. Participant Training
- 16. Negotiated Indirect Cost Rates - Provisional
- 17. Government Furnished Excess Personal Property
- 19. Title to and Use of Property (U.S. Government Title)
- 20. Title to and Use of Property (Cooperating Country Title)

G. The authorized geographic code for procurement of goods and services under this grant shall be in accordance with Optional Standard Provision No. 6 entitled, "AID Eligibility Rules for Goods and Services".

PROGRAM DESCRIPTION

A. PURPOSE

The primary purpose of this Grant is to provide support to Maha Bhoga Marga (MBM) to implement its development program through the provision of capital and technical assistance to small entrepreneurs in Bali, Indonesia. This assistance will help establish or expand small enterprises that will, in turn, increase job opportunities, income levels and the standards of living of approximately 8,750 beneficiaries.

B. SPECIFIC OBJECTIVES

1. To provide capital assistance to small entrepreneurs through a revolving loan fund program which will release them from money lenders and broaden their scope of activities.

2. To provide technical assistance to small entrepreneurs to improve their management and develop enterprises which will increase incomes and improve their standard of living. Corollary job opportunities also will be created for 2,438 persons.

3. To conduct training courses and seminars in small business management which will enhance the skills of small entrepreneurs.

4. To develop and strengthen MBM's organizational structure and management capabilities. In this regard, partial support is being provided to establish a number of new positions in MBM's head office.

5. To conduct a study which would assess the effectiveness of the MBM small enterprise development program.

C. PROJECT IMPLEMENTATION

MBM will be responsible for the implementation, management and evaluation of the project. The project will be carried out essentially as outlined in this Grant and the Grantee's project proposal.

1. Credit Program

The total loan component of this project is \$125,000, representing contributions from USAID of \$27,439 and from MBM of \$97,561.

Under this program, the Grantee will extend capital investment to small enterprises in the areas of Denpasar and West and North Bali. Eligible borrowers must meet the following criteria to qualify for credit assistance:

- a. Borrowers must be small entrepreneurs or be willing to initiate small private enterprises. Preference generally will be given to lower-income people or groups.
- b. The loan must be used for productive activities.
- c. Applicants must obtain a letter of recommendation from community leaders concerning the provision of credit.

The Grantee evaluates the project proposed by the borrowers to determine its profitability. Other factors such as market demand, stability of supply sources, outstanding debts and overdue receivables, etc. are considered in the evaluation process. Usually a number of visits are made to the project site before final approval is given. A final consideration in the evaluation is the applicants' ability to provide collateral for the loan, which may be real estate titles or chattel mortgage. Those who cannot provide collaterals will be given the option of securing a guarantor or co-maker. After the entire evaluation process is completed, MBM determines the project viability and thereafter prepares a formal endorsement to the MBM Board of Directors for approval. (Small loans are sanctioned by the MBM Executive Director.) Once approval is obtained, the final legal documentation for disbursement of loan is prepared and the funds released to the borrower.

Loan repayment terms are dependent on the size and frequency of remittances, duration of loan, etc. MBM's monthly interest rate is a flat 1% of the total loan, plus 2% per month on the outstanding principal, plus \$3 (Rp 5,000) for administrative costs regardless of loan size.

2. MBM will conduct 14 training sessions for 363 trainees. These are held for one or two day periods for a total of 17 sessions during the year. They will be conducted by MBM's professional staff at their training center in Denpasar. Grant funds will be utilized to assist with transportation, food, accommodation and training materials for the trainees.

3. In addition to the above training activities, four key MBM staff will attend separate training courses in bookkeeping, community organization development, field credit surveys, computer and office techniques and small business management. The training will take place at appropriate institutions yet to be identified.
4. A study will be conducted to assess the effectiveness of its micro-enterprise program. The result of this study will (a) provide a detailed description of MBM's strategy including any changes over time, (b) assess the performance of the micro-enterprise strategy through a computer-assisted quantitative analysis of individual loans/business plans data, and (c) assess the strengths and weaknesses of the MBM strategy as an approach to micro-enterprise development through case studies of assisted entrepreneurs/enterprises. A team of three specialists will work together in data collection and analysis over a period of approximately three weeks. The team will produce an English language report (complete with Executive Summary in English and Indonesian) on the results of the case study.