

PROPOSAL FOR FINANCING AND TECHNICAL COOPERATION FOR:

**FONDS HAITIEN D'AIDE À LA FEMME (SP/TC-95-01-24-9)
SOCIÉTÉ HAITIENNE D'ÉPARGNE ET DE CRÉDIT (SP/TC-95-01-25-7)
ORGANIZATION FOR THE REHABILITATION OF THE ENVIRONMENT
(SP/TC-95-02-37-0)**

EXECUTIVE SUMMARY

**INTERMEDIARY
ORGANIZATIONS:**

FHAF is a non-profit foundation, recognized by the Haitian government on April 19, 1982 and affiliated with Women's World Banking (WWB), that provides small working capital loans to disadvantaged women in Port-au-Prince. SHEC is an open-membership credit union that provides savings and credit services to the public in Port-au-Prince. ORE is a non-profit private volunteer organization dedicated to activities which promote improvement in farmers' socio-economic situation, conservation and protection the environment.

AMOUNT AND SOURCE:

IDB: Financing:	US\$775,000	(CHF 900,550)
FHAF:	US\$300,000	(CHF 348,600)
SHEC:	US\$325,000	(CHF 377,650)
ORE:	US\$150,000	(CHF 174,300)
Technical cooperation:		
	US\$740,500	(CHF 860,461)
FHAF:	US\$215,000	(CHF 249,830)
SHEC:	US\$272,500	(CHF 316,645)
ORE:	US\$253,000	(CHF 293,986)
Total:	US\$1,515,500	(CHF1,761,011)

Financing funds will be disbursed in local currency (Haitian Gourdes) and Technical Cooperation funds will be disbursed in Swiss Francs (CHF); all funds will be disbursed from the Swiss Fund for Technical Cooperation and Small Projects.

**FINANCIAL
TERMS AND
CONDITIONS:**

Funds from the financing component of each operation will be subject to the following conditions:

Amortization period: 10 years
Grace period: 5 years
Disbursement period: 4 years
Fee: 1%

**PARALLEL TECHNICAL
COOPERATION:**

Non-reimbursable technical cooperations are proposed for FHAF (US\$215,000), SHEC (US\$272,500) and ORE (US\$253,000) to strengthen the intermediaries.

- OBJECTIVES:** The general objective of the proposed program is to expand the supply of services to the urban and rural microenterprise sector through the development of commercially viable service delivery institutions. The specific objectives are to develop within FHAF the institutional, management and operational systems necessary to function as a viable credit services institution under the charter of a non-profit organization; develop within SHEC the institutional, management and operational systems necessary to function as a viable financial intermediary under the charter of a credit union; and, strengthen and expand ORE's seed production and storage capacity as well as the financial systems and policies related to the sale and distribution of seeds and agricultural inputs.
- DESCRIPTION:** Resources from the credit component will be used to expand the volume of credit services (SHEC and FHAF) and seed and agricultural supply services (ORE) to urban and rural microentrepreneurs, enabling the service delivery organizations to attain an economically viable economy of scale. Resources from the technical cooperation will be used to strengthen the institutions in the following areas: operational management capacity, credit and savings service technology, information management systems, staff training, financial management and control systems, annual planning systems, human resource and organizational development.
- ENVIRONMENTAL CLASSIFICATION:** The Environmental Management Committee, at its meeting of June 20, 1995, classified these as Category III operations. In lieu of an environmental summary, the Committee requested to review the Plan of operations prior to approval by the Loan Committee.
- BENEFICIARIES:** FHAF and SHEC provide financial services to the urban microenterprise sector of Port-au-Prince and Cap Hatienne. The vast majority of the economically active population in Haiti is engaged in the informal micro and small business sector. The embargo imposed on Haiti following the coup d'etat accelerated a process of decapitalization in the real economy that is at least fifteen years old. The devaluation of the currency and loss of purchasing power in the population had a particularly devastating effect on the micro and small business sector that produces for the local market. Over 60 percent of Haitian microentrepreneurs, and FHAF and SHEC clients, are women.

ORE has provided agricultural inputs and extension services to over 20,000 poor farmers in the south of Haiti, centered around the Les Cayes area since 1985. Agriculture is mainly small-scale subsistence farming and employs over 65% of the work force. The majority of the population do not have ready access to safe drinking water, adequate medical care, or sufficient food. Eighty-five percent of the farm population lives in absolute poverty. Few social assistance programs exist, and the lack of employment opportunities remains the most critical problem facing the economy.

**BENEFITS AND
RISKS:**

The benefits of the proposed operations will be an expansion of finance and business-support services to rural and urban microentrepreneurs and farmers, resulting in an improvement in quality of life for an extremely poor segment of the Haitian population.

The proposed operation is exposed to the risk inherent in the unstable economic and political environment, however, the performance of FHAF, SHEC and ORE during the embargo period is evidence of the organizations' management capacity under severe circumstances.

The technical risks to the success of the proposed projects for FHAF and SHEC are related to the technical challenge of transforming a non-profit organization into a professional finance institution. In order to mitigate this risk, the Technical Cooperation component makes provision for the contracting of the Senior Advisors to provide the executing agencies with banking experience.

**THE BANK'S
COUNTRY STRATEGY:**

The proposed operations were sent to the Programming Committee on March 1, 1995 and comply with the Bank's strategy for strengthening private institutions that provide financial and business-related services to marginalized populations.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Upon signature of the contracts between the Bank and FHAF and SHEC, the Bank will hire a financial institution specialist to carry out the following tasks: (1) assist FHAF and SHEC in the development of a detailed action plan and budget for the period of the program; (2) develop accounting policies and procedures according to the guidelines presented in paragraph 3.31 of the loan document; (3) conduct an analysis of the current financial position of FHAF and SHEC applying the these accounting policies and procedures; and (4) produce the financial projections required to calculate an interest rate for the

intermediaries that satisfies the conditions defined in paragraph 3.28 of the loan document.

As a condition prior to disbursement of their respective program resources, SHEC and FHAF will submit, to the satisfaction of the Bank, an action plan and budget, accounting policies and procedures, and credit guidelines. In addition, FHAF and SHEC must submit evidence, to the satisfaction of the Bank, of an employment agreement between the respective institutions and the specialists contracted as the Senior Advisors (paragraph 3.41).

ORE will submit, to the satisfaction of the Bank, a detailed action plan and budget as a condition prior to disbursement of program resources (paragraph 3.39).

In order to facilitate efficient disbursement of program resources, the Bank will make the following advance of funds to the executing agencies: FHAF: 10% of the Financing and Technical Cooperation components; SHEC: 10% of the Financing component and 20% of the Technical Cooperation; and ORE: 20% of both the Financing and Technical Cooperation components (paragraphs 3.24-3.26).

Upon disbursement of 50% of the resources of the financing component of the respective projects, the Bank will contract the services of specialists to conduct the mid-term evaluations. On the basis of the evaluation, the Bank will decide whether to authorize disbursement of the remaining resources and will make recommendations to the executing agencies for specific measures to be taken to insure successful completion of the operations (paragraph 3.33).

I. FRAME OF REFERENCE

A. The request

- 1.1 Fonds Haitien d' Aide à la Femme (FHAF), Société Haitienne d' Épargne et de Crédit (SHEC) and the Organization for the Rehabilitation of the Environment (ORE) requested assistance from the Bank in 1991 in order to expand the scale of their respective activities. Project profiles were updated by members of the project team following the suspension of the embargo against Haiti in 1994.

