

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

SOCIAL ENTREPRENEURSHIP PROGRAM (SEP)

HONDURAS

**BUSINESS SERVICES AND GUARANTEE FUND FOR PROMOTING
ENTREPRENEURSHIP AMONG YOUNG HONDURANS**

(HO-S1004)

PROPOSAL FOR FINANCING AND TECHNICAL-COOPERATION FUNDING

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INFORMATION AVAILABLE IN THE TECHNICAL FILES

Preparation:

- Project request
- Approved project profile
- Banhcafé Foundation's by-laws and articles of incorporation
- Report on the CADERH and INFOP networks' centers

Execution (Technical files):

- Institutional analysis and program execution
- Detailed CESI report
- Financial projections for the guarantee fund
- Guarantee fund Operating Regulations

ABBREVIATIONS

CABEI	Central American Bank for Economic Integration
CADERH	Red del Centro Asesor para el Desarrollo de los Recursos Humanos de Honduras [Honduran Advisory Center for Human Resource Development]
CESI	Committee on Environment and Social Impact
CNBS	Comisión Nacional de Bancos y Seguros [National Banking Commission]
CONAMIPYME	Comisión Nacional de la Micro, Pequeña y Mediana Empresa [National Commission for Microenterprise and Small and Medium-sized Businesses]
INFOP	Instituto Nacional de Formación Profesional [National Vocational Training Institute]
INTAE	Instituto Tecnológico de Administración de Empresas [Technical Institute for Business Administration]
PDOs	Private development organizations
TVCs	Technical vocational centers
UNITEC	Technological University of Central America
USAID	United States Agency for International Development

I. BASIC PROJECT INFORMATION

A. Executing agency

- 1.1 Fundación Banhcafé para el Desarrollo de las Comunidades Cafetaleras de Honduras [Banhcafé Foundation for the Development of Coffee-growing Communities in Honduras] will be responsible for project execution.

B. Amount and source

	<u>IDB (US\$)</u>	<u>Local (US\$)</u>	<u>Total (US\$)</u>
Loan:	300,000	50,000	350,000
Nonreimbursable technical-cooperation funding:	<u>410,000</u>	<u>157,000</u>	<u>567,000</u>
Total:	710,000	207,000	967,000

- 1.2 The Inter-American Development Bank (IDB) resources come from its Italian Trust Fund for Microenterprise Development.

C. Terms and conditions

Amortization period: 10 years
Grace period: 6 years
Interest rate: 0%
Currency: LEMPIRAS

- 1.3 The Bank loan of US\$300,000 will be disbursed and executed over a period of 48 months. The loan will be repaid in eight equal, semiannual installments between years seven and ten. The amount the foundation will repay to the Bank will equal the total nominal value of the financing, less a percentage of the outlays used to pay guarantees and cover the costs of managing the guarantee fund. That percentage will match the share represented by the IDB loan in the guarantee fund's total amount and will be a maximum of 85%. The returns on the investment of loan resources will not be repaid to the IDB and will be used for the capitalization of the guarantee fund. The IDB's nonreimbursable technical-cooperation funding of US\$410,000 will be executed over 48 months and will have a disbursement period of 54 months.

D. Nonobjection

- 1.4 By way of official letter DIGIP-475-2004 of 5 November 2004, the Government of Honduras expressed its nonobjection to the Bank's financing of this operation.

E. Issue to be addressed

- 1.5 According to the 2001 National Population and Housing Census, Honduras has a high percentage of young people. Twenty-one percent of the population (1,356,454) is between 15 and 24 years of age. Several studies indicate that this segment of the population faces greater difficulties in achieving social integration and finding employment, impeding full personal and professional fulfillment. Faced with the difficulty of finding a job, many young people choose to open new businesses, thereby contributing to the development of the microenterprise sector, which generates employment for more than 50% of the economically active population. Nevertheless, since these young people lack experience and entrepreneurial skills, most of their businesses do not survive more than a year, and those that do, generate little added value.
- 1.6 This project focuses on the difficulties involved in creating sustainable businesses faced by low-income young people between 18 and 29 years of age, who are graduates of technical vocational centers (TVCs) located in the departments of Francisco Morazán, Comayagua, and Cortés, and of the Technological University of Central America (UNITEC)—Francisco Morazán and Cortés campuses. There are 23 TVCs in these departments, from which approximately 4,400 young students¹ graduate each year. These young people, who come from households with incomes of less than \$2,500 per year,² have received good technical, but no business, training. Once they graduate, their first option is to look for a job, but few reach that objective. Their second option is to start a business, but many of them face constraints because their families are poor and because they lack access to financial and nonfinancial services.
- 1.7 According to research conducted at 19 educational centers that are part of the network of the Centro Asesor para el Desarrollo de los Recursos Humanos de Honduras [Honduran Advisory Center for Human Resource Development] (CADERH) and the Instituto Nacional de Formación Profesional [National Vocational Training Institute] (INFOP), in the past two years, only 148 out of a total of 3,898 students managed to start new businesses in areas such as: carpentry, welding, garment-making, information technology, electrical work, shoemaking, etc. A survey of 65 students from 12 vocational centers, who were in their final year of study and who had been selected because of their entrepreneurial spirit, reveals that the two main problems they face in starting a sustainable business are:

¹ These departments were selected based on: (i) the existence of vocational centers; (ii) greater potential for doing business; (iii) areas of influence for other Banhcafé Foundation projects; (iv) coverage by financial institutions; and (v) the large number of young people between the ages of 18 and 29.

² This value has been estimated taking into account that household incomes outside of Tegucigalpa and San Pedro Sula average US\$75 per month (US\$892 per year), while in urban areas they average approximately US\$208 per month (US\$2,500 per year).

(i) difficult access to capital and financing; and (ii) a lack of entrepreneurial skills and support networks.

