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**Small Enterprise Development Facility
Second Line of Activity for Microfinance Institutions**

HAITI

LINE OF ACTIVITY MEMORANDUM

MICROFINANCE STRENGTHENING OF THE “CAISSES POPULAIRES”

(HA-M1002)

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ANNEXES

Annex I:	Logical Framework and Appendixes.
Annex II:	Detailed Project Budget
Annex III:	Similar or related MIF projects in the Republic of Haiti

DOCUMENTS IN SDS/MSM TECHNICAL FILES

PREPARATION:

- DID-Haiti Project Application
- Financial Statements for ACOOPECH and FINNET networks for 2002, 2003 and June 2004
- Most recent audited financial statements for each of 11 potentially eligible proposed CPs
- Funding agreement and project reports for ACOOPECH and FINNET projects (December 2003)
- DID Legal registration in Haiti
- “UNCDF Microfinance Programme Impact Assessment”, Haiti Companion Report, July 2003
- Performance indicator table used to evaluate DID-Haiti member CPs
- Updated performance report for each proposed CPs
- July 2002 Law governing Credit and Savings Cooperatives in Haiti
- DID-Haiti Environmental Policy
- Organizational chart for DID-Haiti and member CPs
- Current status of each of proposed CPs in comparison to eligibility criteria
- Copies of applications for permits to CNC by 11 CPs
- Credit Diagnostic performed by a DID credit expert to CPs
- Letter from BRH endorsing DID request for IDB/MIF support to CPs.
- Letter from CIDA indicating interest in CP long term development
- Government’s No objection letter from the Ministry of Finance (UP/BID/11-04/063) of November 9, 2004.

EXECUTION:

- Model of Statutes for DID member CPs
- Model technical assistance and monitoring contract between DID and member CPs
- DID-Haiti policy manual for CPs
- Eligibility Criteria for *Caisse Populaire* Participation
- Key elements for Terms of Reference of Proposed Consultants

ACRONYMS

ACOOPECH	Revitalization of Haitian Savings and Loans Cooperatives Program
ANACAPH	The National Association of Haitian Savings and Loan Cooperatives
BRH	Bank of the Republic of Haiti
CIDA	Canadian International Development Agency
CNC	National Cooperative Council
CP	Caisse Populaire
DAI	Development Alternatives, Inc.
DID	Developpement International Desjardins
DID-Haiti	Developpement International Desjardins' Haiti Office
FINNET	Financial Services Network for Entrepreneurial Empowerment (FINNET).
IDB	Inter-American Development Bank
KEPOMEK	Kes Popile Men Kontre
LDA	Second Line of Activity for Strengthening Financial Institutions for Microenterprise
MIF	Multilateral Investment Fund
SAF	Automated Financial System
SIG/DID	Management Information System of Developpement International Desjardins
TOT	Training of Trainers

I. EXECUTIVE SUMMARY

Executing Agency:	Développement International Desjardins (DID) Haiti Office		
Beneficiaries:	At least 10 Caisses Populaires (CPs) and through them approximately 51,000 low – income, mainly rural, microentrepreneurs.		
Financing:	MIF:	US\$400,000 (61%)	(Facility III-A)
	Counterpart Funding:	<u>US\$250,000 (39%)</u>	
	Total:	US\$650,000 (100%)	
Objectives:	The project’s goal is to expand and strengthen financial services for rural and underserved microfinance markets in Haiti. Its purpose is to expand and improve the quality of credit and other financial services offered by the CPs to low-income people, by strengthening the managerial and operational capacity of at least 10 CP’s and by laying the groundwork for the establishment of a formal CP federation and for the implementation of centralized financial support services to the CPs.		
Execution	Execution Period:	48 months	
Timetable:	Disbursement Period:	54 months	
Special contractual conditions:	DID will submit to IDB’s satisfaction: (i) as a condition prior to the first disbursement of MIF funds: (a) evidence of having signed Participatory Agreements for Project Implementation (PAPI) with at least 5 eligible CPs; and (b) a work-plan for the first year of the project with semi-annual targets for project indicators; (ii) as a condition for disbursement of MIF funds in excess of 25%: evidence of having signed PAPI with 5 other eligible CPs; and (iii) as a condition for disbursement MIF funds in excess of 50% or beyond September 2005, evidence of having secured resources for continued support to DID-Haiti beyond December 2005.		
Exceptions to IDB Policies:	None		
Environmental and Social Review	The project activities will not directly involve the environment. However, DID has a specific policy incorporating environmental protection criteria that is being introduced to CP operations in Haiti. A consultant specializing in environmental issues will be hired to assist DID in the assessment and application of this policy.		
Coordination with other Official Development Finance Institutions	CIDA and the US Agency for International Development (AID) (through DAI/FINNET), have on-going projects supporting the CPs. Both are pleased with the progress in their projects and agreed with the Project Team that the present operation complements their efforts. The counterpart of this project depends on the continued commitment of CIDA to DID beyond 2005. While no CIDA funding has been formally approved beyond December 2005, CIDA has expressed in writing its interest to continuing its work with DID in Haiti beyond 2005. There are no other major donors working with the financial cooperative sector.		

II. BACKGROUND AND JUSTIFICATION

- 2.1 Haiti is the Hemisphere's poorest country, with a per capita income of US\$500, low social indicators and 90% of rural poverty. The formal sector employs 110,000 out of 4.1 million potentially active people, but this number has declined since the 1980s, due to the constraints imposed by a protracted political, social and economic crisis. The informal sector represents 90 to 95% of the economy. The difficulties posed by a deteriorating business environment are frequently complicated by the country's high exposure to natural disasters. The floods in September 2004 in the northwest are the latest in a series of events that highlight Haiti's extreme vulnerability due to environmental deterioration, high poverty rates and poor governance. These crisis have shown that the loose structures of micro and small enterprises offer better chances of survival in an unstable environment than the complex structures larger-sized enterprises. Estimates of the number of micro enterprises in the country range from 600,000 to 900,000. In spite of their economic importance, micro enterprises have still very limited access to financial services, particularly in rural areas, where the presence of financial institutions is minimal and in many cases non-existent.
- 2.2 Due to this demand, over the past five years, several microfinance institutions (MFIs) have entered the market, and the microfinance sector has grown, on average, by 30% per year in terms of loan portfolio. Four commercial banks, 15 NGOs and a number of Caisses Populaires (CPs), offered less than 80,000 loans and 163,000 savings accounts in June 2004, but demand is still largely unmet. CPs represent 51% of the savers in the microfinance sector. Aside from the CPs, MFIs have remained reticent to serve rural clientele due to weak regulatory bodies, political instability and economic crisis. As a consequence provincial and rural areas, with their more than 50,000 micro enterprises are largely under served despite their business potential.
- 2.3 CPs were introduced in the rural areas of Haiti in 1937. They have played a key role in providing access to financial services to underserved populations. A recent census by Haiti's Central Bank (BRH) estimates that there are around 200 CPs, but the soundest belong to the network of 63 CPs supported by Développement International Desjardins (DID) --a Canadian organization that specializes in financial cooperative strengthening worldwide-- since 1995. All 63 CPs survived a sector crisis, following a pyramid-type cooperative scandal in 2001-2002, which resulted in the collapse of some weak non-DID CPs. As of June 2004, this network served 155,000 members (70% rural).
- 2.4 Prompted by the crisis and by the growing importance of the CP movement, in July 2002, Parliament passed a *Savings and Loan Cooperatives* law, providing a new frame for the operation of these entities. The law trusts BRH with the supervision and control the financial soundness of the CPs and to issue prudential norms. As part of the conditions set for the second disbursement of the IDB-supported *Investment Sector Loan* (HA0046), BRH issued 3 CP regulations on standards of accounts, liquidity and credit management. The Law establishes new rules for the licensing and operation of CPs, and foresees the creation of CP federations that will support BRH in their supervision. This implies that federations would provide CPs with vital services such as audits, information systems' support and general oversight and supervision, in addition to network financial services (like clearinghouse and liquidity management).
- 2.5 Through technical support and monitoring, in the mid 1990s DID helped multi-