B. Declaration of no-objection

- 1.2 The Government of Haiti (GOH), through the Ministry of Planning, has expressed its non-objection to the Bank financing the proposed operations.

C. Background

- 1.3 The vast majority of the economically active population in rural and urban Haiti is engaged in the micro and small business sector. Historically, this sector has been informal, has not produced for export markets, and has had no access to formal financial services. The embargo imposed on Haiti following the coup d'état accelerated a process of decapitalization in the real economy that is at least fifteen years old. The devaluation of the currency and loss of purchasing power in the population had a particularly devastating effect on the micro and small business sector that produces for the local market. Businesses that survived the period did so by shifting to commercial activities resulting in the liquidation or neglect of production capacity. The few formal non-bank institutions that provide financial services to the sector suffered losses from business failures and were decapitalized by the devaluation.
- 1.4 Only 29 percent of the land area in Haiti is suitable for cultivation and the severe scarcity of essential agricultural production inputs (i.e., seeds, fuel and fertilizer) and suitable tools (i.e., hoes, machetes and scythes) has been a serious constraint to achieve a desirable level of agricultural production. During the embargo period, supply of these inputs was interrupted or ceased and this resulted in significant shortages and rising prices.
- 1.5 The production per head of the major cereal crops (corn, sorghum and beans) has steadily decreased over the past 20 years, with the exception of rice. Self-sufficiency in food production has been reduced as cereal crops become more scarce. The lack of quality seeds and agricultural supplies at planting time have impeded any significant improvements in production.

- 1.6 The present agricultural practices of farmers involve the use of grains from the previous harvest bought from the market rather than professionally selected, dried and treated seeds. Such seeds have germination rates averaging between 30 - 40%, compared to a minimum 85% germination rates of genetically adapted and treated seeds, and carry fungal spore. Seeds (market grain or otherwise) are rare at planting time and are therefore more expensive - often double the regular price. Following natural disasters (hurricanes, floods etc. which occur every 3 - 4 years) seeds become extremely scarce and expensive. These factors result in a production among the lowest in the Caribbean and Central America.

D. Government agenda

- 1.7 The general objectives of the Government of Haiti's economic reform program include achievement of sustainable growth, reduction of poverty, increase in employment, broadening of access to services and environmental rehabilitation. In the context of the design of the Emergency Economic Recovery Program, the Government also gave priority to the strengthening of private organizations that provide services that contribute to the GOH's objectives.

E. Strategy of the Bank in Haiti

- 1.8 In the development of both the Emergency Economic Recovery Program and the Bank's Private Sector Strategy for Haiti, the Bank has emphasized the importance of strengthening private institutions that provide financial and business-related services to the micro and small business sector.
- 1.9 The three organizations presented in the proposal provide financial (SHEC and FHAF) services and agricultural supplies and extension services (ORE) to microentrepreneurs and small farmers. The organizations are recognized among the most professional in Haiti, however they have been weakened by the embargo and require comprehensive institutional strengthening prior to significant expansion of activities. The proposed program is design to provide the necessary support to prepare these institutions for an expansion of their activities within the context of individual business plans for the development of economically sustainable service delivery institutions.
- 1.10 The design of the proposed operations is based on information gathered by members of the project team since November 1994. The team has been able to gather sufficient information to determine that the organizations are strong enough to successfully implement the program of expansion and institutional strengthening outlined in the proposed operation. In addition, the operations have been designed so that project activities commence with a more profound analysis and planning exercise as a condition prior to disbursement of financing resources.

II. THE INTERMEDIARIES

A. Legal identity, objectives and governance structure

- 2.1 FHAF is a non-profit foundation, recognized by the Haitian government on April 19, 1982 and affiliated with Women's World Banking (WWB), that provides small working capital loans to disadvantaged women in Port-au-Prince. The institution has over ten years of experience in providing financial services to women microentrepreneurs and has made significant progress in strengthening institutional capacity with Small Project support in recent years. FHAF is governed by a Board of Directors which delegates management responsibilities to an Administrative Committee, presided by the Executive Director. FHAF has a total staff of 20, including 8 loan officers.
- 2.2 SHEC is an open-membership credit union that provides savings and credit services to the public in Port-au-Prince. The organization began in 1985, as a credit program with the support of Mennonite Economic Development Associates, and converted to a credit union in 1993 to expand activities in the provision of savings and credit services to the public. SHEC is governed by a 12 member Board of Directors with an Administrative and Supervisory Committee. The Director General is responsible for management of the credit union. SHEC has a total staff of 26, including 16 savings and loan officers.
- 2.3 ORE is a non-profit private volunteer organization dedicated to activities which promote improvement in farmers' socio-economic situation, conservation and protection the environment. ORE evolved from the Camp Perrin Grafted Fruit Tree Project which was established in 1981 to provide grafted fruit trees to the community in the Les Cayes area on a non-profit basis (financed by the Canadian Embassy and USAID). ORE was officially recognized by the Haitian government as an NGO on 16 June 1988. ORE is governed by the seven member Executive Committee of the Board of Directors.

B. Execution of previous Small Projects

- 2.4 In December 1988, FHAF received US\$250,000 in Small Project financing with a parallel, non-reimbursable technical cooperation for US\$96,000. Although implementation of the project has been delayed by political instability, FHAF has made solid progress in the development of operational systems and development of lending technologies. In addition, FHAF has established a partnership relationship with its Women's World Banking affiliates in Cali, Colombia, whose recent reorientation and expansion efforts were also financed by the Bank. The proposed project will build on these two experiences in order to assist FHAF in setting clear institutional objectives for the next few years.

C. Activities

1. FHAF

- 2.5 FHAF provides individual and solidarity group loans and technical support to existing micro businesses owned by women. FHAF has service offices located in Port-au-Prince, Croix-des-Bouquets, Cite Soleil and Cap-Haitien. FHAF provides predominantly short term working capital loans. The high concentration (80%) in the commercial sector reflects the preference of FHAF's exclusively female clientele for these activities. At the end of March 1995, FHAF had an outstanding portfolio of US\$220,000 comprised of approximately 500 individual and solidarity group loans.

2. SHEC

- 2.6 SHEC is an open membership credit union that provides both savings and credit services, oriented towards the microenterprise sector in the Port-au-Prince area. The outstanding portfolio as of May 1995 was US\$1.13 million, comprised of approximately 1,000 individual and solidarity group loans. In addition, after less than a year of savings operations, SHEC had mobilized US\$740,000 in over 2,000 savings and terms deposit accounts. The success of SHEC's savings program is due in large part to the institution's credibility as a lender to a portion of the population that does not have access to formal bank services. In addition, SHEC's deposit rates are higher than the formal banks.

3. ORE

- 2.7 ORE is currently working directly with approximately 2,000 farmers in the Les Cayes (Camp Perrin) and Bassin de Port-au-Prince areas, and has provided seeds and fruit trees to approximately 20,000 farmers since 1985. ORE's principle activities are concentrated in the plant material production and agricultural supply and extension outlet program.
- 2.8 The plant material production program consists of three parts: crop introduction and/or improvement adaptability trials; multiplication; and distribution of improved crops to the farmers. Basic seeds have been produced on ORE controlled multiplication sites covering 16 ha. and commercial seeds have been produced through a network of approximately 230 contractual farmer-producers trained and supervised by ORE. A seed handling and storage building of 306 sq. meters, with a thresher, corn sheller and a seed treatment mixer, are currently used for the seed production program, but have a limited capacity for future needs. Production is currently limited by equipment and storage space limitations.
- 2.9 Since 1985 ORE has produced over 265,000 grafted fruit trees in its Camp Perrin and other nurseries. The current annual nursery production capacity is: 200,000 fruit trees and 100,000 forestry

trees. Over 200 varieties of selected and imported fruit trees have been distributed to the peasant farmers in the south of Haiti, in the Bassin de Port-au-Prince area and to centers throughout the country.