- 1.8 **Lack of access to financing and capital.** According to the Directorio de Servicios Financieros para Mipymes Urbanas y Rurales [Directory of Financial Services for Urban and Rural Microenterprises and Small and Medium-sized Businesses], published in 2003 by the Comisión Nacional de la Micro, Pequeña y Mediana Empresa [National Commission for Microenterprise and Small and Medium-sized Business] (CONAMIPYME), 95% of financial institutions do not support young entrepreneurs whose businesses have been in operation for less than one year. Indeed, although the Honduran financial system, as of December 2003, was comprised 16 commercial banks, two savings and loan associations, nine private investment banks, two State banks (including the Central Bank of Honduras), and two second-tier funds, and had a portfolio of US\$2.921 billion, none of these institutions covers this segment of the population. Although unregulated entities—37 private development organizations (PDOs) with a portfolio of US\$33 million—work with poorer segments of the population, they do not provide services to this market niche either. Nor does the cooperative savings and credit associations sector, with approximately 127 institutions and a portfolio worth US\$175 million. For the young people who will benefit from the project, the above situation is compounded by an absence of personal savings and families unable to provide support. In sum, a lack of credit history and the fact that they are poor and come from poor families make access to financing and capital very limited for young graduates of TVCs.
- 1.9 **Limited entrepreneurial skills and support networks.** Very few centers provide business training or instruction. Of the 31 centers in the CADERH network, only five have business education modules. Those that do provide business training face constraints in hiring staff who are specialists on the subject. Additionally, 71% of the centers studied indicated that young people who are interested in starting businesses need guidance and support services during the first months their businesses are in operation. However, most of these centers are not in a position to attend to that demand. Also, there are only three institutions in the project's area of influence that provide services to young entrepreneurs.
- 1.10 Concerned about this situation, the Banhcafé Foundation began pilot activities in 1988 to provide development opportunities for young people, such as the education credit program for technical vocational training and the creation of family-owned microenterprises and community banking companies. Through this project, the Banhcafé Foundation is seeking to enhance its institutional capacity in order to increase the scope and depth of business development activities geared toward impoverished young people.
- 1.11 **Beneficiaries.** A minimum of 400 young people between the ages of 18 and 29 will be the direct beneficiaries of the project. These young people come from families who share the following socioeconomic characteristics: (i) they live in urban and

rural areas; (ii) they have only had a primary school education; (iii) they earn less than US\$2,500 per year; (iv) they are small farmers or laborers, or work in subsistence microenterprises; and (v) they generally lack access to formal financial services. In order to participate in the project by submitting business plans and ideas, candidates must: (i) be between 18 and 29 years of age; (ii) come from households with incomes of less than US\$2,500 per year; (iii) be graduates of a technical vocational center and reside in the departments of Francisco Morazán, Comayagua, or Cortés, or of a university approved by project management; and (iv) have no more than two years of business experience.

II. THE PROJECT

A. Objectives

- 2.1 The general objective of the project is to increase the motivation and technical and financial capacity of impoverished young graduates of technical vocational centers to become entrepreneurs. The purpose of the project is to promote the creation of new, sustainable businesses by developing a mechanism for promoting, assisting, and providing financing to young graduates of technical vocational centers.

B. Description

- 2.2 The project will implement a series of mechanisms so that young people who choose a career in business may start profitable and sustainable businesses. The project seeks to resolve the three problems identified: difficult access to financing; a lack of entrepreneurial skills and access to support networks; and the need for the institutional strengthening of the Banhcafé Foundation. The project has two components: (i) guarantees for young entrepreneurs; and (ii) technical support.

1. Guarantees for young entrepreneurs: (Bank: US\$300,000; local: US\$50,000):

- 2.3 Through the IDB loan and contributions from the private sector, the Banhcafé Foundation will create a guarantee fund in order to reduce the risks faced by financial institutions when providing loans to low-income young entrepreneurs who are in the process of starting new businesses.
- 2.4 The guarantee fund will have the following characteristics: (i) it will offer a guarantee that will be paid at the very same time the financial institution begins delinquency collection proceedings for the other collateral pledged by the beneficiaries; (ii) it will be selective in that it will offer guarantees to young people with business plans that have been selected by the Banhcafé Foundation and favorably evaluated by a financial institution; (iii) it will share risks given that the guarantee will cover 50% of the value of the loan balance and 100% of the interest accrued during the six months following the maturity date of the loan, while the

other 50% will be assumed by the financial institutions; (iv) private-sector businesses will participate by contributing a minimum of US\$50,000 toward its creation and will act as mentors to the young entrepreneurs; and (v) the guarantees may only be applied to loans that finance business plans meeting the Bank's and the country's environmental standards. The guarantee fund's financial projections and a draft version of the guarantee fund's Operating Regulations can be found in the project's technical files.

- 2.5 The guarantee fund will grant guarantees for an estimated US\$250,000 in the four years of the project, making it possible to raise a total of US\$500,000 for loans to 400 young entrepreneurs.

2. Technical support to young entrepreneurs (Bank: US\$410,000; local US\$157,000)

- 2.6 Through the nonreimbursable technical-cooperation component, a mechanism will be created for selecting and supporting young people in the process of starting businesses. Those who receive technical support will be ideal candidates for the guarantee system planned in the first component given that the technical and management risks associated with a lack of business experience will be offset by the project's advisory and mentoring services.
- 2.7 The main activities to be financed using the technical-cooperation operation are: (i) promotion of the project at the TVCs and UNITEC and a notice of competition for the selection of business plans and entrepreneurs; (ii) support for the young people via advisory services and mentoring, for the implementation of business plans; (iii) legal advisory services for implementing the guarantee fund; (iv) the institutional strengthening of the executing agency; (v) project coordination; and (vi) the monitoring and evaluation of project performance indicators. The contracting of consulting services that are contracted under this component must take into account the Italian Trust Fund for Microenterprise Development's requirement that "at least 70% of consulting services financed by the Fund must be provided by Italian nationals or businesses". A description of this component's activities can be found in Annex III.

C. Sustainability and results of the financial analysis

- 2.8 **Sustainability of the guarantee fund.** Investments and guarantees will be managed strictly and securely in order to generate positive net income that builds the guarantee fund's capital over time. The guarantee fund's resources will be placed in government or financial sector bonds that earn market interest rates in order to ensure a reasonable return. Income will also be generated from fees to be paid by the young borrowers. In order to minimize Fund losses, the financial institutions participating in the project will sign an agreement requiring them to apply special criteria to their selection of eligible projects and grant financing with

specific terms and interest rates. Likewise, the rates negotiated with Banhcafé for management of the guarantee fund are market rates and not burdensome.

- 2.9 **Sustainability of advisory and mentoring services.** The following strategies will be employed: (i) a percentage will be charged of the cost of the services provided to business plans that are profitable during their second year of operation; (ii) TVC staff will be trained to provide advisory services; and (iii) a permanent network of mentor entrepreneurs will be created.
- 2.10 **Results of the financial analysis.** In the four years of the project, an estimated 400 young people with business plans may be selected and given support so that they will be in a position to receive guarantees, as illustrated in Annex II. The total value of guarantees issued in year one will be US\$31,250, increasing to US\$250,000 in year four. The volume of guarantees in effect during year four will be US\$211,290, taking into account a loss rate of 14%. By the end of the fourth year, the guarantee fund, after covering administrative and loss costs, will have liquid assets in the amount of US\$360,114. Bearing in mind a loss rate of 14%, the Banhcafé Foundation will be able to repay an estimated 96% of the loan (the financial projections can be found in the project's technical files).