purpose cooperatives specialize as financial CPs, striving to reach operational self-sufficiency. More recently DID has created a CP network, established a set of performance guidelines for member CPs and introduced the practice of annual audits. DID Haiti program has also assisted in establishing a professional association – ANACAPH— which represents the CP sector. Now that most DID-affiliated CPs cover their costs, they seek to consolidate, expand outreach, specially rural, and prepare for regulation, in order to protect the sector from future crises. For this reason, the CPs seek the assistance of DID to strengthen their systems, policies and capacities.

- 2.6 DID has offered its network members critical training and support, but the strongest CPs now require more advanced capacity building. Together, the top 10 CPs serve near a third of the 166,200 individuals reached by the network. The largest has 8,600 members and just over US\$1 million in portfolio, but all have potential to grow, especially in the area of credit: 7 of the top 10 CPs have less than 60% of their assets in loans. Although most of them use manual accounting, existing indicators show that all are sustainable, profitable and maintain a reasonable operational efficiency. By supporting the strongest, this project will encourage other CPs through a demonstration effect, and create a critical mass of at least 10 CPs to form a federation.
- 2.7 The CPs still face many challenges in improving their ability to serve their clientele and adopting microfinance best practices: (i) *Governance and management structures are still weak, and lack a strategic approach.* CPs lack the capacities and tools needed for expansion and eventual regulatory compliance: for example, currently, no CP has a written strategic or business plan and their boards and managers perform only minimal financial analysis for decision-making. CPs lack adequate human resource policies. (ii) *Need for improved operational capabilities.* While the CPs have been successful at mobilizing savings, their credit operations have remained weak. At present, almost all CPs have slow portfolio growth, poor portfolio quality, weak credit appraisal, below market interest rates, and poor understanding of credit policies and procedures. Also, managerial information is not timely for appropriate decision-making as only four CPs have appropriate computerized information systems, and all maintain policies adapted to manual systems. (iii) *Expanding Services.* While DID member CPs have successfully covered their operational costs, they have a limited capacity to expand. CPs do not have promotion strategies, and few have policies in place for opening new outlets. Credit products are not market-responsive, and thus grow slowly. (iv) *Ensuring Reporting/Regulatory Compliance.* The BRH is in the process of developing regulations for the CPs. They have not yet been approved, but current drafts (shared with DID and the CPs) indicate that the CPs will likely need adaptations to their current chart of accounts in order to be in compliance. Additionally, while all 63 of the DID network CPs have applied for a permit with National Cooperative Council (CNC) as required by law, the CNC has not replied with refusal or acceptance to date. Nonetheless, the BRH has decided to start issuing regulations, while the application process with CNC is in progress.
- 2.8 Additional needs for the sector include the following. (i) *Planning for Federation:* In line with the 2003 law, the CPs consider that the most effective way to ensure a permanent access to supervision, expertise and economies of scale is to create a federation. The long-term goal is to integrate the 63 CPs in DID's network. This

implies developing an organizational plan, governance structure, policies, statutes, by-laws and staffing for the federation, as well as a strategy for its financial sustainability (including definition of number of required CPs and member fees). While many of the current DID Haiti Office (DID-Haiti) staff will transfer to a future federation, federation staff has yet to be selected and retrained. (ii) *Financial Support Services*: CPs are limited by their size as to the services they can offer. CP's members are not able to access services from other CPs. Similarly, they lack means to manage their liquidity surpluses, as do other cooperative systems in the region.

- 2.9 **Project Strategy.** The project will provide specialized technical assistance, training and information systems in microfinance to strengthen at least 10 of the best performing CPs in the DID-supported network to help them adopt the best practices in cooperative microfinance and meet the challenge of expanding and diversifying their financial services to low-income people. To this end, the project will assist CPs to strengthen their managerial and operational capacities, develop their microfinance services and prepare for BRH supervision, by training them in control, prevention and management of the most common risks involved in financial intermediation. To complement these efforts, the project will also assist in the preparation of *network support mechanisms* for the CPs, by laying the foundations for the establishment of a CP federation and for the implementation of financial support services for CPs (such as a clearinghouse and a liquidity management fund). The project will thus contribute: (i) to financial deepening: (a) directly, by helping the expansion of credit and non-credit services (such as transfers) to low-income rural and underserved population, and by improving quality of these services; and (b) indirectly, through a demonstration effect of the participating CPs to other non-participating CPs, of the experiences and new products; and (ii) to strengthen integration of the CPs into a financial network by laying the ground for the creation of a permanent structure to help supervise the CPs, safeguarding of the savings of over 150,000 low-income Haitians, as well as the provision of financial support services for CPs.
- 2.10 **Competitive selection process:** The present project was selected through a competitive selection process conducted by SDS/MSM and IDB Country Office in Haiti (COF/CHA). The process started with a presentation to 15 MFIs on how to present project requests under the Second Line of Activity for Strengthening Microfinance Institutions (LOA), and resulted in the submission of 6 proposals. The evaluation of the proposals was conducted with the support of an external consultant. DID's proposal to strengthen the CPs emerged as one of the two selected operations.
- 2.11 **Related projects.** Other LOA operations in the microfinance sector include: (i) support to Sogebank to start its microcredit program, Sogesol, which has become an international model for commercial bank downscaling and has expanded to reach more than 7.000 mostly urban clients. (ii) Micro-Credit National (MCN) to expand its microcredit services to rural markets in Haiti and in 2003 it supported the strengthening of ACME, a leading actor in the sector for improving operations in peri-urban Port-au-Prince. (iii) A recent operation to support Capital Bank's downscaling into microfinance will also be presented to MIF's Donors Committee for approval in 2004. The current project will complement these efforts by focusing on the provision of sound microfinance services to low-income people in rural areas.