- 2.10 Eleven ag-supply outlets have been established by ORE in the Macaya watershed area to supply low-income farmers with existing supplies of improved seeds and a selection of agricultural inputs (fertilizer, pesticides and hand-tools.) In the year 1993/4 these outlets sold US\$43,000 of seeds and agricultural supplies to participating farmers, in addition to US\$115,425 direct wholesale sales of seeds. The success of these ag-supply outlets have demonstrated their viability and the need to expand the operation in order to reach a larger number of beneficiaries. Outlets are in Maniche, Saut Mathurine, Jeremie, Beaumont, Camp Perrin, Gros-morne, L'Asile, Marfranc, Vieux Bourg d'Aquin, and La Colline.

D. Financial position

- 2.11 The current financial position of FHAF, SHEC and ORE, as well as their financial performance in the past fiscal year, reflects the negative effects of the embargo period. Moreover, the subsequent reactivation of programs, reallocation of assets and mixture of grants and operating income in the financial statements has further obscured their current financial position. For this reason, the Bank will hire a financial institution specialist to complete a more profound financial analysis in the context of creating planning documents the institutions will submit as a condition prior to disbursement of their respective program resources.
- 2.12 The following analysis is based on unaudited financial reports from September 1994 in the cases of FHAF and ORE, and May 1995 in the case of SHEC. The full financial reports are available in the archives of Finance and Basic Infrastructure Division Region 2.

1. FHAF

- 2.13 At the end of March 1995, FHAF had total assets of US\$640,000 and equity capital of US\$244,000. US\$220,000 of FHAF assets were invested in the loan portfolio, the bulk of the remainder in liquid form. The current position of FHAF reflects the negative effects of the embargo. During the embargo, FHAF transferred most of its assets to liquid instruments as the quality of the loan portfolio deteriorated. Income suffered accordingly as FHAF only covered 60% of FY94 operating costs with operational income. However, as of March 1995, total assets had increased from US\$244,000 in September 1994 and FHAF was rapidly reinvesting liquid assets in the loan portfolio; accumulated earnings, including donations, for the fiscal period were US\$183,000. Data available on portfolio performance indicates that FHAF has improved dramatically since November 1994, achieving a 4% delinquency rate as of March 1995.

2. SHEC

- 2.14 In May 1995, SHEC had total assets of US\$1.3 million with US\$.2 million of equity and share capital; US\$1.2 million of assets were invested in the loan portfolio. The current position reflects SHEC's rapid growth during 1994 due to its savings mobilization activities. Total assets in June 1993 and 1994 were US\$.41 and US\$.54 million respectively. SHEC also suffered during the embargo period, covering only 70% of its operation costs from operational income during FY94. However, with the growth of assets in the current fiscal period, SHEC has maintained a 24% annual return on equity from operating income. As of February 1995, SHEC's delinquency rate stood at 3.4% of outstanding portfolio.

3. ORE

- 2.15 At the end of September 1994, ORE had assets of US\$137,000 almost completely funded by equity capital. ORE has covered the major part of its operating costs with grants since 1985, increasing revenues from sale of products every year. Sale revenues were equal to 27% of total revenue in FY94. This reflects both the early institution consolidation process as well as USAID's, ORE's principle donor during the period, past policy of using ORE to provide NGO's and low-income farmers with cost free materials. ORE is now in the process of attaining an economy of scale of operations that will allow it to cover costs on a commercial basis.

III. PROJECT DESCRIPTION

A. General objective

- 3.1 The general objective of the proposed program is to expand the supply of services to the urban and rural microenterprise sector through the development of commercially viable service delivery institutions.

B. Specific objectives

- 3.2 The specific objectives of the proposed operation are to:
- a. develop within FHAF the institutional, management and operational systems necessary to function as a viable credit services institution under the charter of a non-profit organization;
 - b. develop within SHEC the institutional, management and operational systems necessary to function as a viable financial intermediary under the charter of a credit union; and
 - c. strengthen and expand ORE's seed production and storage capacity as well as the financial systems and policies related to the sale and distribution of seeds and agricultural inputs.

C. Activities

1. FHAF and SHEC

- 3.3 Although the implementation of the proposed program will be adapted to the relative stage of development of the institutions, the program for FHAF and SHEC will consist of the following components:

a. Financing component

- 3.4 FHAF and SHEC will use resources from the financing components of their respective programs (FHAF: US\$300,000, and SHEC: US\$325,000) to increase the volume of their respective loan portfolios in order to achieve a more efficient scale of operations and eventually capitalize the institutions with net income. The expansion will require improvements in the efficiency of operational and administrative systems identified below.

b. Technical cooperation

- 3.5 FHAF and SHEC will carry out the following components of an institutional strengthening program according to their respective plan of operations presented in the annexes.

(i) Development of operational management capacity

- 3.6 In order to insure coordination of the projected activities, SHEC will use program funds to create the position of Senior Operations Advisor to provide support to the SHEC financed positions of Director of Credit and Director of Savings. FHAF will use program resources to create the positions of Senior Financial and Senior Credit Advisors. The Senior Advisors will report directly to the Executive Directors of the respective institutions. The positions will be filled with professionals with appropriate experience in the management of financial service operations.

(ii) Development of credit and savings technology

- 3.7 All policies and procedures related to the delivery of credit services will be adapted to increase the productivity and financial performance of the institutions. Activities will include the adaptation of loan conditions, the solidarity group and individual lending procedures, loan supervision procedures, and the development of new financial products. Short term consultants will be contracted to assist SHEC and FHAF in these areas.

(iii) Adaptation of information management systems

- 3.8 The information systems will need to be adapted to provide the reporting and control mechanisms that are necessary for an expanding microenterprise financial services program. Both FHAF

and SHEC will employ a specialist in information systems to assist in the installation and adaptation of the systems.

(iv) Staff training

- 3.9 Staff will be trained as new procedures, credit analysis techniques, financial products and management systems are developed and implemented. In addition, technical cooperation funds will be designated for sending SHEC and FHAF staff to specific courses or training events.

(v) Installation of financial management and control systems

- 3.10 SHEC and FHAF will adapt their accounting policies and procedures in accordance with prudential norms established, to the satisfaction of the Bank, prior to disbursement of their respective financing components. Short term consultants will be hired to assist in the development of the necessary policies and procedures.

(vi) Development and installation of systems for creation, execution and monitoring of annual institutional plans

- 3.11 The advisors contracted by SHEC and FHAF will insure that a planning system will be institutionalized to insure that the objectives of the proposed project are incorporated into an annual planning process with the appropriate level of participation of the Board, management and operational staff or the respective institutions.

(vii) Human resource and organizational development

- 3.12 The advisors will also be responsible for the implementation of policies and systems related to staff and organizational development. These include: leadership, team work, internal communications and motivation as well as traditional areas related to performance evaluation mechanisms and procedures manuals.