D. Expected outcomes and benefits reaped

- 2.11 The project's expected outcomes focus on three areas: (i) **development of entrepreneurial skills and starting businesses.** During the four years of the project, 1,000 business plans will be prepared and 600 young people will be assisted in implementing their business plans, 400 of which will become businesses that will have access to financing through the use of the project's guarantees. At least 20% of these new businesses must be headed by women. The businesses started with the assistance of the project are expected to have higher survival and growth rates than those of a control group that will be used to measure project impact. Through its direct and demonstration effects, the project is also expected to increase the annual percentage of businesses started by TVC graduates; (ii) **building of institutional capacity.** Ten vocational training centers will be strengthened, 12 new business advisors will be trained, and 102 small and medium-sized enterprise managers and entrepreneurs will receive instruction on how to be mentors to young entrepreneurs. Financial institutions are also expected to learn to work with young entrepreneurs; and (iii) the **institutional strengthening of the Banhcafé Foundation.** By the project's end, the Banhcafé Foundation will have the capacity to sustain project operations.

E. The Bank's strategy with Honduras

- 2.12 The project's activities are consistent with the Bank's Strategy with Honduras (GN-2238-1), approved on 4 February 2003, given that the project is designed to

support Honduras in its efforts to reduce poverty through the development of entrepreneurial skills and new businesses among lower-income people.

F. Coordination with other international development agencies

- 2.13 During project preparation, contact was made with the United States Agency for International Development (USAID) and the Central American Bank for Economic Integration (CABEI). USAID has a guarantees project that is being used by two banks and by the Covel Microfinance Foundation. However, that project targets microenterprises with demonstrated experience. For its part, CABEI confirmed that it is interested in this type of project but is currently awaiting the initial outcomes of one it created in El Salvador.

G. Summary of the environmental and social review

- 2.14 The Committee on Environment and Social Impact (CESI), during its meeting on 30 July 2004, recommended: (i) financing business plans that meet the requirements of both the Bank's and Honduras's environmental policies; (ii) ensuring that no support be given for non-forestry or unsustainable activities on forestable land; (iii) including the subject of environmental management in the training and advisory services; and (iv) making mention of the cultural diversity of the young beneficiaries in Honduras.

H. Special conditions

- 2.15 As a condition precedent to the first disbursement of the loan, which will be the equivalent of US\$50,000, the Banhcafé Foundation must submit the following to the Bank's satisfaction: (i) the designation of a project coordinator; (ii) the guarantee fund's regulations as approved by the board of directors of the Banhcafé Foundation; (iii) a trust agreement signed between the Trust Fund and the Banhcafé Foundation; and (iv) a loan agreement signed between Banhcafé and the Banhcafé Foundation. The subsequent disbursements will be made semiannually, based on periodic reports in which the Banhcafé Foundation must include its plans for granting guarantees. The Bank may suspend disbursements if substantial deviations arise, and for as long as they persist, that in the Bank's opinion impact any of the following indicators: (i) the semiannual loss rate for the Trust's projects is greater than 14%; (ii) private sector contributions obtained by the Banhcafé Foundation for the guarantee fund are lower than project estimates, namely, US\$10,000 in year one, US\$12,000 in year two, US\$13,000 in year three, and US\$15,000 in year four; and (iii) targets are not met with respect to the number of guarantee fund beneficiaries, which should not fall below 80% of the minimum number planned for the project, namely, 50 in year one, 100 in year two, 150 in year three, and 100 in year four.

- 2.16 The Banhcafé Foundation will commit to keeping the guarantee fund in operation for a minimum of 15 years. Additionally, starting in year seven of operation, it may not grant guarantees with loan resources from the Bank.
- 2.17 The Banhcafé Foundation will ensure that the business plans of the project's beneficiaries comply with the Bank's and Honduras's environmental policies.
- 2.18 As conditions precedent to the first disbursement of the technical-cooperation funds, the Banhcafé Foundation must submit to the Bank's satisfaction: (i) the terms of reference for the consultants to be hired during the first six months of the project; (ii) cooperation agreements signed with four TVCs and five mentor entrepreneurs;³ and (iii) a plan of operations for the first year of the project, which should include a timeline for achieving the performance indicators established in Annex II. The Banhcafé Foundation should not receive more than 50% of the technical-cooperation resources until it can demonstrate to the Bank that it has granted guarantees to a minimum of 150 beneficiaries.

I. Reports, evaluations, and audits

- 2.19 **Semiannual reports:** Semiannual reports will be submitted by the Banhcafé Foundation to the Bank's Country Office 45 days before each six-month calendar period concludes, with a final report to be submitted 60 days after the last disbursement is made. These reports will include an analysis of the degree to which the performance indicators established in Annex II have been achieved, including: (i) business plans received in response to the notice of competition; (ii) the advisory services and mentoring provided; (iii) the number of young people having received support; (iv) new businesses started with the project's support; (v) number and value of guarantees granted; (vi) the amount of financing guaranteed; (vii) the average six-month loss rate; (viii) private sector contributions to the guarantee fund; (ix) project compliance with the IDB's and Honduras's environmental policies; and (x) an estimate of the number and value of guarantees planned for the next six-month period. When possible, the indicators should be broken down by gender, department, and ethnicity. The first report should include a description of the information system being used by the Banhcafé Foundation to monitor the beneficiaries as well as an explanation of the methodology used to create the control group. The final report should contain a summary of the degree to which the original targets and objectives have been met.
- 2.20 **Annual audited financial reports for the loan component:** Within 120 days after the close of each fiscal year, beginning with the fiscal year in which disbursements begin, and during project execution, the Banhcafé Foundation must submit: (i) three copies of its basic financial statements; and (ii) three copies of the annual statement on the origin and application of the funds. The aforementioned statements and

³ Annex III includes a preliminary list of TVCs and entrepreneurs that expressed support for the project.

financial data should be audited by an independent public accounting firm or independent public accountant acceptable to the Bank, in accordance with requirements that are satisfactory to the Bank and within the deadlines previously stated.