- 2.12 **Coordination with other Official Development Agencies (ODA).** During project preparation, the Project Team established contacts with representatives of ODAs with operations in the sector. CIDA and USAID, have on-going projects supporting CPs, which are being implemented by DID: the *Revitalization of Haitian Savings and Loans Cooperatives Program* (ACOOPECH) and *Financial Services Network for Entrepreneurial Empowerment* (FINNET), respectively. Both organizations agreed that the present operation complements their efforts. CIDA confirmed in writing its interest to support the CP sector. While the present project will work to strengthen the top CPs in the network, the ACOOPECH and FINNET projects will continue to work with lower-end network CPs to strengthen their capacity, which will build up future federation members. The BRH has also issued a letter supporting the present DID initiative submitted for IDB/MIF funding.

III. PROJECT DESCRIPTION

A. Goals and purpose

- 3.1 The project's goal is to expand and strengthen financial services for rural and underserved microfinance markets in Haiti. Its purpose is to expand and improve the quality of credit and other financial services offered by the CPs to low-income people, by strengthening the managerial and operational capacity of at least 10 CP's and by laying the groundwork for the establishment of a formal CP federation and for the implementation of centralized financial support services to the CPs.

B. Components and Activities

- 3.2 Project activities are aimed at: (i) strengthening the managerial and operational capacity of at least 10 CPs, assisting them to improve their governance, improve the quality of their services, expand and diversify their financial products (especially credit) and be ready to respond to regulatory requirements from the BRH; (ii) setting the foundations for the creation of a CP federation—that will facilitate: (a) a scheme of delegated supervision provided by the 2002 law; and (b) the provision of centralized financial services to a network of qualifying CPs—by helping to define an appropriate institutional and organizational framework for the federation, an expansion strategy, its internal procedures and by evaluating and designing two centralized financial services; and (iii) ensuring technical and administrative coordination of the project To this end, the project will provide technical assistance, training and access to software and information systems for the following components:

Component 1. Strengthening managerial and operational capacities of CPs

- 3.3 **Strengthening governance and management.** These activities are aimed at strengthening the governance and management structures of the participating CP to prepare them to undertake the dual challenges of expansion and improved efficiency. To this end, specialized technical assistance services of six experts will be contracted to: (i) train CP governing and decision making bodies (boards of directors, oversight committees, credit committees and top executives), to which end they will develop training modules on financial institution governance and management (in areas such as strategy and planning, internal controls, risk analysis and financial management); train

trainers (DID-Haiti field agents), who in turn will train individual CP governing bodies; (ii) strengthen CPs planning and strategic capabilities by: (a) developing a methodology to prepare strategic/business plans appropriate to CP needs; (b) implementing individual planning systematization policies; and (c) assisting CPs to develop their strategic plans; (iii) adapt a financial management tool, SIG/DID, to the Haitian CPs needs, implement the tool in the participating CPs, and train field agents in its use to support the tool's implementation by CPs; and (iv) develop human resource policies and procedures and adjust current CPs human resource manuals.

- 3.4 **Improvement of operational capacities.** These activities will contribute to improve the CPs operational capacity, enable the CPs to expand and notably improve the quality of their credit services and to increase efficiency and effectiveness of operations. Specialized consulting services will be provided for: (i) the introduction of a computerized information system, *Automated Financial System* (SAF), into at least 6 CPs that currently use manual systems; this will include the purchase of computers, licenses and supporting equipment, adaptation of the software to CPs' specifications, installation and training; (ii) the diagnostic of computerized CPs to identify ways to optimize resource use after introduction of SAF and subsequent re-engineering of policies and procedures to maximize efficiency in these CPs; (iii) the introduction of uniform internal control procedures to facilitate implementation of current policies; (iv) the evaluation of current credit operations and provision of technical advice on pricing, credit department structures, appraisal and approval procedures; and (v) the application by CP's of environmental policies in their operations.
- 3.5 **Expansion of Microfinance Services.** Participating CPs will receive support to expand their credit services, through the implementation of strategies that complement management and operational strengthening. The following activities will be undertaken with the support of 5 experts: (i) market assessments to establish client needs and the subsequent development of credit products, followed by training of field agents (training of trainers, TOT) who will train participating CPs to adopt new credit products; (ii) development of procedures for money transfer products; (iii) adapting SAF software to new credit and transfer products as they come into stream; (iv) development of a CP promotion and marketing strategy; and (v) adoption of a strategy and policies for opening new outlets, developed and adopted for participating CPs.
- 3.6 **Improving capacity for reporting and regulatory compliance.** These activities will help to prepare the CPs for compliance with BRH reporting and control regulations, and to generate adequate capacity in their information systems to support this process. Two local experts will assist the CPs to meet regulations by adapting their charts of accounts and adopting other BRH accounting recommendations, and by training CP staff in the new policies. By the end of the project, at least 10 CPs will be compliant.

Component 2: Building Network Support Mechanisms for the CPs

- 3.7 **Strategic, institutional and organizational framework for a new federation.** Specialized technical assistance will be provided for the following activities aimed at laying the foundation for the creation of a federation of CPs: (i) definition of legal structure, mission and functions; (ii) development of business plan with financial

projections and a strategy for sustainability; (iii) development of by-laws, statutes, and policies for affiliation and removal; (iv) establishment of internal procedures and a plan of accounts; (v) analysis of staff capacities and elaboration of a staff development plan for those DID-Haiti agents who will eventually take on positions within the federation; (vi) elaboration of a promotional strategy aimed at CPs; and (vii) development of a manual of inspection and auditing processes for regulated CPs.

- 3.8 **Development of financial services for CPs.** Resources will be provided to assess the feasibility of and to design two centralized financial services, which the federation would offer to the CPs. The activities to be carried out by 2 experts are the following: (i) a feasibility study for a *clearing house* which would enable member CPs to transfer funds among each other; and (ii) design of a liquidity fund mechanism to optimize management of member-CP's excess liquidity. The result of these activities will be a decision as to whether and how to establish the liquidity fund and clearing house once the federation is created - all of which will greatly enhance the services that CPs can provide to their members, opening the possibility for money transfer services, ability to allow clients to withdraw funds at other member CPs, and possibly other services.

IV. COST AND FINANCING

- 4.1 The project budget totals US\$650,000, of which MIF will finance US\$400,000 in non-reimbursable LOA, Facility III-A funds. DID will be responsible for a counterpart of US\$250,000, which will originate in contributions from participating CPs (of about US\$103,000 in cash) and from other donors. At least 50% of the counterpart will be in cash (see Annex II).

Concept	MIF	Counterpart	Total
1. Strengthening managerial and operational capacities of CPs	230,930	164,040	394,970
- Technical Assistance	119,860	113,500	233,360
- Training	11,360	7,800	19,160
Equipment and software	99,710	42,740	142,450
2. Building Network Support Mechanisms for CPs	57,560	71,900	129,460
- Technical Assistance	52,490	59,100	111,590
- Training	15,400	10,150	25,550
3. Project Coordination, audit and monitoring	98,600	14,060	112,660
- Technical Assistance	84,600	14,060	98,600
- Mid-term evaluation	8,000		8,000
- External audit	6,000		6,000
4. Unforeseen	12,910		12,910
TOTAL	400,000	250,000	650,000
Per cent	61%	39%	100%

- 4.2 MIF resources will be used to finance technical assistance and training related costs aimed at strengthening the participating CPs and setting up CP network support mechanisms. MIF will finance 100% of all external (non-DID) consulting and training services for CPs, the travel and per-diem costs associated with project consultants and DID-experts¹, and up to 70% of the costs of software licenses, computer hardware and support equipment (i.e. batteries) for the installation of information systems at the CPs.

