

HONDURAS

PROPOSAL FOR FINANCING AND TECHNICAL COOPERATION FOR A PROGRAM TO SUPPORT RURAL WOMEN MICROENTREPRENEURS (FUNDACIÓN FINACOOB)

(SP/TC-98-05-493)

EXECUTIVE SUMMARY

AMOUNT AND SOURCE:	IDB Financing:	US\$200,000
	Technical cooperation:	US\$130,000 (nonreimbursable)
	Local counterpart funding:	<u>US\$100,000</u>
	Total:	US\$430,000

The funds will be drawn from the Fund for Special operations (FSO) and disbursed in local currency.

FINANCIAL TERMS AND CONDITIONS:	Amortization period:	15 years
	Grace period:	5 years
	Disbursement period:	4 years
	Interest rate:	10%

The financing will not be subject to maintenance of value.

OBJECTIVES: The general objective of the project is to help rural women become more financially independent by giving them an opportunity to generate income that can improve the well-being of their households and thereby alleviate poverty.

Its specific objective is to create rural microenterprises, using the home as the production center by lending women seed capital to purchase the inputs and materials needed to develop their farms, and appropriate technology to organize their production and market it, using an entrepreneurial approach in the tasks involved.

DESCRIPTION: This project will supply credit and technical assistance to enable rural women to engage in productive economic activities that will allow them (i) to improve the diets of their family members by producing foods, and (ii) to generate production surpluses for marketing. These activities will generate surpluses that will be administered by the women themselves.

The operation would have two components, a credit component and a technical-cooperation component.

Under the credit component, seed capital will be provided to finance infrastructure and working capital with which to engage in activities such as poultry-farming and other livestock-farming for meat, and fruit-and-vegetable farming in general.

The nonreimbursable technical-cooperation resources will be used to give women technical training (i) in organizing production in their gardens and in marketing their produce; (ii) to instill in them an entrepreneurial approach to these operations and to enhance their self-esteem; and (iii) to hold family workshops on work as a family in this new arrangement of tasks performed in the family, in which the women would become financially self-sufficient and learn to take pride in their work. The resources would also finance a campaign to promote the activities to be funded, which would help identify potential beneficiaries.

Fundación FINACOOP will be responsible for the management and execution of the proposed project. The credit services will be provided by Fundación FINACOOP under an agreement it will enter into with Financiera FINACOOP. A project management fund will be established for this purpose.

Terms and conditions of subloans: The subloans will be granted to women, especially the heads of households. The maximum amount that may be lent to any one woman may not exceed US\$3,000. The guarantees and currencies of payment will be determined by Financiera FINACOOP in keeping with its own financial standards. The grace and repayment periods may not exceed 12 and 24 months, respectively. The interest rate will be calculated to cover the following five components: (i) the incremental operating costs of Financiera FINACOOP, which may not be more than 6 percentage points of the rate; (ii) the operating costs incurred by Financiera FINACOOP, which may not exceed 4 percentage points of the rate; (iii) the financial costs, including the opportunity cost of the money; (iv) inflation; (v) reserves, and (vi) a spread ensuring a real positive interest rate.

**ENVIRONMENT AND
SOCIAL IMPACT:**

The Committee on Environment and Social Impact reviewed the profile of this operation at meeting TRG40/98 on October 23, 1998. It recommended that the technical-cooperation component include

activities specifically for environmental preservation, such as introducing organic crops, recycling animal waste, etc. The recommendations were taken into account in designing the training and technology transfer programs, the credit regulations and the mid-term evaluation.

BENEFICIARIES: Over a period of four years, the proposed project will benefit a total of 120 rural women and their families residing in the communities of Azacualpa, Intibucá department, and Villa Santa, El Paraíso department. Since each family has an average of seven members, there will be a total of 840 beneficiaries.

RISKS: One risk is that the women may not assimilate the production techniques well enough to enable them to attain the productivity needed to generate the projected income level. Another factor that could lower productivity is that dissension may arise within the family unit at the onset of the project activities because the incomes generated by those activities would be managed by the women.

Another aspect that could have an adverse impact on the results of the project is a lack of appropriate marketing mechanisms capable of substantially raising production levels. The experts to be hired with the technical-cooperation funding will help mitigate these risks by designing training and technical-assistance programs and gender workshops. The mid-term evaluation will gauge the effectiveness and results of the programs and mechanisms used to offset these risks.

**THE BANK'S
COUNTRY AND
SECTOR
STRATEGY:**

The lines of action under the Bank's strategy for Honduras focus on two major areas: (i) stimulation of high, sustained economic growth and (ii) support for social development programs. The lines of action for the second objective are identified in the strategy as programs in social sectors, such as education, health, sanitation and housing, to reduce and alleviate poverty.

The purpose of the Bank's microenterprise development strategy (GN-1938-3) is to promote the conditions needed for the growth and development of the sector in the region, that is, a favorable policy and regulatory system, sound, sustainable institutions that offer financial and other services to meet demand from microenterprises, improved access for low-income microentrepreneurs (including women and indigenous groups) to financial and business

services, and increased, steady and permanent flows of resources for investment in microenterprises. The proposed project is consistent with the Bank's country strategy, its microenterprise development strategy, and the operating policy on women in development.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Prior to the first disbursement under the technical-cooperation component, Fundación FINACOOOP must submit to the Bank a detailed timetable for the work to be done by the consultants and the terms of reference for each consultant (paragraph 4.15).

Prior to the first disbursement under the credit component, Fundación FINACOOOP must submit to the Bank's satisfaction:

(i) the signed agreement between Fundación FINACOOOP and Financiera FINACOOOP that will govern administration of the credit program resources by Financiera FINACOOOP (paragraph 4.5),

(ii) evidence that the credit regulations agreed upon with the Bank have entered into force (paragraphs 4.12 and 4.13), and

(iii) evidence that the staff necessary to carry out the activities under the technical-cooperation component has been hired (paragraph 4.6).

Since the program requires enough liquidity to expedite the investments and activities, it is recommended that resources be advanced to set up a revolving fund in the amount of up to 20% of the amount of the credit and the technical-cooperation components, once they become eligible for disbursement (paragraph 4.16).

Within 60 days following the close of each calendar year, Fundación FINACOOOP will submit to the Bank a work plan for the following year (paragraph 4.17).

Fundación FINACOOOP will undergo a mid-term evaluation once 50% of the resources have been disbursed, in order to ensure that the objectives of the operation are being accomplished and to evaluate the progress made and any problems that may have emerged, so that corrective measures to attain the desired results can be recommended (paragraphs 4.19 through 4.21).