- 2.21 Within 120 days after the close of the fiscal year in which the last disbursement was made, the Banhcafé Foundation must submit a report detailing the expenditures made using technical-cooperation funds, audited by an independent public accounting firm or independent public accountant acceptable to the Bank.
- 2.22 **Evaluations:** The Bank will use technical-cooperation resources to commission midterm and final evaluations of the project. Once the project has been in execution for 24 months, a midterm evaluation, commissioned by the Bank, will be conducted; this evaluation will measure: (i) progress made in terms of the motivation level and skills of young TVC graduates to become entrepreneurs; (ii) the number and quality of new businesses started with the support of the project; (iii) the achievement of the indicators set out in the logical framework (see Annex I) under the components and in the table of indicators in Annex II; (iv) the lessons learned and recommendations for meeting project objectives; and (v) the institutional capacity of the executing agency. Also, once the project has been in execution for 42 months, the final evaluation will be done. Besides taking into account the areas covered in the first evaluation, the final evaluation will also measure: (i) differences between the businesses started with the support of the project and those of the control group in terms of survival rates, growth in sales and employment, and formalization; (ii) lessons learned; and (iii) project sustainability.

J. Risks

- 2.23 The five main risks the project might face are: (i) the TVCs' failure to fulfill the commitments they make in the agreements; (ii) a lack of commitment on the part of local entrepreneurs, both as mentors and in making contributions to the guarantee fund; (iii) a lack of interest on the part of financial institutions to grant loans to young people being supported by the project through the guarantee fund; (iv) high loss rates among the business projects; and (v) insufficient returns on the Fund's liquid assets.
- 2.24 In order to mitigate these risks, the project plans to take the following measures: Risk (i): the Banhcafé Foundation, through the promoters, will be in constant contact with the TVCs in order to encourage their participation in the project. An annual prize will also be awarded to the TVCs that cooperate the most towards meeting the project's objectives; Risk (ii): the Banhcafé Foundation will disseminate information on the entrepreneurs and businesses that contribute time and resources to the project and each year will honor the entrepreneur who has made the greatest contribution; Risk (iii): the Banhcafé Foundation will actively encourage the four main private development organizations and the cooperatives

that are part of UNIRED to use the guarantee fund; Risk (iv): the agreements with the financial institutions will include adequate selection rules for the business projects, which will also be low-risk, technically and administratively speaking, because of the advisory services and mentoring they will receive; and Risk (v): liquid assets will be invested in government notes, which are currently the highest performing in the market.

K. Exceptions to Bank policy

2.25 None.

LOGICAL FRAMEWORK

BUSINESS SERVICES AND GUARANTEE FUND FOR PROMOTING ENTREPRENEURSHIP AMONG YOUNG HONDURANS (HO S1004)

Objectives	Indicators	Means of verification	Assumptions
Goal			
To increase the motivation and technical and financial capacity of impoverished young graduates of technical vocational centers (TVCs) to become entrepreneurs.	<ul style="list-style-type: none"> The percentage of young graduates of TVCs in the departments of Francisco Morazán, Cortes, and Comayagua who start new businesses increases from 5% in the base year (2003) to 10% in the final year of the project. 	<ul style="list-style-type: none"> Midterm and final evaluations Baseline study (Surveys conducted at the Honduran Advisory Center for Human Resource Development (CADERH), the National Vocational Training Institute (INFOP), and the Technical Institute for Business Administration (INTAE), and among beneficiaries and a control group) 	<ul style="list-style-type: none"> Macroeconomic conditions in Honduras remain stable.
Purpose			
To promote the creation of new, sustainable businesses by developing a mechanism for promoting, assisting, and providing financing to young graduates of technical vocational centers.	<p>Upon project completion:</p> <ul style="list-style-type: none"> 400 new businesses started with the support of the project <p>The businesses started with project support stand apart from those of a control group in terms of the following:</p> <ul style="list-style-type: none"> Higher rate of survival in their first year of operation (50% higher) Higher rates of growth in sales and employment (50% higher) Higher rate of formalization (20% 	<ul style="list-style-type: none"> Midterm and final evaluations Baseline study (surveys conducted at CADERH, INFOP, and INTAE, and among beneficiaries and a control group) Reports from BANHCAFE's Trust Department Semiannual project reports 	<ul style="list-style-type: none"> There are business opportunities for the businesses started under the project.

Objectives	Indicators	Means of verification	Assumptions
	higher)	<ul style="list-style-type: none"> Project database 	
Components			
1. Guarantees for young entrepreneurs.	<p>By year four of the project:</p> <ul style="list-style-type: none"> 400 young entrepreneurs have taken out loans by using the project's guarantee fund At least US\$500,000 has been granted in loans to young entrepreneurs. Number of failed projects is less than 14% Business guarantee (loan) agreements have been signed with a minimum of four financial institutions Entrepreneurs have contributed at least US\$50,000 to the guarantee fund 	<ul style="list-style-type: none"> Agreements signed with four financial institutions Agreements signed with sponsoring entrepreneurs Reports from BANHCAFE's Trust Department Semiannual project reports Project database Financial institution reports 	<ul style="list-style-type: none"> Financial institutions and businesses that support the project have fulfilled the commitments they made and are still interested in supporting or backing the guarantee trust fund for the young people. Several financial institutions find the guarantee fund attractive for financing young entrepreneurs, as do contributing businesses or guarantors that wish to participate in and support the project. There is demand for financial services among the young entrepreneurs.
2. Technical support for young entrepreneurs.	<p>Upon project completion:</p> <ul style="list-style-type: none"> Agreements with 10 technical vocational centers promoting business training (advisory councils of the technical vocational centers) 12 advisors trained and incorporated into the project's support network 102 mentors trained and incorporated into the project's support network 1,000 business plans received by the 	<ul style="list-style-type: none"> Agreements signed with vocational training centers Cooperation agreements signed with advisors and mentors Project database and advisory services and mentoring logs Report by financial 	<ul style="list-style-type: none"> The vocational training centers and businesses supporting the project have fulfilled their commitments. Honduras has human resources capable of managing and providing technical support to the project.