¹ Financial Cooperatives Institutional Expert; Expert in Financial Analysis; Information Systems Expert; Financial Management Trainers; Financial Cooperative Operations Expert; Financial Analysis Expert; Cooperatives Legal Expert; Expert for Federation's Internal Policies; Human Resources/Supervision Expert.

In addition, MIF will fund a project coordinator and up to US\$18,000 of his/her travel expenses, an external monitoring consultant, an audit at the end of the project, as well as US\$12,910 of unforeseen project expenses. Cash counterpart resources will cover the fees of several international experts in financial cooperatives, belonging to DID-staff, that will provide technical assistance and training, and a portion of the costs of the software licenses, computer hardware and support equipment. In-kind counterpart contributions will cover 30% of the time of a project administrator and other expenses.

V. EXECUTING AGENCY AND EXECUTION MECHANISM

A. The Executing Agency.

- 5.1 Development International Desjardins (DID) is a Canadian corporation that specializes in providing technical support and investment to the community finance sector in emerging or developing countries. DID's mission is "to empower the disadvantaged in developing countries by developing community-owned and operated financial institutions which will have an impact on the community". It has expertise in strengthening financial cooperatives, organizing networks, drafting legislation on CPs and providing training to various stakeholders. In 2003, DID had 25 partner networks with 3,244 cooperatives, with over 2.5 million clients worldwide, with a combined income of US\$22.2 million.
- 5.2 DID has opened an Office in Haiti in 1995 and is registered locally and is legally authorized to operate in Haiti since 1997. DID has a team on the ground supporting 63 CPs, and specialized experts at its head office. It has an office in Port-au-Prince staffed by an international director, 3 professionals and 3 administrative and support staff, and receives technical and administrative backing from professionals from its Headquarters in Quebec. DID has been engaged in supporting the CP movement since the mid 1990's, with the ACOOPECH project to enhance the cooperative movement by creating or strengthening about 50 savings and loans cooperatives. DID managed two phases of this US\$8.3 million, ten-year (1995-2005) project. The first phase supported CP's to specialize in financial operations and improving self-sustainability. The second phase (2000-2005), in addition to supporting the cooperatives, has assisted in the development of the Haitian Audit and Inspection Bureau (BIVCH) and is working toward the formalization of a CP network. Additionally, DID took on a US\$1.6 million project with DAI/FINNET (2000-2005) to start-up new CPs in underserved areas. Thus, DID's total project budget for the 2000-2005 period was US\$7.0 million. DID is anticipating an additional US\$5 million from CIDA for the 2006-2010 period. At present DID has a strong voice, both among CPs and with the BRH as to the development of the cooperative sector in Haiti. There are no other institutions working with CPs at this time.

B. Execution responsibilities and procedures

- 5.3 **Responsibilities.** The Executing Agency of the operation will be DID, with whom IDB will sign a technical cooperation agreement for execution of the proposed project. DID will implement the project through its Haiti Office. DID will procure consultant and training services and the software and hardware described in section III, in accordance with applicable IDB policies and procedures. With project funds, DID

will hire a local Project Coordinator (PC) who will be responsible for coordinating project activities and inputs, and for overseeing the implementation of project outputs. The Project Coordinator will report to the DID-Haiti's Mission Director. A Project Officer in Quebec, who will oversee the financial management and reporting and facilitate international procurement for the project, will support project administration. The indicators that will be used to measure fulfillment of the project objectives are summarized in the Logical Framework in Annex I.

- 5.4 **Selection of beneficiary CPs.** CPs will be selected based on their fulfillment of project eligibility criteria as of December 2004. Participating CPs must meet eligibility criteria agreed to with IDB during project preparation (see SDS/MSM technical files). At present there are at least 10 CPs which meet these criteria. DID, through the Project Coordinator and DID Mission Director, will confirm that the eligibility criteria have been met by comparing CP data to the audited financial reports and inspection reports. DID will sign Participation Agreements for Project Implementation, satisfactory to IDB, with each of the CPs to be included in the project. The agreements will include an execution plan (subject to updates) with individualized targets and performance indicators, and will specify the CP's counterpart contributions, its commitment to attain agreed upon targets and institutional objectives, and conditions to their removal from the program. The project is designed to work with at least 10 CP. No single CP should receive a disproportionate share of project resources.
- 5.5 **Executing Period and Disbursement Schedule.** This project will have an execution period of 48 months and a disbursement period of 54 months.
- 5.6 **Project readiness.** DID has an operating office in Haiti and working relationship with the CPs. It also counts with counterpart funds for the initial year of operations.

VI. MONITORING AND EVALUATION

- 6.1 **Reports.** DID will prepare and submit to COF/CHA: (i) within 30 days after the completion of each semester: (a) a work plan for the following 12 months with semiannual targets for performance indicators; and (b) project progress reports on project execution; and (ii) a final report within 30 days from the final disbursement. These reports will follow a format previously agreed with COF/CHA and will address project activities and finances, as well as results measured in terms of the indicators and benchmarks identified in Annex I. Progress reports will include: (i) information on progress toward project objectives; (ii) a description of technical assistance and training received and its quality and outcomes; (iii) a summary of budget execution and counterpart contributions; (iv) statistical and financial information on performance, indicator situation and trends and on whether the annual targets set for the indicators established in Annex I have been met; and (v) information on CP's financial situation. **In** particular, the report will provide information on: (i) justification for the final selection of beneficiary CPs; (ii) the extent to which the new micro lending products, methodologies, and policies have been developed and implemented; (iii) the extent in the adoption of credit and transfer products by participating CPs; (iv) progress on information systems' upgrades (hardware and software); (v) the training of CP directors, managers, and loan officers, including data

on the number of CP officers trained and methods used; (vi) the amounts of project resources allocated to each participating CP, showing that no single CP is receiving a disproportionate share of them; and (vii) information on exchanges and traineeships, including information on the destinations and scheduled activities of the visits and a brief evaluation by the participants. The findings of the consulting assignment on environment will be delivered no later than in the second semiannual progress report. The last of these reports will constitute the final report and should contain a summary of the achievements compared to the original objectives and indicators, and will present the main lessons learned in relation to the project, in order to facilitate the dissemination of the experiences obtained during project execution. This will provide the basis for the Project Completion Report to be prepared by COF/CHA.