2. ORE

a. Financing component

- 3.13 The financing component of the program (US\$150,000) will provide working capital for the purchase of inventory seed stock, allowing ORE to expand its current germplasm seed bank in order to produce a larger base stock of high yielding, temperature and disease resistance seed crop.

b. Technical cooperation

3.14 Technical cooperation resources will be used for the following activities:

(i) Research and development of seed and plant varieties

3.15 ORE will expand its current research and development program in order to provide small farmers with high quality, adapted seed and plant varieties. Program resources will be used to establish the necessary infrastructure for the research and development activities.

(ii) Strengthening of financial systems and policies

3.16 ORE will upgrade its current systems of financial management and control and adapt its pricing policies to the scale of operations projected under the proposed operation.

D. Program costs and conditions

Organization	Financing Component	Technical Cooperation	Total
FHAF	CHF348,600 (US\$300,000)	CHF249,830 (US\$215,000)	CHF598,430 (US\$515,000)
SHEC	CHF377,650 (US\$325,000)	CHF316,645 (US\$272,500)	CHF694,295 (US\$597,500)
ORE	CHF174,300 (US\$150,000)	CHF293,986 (US\$253,000)	CHF486,286 (US\$403,000)

1. Financing component

3.17 The Bank will provide reimbursable financing to FHAF, SHEC and ORE according to the table above. Funds will be disbursed in Gourdes according to the exchange rate prevailing at the time of disbursement. All funds will be disbursed from the Swiss Fund for Technical Cooperation and Small Projects. The financing component will be disbursed in no more than 4 years and will be amortized over 10 years, with a 5 year grace period, beginning from the date of the first disbursement of the respective financing components. The intermediaries will pay a commission of 1% per year on the outstanding balance of their respective loans.

2. Technical cooperation

3.18 Parallel to each of the financing components, the Bank will provide a non-reimbursable technical cooperation to be disbursed in Swiss Francs (CHF) from the Swiss Fund for Technical Cooperation and

Small Projects to finance the institutional strengthening measures defined in the plan of operations in the annexes.

E. Execution

1. Responsibility

- 3.19 FHAF, SHEC and ORE will be solely responsible for the execution of the respective operations, with the exception of activities defined in the terms of reference for the consultants that will be contracted by the Bank, and will each sign contracts with the Bank for the financing and technical cooperation agreements.

2. Credit regulations

- 3.20 The general Credit Regulations that will govern the disbursement of Bank funds to FHAF and SHEC sub-borrowers are presented in Annex IV. These guidelines are consistent with the Bank's policies for the Small Projects Program as well as with the laws that govern the provision of financial services in Haiti.

- 3.21 As a condition prior to first disbursement of the financing agreement, FHAF and SHEC will submit, to the satisfaction of the Bank, the detailed Credit Regulations for loans made with Bank resources. These Credit Regulations may be modified only with the prior written approval of the Bank.

3. Parallel, non-reimbursable technical cooperation

- 3.22 FHAF, SHEC and ORE, with the approval of the Bank, will contract the consulting services described in the Plan of Operations of the technical cooperation component, with the exception of the financial institution and environmental specialists, which will be contracted directly by the Bank.

4. Procurement of goods and services

- 3.23 FHAF, SHEC and ORE will follow the policies and procedures of the Bank in the acquisition of all goods and services with the funds provided by the Bank.

5. Advance of funds

- 3.24 In the case of FHAF, the Bank will provide an advance of funds equal to 10% of the financing component and 10% of the technical cooperation in order to facilitate efficient disbursement of program resources.
- 3.25 In the case of SHEC, the Bank will provide an advance of funds equal to 10% of the financing component and 20% of the technical cooperation in order to facilitate efficient disbursement of program resources.

- 3.26 In the case of ORE, the Bank will provide an advance of funds equal to 20% of the financing component and 20% of the technical cooperation in order to facilitate efficient disbursement of program resources.

6. Use of loan funds

- 3.27 The resources provided under the financing agreement may only be used to fund the lending activities governed by the Credit Regulations approved by the Bank. Therefore, the value of FHAF and SHEC's outstanding loan portfolios that meet the conditions defined in the Credit Regulations must be at least equal to the value of the resources, denominated in Gourdes, disbursed under the respective financing agreement.

7. Interest rate and fee policies

- 3.28 SHEC and FHAF will determine the interest rate on loans to their borrowing clients based on a calculation of the return on performing assets required to: (1) cover all direct financial costs; (2) all operating costs, including provisions for bad debt and depreciation of assets; and (3) maintain the real value of equity capital plus the resources provided by the Bank in the financing component.

8. Environmental protection measures

- 3.29 The Environmental Management Committee, in the meeting of June 20, 1995 classified the proposed projects as category III operations. During the execution of the proposed operations, the Bank will hire a consultant to conduct a rapid assessment (diagnostic, analysis and evaluation) of the microenterprises and activities supported by these projects. The ORE sponsored seed improvement and plant propagation activities will be reviewed in terms of safety and management of chemical substances.
- 3.30 It is expected that this assessment will result in: (a) the identification, categorization and classification according to potential environmental impact of the activities involved in the proposed program; (b) the identification and evaluation of the environmental effect of microenterprise operations financed by the Bank and other donors; and (c) the design of simple and effective environmental screening procedures and training programs that will lead towards gradual integration of environmental safeguards, impact prevention mechanisms and labor safety provisions in microenterprise loan operations in Haiti. Prior to the classification and screening criteria, FHAF and SHEC will be prohibited from disbursing program resources to any of the activities described in the preliminary screening list in Annex V.

9. Accounting policies and procedures

3.31 Prior to first disbursement of the financing agreement, FHAF and SHEC must present, to the satisfaction of the Bank, their chart of accounts and a description of their accounting policies. The chart of accounts and policies must contain, at a minimum:

- a. a clear classification of the portfolio according to defined risk categories that conform to standards to be developed with the assistance of the consultants contracted by the Bank;
- b. a policy for maintaining provisions for bad debt that is related to the portfolio classification system described in paragraph a.;
- c. a clear distinction between operational and grant income; and
- d. clear financial reporting of reserves or equity accounts capitalized from net operational income.

10. Control of arrears and financial performance

3.32 The portfolio performance of FHAF and SHEC will be controlled in the context of the monitoring of the organizations' financial performance. For this purpose, each intermediary would be required to include information on the status of their loan portfolios in their semiannual reports to the Bank during the execution of the program.

11. Program monitoring and mid-term evaluation

3.33 The Bank will monitor the execution of the proposed projects through a review of the progress reports submitted by FHAF, SHEC and ORE. In addition, the Bank will use technical cooperation funds to contract directly the services of [a] specialist[s] in the analysis of financial institutions who will assist FHAF and SHEC in the preparation of a detailed action plan to be presented to the Bank as a condition prior to disbursement of their respective small project financing resources. The same specialist will conduct a mid-term evaluation of FHAF and SHEC when 50% of the resources from the credit component have been disbursed. ORE will also submit a detailed action plan prior to disbursement of the small project financing, and the Bank will hire a specialist in agricultural extension programs for the purpose of conducting a mid-term evaluation of the execution of the project. The consultant[s] will analyze the operations in terms of the degree of achievement of the objectives and expected results of the programs and make recommendations to the Bank and the executing institutions for specific measures to be taken to insure successful completion of the projects. On the basis of the analysis, the Bank will decide whether to authorize the continuation of the operations. If the performance of the individual institutions is not acceptable to the

Bank, the Bank and the executing institution will define the appropriate measures to be taken to insure successful completion of the project.