Objectives	Indicators	Means of verification	Assumptions
	<p>project</p> <ul style="list-style-type: none"> • 600 businesses have received advisory services and mentoring • 70% of the beneficiaries are satisfied with project services • The Banhcafé Foundation has the human, technological, and financial resources to sustain project services 	<p>intermediaries on projects that have been considered, and then rejected or approved.</p> <ul style="list-style-type: none"> • Semiannual project reports 	
Activities			
<p>Component 2</p> <p>Establishment of the guarantee fund</p> <p>Entrepreneurs' contributions to the fund</p> <p>Drafting and signing of loan agreements with financial institutions</p> <p>Agreement between the Banhcafé Foundation and BANHCAFE for the establishment (in month two) and management of the trust</p> <p>Guarantee payment format approved by the Banhcafé Foundation and BANHCAFE</p> <p>Format of the agreement between the Banhcafé Foundation and financial institutions approved by the Banhcafé Foundation's board of directors</p> <p>Format of the contract (commitment) for businesses contributing resources in cash or in the form of guarantees</p> <p>The operation of the guarantee fund</p>	<p>See detailed budget</p>	<ul style="list-style-type: none"> • Contract with BANHCAFE's Trust Department • Agreements with financial institutions • Technical/financial reports on project progress • Project evaluations • External audit reports 	

Objectives	Indicators	Means of verification	Assumptions
Component 1 Promotion and selection of entrepreneurs Design of the program access guide Design and printing of materials and brochures Media advertising (radio and print) Awards for training institutes and centers Support for the implementation of business plans Advisory services and monitoring design Advisor training Advisory services for and monitoring of business plans Mentoring on business plans Institution-strengthening Software for advisory services and monitoring Equipment Organizational consulting services Legal consulting services for the guarantee fund Project coordination Project coordinator Travel and per diem Offices Accounting and administrative support Evaluations Audits Contingencies	See detailed budget	<ul style="list-style-type: none"> • Technical/financial reports on project progress • Program guide • Contract and copies of materials • Advertising contract • Certificate from the centers submitting projects for each competition • Organizational consulting report • Report on the application of recommendations from the organizational consulting • Organizational chart approved by the foundation's board • Procedures and functions manual in which the responsibilities of the project unit are set out 	

PERFORMANCE INDICATORS

BUSINESS SERVICES AND GUARANTEE FUND FOR PROMOTING ENTREPRENEURSHIP AMONG YOUNG HONDURANS (HO-S1004)

Indicator	Base year	1	2	3	4	Total
Impact indicators						
% of young graduates of technical vocational centers (TVCs) from the selected departments who start new businesses	5%				10%	
Differences between businesses started with project support and those of the control group in:						
1) survival rates, first year			50%		50%	
2) employment growth			50%		50%	
3) formalization			20%		20%	
Intermediate indicators						
Under the guarantees component						
Entrepreneurs' contributions to the fund (US\$)		15,000	20,000	15,000		50,000
Number of beneficiaries/businesses guaranteed		50	100	150	100	400
Amount of guarantees granted (US\$)		31,250	62,500	93,750	62,500	250,000
Amount of guarantees in effect (US\$)		31,250	103,625	180,853	211,290	
Volume of credit mobilized (US\$)		62,500	125,000	187,500	125,000	500,000
Average loss rate below:		14%	14%	14%	14%	
Under the technical support component						
Agreements signed with TVCs		7	3			10
Mentors taking part in the project (maximum)		36	73	102	102	
Business plans received in response to the notices of competition		120	280	400	200	1,000

Indicator	Base year	1	2	3	4	Total
Business plans/teams of entrepreneurs receiving advisory services**		0	144	216	240	600
% business plans/teams of entrepreneurs that include women and/or indigenous people		20%	20%	20%	20%	

* At least 70% of the business plans and teams of entrepreneurs must receive the full 10 months of advisory services and mentoring.

PLAN OF OPERATIONS FOR THE TECHNICAL-COOPERATION COMPONENT
BUSINESS SERVICES AND GUARANTEE FUND FOR PROMOTING ENTREPRENEURSHIP
AMONG YOUNG HONDURANS

(HO-S1004)

I. OBJECTIVES AND ACTIVITIES

- 1.1 The general objective of the nonreimbursable technical-cooperation operation is to increase the motivation and technical and financial capacity of impoverished young graduates of technical vocational centers (TVCs) to become entrepreneurs. Its specific objective is to promote the creation of new, sustainable businesses by developing a mechanism for promoting, assisting, and providing financing to young graduates of TVCs.
- 1.2 The main activities to be financed with the nonreimbursable technical-cooperation resources are: (i) the promotion and selection of business plans and entrepreneurs; (ii) advisory services for the young people for the implementation of their business plans; (iii) the institutional strengthening of the executing agency; (iv) project coordination; and (v) the monitoring and evaluation of project performance indicators.

II. PROJECT DESCRIPTION

- 2.1 This nonreimbursable technical-cooperation operation is designed to help young people gain access to financing and to the guarantee fund. Professional assistance, business mentoring, and the availability of guarantees are expected to substantially reduce the risk that young entrepreneurs represent for financial institutions and help them to start businesses.
 - A. **Promotion and selection of business plans and entrepreneurs (Bank: US\$76,000; Banhcafé Foundation: US\$8,000).**
- 2.2 Under the project, two notices of competition will be issued annually during the first three years of execution in order to identify business ideas, and select business plans and entrepreneurs, and then provide them with technical and financial assistance. For these competitions, two promoters will be hired, agreements will be established with a minimum of 10 technical vocational centers (TVCs), a handbook will be designed and printed so that the beneficiaries may submit their business plans and ideas to the project, promotional material on the project will be prepared, and radio and print advertising will be done. Prizes will

also be awarded to the TVCs that develop the most and the best activities for promoting entrepreneurship and starting business startups.