- 6.2 **Monitoring.** COF/CHA will have the basic responsibility for the supervision of the operation. Semiannually, DID and COF/CHA will conduct project monitoring meetings to discuss the six-month report, the progress achieved in reaching performance indicators and the work plan. The results of the six-monthly reports and the meetings will determine future disbursements of the present operation.
- 6.3 **Midterm evaluation:** A mid term evaluation of the project will be conducted after 50% of the project budget has been disbursed. With funds provided for in the project budget, IDB, through COF/CHA, will select and hire an external consultant specializing in financial cooperatives to carry out the evaluation. The evaluation will look at the progress achieved in meeting project intended objectives, results and performance targets by CPs, and will use the logical framework (Annex I). This evaluation will consider at least the following: (i) appropriate use of MIF funds; (ii) beneficiary CP selection process; (iii) performance with respect to the indicators specified in the logical framework; (iv) progress with the execution of each component, based on indicators in the logical framework as well as the qualitative and quantitative indicators established under this project; (v) the viability of the established business plan for the federation; (vi) a decision on the federation liquidity fund, based on the feasibility study; (vii) degree of sustainability of the activities funded under this project after completion; and (viii) adherence to environmental policies.

VII. BENEFITS AND RISKS

- 7.1 **Benefits:** The project's direct beneficiaries are at least 10 CPs that will receive training and technical assistance to develop professional business and financial skills, and will improve their operations through computerized systems and new credit products. The project will improve the internal management of the CPs, preparing them to better comply with the new 2002 cooperatives law and BRH issued prudential regulations. It will also lay the groundwork for a CP federation by contributing to the preparation of a sound business plan, policies and procedures, and a feasibility study for financial services offered to its members. The other 52 CPs in DID's network will indirectly benefit from access to the training materials and the eventual possibility of joining the federation. The ultimate beneficiaries are the estimated in 56,000 CP members and the low-income segments of the population who will benefit from more stable, varied and appropriate micro financial services offered by CPs.

- 7.2 **Risks:** The key risks to the successful implementation of the project include the following: (i) DID may fail to receive follow-on financing from CIDA after December 2005, when phase two of the ACOOPECH project ends; (ii) the regulatory environment may continue to respond slowly to CPs' needs; (iii) the CPs and/or DID may suffer from human resource drain, as many qualified Haitians move to Canada and the US; and (iv) a repeat of political unrest and/or natural disasters could prevent the CPs from meeting project targets.
- 7.3 The mitigating factors are: (i) CIDA has provided a written expression to the Project Team of its interest for continued support to DID throughout the establishment and consolidation of a CP federation, expanding its assistance to the sector beyond 2005, thus this risk appears to be minimal. (ii) Many institutions within the Haitian government are restructuring. While there have been delays from CNC in responding to CP's requests for permits and in initiating regulation, the BRH established a specialized Department and has started to work with the CPs and DID toward regulation. The project's success is not strongly dependent on all parties within the government being responsive to CPs; nonetheless, DID-supported ANACAPH continues to pressure the government on behalf of the CPs. (iii) DID-Haiti maintains competitive salaries in order to retain its project support staff. This project places a strong emphasis on training and on TOT, with the intention of continually building internal capacity. DID will always train more than one staff member to ensure continuity. (iv) Haiti has seen its share of crises over the three past years, with civil unrest and a change to a transitional government. Many businesses were greatly affected, but DID's CP network was not. Members demonstrated confidence by protecting offices from looting and continuing to save throughout the crises in all 63 CPs. DID will continue to instill the importance of community ownership in CPs so they may continue to offer services even during times of unrest. Finally, the project will work towards the establishment of an emergency liquidity fund mechanism for the future CP federation, which may help CPs in times of localized natural disasters. In addition, DID will help the CPs implement a natural disaster prevention policy, adopting the recommendation of the IDB-sponsored guide and manuals on how to prevent and ameliorate the impact of natural disasters in MFI's (2002).

VIII. SOCIAL AND ENVIRONMENTAL CONSIDERATIONS

- 8.1 The project activities will not directly involve micro credit customers or the environment. The current activities of the potentially eligible CPs present minimal environmental risk and no social risk, since most credit clients are engaged in trading activities, and the majority of members use savings services only. DID has an environmental policy that includes: supporting the environmental orientation of CPs, awareness-raising at General Assembly meetings, appraising credit applications for environmental impact, and integrating clauses into loan contracts requiring conformity with environmental policies. One of the elements of this project will be the development of new credit products, these products will be developed in line with DID's environmental policies. The project includes funds for contracting a consultant specializing in environmental and occupational health issues to guide the CPs in the evaluation and adjustment of their environmental policies.

ANNEX I: LOGICAL FRAMEWORK

Narrative Summary	Indicators	Means of Verification	Assumptions
GOAL			
<p>The project's goal is to expand and strengthen financial services for rural and underserved microfinance markets in Haiti</p>	<p>Two years after the project has been completed:</p> <ul style="list-style-type: none"> • Total of 200,000 members served by DID network of Caisses Populaires (CPs) • Top 10 CPs in DID network have at least 84,000 active microcredit loans • Average loans per member > 8,000 gourdes 	<ul style="list-style-type: none"> • Monthly reports sent CP, • Audit reports • Affiliation agreements with member CPs, Approved statutes. 	<ul style="list-style-type: none"> • The political situation enables CPs to carry out their operations normally. • BRH will continue to work with CPs regardless of CNC's capacity to provide permits • Sufficient quality of human resources remains available. • Anticipated financing becomes available.
PURPOSE			
<p>The project's purpose is to expand and improve the quality of financial services offered by the CPs to low-income people, by strengthening the managerial and operational capacity of at least 10 CP's and by laying the groundwork for the establishment of a formal CP federation and for the implementation of centralized financial support services to the CPs.</p>	<p><u>Caisses Populaires</u></p> <ul style="list-style-type: none"> • 10 CPs meeting minimum eligibility requirements by December 2005 and having signed an agreement with DID for moving towards creation of a federation • 10 CPs having improved credit operations such that on average they serve at 840 loan clients with at least 200 clients served by each loan officer by the end of the project. • 10 CPs computerized by the end of the project. • 10 CPS using key management tools such as business plans, budgets and financial ratios in day-to-day management by the end of the project. • Appendix I indicators have been achieved by the end of the project. <p><u>Federation</u></p> <ul style="list-style-type: none"> • The Business Plan of for the Federation elaborated by the end of the project, including Financial Projections. • The organizational and governance structures 	<p><u>Caisses Populaires</u></p> <ul style="list-style-type: none"> • Monthly reports sent by CPs • Audit reports • Board minutes • Inspection reports • Project Perf. Monitoring Report (PPMR) • DID progress and final reports • Project Completion Report • Mid-term evaluation <p><u>Federation</u></p>	<ul style="list-style-type: none"> • CP leaders remain committed to working together to form a federation • CP leaders continue to adapt DID recommendations and integrate them into their policies