12. Reporting requirements

- 3.34 Prior to the disbursement of the small project financing with FHAF or SHEC, the two institutions must submit for approval from the Bank, financial projections and an operating plan that incorporates the components of the technical cooperation operation. The Bank will hire a consultant with program resources from the Technical Cooperation to assist the organizations with the preparation of these documents.
- 3.35 Within 30 days of the close of each quarter of the calendar year, each of the executing agencies will present to the Bank a brief report that includes: (1) a summary of the financial performance of the executing agency 1/; (2) a summary of the execution of the technical cooperation plan of operations; and (3) an assessment of progress in achieving the specific objectives defined in the respective plan of operations.
- 3.36 Within 120 days of the close of every fiscal year, FHAF, SHEC and ORE will present to the Bank financial statements prepared by an independent auditing firm approved by the Bank. This obligation is in effect for five years, beginning in the year in which the first disbursement of the financing component is made. In the case of SHEC and FHAF, the audits must apply the standards for portfolio classification and provisioning approved by the Bank.

13. Action plan

- 3.37 Upon signature of the contracts between the Bank and FHAF and SHEC, the Bank will hire the financial institution specialist[s] to carry out the following task: (1) assist FHAF and SHEC in the development of a detailed action plan and budget for the period of the program; (2) develop the accounting policies and procedures defined in paragraph 3.31; (3) conduct an analysis of the current financial position of FHAF and SHEC applying these accounting policies and procedures; and (4) produce the financial projections required to calculate an interest rate for the intermediaries that satisfies the conditions mentioned in paragraph 3.28.
- 3.38 As a condition prior to disbursement of program resources, SHEC and FHAF will submit to the satisfaction of the Bank, an action plan

1/ SHEC and FHAF will use the indicators described for financial performance, operational efficiency, target group orientation and institutional capacity in the *Technical Guide for the Analysis of Microenterprise Finance Institutions*, published by the Microenterprise Division of the Bank in June 1994.

and budget, accounting policies and procedures, and credit guidelines. In addition, FHAF and SHEC must submit evidence to the satisfaction of the Bank, of an employment agreement between the respective institutions and the specialists contracted as the Senior Advisors.

- 3.39 ORE will submit to the satisfaction of the Bank, a detailed action plan and budget as a condition prior to disbursement of program resources.
- 3.40 Upon disbursement of 50% of the resources of the financing component of the respective projects, the Bank will contract the services of specialists to conduct the mid-term evaluations.

IV. THE BENEFICIARIES

A. Characteristics

- 4.1 The vast majority of the economically active population in Haiti is engaged in the micro and small business sector. Historically, this sector has been informal, has not produced for export markets, and has had no access to formal financial services. The embargo imposed on Haiti following the coup d'etat accelerated a process of decapitalization in the real economy that is at least fifteen years old. The devaluation of the currency and loss of purchasing power in the population had a particularly devastating effect on the micro and small business sector that produces for the local market. Businesses that survived the period did so by shifting to commercial activities resulting in the liquidation or neglect of production capacity. Over 60 percent of Haitian microentrepreneurs are women. The key role of microenterprises economic activities is evidenced by their presence in all sectors. In certain areas of production and service they represent the majority of firms.
- 4.2 Eighty-five percent of farmers in the south of Haiti, centered around the Les Cayes area, live in absolute poverty. Agriculture is mainly small-scale subsistence farming and employs over 65% of the work force. The majority of the population do not have ready access to safe drinking water, adequate medical care, or sufficient food. Few social assistance programs exist, and the lack of employment opportunities remains the most critical problem facing the economy. The production per head of the major cereal crops (corn, sorghum and beans) have been steadily decreasing over the past 20 years, with the exception of rice. Self-sufficiency in food production is not being achieved. Daily intakes of 1600 calories and 40 grams of protein is below the estimated minimum daily requirement of 2200 calories per day, and is falling as cereal crops become more scarce.

B. Access to services

- 4.3 There are no comprehensive studies available on the demand for financial services from the Haitian microenterprise sector. The experience of organizations such as SHEC and FHAF indicate that microentrepreneurs constitute a significant demand for small loans with short maturities. As in most Latin American countries, a small percentage of microenterprises with growth potential will also demand long term financing for investments in fixed assets. Organizations that have historically provided financial services to the sector suffered losses from business failures and were decapitalized during the embargo period.
- 4.4 Only 29 percent of the land area in Haiti is suitable for cultivation and the severe scarcity of essential agricultural production inputs (i.e.: seeds, fuel and fertilizer) and suitable tools (i.e.: hoes, machetes and scythes) has been a serious constraint to achieve a desirable level of agricultural production. During the embargo period, supply of these inputs was interrupted or ceased and this resulted in significant shortages and rising prices. The present agricultural practices of farmers involve the use of grains from the previous harvest bought from the market rather than professionally selected, dried and treated seeds. Such seeds have germination rates averaging between 30 - 40%, compared to a minimum 85% germination rates of genetically adapted and treated seeds, and carry fungal spore. Seeds (market grain or otherwise) are rare at planting time and are therefore more expensive - often double the regular price. Following natural disasters (hurricanes, floods etc., which occur every 3 - 4 years) seeds become extremely scarce and expensive. These factors result in a production among the lowest in the Caribbean and Central America.

V. JUSTIFICATION AND RISKS

A. Justification

- 5.1 The proposed financing and parallel technical cooperation operations conform to the eligibility criteria established for the Small Projects Program in the GP-75-7 and GN-1238-2 documents.
- 5.2 The focus given to the strengthening of FHAF, SHEC and ORE as commercially viable, service delivery organizations is based on the nature of the demand for financial and agricultural services from the microenterprise sector. The microenterprise sector is heterogeneous and constitutes a demand for a variety of financial services and technically adequate inputs. Most importantly, individual microentrepreneurs require access to such services indefinitely, their demand for specific services changing over time as the business grows and changes. The formal financial industry and the agricultural supply market does not meet this demand for services and the impact of non-profit organizations has been

limited due to the modest scale of their operations and their historic dependence on subsidies. The proposed program endeavors to establish the respective institutions as commercially viable providers of services to sectors not attended by existing suppliers.

B. Risks

- 5.3 The proposed operation is exposed to the risk inherent in the unstable economic and political environment, however, the performance of FHAF, SHEC and ORE during the embargo period is evidence of the organizations' management capacity under severe circumstances.
- 5.4 The technical risks to the success of the proposed projects for FHAF and SHEC are related to the technical challenge of transforming a non-profit organization into a professional finance institution. In order to mitigate this risk, the Technical Cooperation component makes provision for the contracting of the Senior Advisors to coordinate the integration of the technical assistance to be provided by international experts in the field.
- 5.5 The rapid expansion of savings accounts and the sudden availability of donor funds together with the external pressure to channel donor funds to a specified target group constitutes a significant risk to the long term sustainability of both SHEC and FHAF. In the case of SHEC, institutional failure would also put public deposits at risk. This element of risk is also the justification for the magnitude of the proposed Technical Cooperation operations with SHEC and FHAF, as well as for the conditionality related to prudential norms and the hiring of banking professionals.
- 5.6 ORE has been engaged in the genetic engineering and commercial distribution of seeds in Haiti since 1981. While the organization is well managed and committed to developing a market for both the supply and demand of treated seeds, their ability to function on strictly commercial terms has been complicated by the presence of two large donor agencies that purchase almost all locally supplied treated seeds at prices below the world market. This sudden demand has encouraged other seed suppliers to enter the market, but none of these suppliers engage in research and development of genetically engineered seeds, and the quality rating of their seeds is significantly lower than ORE's. Therefore, an important justification for support to ORE is to ensure that ORE can continue with the research and development in a distorted market.