- 2.3 **Promoters. Objectives:** These full-time consultants will serve as liaisons between the Banhcafé Foundation and the TVCs. Their objective will be to promote the participation of young graduates from the TVCs in the project's business plan competition and to find mentors and sponsors for the project. **Activities:** the promoters will: (i) identify and train one volunteer (professor or teacher) from each center on the project's benefits and the steps the young people must take in order to participate in the competitions; (ii) speak at the TVCs about business opportunities and how to develop business plans; (iii) help the young people to develop business plans and ideas; (iv) evaluate business plans and ideas and make recommendations on project management; (v) assign advisors and mentors to the selected entrepreneurs and business plans; (vi) oversee the execution and quality of advisory services and mentoring; (vii) enter beneficiaries and business plans and ideas into the database; (viii) find new mentors in the areas where the projects are being developed and in the TVCs' advisory councils; and (ix) constantly seek new sponsors for project dissemination and for the capitalization of the guarantee fund with either cash or guarantees. **Outputs:** the consultants' performance will be measured based on the number of business plans and ideas received and selected in the project's competitions, the number of advisory and mentoring sessions concluded satisfactorily, and the degree to which the database of beneficiaries, business plans and ideas, and advisory services and mentoring has been kept current. **Profile:** the consultants (promoters) should have university training in business administration, economics, or engineering, and a minimum of two years' experience working in the private sector. They should be team players, able to interact with young people and to communicate their ideas both orally and in writing. **Cost:** the consultants will receive US\$600 per month.
- 2.4 **Cooperation agreements between the Banhcafé Foundation and the technical vocational centers.** The Banhcafé Foundation will establish agreements with a minimum of 10 TVCs. The objective of these agreements will be to commit the TVCs to promoting the project and supporting their students in the development of business plans and ideas to be submitted for the project's business plan competitions. As part of the agreement, the TVCs will make a project volunteer (professor or teacher) available, who will be advised by the Banhcafé Foundation. For its part, the Banhcafé Foundation will commit to involving the TVCs in the guarantee fund training and dissemination activities, and to including the TVCs in the project's radio, television, and print advertising campaigns. Table 1 includes a preliminary list of the centers with which the Banhcafé Foundation is already at an advanced stage of discussions.
- 2.5 **Consultant on the "handbook for participating in the notices of competition".** **Objectives:** to prepare a document that describes the procedures, forms, and evaluation criteria for the notices of competition in which the business plans and entrepreneurs will be selected. **Activities:** the consultant will: (i) review the

procedures and documentation of at least three existing business plan competitive processes in the region; (ii) develop a document that reflects the unique characteristics of Honduras and the target population; and (iii) train the project coordinator and promoters for the implementation of the document. Outputs: a document that incorporates, at a minimum, the following elements: (i) the stages and procedures of the notices of competition for selecting business plans and entrepreneurs; (ii) a form for submitting the business idea; (iii) a form for submitting the business plan; and (iv) evaluation criteria for the business ideas, business plans, and the entrepreneurs,¹ and training for the project coordinator and promoters. Profile: the consultant must have business training, a minimum of five years' experience in the field of business development, and a minimum of three years' experience in the design and implementation of business plan competitions. Cost: the planned budget for these consulting services is US\$4,000.

Table 1: Preliminary list of TVCs

No.	CENTER	LOCATION	INFOP Network	CADERH Network
1	Centro Fijo	Miraflores, Tegucigalpa, Francisco Morazán	X	
2	Centro Fijo	Travesía, Tegucigalpa, Francisco Morazán	X	
3	Centro Fijo	San Felipe, Tegucigalpa, Francisco Morazán	X	
4	Centro Fijo	San Pedro Sula, Cortés	X	
5	Centro Artesanal	Valle de Angeles, Francisco Morazán	X	
6	Centro Artesanal	Sabana Grande, Francisco Morazán	X	
7	Centro Vocacional Cantarranas	San Juan de Flores, Cantarranas		X
8	Centro Vocacional Comayagua	Comayagua		X
9	Centro Cultura Nacional	Tegucigalpa, Francisco Morazán		X
10	Don Bosco	Tegucigalpa, Francisco Morazán		X
11	Grupo Dion	Tegucigalpa, Francisco Morazán		X
12	Federico Ozanam	Puerto Cortés, Cortés		X

¹ The minimum criteria for evaluating and selecting business plans and entrepreneurs should include: (i) the technical, economic, and financial feasibility of the business plan; (ii) the presence of a team of entrepreneurs whose capacities complement one another; (iii) the business's sales and employment growth potential; (iv) the existence of a letter of intent from a potential customer; (v) the availability of resources to cover 20% of the investment; and (v) compliance with the IDB's and Honduras's environmental policies. In choosing the business plans and entrepreneurs, a minimum of 20% of those selected must be women and/or indigenous people.

No.	CENTER	LOCATION	INFOP Network	CADERH Network
13	Pequeños Hermanos	La Venta, Francisco Morazán		X
14	INTAE	Tegucigalpa, Francisco Morazán		X
15	Stephen Youngberg	Peña Blanca, Cortés		X
16	Mario Ugarte	Choloma, Cortés		X

2.6 **Materials, brochures, and media advertising.** The project calls for the design and printing of instructional and advertising materials as well as dissemination activities using radio and print media. The amount earmarked for these activities is US\$8,000.

2.7 **Prizes for the technical vocational centers.** The objective of these prizes is to encourage the participation of TVCs in project activities. Prizes will be awarded annually and will be the equivalent of US\$1,000. The following criteria will be used for selecting awardees: (i) percentage of the center's teachers and professors trained in the subjects of entrepreneurship and starting businesses; (ii) percentage of students who take classes on entrepreneurship and starting businesses; and (iii) the percentage of business ideas and plans submitted during the competitions based on the total number of students, and the projects supported by the guarantee fund.

B. Support for young people in the implementation of business plans (Bank: US\$222,000; Banhcafé Foundation: US\$57,000)

2.8 The business plans and young entrepreneurs selected during the project's competitions will receive technical assistance and support services from a mentor entrepreneur to launch and initially manage their businesses.

2.9 **Consultant for the "design of advisory and mentoring services and training of advisors and mentors".** Objective: to prepare an instructional guide for advisors and mentors on assisting young entrepreneurs in implementing their business plans, and a methodology for monitoring the business plans being supported by the guarantee fund. Activities: the consultant will: (i) review the experiences of least two advisory services and mentoring projects for entrepreneurs; (ii) develop an instructional guide on advising and mentoring that reflects the unique characteristics of Honduras and the target population; (iii) train the coordinator, five advisors, and a group of 15 mentors on how to use the instructional guide; and (iv) select the advisors and a group of 15 mentors who will take part in the project, in coordination with the Banhcafé Foundation. Outputs: a document that incorporates, at a minimum, the following elements: (i) the scope, duration, and methodology of the advisory and mentoring services; (ii) a profile of the advisors and mentors; (iii) forms and methodology for the monitoring and evaluation of the advisors and mentors; (iv) the training of the

coordinator, advisors, and 15 mentors; and (v) forms and methodology for monitoring the projects being supported by the guarantee fund. Profile: the consultant must have business training and a minimum of five years' experience in the field of business development, specifically in providing advisory and mentoring services to entrepreneurs. Cost: the planned budget for consulting services is US\$7,000.