Narrative Summary	Indicators	Means of Verification	Assumptions
	<p>defined by the end of the project</p> <ul style="list-style-type: none"> • Policies and procedures for the functioning of the Federation developed by the end of the project (By-laws, Statutes, Organigram) • A strategy for Federation financial sustainability, including determination of member fees, has been approved by network. • A supervision manual and work plan for inspection is elaborated and functioning 	<ul style="list-style-type: none"> • Policy and Procedures Manual • Supervision Manual • Inspection Reports 	
COMPONENTS			
<p>1. Strengthening of managerial and operational capacities of the CPs</p> <p>1.1 Strengthen governance and management</p> <p>1.2 Improve operations</p>	<ul style="list-style-type: none"> • Governing bodies and top executives of at least 10 CPs trained by Dec 2007. • SIG/DID financial management tool implemented and functional in 10 CPs by Dec 2006. • Planning Policies and Procedures approved by boards of 10 CPs by Dec 2006. • Existence of board-approved updated strategic/business plan in 10 CPs with accompanying financial projections and per-semester performance monitoring indicators by Dec 2006. • Human resource policies and manuals approved in 10 CPs by Dec. 2007. • 8 CPs computerized by June 2007 and 10 by the end of the project. • Existence of a revised manual for computerized CPs (accounting, treasury, HR, internal controls) by June 2006. • 10 CPs approved and adapted DID-network (or Federation) approved internal controls by June 2007, which are consistent with BRH prudential regulations for CPs. • Improved awareness of market and 	<ul style="list-style-type: none"> • Board minutes • Policy and Procedure Manual in CPs • CP Business Plan • Management Reports in CPs • Project Perf. Monitoring Report (PPMR) • DID progress and final reports • Project Completion Report • Mid-term evaluation • Visits to CPs by DID field agents to verify presence of computers and internal control procedures • Reports from CP Surveillance Committees • CP Audit Reports • Inspection Reports • CP Monthly reports • CPBoard Minutes • Project Perf. Monitoring Report (PPMR) 	<ul style="list-style-type: none"> • At least 10 CPs maintain current standing and achieve minimum eligibility criteria by December 2004 and maintain them throughout life of project • CP directors continue their commitment to adopt and integrate DID recommendations

Narrative Summary	Indicators	Means of Verification	Assumptions
<p>1.3 Expand services</p> <p>1.4 Ensure Regulatory Compliance</p>	<p>competition in 10 CPs by June 2006.</p> <ul style="list-style-type: none"> Pricing Policies which reflect market and cover financial and operational costs adopted by 10 CPs by Dec 2006. 10 CPs adapt marketing strategy promoted by DID-network (or Federation) by Dec 2007. 10 CPs have clear, adhered to policies for opening a new outlet by Dec 2007. 10 CPs offering newly developed, market-adapted credit products by Dec 2007. 10 CPs have adapted chart of accounts adapted to comply with BRH regulation within 18 months of the passing of the regulation. 10 CPs have completed their permit request according to the instructions of the government, once the current problems at CNC are resolved. 10 CPs reporting according to regulation-compliant standardized format, once BRH has approved regulations. 	<ul style="list-style-type: none"> DID progress and final reports Project Completion Report Mid-term evaluation Marketing strategy in CPs presented to DID field Agents Inspection Reports Monthly reports and financial statements Project Perf. Monitoring Report (PPMR) DID progress and final reports Project Completion Report Mid-term evaluation Audit reports Inspection reports Permit in each CP as verified by DID field agent BRH audit reports if applicable 	
<p>2. Building Network Support Mechanisms</p> <p>2.1 Planning for Federation</p>	<ul style="list-style-type: none"> DID completes organigram for Federation by June 2005. DID completes business plan and financial projections, which demonstrate break-even point for Federation, by June 2005. Roles and responsibilities of the Federation board and surveillance committee are clearly defined by June 2005. Federation has operation accounting system by June 2006. Federation has implemented HR policies by June 2006. Federation has completed intervention 	<ul style="list-style-type: none"> Organigram Business Plan By-laws Statutes Internal Policies and Procedures Manual Job description and staff development plan for key staff Supervisor's manual Inspection Reports Audit Reports Project Perf. Monitoring Report (PPMR) DID progress and final reports 	<ul style="list-style-type: none"> Continued commitment by CP directors to form the federation

Narrative Summary	Indicators	Means of Verification	Assumptions
<p>2.2 Planning for Federation's Financial Services</p>	<p>policies and procedures by June 2006.</p> <ul style="list-style-type: none"> Federation has completed its statutes and by-laws by June 2005 Federation has a clear development plan for each manager, with capacity-development targets by June 2006. 2 trained inspectors and 4 trained auditors providing supervision to CPs based on completed supervisor's manual by Dec 2007 The results of the feasibility study for the clearing house are available by June 2006 The design of the liquidity fund mechanism is complete by December 2006. 	<ul style="list-style-type: none"> Project Completion Report Mid-term evaluation Completed Feasibility Study for Clearinghouse Completed Strategy for Liquidity Fund Mechanism Project Perf. Monitoring Report (PPMR) DID progress and final reports Project Completion Report Mid-term evaluation 	
ACTIVITIES			
<p>Governance and Management</p> <p>1.1.1 Develop effective governance structures for mature CPs</p> <p>1.1.2 Ensure strategic and financial planning capacity of CPs</p> <p>1.1.3 Train in Financial Management</p>	<ul style="list-style-type: none"> Expert develops new governance training modules, adapt current modules to current reality of CPs, and holds TOT by Dec 2005. DID develops a training guide to use budgeting tool for CPs in the first by Dec 2005. Expert develops strategic planning methodology for CPs and trains TOT by Dec 2006. Expert integrated adapted DID/SIG into SAF locally and trained 2 staff in use and support by Dec 2006. Expert adapts and implants financial 	<ul style="list-style-type: none"> Governance Training Modules Training of Trainer Report DID Field Agent Reports DID/SIG Training Guide Strategic Plans in each CP verified by DID field agents Inspection Reports Project Perf. Monitoring Report (PPMR) DID progress and final reports Project Completion Report Mid-term evaluation 	<ul style="list-style-type: none"> Directors are able and willing to pass on knowledge from trainings to newly elected directors in CPs

Narrative Summary	Indicators	Means of Verification	Assumptions
1.1.4 Develop effective HR policies and Procedures in CPs	<p>management system (DID/SIG) to Haiti in its compliance and use by Dec 2006.</p> <ul style="list-style-type: none"> Expert develops HR policies for CPs and trains 6 field agents in use by June 2006 	<ul style="list-style-type: none"> Operation SIG/DID in each CP as verified by DID field agents' Monthly reports Inspection Reports Human Resource policies DID Field Agent Reports Inspection Reports 	
<p>1.2: Operations</p> <p>1.2.1 Install and establish computerized MIS in mature CPs</p> <p>1.2.2 Re-engineer procedures of computerized CPs to optimize efficiency</p> <p>1.2.3 Strengthen internal controls of CPs</p> <p>1.2.4 Improve credit operations in CPs</p>	<ul style="list-style-type: none"> 7 additional CPs have purchased relevant computers and licenses by end of project. Expert implants SAF in 8 CPs and trains 4 Federation IT staff by year 3. Expert performs diagnostic of computerized CPs to identify ways to optimize current resources by June 2006. 10 CPs having adopted policy and procedure manual developed by expert by end of project. Field agents train at least 10 CPs in adapted internal controls manual by June 2005. Expert evaluates and adapts credit policies and train 6 advisors in credit operations by Dec 2005. 	<ul style="list-style-type: none"> Operation SAF in CPs - verified by DID Field Agent Reports Monthly Reports Audit Reports Inspection Reports Policy and Procedure Manual for computerized CPs Inspection Reports DID Field Agent Reports Field Agent Reports Audit Reports Inspection Reports Field Agent Reports Audit Reports Inspection Reports 	<ul style="list-style-type: none"> Accessibility to basic hardware expertise continues to exist in locale of each CP Newly developed policies and products are applicable to all CPs, both rural and urban Directors and Managers of CPs are willing to change their pricing policies to reflect market realities