TECHNICAL COOPERATION

FONDS HAITIEN D' AIDE À LA FEMME (FHAF)

(TC-95-01-24-9)

PLAN OF OPERATIONS

I. BACKGROUND

- 1.1 The Fonds Haitien d'Aide à la Femme (FHAF) has requested a non-reimbursable technical cooperation to support the execution of the program presented in their proposal for financing through the Small Projects Program. The Government of Haiti, through the Ministry of Planning, has expressed its non-objection to the Bank regarding the participation of FHAF in the proposed technical cooperation operation.

II. OBJECTIVES

A. General objective

- 2.1 The objective of the technical cooperation is to develop within FHAF the institutional, management and operational systems necessary to function as a viable credit services institution under the charter of a non-profit organization.

B. Specific objectives

- 2.2 Specific objectives of the proposed Plan of Operations are: (i) development of operational management capacity; (ii) development of lending technology; (iii) adaptation of information management systems; (iv) staff training; (v) installation of financial management and control systems; (vi) development and installation of systems for creation, execution and monitoring of annual institutional plans; and (vii) human resource and organizational development.

III. DESCRIPTION OF PROJECT ACTIVITIES

- 3.1 The technical cooperation operation will consist of the following components:

A. Contracting of long term, specialized technical advisors

- 3.2 FHAF will contract specialists to fulfill the functions listed below. The general terms of reference for each specialist are included in Annex I-1.

1. Senior Financial Advisor

- 3.3 FHAF will contract, with the prior approval of the Bank, a Senior Financial Advisor for a period of two years to insure that a professional with banking experience in the management of financial institutions is responsible for the coordination and execution of the proposed activities. The Senior Financial Advisor will report directly to the Executive Director.

2. Senior Credit Advisor

- 3.4 FHAF will contract, with the prior approval of the Bank, a Senior Credit Advisor for a period of one year to insure that a professional with banking experience in the management of financial institutions is responsible for the coordination and execution of related activities of the proposed plan. The Senior Credit Advisor will report directly to the Executive Director.

3. Management Information Specialist

- 3.5 A management information specialist will be contracted for one year to adapt FHAF's information system to the changes that will occur in the adaptation of operational and management systems.

B. Contracting of short term consulting services

- 3.6 In addition to the long term consultants, FHAF, with the prior approval of the Bank, will contract the services of professionals with experience in the development of specialized microenterprise finance institutions to provide specialized support in the following areas. The general terms of reference for each consultancy are included as an annex to the document.

1. Development of credit technology

- 3.7 All policies and procedures related to the delivery of credit services will be adapted to increase productivity and financial performance. Activities will include the adaptation of loan conditions, interest rates, the solidarity group and individual lending procedures, loan supervision procedures, and the development of new financial products.

2. Development of financial management and administration systems

- 3.8 The operational capacity of FHAF will be improved through a refining of management and administrative systems and the professionalization of mid-level management staff.

3. Development of communication, incentive and documentation systems

- 3.9 A planning system will be institutionalized to insure that the objectives of the proposed project are incorporated into an annual planning process with the appropriate level of participation of the Board, management and operational staff. Specific attention will be given to areas of staff and organizational development. These include: leadership, team work, internal communications and motivation as well as traditional areas related to performance evaluation mechanisms and procedures manuals.

C. Staff training

- 3.10 Staff will be trained as new procedures, credit analysis techniques, financial products and management systems are developed and implemented. In addition, technical cooperation funds will be designated for sending FHAF management and staff to training events or for visiting similar financial institutions in the region.

D. Procurement of equipment

- 3.11 FHAF will acquire and install: (a) an integrated software system appropriate for a financial institution; and (b) the computer hardware required for an adequate information system, including: PC type computers; printers; a generator; and UPS and line protection systems.

E. Upgrading of accounting policies and procedures

- 3.12 FHAF will adapt its accounting policies and procedures in accordance with standard banking industry practice in Haiti. These new policies will form the basis of a financial management system through which the management of FHAF will set financial targets and monitor its progress.

F. Monitoring and evaluation

- 3.13 The Bank will contract directly the services of a specialist in the analysis of financial institutions for the purpose of conducting an assessment of FHAF, assisting the organization in the development of planning documents to be presented as a condition prior to disbursement, and conducting a mid-term evaluation of the execution of the project. The consultant will analyze the operation in terms of the degree of achievement of the objectives and expected results of the program and make recommendations to the Bank and the executing institution for specific measures to be taken to insure successful completion of the project. On the basis of the analysis, the Bank will decide whether to authorize the continuation of the operations. If the performance of FHAF is not acceptable to the Bank, the Bank and the executing institution will

define the appropriate measures to be taken to insure successful completion of the project.

G. Environmental Specialist

- 3.14 The Bank will also directly contract an environmental specialist to assist FHAF in a survey and classification of its clients according to the potential environmental impact of the activities involved and in the development of systems for classifying clients by environmental category and referring those clients in category III and IV to the appropriate agencies.

IV. COST AND FINANCING

A. Source of Funds

- 4.1 The Bank will provide CHF249,830 (US\$215,000) to be disbursed in Swiss Francs from the Swiss Fund for Technical Cooperation and Small Projects on a non-reimbursable basis. The total cost of the technical cooperation program is US\$215,000, broken down in the following categories:

CATEGORY	DESCRIPTION	US\$	CHF
2.1 Professional Consulting Services in:			
Financial Systems (credit technology and financial management)	30 days @ \$400, travel and per diem	17,500	20.335
Environmental Specialist	3 mos. @ \$1,500 travel and per diem	4,500	5.229
Senior Financial Advisor	2 years @ \$25,000	50,000	58.100
Senior Credit Advisor	1 year @ 25,000	25,000	29.050
Management Information Specialist	12 mos. @ \$1,500	18,000	20.916
3.1 Training		10,000	11.620
6.3 Equipment		50,000	58.100
8.2 Consultants for mid-term evaluation		20,000	23.240
98. Contingencies		20,000	23.240
TOTAL		215,000	249.830

V. EXECUTION

- 5.1 FHAF is solely responsible for the contracting of consultants (lump sum basis) and for the execution of the proposed operation, with the exception of the contracting of the financial institution specialist for the monitoring and mid-term evaluation activities and the environmental specialist, both of which will be hired directly by the Bank.

- 5.2 The Bank's contribution will be disbursed within 48 months from the date on which the contract between FHAF and the Bank is signed. At the request of FHAF, the Bank may disburse an advance of funds, not to exceed 10% of the total budget of the technical cooperation, in order to insure the efficient flow of resources during the execution of the program.

VI. REPORTS

A. Short term consultancies

- 6.1 Within 30 days of the completion of each short term consultancy contracted with Bank resources, the consultant will present to FHAF a brief report that includes: (1) a description of activities carried out under the consultancy; (2) a description of the steps to be taken by FHAF to institutionalize the expertise delivered during the consultancy; and (3) a list of verifiable indicators by which the success of the institutionalization process can be measured. FHAF will present a copy of the report with comments to the Bank within 45 days of the completion of the consultancy.
- 6.2 The environmental specialist will submit to the Bank, within 30 days of completion of the terms of reference, a report that includes: (1) a description of activities carried out under the contract; (2) a description of the steps to be taken by FHAF to institutionalize the systems developed during the contract; and (3) a list of verifiable indicators by which the success of the institutionalization process can be measured.