- 2.10 **Characteristics of the advisory services and a profile of the advisors.** The project will finance 600 new businesses. A consultant hired using project funds will determine the scope, duration, and methodology of the advisory services (see 2.9) as well as the advisors' profile. The design, however, must take the following into account: the advisory services will be provided by consultants from outside the Banhcafé Foundation and will consist of 78 hours per business, to be provided over a minimum of 10 months.² The services will focus on business and environmental management, facilitation of access to financing and network development, as well the supervision to ensure that the activities included in the business plan were carried out. By month three of receiving advisory services, the new businesses should be in a position to access bank financing with the backing of the project's guarantees. Advisors will receive a fixed fee as well as a variable fee that is contingent upon the results obtained by the new business after receiving assistance. The advisors should have university training in business administration, accounting, or economics, and at least three years' experience in providing consulting services to microenterprises and small businesses. The planned budget for providing advisory services to new businesses is US\$190,000.
- 2.11 **Characteristics of the mentoring and profile of the mentors.** The project will also provide mentoring for 600 new businesses. A consultant hired using project funds will determine the scope, duration, and methodology of the mentoring, as well as the mentors' profile (see 2.9). The design, however, must take the following into account: entrepreneurs or managers of small, medium-sized, and large businesses, preferably located in the areas where each project is being developed, will provide the mentoring services. Each business will receive 20 hours of mentoring over a minimum of 10 months. The mentors' role will be to provide advice to the entrepreneurs in order to help resolve issues, such as attracting new customers, identifying suppliers, and hiring employees, that tend to arise during a business's first months of operation. The mentors should have a minimum of three years' of business experience. Table 2 includes a list of entrepreneurs with whom the Banhcafé Foundation is already at an advanced stage of discussions on becoming mentors. The planned budget for providing mentoring services to new businesses is US\$57,000.

² Advisory services will be provided for 12 hours per month during the first three months, and six hours per month during the seven remaining months.

Table 2: Preliminary list of mentor entrepreneurs

Name	Business	City
1.Karina Caballero	Banhcafé	Tegucigalpa
2.Ramón Narváez	Banhcafé	Tegucigalpa
3.Elizabeth Ascona	IIC-IDB	Tegucigalpa
4.Emil Jose Núñez	Unilever	Tegucigalpa
5.Jorge Valladares	Comercial Laeiz	Tegucigalpa
6.Olman Zapata	Firma Consultora ASTEM	Tegucigalpa
7.Carlos Fortin	Amanco	Tegucigalpa
8.Guillermo Martínez	World Relief	Tegucigalpa
9.Cesar Montes	Compañía de ajustes	Tegucigalpa
10.Oscar Lanza	Electrohogar	Tegucigalpa
11.Rodolfo Eyl	Eyl Comercial	Tegucigalpa
12.Carlos Roberto Ferrer Zepeda	Grupo Publicitario Andrés	Tegucigalpa
13.Amanda Cruz	Unitec	Tegucigalpa
14.Ramón Mendoza	Banhcafé	San Pedro Sula
15.Trinidad Sánchez	Red de Comercialización Comunitaria	Comayagua

2.12 **Other advisory service and mentoring expenses.** The project will provide financing for communications, stationery, travel, and per diem for advisory services and mentoring for 600 new businesses.

C. Institution-strengthening (Bank: US\$27,000; Banhcafé Foundation: US\$6,000)

2.13 The project calls for a series of activities designed to offset Banhcafé Foundation weaknesses and address needs for project execution. The development of an information system for project management, monitoring, and evaluation, computer equipment, and two types of consulting services—one to enhance the Banhcafé Foundation’s organization and the other to make the legal arrangements associated with the guarantee fund—will all be financed.

2.14 **Information system.** Objective: to have a computerized tool for monitoring project activities, costs, beneficiaries, and outcomes. Activities: the consulting firm will: (i) interview project stakeholders in order to understand the information system requirements; (ii) design, install, and test the information system; and (iii) train the system’s users. Outputs: a system that makes it possible to store—in a database—and analyze data on: project beneficiaries, the business plans and ideas received under the project, advisory services and mentoring provided, advisors, mentors, cost of the activities, and the characteristics of and basic data on the loans guaranteed by the guarantee fund. Profile: a consulting firm with more than five years’ experience in information systems. Cost: The planned budget for the development of the system is US\$12,000.

- 2.15 **Equipment.** The project will provide financing in the amount of US\$10,000 for the purchase of computer hardware and software. The Banhcafé Foundation must demonstrate to the Bank why each piece of equipment it purchases with project resources is necessary.
- 2.16 **Organizational consulting.** Objective: to enhance the Banhcafé Foundation's administrative and managerial capacity, bearing in mind that this project significantly increases the foundation's workload. Activities: the consultant will: (i) advise on the design of a new organizational structure for the Banhcafé Foundation, bearing in mind all of the areas it should have; (ii) review the functions manual to take the new project into account; (iii) advise on processes that include the new activities; and (iv) advise on improving the foundation's governance. Outputs: (i) new organizational chart approved by the Banhcafé Foundation's board of directors; (ii) functions manual that includes the new project, approved by the Banhcafé Foundation's board of directors; (iii) procedures manual for the institution approved by the Banhcafé Foundation's board of directors; and (iv) management policies for the institution that identify each existing area, approved by the board of directors. Profile: the consultant should have business administration training and a minimum of five years' experience in organizational development in the area of nongovernmental organizations. Cost: The planned budget for consulting services is US\$5,000.
- 2.17 **Legal advisory services for the guarantee fund.** Objective: the objective of this consulting service is to support the legal design of all the elements comprising the guarantee fund. Activities: advisory services will be provided on the following: (i) the establishment of an agreement to be signed between the Banhcafé Foundation and BANHCAFE for the creation of the autonomous capital structure for the guarantee fund; (ii) the elements to be included in the guarantee certificate to be issued by the guarantee fund; (iii) the agreement to be signed between the Banhcafé Foundation and the financial institutions that participate in project financing; (iv) the elements of the contract on the contribution of cash or guarantees by businesses or individuals to the guarantee fund; and (v) support for the design of a request to the Comisión Nacional de Bancos y Seguros [National Banking Commission] (CNBS) so that the guarantee certificate issued by the fund will be considered a real or admissible guarantee by the financial system. Outputs: (i) agreement for the creation of the autonomous capital structure for the guarantee fund; (ii) format of the guarantee certificate; (iii) agreement so that financial institutions may take part in the project; (iv) contract on the contribution of cash to the guarantee fund by businesses or individuals; and (v) draft of the request made to the CNBS so that the guarantee certificate issued by the fund may be considered a real or admissible guarantee by the financial system. Profile: the consultant should have a background in law and a minimum five years' experience with financial matters. Cost: the planned budget for the consulting services is US\$6,000.