Narrative Summary	Indicators	Means of Verification	Assumptions
1.3: Expansion 1.3.1 Develop and introduce appropriate marketing and promotion strategies to CPs 1.3.2 Design strategy for outlet expansion 1.3.3 Develop and roll out new credit services	<ul style="list-style-type: none"> • DID develops and trains 10 CPs in marketing strategy by year 2. • DID assists CPs with outlet expansion plans by year 2. • Expert performs market study for credit products and develops products with DID staff member by the end of the project. • DID assists 10 CPs to integrate new products by the end of the project. 	<ul style="list-style-type: none"> • Marketing Strategy in CPs - verified by DID Field Agents • Inspection Reports • Outlet expansion policy - Field Agents • Inspection Reports • Market Study Report • Monthly Reports • Field Agent Reports • Audit Reports • Inspection Reports 	<ul style="list-style-type: none"> • New credit products are applicable to all CPs, both rural and urban
1.4 : Regulatory Compliance 1.4.1 Adapt the chart of accounts to comply with BRH regulations 1.4.2 Ensure all CPs have an operational permit 1.4.3 Develop and manage standardize reporting formats for CPs	<ul style="list-style-type: none"> • Depending on complexity of BRH regulations, DID staff or external expert adapts COA for CPs and trains 10 CPs to comply with standards by required compliance date. • DID staff assists all member CPs to make all adjustments to comply with new legislation and apply for permit by as per the instructions of the BRH and CNC. • Depending on necessity, expert or DID staff adjusts DID-SIG to BRH regulations by required compliance date 	<ul style="list-style-type: none"> • Inspection Reports • BRH audit reports if applicable • Field Agent Reports • Inspection Reports • Field Agent Reports • Inspection Reports 	<ul style="list-style-type: none"> • BRH regulations are approved and operational • ANACAPH continues to work with CNC toward ability to provide permits
2.1 2.1.1 Define Governance and Organizational Structure for Federation 2.1.2 Complete business plan and financial projections for Federation 2.1.3 Establish and train governance	<ul style="list-style-type: none"> • DID develops organigram by June 2005. • Expert works with DID to develop business plan and financial projections by June 2005. • Advisory Board is functioning by December 	<ul style="list-style-type: none"> • Organigram • Business Plan • Financial Projections 	<ul style="list-style-type: none"> • CPs continue to work together toward creation of a Federation

Narrative Summary	Indicators	Means of Verification	Assumptions
<p>structures</p> <p>2.1.4 Establish Administrative Functions for Federation</p> <p>2.1.5 Develop operational policies and procedures for Federation</p> <p>2.1.6 Develop staff development plan for Federation management staff</p> <p>2.1.7 Supervise and audit member CPs</p>	<p>2005, according to anticipated by-laws and regulations</p> <ul style="list-style-type: none"> • DID adapts international federation policies and procedures to Haiti by June 2006. • Local lawyer finalizes federation statutes by June 2005. • Expert develops a staff development plan for Federation management staff by June 2006. • Expert to develop supervisor manual by June 2005. • Expert to develop modules, guidelines and tools in CP inspection and audit by June 2005. 	<ul style="list-style-type: none"> • Statutes • By-laws • Minutes from Constitutional Assembly • Policy and Procedure Manual • Statutes • Staff Development Plans • Supervisor Manual • Tools • Guidelines for Auditors 	
<p>2.2</p> <p>2.2.1 Establish the feasibility of a clearing house at the level of the Federation to support member CPs</p> <p>2.2.2 Determine the best design for emergency liquidity funds for member CPs</p>	<ul style="list-style-type: none"> • Expert feasibility study for clearing house by June 2006. • Expert to design liquidity fund by Dec 2006. 	<ul style="list-style-type: none"> • Feasibility Study • Design of Liquidity fund 	

ANNEX 1: LOGICAL FRAMEWORK - APPENDIX 1: QUANTITATIVE INDICATORS

The following quantitative indicators will serve to measure performance throughout the project.

The table below presents the project indicators for the average participating CP. The first Column shows the baseline as of July 2004. Lowest Acceptable Average show the minimum performance target for the average of the CPs. It is understood that initially, all participating CPs will be considered. If one of them is eliminated from the project for any reason, it will be communicated to IDB, and the project will continue to report on the remaining.

Appendix 1: Quantitative Indicators - Average of Eleven Participating *Caisses Populaires*

Indicator	July 2004 - Baseline	Year 1		Year 2		Year 3		Year 4	
	Average per CP	Lowest	Target Average	Lowest	Target	Lowest	Target	Lowest	Target
Number of members	4,700		5,000		5,300		5 600		5 600
Number of clients with outstanding loans	537	560	600	590	670	625	750	665	840
Gross Outstanding Portfolio (US\$ '000) (*)	472		525		585		660		735
Portfolio at Risk > 30 days (**)	7.90%	10.00%	7.30%	10.00%	6.00%	10.00%	5.00%	10.00%	5.00%
Capitalization (equity/assets)	15%		>10%		>10%		>10%		>10%
Operational Self Sufficiency	273%		>120%		>120%		>120%		>120%
Return on Equity	7.90%	4.50%	7.00%	4.50%	7.00%	4.50%	7.00%	4.50%	7.00%
Liquid assets / total assets	38.60%		30%		30%		15%		15%
Total Savings Balance (Gds '000,000)	24.9		26.9		29.0		31.0		33.0
Loans per loan officer	210		220		235		250		265

(*): Exchange rate of US\$37.5 used for projections.

(**): If financial system raises above 10%, the average of the financial system plus a deviation of 30% will be the acceptable range.