B. Technical advisors

- 6.3 Within 30 days of the close of each quarter of the calendar year, the Executive Director, with the participation of the Senior Financial and Senior Credit Advisors, will present to the Bank a brief report that includes: (1) a summary of the financial performance of FHAF, using the indicators described in the *Technical Guide for the Analysis of Microenterprise Finance Institutions* ^{2/}; (2) a summary of the execution of the technical cooperation plan of operations; and (3) an assessment of FHAF's progress in achieving the expected results defined in the financing proposal.

C. Report on the use of technical cooperation resources

- 6.4 Within 120 days of the final disbursement of the technical cooperation resources, FHAF will present to the Bank a financial

^{2/} The *Technical Guide* was published by the Microenterprise Division of the Bank in June 1994 and includes criteria for the assessment of financial performance, operational efficiency, target group orientation and institutional capacity.

report prepared by an independent auditing firm approved by the Bank, that will include a detailed presentation of the use of all funds provided under the technical cooperation agreement.

D. Monitoring and evaluation

- 6.5 A financial institution specialist, contracted by the Bank to assist FHAF in the preparation of planning documents and management procedures and the execution of the mid-term evaluation, will submit to the Bank a report on the execution of the credit and technical cooperation operations. The consultant will assess the progress of the program against the objectives and expected results defined in the financing proposal, and will use the analytical techniques defined in the Bank's Technical Guide.

VII. JUSTIFICATION

- 7.1 The proposed operation satisfies the requirements of the Bank for non-reimbursable technical cooperation operations in that the primary purpose of the program is to strengthen an institution that provides services to poor and marginalized segments of the Haitian population.
- 7.2 The proposed technical cooperation is designed to introduce the specialized technical expertise required to transform FHAF, a non-profit organization, into a commercially viable credit service organization. Although FHAF is covering its current costs, the organization does not possess the technical nor financial resources to facilitate the proposed transformation. The proposed technical cooperation is designed to compensate for this lack of resources, subsidizing research and development costs directly while maintaining clear incentives for FHAF to adapt itself to the financial market.

VIII. SUPERVISION

- 8.1 Execution of the proposed operation will be supervised by the Haitian Country Office (CHA) of the Bank, in collaboration with RE2/OD4 and RE2/FI2.

IX. EVALUATION

- 9.1 The proposed operation will be evaluated when 50% of the respective financing components have been disbursed. FHAF will be required to submit a final report of completion of project objectives, using the same indicators applied during the mid-term evaluation, within six months of final disbursement of the financing component.

X. UNIT RESPONSIBLE IN THE BANK

- 10.1 The Unit with basic responsibility in the Bank is RE2/OD4. RE2/FI2 is the unit with technical responsibility. RE2/FI2, in

collaboration with OD4 and CHA, will contract the services of the financial institution specialist to conduct the preliminary assessments and assist FHAF with the preparation of documents to be submitted as a condition prior to disbursement of the financing component.

TECHNICAL COOPERATION

FONDS HAITIEN D' AIDE À LA FEMME (FHAF)

(TC-95-01-24-9)

TERMS OF REFERENCE

I. SENIOR FINANCIAL ADVISOR

- 1.1 The Senior Financial Advisor (SFA) will report directly to the Executive Director of FHAF and will be responsible for the administration of all operations that correspond to the department of finance. In addition, the SFA is responsible for the coordination and implementation of the program components related to development of systems and staff in the area of financial management systems.
- 1.2 The SFA will be responsible for the adaptation or development of all policies and procedures related to financial management and control, resulting in the following outputs:
 1. accounting policies and procedures will be structured in accordance with prudential norms to be drafted for the prior approval of the Bank. The norms will include provisioning requirements related to a loan classification system based on arrears of individual loans.
 2. the format of the chart of accounts and financial reports will provide adequate cost accounting information;
 3. financial control mechanisms will be implemented to insure security and accuracy in the accounting system;
 4. policies and procedures will be implemented to insure management and control over liquidity, asset and liability matching, budgeting and financial reporting.
 5. policies regarding cost reduction, pricing of services and capitalization of net income will be developed, and systems to monitor the implementation of these policies will be institutionalized.
- 1.3 The SFA will have a relevant university degree and at least five years of experience in the management of regulated finance institutions. The SFA will also have experience with specialized finance operations similar to the high volume lending that characterizes microenterprise loan operations; prior experience with microenterprise lending is highly desirable.

II. SENIOR CREDIT ADVISOR

- 2.1 The Senior Credit Advisor (SCA) will report directly to the Executive Director and will be responsible for the administration and on-going development of all of FHAF credit operations.
- 2.2 The SCA will have a relevant university degree and at least five years of experience in the management of credit operations in a finance institution. The SCA will also have experience with specialized credit operations similar to the high volume lending that characterizes microenterprise loan operations; prior experience with microenterprise lending is highly desirable.

III. MANAGEMENT INFORMATION SPECIALIST

- 3.1 A management information specialist will be hired by FHAF to adapt all accounting, financial and information systems to the new procedures that will be introduced in the course of the proposed program.
- 3.2 The consultant will have a relevant degree and at least four years of experience in the design of computerized information systems for finance institutions. The consultant must be able to demonstrate competence with the hardware and software to be used by FHAF.

IV. SHORT TERM CONSULTANCY: FINANCIAL SYSTEMS SPECIALIST

- 4.1 A consultant or consultants will be hired to assist FHAF in the adaptation or development of all policies and procedures related to the delivery of credit services in order to increase productivity and financial performance. Activities will include the adaptation of loan conditions, eligibility criteria, loan analysis techniques and documentation, loan approval and disbursement policies and procedures, loan supervision procedures, and the development of new financial products. The consultants will be responsible to train FHAF staff in the administration of newly created or adapted procedures.
- 4.2 The consultant[s] will have a relevant university degree and at least four years of international experience in the described activities.

V. ENVIRONMENTAL SPECIALIST

- 5.1 The Bank will contract an environmental specialist to assist FHAF in a survey and classification of its clients according to the potential environmental impact of the activities involved and in the development of systems for classifying clients by environmental category and referring those clients in category III and IV to the appropriate agencies.

- 5.2 The environmental specialist will assist FHAF in developing procedures for classifying clients by environmental category and either referring clients with category III or IV activities to the appropriate governmental agencies and/or assessing the clients based on the guidelines developed by these agencies. Specific responsibilities will include:
1. conducting a survey of FHAF clients;
 2. adapting client classification and referral procedures and implement the appropriate systems within FHAF; and
 3. training FHAF staff in the classification and, if necessary, diagnostic procedures.
- 5.3 The consultant will have a relevant university degree and at least four years of experience in the activities described.