D. Project coordination (Bank: US\$50,400; Banhcafé Foundation: US\$75,600)

- 2.18 The project will provide financing for a series of activities geared toward the planning, coordination, and control of the technical and budgetary execution of the project. To that end, a project coordinator and administrative accounting assistant will be hired.
- 2.19 **Project coordinator:** The project coordinator's primary responsibility will be to manage the general planning and organization of the project's different areas (management, consulting services, training, etc.) and the relationship between the project and the technical vocational centers (TVCs), the financial institutions, the entrepreneurs, sponsors, beneficiaries, and the Bank. The coordinator's main duties will be to: (i) prepare annual work plans and the terms of reference for the consulting services included in the project; (ii) select and hire consultants; (iii) enter into agreements with TVCs, mentor entrepreneurs, and financial institutions; (iv) find sponsors for the training component and who will contribute to the guarantee fund; (v) select business plans and ideas and entrepreneurs, and act as a promoter in the geographical area assigned by the Banhcafé Foundation; (vi) supervise and verify the quality of the advisory services and mentoring; (vii) ensure the information system is kept current; and (viii) ensure project objectives are met and that general and financial reports are prepared and submitted to the Bank. The coordinator should have university training in business administration, economics, or engineering and a minimum of five years' experience working on business development projects, preferably with experience in the management and supervision of multilateral organization projects. The coordinator should show initiative in his work and have the profile and character to promote the project to the different levels of the public and private sector, as well as the motivation and interest to ensure the project meets its goals by the established deadlines. The coordinator will carry out his/her duties over a 48-month period and will receive US\$1,500 per month.
- 2.20 **Accounting and administrative support:** As a counterpart contribution, the Banhcafé Foundation will assign an individual to provide administrative and accounting support to the project. This individual will work over a period of 48 months and will receive US\$500 per month.

III. COST AND FINANCING

- 3.1 The total budget for this technical-cooperation operation is US\$567,000, of which US\$410,000 will be contributed by the Bank and US\$157,000 will be contributed by the Banhcafé Foundation, in accordance with the following breakdown:

Table 3: Technical-cooperation operation budget (US\$)

DESCRIPTION	Units (M/H)	Cost	IDB	BANHCAFE	Cash	In kind	TOTAL	%
Promotion and selection of			\$76,000	\$8,000	\$4,000	\$4,000	\$84,000	15%
Promoters	90	600	\$54,000	\$0	\$0	\$0	\$54,000	10%
Consulting: "Development of a guide for calls for business	2	2000	\$4,000	\$0	\$0	\$0	\$4,000	1%
Design and printing of promotional materials (1,000 posters, 3,000 brochures, 1,000	1	8000	\$8,000	\$0	\$0	\$0	\$8,000	1%
Media advertising (radio and print)	1	8000	\$5,000	\$3,000	\$1,500	\$1,500	\$8,000	1%
Prizes for training centers and institutes	5	1000		\$5,000	\$2,500	\$2,500	\$5,000	1%
Travel and per	1	5000	\$5,000	\$0	\$0	\$0	\$5,000	1%
Support for the implementation of			\$222,000	\$67,400	\$10,400	\$57,000	\$289,400	51%
Consulting: "Methodology for advisory and	2	2000	\$4,000	\$0	\$0	\$0	\$4,000	1%
Training of advisers	2	1500	\$0	\$3,000	\$3,000	\$0	\$3,000	1%
Advisory services for and	38000	5	\$190,000	\$0	\$0	\$0	\$190,000	34%
Mentoring for	9500	6	\$0	\$57,000	\$0	\$57,000	\$57,000	10%
Travel and per	1	28000	\$28,000	\$0	\$0	\$0	\$28,000	5%
Communication	1	3500	\$0	\$3,500	\$3,500	\$0	\$3,500	1%
Materials and	26	\$150	\$0	\$3,900	\$3,900	\$0	\$3,900	1%
Institution-strengthening			\$27,000	\$6,000	\$0	\$6,000	\$33,000	6%
Software for advisory services and	1	\$12,000	\$12,000	\$0	\$0	\$0	\$12,000	2%
Computer equipment	1	\$10,000	\$10,000	\$0	\$0	\$0	\$10,000	2%
Organizational consulting	2	\$2,500	\$5,000	\$0	\$0	\$0	\$5,000	1%
Legal advisory services for the	3	\$2,000	\$0	\$6,000	\$0	\$6,000	\$6,000	1%
Project coordination			\$50,400	\$75,600	\$35,600	\$40,000	\$126,000	22%
Project coordinator	48	\$1,500	\$50,400	\$21,600	\$21,600	\$0	\$72,000	13%
Travel and per	1	\$6,000	\$0	\$6,000	\$6,000	\$0	\$6,000	1%
Offices	48	\$500	\$0	\$24,000	\$0	\$24,000	\$24,000	4%
Accounting and administrative	48	\$500	\$0	\$24,000	\$8,000	\$16,000	\$24,000	4%
Other			\$34,600	\$0	\$0	\$0	\$34,600	6%
Evaluations	2	\$6,000	\$12,000	\$0	\$0	\$0	\$12,000	2%
Audit	4	\$3,000	\$12,000	\$0	\$0	\$0	\$12,000	2%
Contingenc	1	10600	\$10,600	\$0	\$0	\$0	\$10,600	2%
TOTALS			\$410,000	\$157,000	\$50,000	\$107,000	\$567,000	100%
%			72%	28%	32%	68%	100%	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/05

Honduras. Financing and Technical Cooperation to the Guarantee Fund and Business
Services to Promote Youth Entrepreneurship in Honduras

The Board of Executive Directors

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Italian Trust Fund for Micro-Enterprise Development, to enter into such agreement or agreements as may be necessary and to take such measures as may be pertinent, to grant, within the Social Entrepreneurship Program approved by Resolution DE-183/98, (a) a reimbursable financing for the execution of the program referred to in Document PR-____; and (b) a nonreimbursable technical cooperation in accordance with Annex IV of said document, for the execution of the program to promote youth entrepreneurship in Honduras.

2. That up to the amount of US\$300,000, or its equivalent in other convertible currencies, is authorized for the purposes indicated in paragraph 1(a), and up to the amount of US\$410,000, or its equivalent in other convertible currencies, is authorized for the purposes indicated in paragraph 1(b), both chargeable to the resources of the Italian Trust Fund for Micro-Enterprise Development.

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