Annex I: Logical Framework – Appendix 2: Qualitative Indicators

Indicators	Present Situation	End of Project Targets
Component 1: Strengthening of managerial and operational capacities of the CPs		
Strengthening governance and management	<ul style="list-style-type: none"> No CPs with business plans or budgets Minimal financial analysis capacity in CPs, and no management reports available No human resource policies in CPs 	<ul style="list-style-type: none"> 10 CPs using the DID budget tool and monitoring activities as per business plan 10 CPs managers understand financial management and use reports from DID/SIG A human resource policy adopted and 10 CPs
Improvement of operational capacities	<ul style="list-style-type: none"> 4 CPs are currently using computers, but their policies more adapted to manual systems. Portfolio quality generally poor (above 5% PAR>30 days), credit growth weak, credit analysis and planning ineffective, interest rates not responding to market, monitoring of loans poor, and none of the potentially eligible CPs with good understanding of all of the credit policies 	<ul style="list-style-type: none"> 10 CPs using a computerized information system, with SAF, and their structures re-engineered for optimal use of resources 10 CPs with a clear understanding of the market, market-responsive interest rates policies, growth plans for their credit products and implement standardized credit policies and procedures.
Expansion of Microfinance Services	<ul style="list-style-type: none"> No CP with promotion strategy No CP with policy for opening new outlets Credit products not responding to clients' demands 	<ul style="list-style-type: none"> 10 CPs with an operational promotion strategy 10 CPs with a policy for opening outlets including cost projections 10 CP offering at least one new credit product
Improving capacity for reporting and regulatory compliance	<ul style="list-style-type: none"> No instruction on CP regulation from the BRH No CP with permit with the CNC 	<ul style="list-style-type: none"> 10 CPs complying with BRH instructions 10 CPs with permits within 6 months of CNC's application of the law.
Component 2: Building Network Support Mechanisms for the CPs		
Strategic, institutional and organizational framework for a new federation.	<ul style="list-style-type: none"> No organigram or business for the Federation The governance structure not yet defined Policies, statutes, and by-laws not yet elaborated DID staff capacities not yet assessed as to potential for management of the future federation The inspection and audit function for member CPs not yet structured, and current audit team needing training to evaluate the health of the CPs Audit reports produced 6 months late. 	<ul style="list-style-type: none"> The organigram and business plan developed. The Governance structure defined by December 2005. The policies, statutes and by-laws developed. A staff assessment has been completed, positions identified and a staff development plan elaborated for key positions An inspection manual, work plan and codes elaborated and operational by December 2005. Training of auditors and inspectors complete by December 2005.
Development of financial services for CPs	<ul style="list-style-type: none"> No clearing house service existing for CPs, and no study done as to its feasibility No liquidity fund mechanism existing for CPs 	<ul style="list-style-type: none"> A feasibility study for a clearing house elaborated. Policies and procedures for a liquidity fund mechanism for federation members elaborated.

Annex II
Detailed Budget
In US\$

Componentes		Expert	MIF	Counterpart	Total
Component 1: Strenghten Caisses Populaires			230,930	164,040	394,970
1.1 Governance and Management			28,450	33,300	61,750
Modules and training of Board members	Financial coop. institutional expert (internati		2,790	14,000	16,790
Strategy and planning	Strategy and planning expert		10,250		10,250
Financial analysis and management					
Financial analysis	Financial analysis expert International		5,510	12,250	17,760
Information system	Systems expert		1,940	4,250	6,190
Financial management training	Financial analysis expert International		1,360	2,800	4,160
Human resource management	Microfinance expert (int.)		6,600		6,600
1.2 Operations			154,980	126,740	281,720
Implementation of computerized systems					
Implementation / training	Operations expert		27,550	60,000	87,550
Computer Equipments			59,530	25,520	85,050
Licences			40,180	17,220	57,400
Reingeneering after computerization	Operations expert		11,020	24,000	35,020
Internal controls strenghtening	Local expert		6,750		6,750
Credit operations	Microfinance expert (int.)		9,950		9,950
1.3 Expansion and diversification			39,500	4,000	43,500
Credit Product Development	Microcredit expert (int.)		11,550		11,550
Branch expansion strategy	Microfinance expert (int.)		5,510		5,510
New products/services					
Transfer services	Local Banking Expert		10,000		10,000
Information System Module	Operations expert		1,940	4,000	5,940
Promotion/marketing Strategy	Local Marketing Expert		7,500		7,500
			3,000	-	3,000
1.4 Reporting / Regulatory compliance			8,000	-	8,000
Adapt chart of accounts	Accounting Expert		6,000		6,000
Legal adjustments for permit	Local Legal Expert		2,000		2,000
Component 2: Building Network Support Mechanisms			57,560	71,900	129,460
2.1 Creation and capacity building			42,160	61,750	103,910
Define Governance and Organizational Structure	Financial coop. institutional expert (international)		3,130	10,000	13,130
Business Plan and Financial Projections					
Business Plan	Financial coop. institutional expert (international)		3,130	12,000	15,130
Financial Projections	Financial analysis expert International		1,940	2,450	4,390
Arrange Legal Issues	International Legal Expert		-	4,500	4,500
	Local legal expert		4,500		4,500
Administration					
Internal Procedures	Financial coop. institutional expert (international)		1,940	8,000	9,940
Plan of account	Accounting Expert		2,000		2,000
Transfer Plan of ability / responsibility					
Analyze Systems / Staff Development Plan	Training / gestion du changement expert Internati		3,130	8,000	11,130
Monitoring	Training / gestion du changement expert Internati		1,940	4,800	6,740
Supervision Department					
Supervisor's Manual	Supervision Expert		2,450	12,000	14,450
Promotion Strategy Implementation	Local firm in communication		18,000		18,000
2.2 Provision of Financial Services			15,400	10,150	25,550
Feasibility Study for Clearing House	Financial analysis expert International		12,950		12,950
Design of Liquidity Funds Mechanism	Financial analysis expert International		2,450	10,150	12,600
3. Project Coordination and supervision			98,600	14,060	112,660
3.1 Project coordinator					
Remuneration			66,600		66,600
Travel & Perdiem			18,000		18,000
3.2 Administrative assistant (part time)				14,060	14,060
3.3 Mid term evaluation			8,000		8,000
3.4 External Audit			6,000		6,000
4. Unforeseen			12,910		12,910
TOTAL			400,000	250,000	650,000
			62%	38%	100%

ANNEX III

SIMILAR OR RELATED MIF PROJECTS IN THE REPUBLIC OF HAITI

A. Similar or related MIF projects

Project number and approval date	Project title, sector, executing agency and amount	Signature date and disbursement period in months	Amount % Disbursed	Comments
ATN/ME-8408-HA august 2003	Institutional Strengthening of ACME; Association pour la Coopération avec la Micro Enterprise - ACME; US\$175.000	September 2003 48 months	US\$ 15.000 8.6%	Favorable development perspectives (products and results). Execution has been slow due to political crisis.
ATN/ME-8131-HA december 2002	Strengthening of Micro Credit National for expansion to rural and underserved microfinance markets; US\$300.000	March 2003; 42 months	US\$30.000 10%	Favorable development perspectives (products and results). However, execution has been slow given the political crisis. MCN is facing changes in management.
ATN/ME-6341-HA January 1999	Institutional Strengthening of SOGEBANK; US\$300.000	September 1999; 57 meses	US\$300.000 100%	Project completed with satisfactory results.

B. Similar or related Bank projects

None.

C. Related projects with the same sector or beneficiaries

Those included in the first and second line of activity for strengthening microfinance institutions.

PROPOSED RESOLUTION

Haiti. Nonreimbursable Technical Cooperation for Microfinance
Strengthening of the “Caisses Populaires”

The Donors Committee of the Multilateral Investment Fund

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 Multilateral Investment Fund, to enter into such agreements as may be necessary with Développement International Desjardins Inc., and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-____ with respect to a technical cooperation for microfinance strengthening of the “Caisses Populaires”
2. That up to the amount of US\$400.000 or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the Second Line of Activity for Strengthening of Financial Institutions for Microenterprise of the Small Enterprise Development Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.