VI. FINANCIAL INSTITUTION SPECIALIST

- 6.1 The Bank will contract directly the services of a specialist in the analysis of financial institutions for the purpose of conducting an assessment of FHAF, assisting the organization in the development of planning documents to be presented as a condition prior to disbursement of the financing component, and conducting a mid-term evaluation of the execution of the project. The consultant will analyze the operation in terms of the degree of achievement of the objectives and expected results of the program and make recommendations to the Bank and the executing institution for specific measures to be taken to insure successful completion of the project. On the basis of the analysis, the Bank will decide whether to authorize the continuation of the operations. If the performance of FHAF is not acceptable to the Bank, the Bank and the executing institution will define the appropriate measures to be taken to insure successful completion of the project.
- 6.2 The evaluations will include an assessment of financial performance, operational efficiency, target group orientation and institutional capacity as defined in the referenced *Technical Guide*.
- 6.3 The consultant will have a relevant university degree and at least four years of international experience in the analysis of specialized finance institutions.

TECHNICAL COOPERATION

SOCIÉTÉ HAÏTIENNE D' ÉPARGNE ET DE CRÉDIT (SHEC)

(TC-95-01-25-7)

PLAN OF OPERATIONS

I. BACKGROUND

- 1.1 The Société Haïtienne d' Épargne et de Crédit (SHEC) has requested a non-reimbursable technical cooperation to support the execution of the program presented in their proposal for financing through the Small Projects Program. The Government of Haiti through the Ministry of Planning, has expressed its non-objection to the Bank regarding the participation of SHEC in the proposed technical cooperation operation.

II. OBJECTIVES

A. General objective

- 2.1 The objective of the technical cooperation is to develop within SHEC the institutional, management and operational systems necessary to function as a viable financial intermediary under the charter of a credit union.

B. Specific objectives

- 2.2 Specific objectives of the proposed Plan of Operations are: (i) development of operational management capacity; (ii) development of lending and savings mobilization technology; (iii) adaptation of information management systems; (iv) staff training; (v) installation of financial management and control systems; (vi) development and installation of systems for creation, execution and monitoring of annual institutional plans; and (vii) human resource and organizational development.

III. DESCRIPTION OF PROJECT ACTIVITIES

- 3.1 The technical cooperation operation will consist of the following components:

A. Contracting of long term, specialized technical advisors

- 3.2 SHEC will contract specialists to fulfill the functions listed below. The general terms of reference for each specialist are included as an annex to the document.

1. Senior operations advisor

- 3.3 SHEC will contract a Senior Operations Advisor for a period of two years, with the prior approval of the Bank and as condition prior to disbursement of small project financing resources, to insure that a professional with banking experience in the management of financial institutions is responsible for the coordination and execution of the proposed plan. The Senior Operations Advisor will report directly to the Director General.

2. Management and control systems specialist

- 3.4 SHEC will contract, with prior approval of the Bank, a specialist in management and control systems for a period of two years to assist SHEC in the development of internal control procedures adequate for a financial institution.

3. Management information specialist

- 3.5 A management information specialist will be contracted for one year to adapt SHEC's information system to the changes that will occur in the adaptation of operational and management systems.

B. Contracting of short term consulting services

- 3.6 In addition to the long term advisors, SHEC, with the prior approval of the Bank, will contract the services of international professionals with experience in the development of specialized microenterprise finance institutions to carry out the following short term assignments. The general terms of reference for each consultancy are included as an annex to the document.

1. Development of credit and savings technology

- 3.7 All policies and procedures related to the delivery of credit and deposit services will be adapted to increase productivity and financial performance. Activities will include the adaptation of loan conditions, interest rates, the solidarity group and individual lending procedures, loan supervision procedures, and the development of new financial products.

2. Development of financial management and administration systems

- 3.8 The operational capacity of SHEC will be improved through a refining of management and administrative systems and the professionalization of mid-level management staff.

C. Staff training

- 3.9 Staff will be trained as new procedures, credit analysis techniques, financial products and management systems are developed and implemented. In addition, technical cooperation funds will be

designated for sending SHEC management and staff to training events or for visiting similar financial institutions in the region.

D. Procurement of equipment

- 3.10 SHEC will acquire and install: (a) an integrated software system appropriate for a financial institution; and (b) the computer hardware required for an adequate information system: PC type computers; printers; a generator; and UPS and line protection systems.

E. Upgrading of accounting policies and procedures

- 3.11 SHEC will adapt its accounting policies and procedures in accordance with standard banking industry practice in Haiti. These new policies will form the basis of a financial management system through which the management of SHEC will set financial targets and monitor its progress.

F. Monitoring and evaluation

- 3.12 The Bank will contract directly the services of a specialist in the analysis of financial institutions for the purpose of conducting an assessment of SHEC, assisting the organization in the development of planning documents to be presented as a condition prior to disbursement of the small project financing, and conducting a mid-term evaluation of the execution of the project. The consultant will analyze the operation in terms of the degree of achievement of the objectives and expected results of the program and make recommendations to the Bank and the executing institution for specific measures to be taken to insure successful completion of the project. On the basis of the analysis, the Bank will decide whether to authorize the continuation of the operations. If the performance of SHEC is not acceptable to the Bank, the Bank and the executing institution will define the appropriate measures to be taken to insure successful completion of the project.

G. Environmental specialist

- 3.13 The Bank will also contract an environmental specialist to assist SHEC in a survey and classification of its clients according to the potential environmental impact of the activities involved and in the development of systems for classifying clients by environmental category and referring those clients in category III and IV to the appropriate agencies.

IV. COST AND FINANCING

A. Source of Funds

- 4.1 The Bank will provide CHF316,645 (US\$272,500) to be disbursed in Swiss Francs from the Swiss Fund for Technical Cooperation and Small Projects on a non-reimbursable basis. The total cost of the technical cooperation program is US\$272,500, broken down in the following categories:

CATEGORY	DESCRIPTION	US\$	CHF
2.1 Professional Consulting Services in:			
Credit Technology	30 days @ \$250, travel and per diem	13,000	15.106
Saving Instrument Specialist	30 days @ \$250, travel and per diem	13,000	15.106
Financial Management and Administration	30 days @ \$400, travel and per diem	18,000	20.916
Environmental Specialist	3 mos. @ \$1,500 travel and per diem	4,500	5.229
Senior Operations Advisor	2 years @ \$30,000	60,000	69.720
Management and Control Specialist	2 years @ \$13,000	26,000	30.212
Management Information Specialist	12 mos. @ \$1,500	18,000	20.916
3.1 Training		20,000	23.240
6.3 Equipment		60,000	69.720
8.2 Consultants for mid-term evaluation		20,000	23.240
98. Contingencies		20,000	23.240
TOTAL		272,500	316.645

V. EXECUTION

- 5.1 SHEC is solely responsible for the contracting of consultants (lump-sum basis) and for the execution of the proposed operation, with the exception of the contracting of the financial institution specialist for the monitoring and mid-term evaluation activities and the environmental specialist, both of which will be contracted directly by the Bank.
- 5.2 The Bank's contribution will be disbursed within 48 months from the date on which the contract between SHEC and the Bank is signed. At the request of SHEC, the Bank may disburse an advance of funds, not to exceed 20% of the total budget of the technical cooperation, in order to insure the efficient flow of resources during the execution of the program.

VI. REPORTS

A. Short term consultancies

- 6.1 Within 30 days of the completion of each short term consultancy, the consultant will present to SHEC a brief report that includes: (1) a description of activities carried out under the consultancy; (2) a description of the steps to be taken by SHEC to institutionalize the expertise delivered during the consultancy; and (3) a list of verifiable indicators by which the success of the institutionalization process can be measured. SHEC will present a copy of the report with comments to the Bank within 45 days of the completion of the consultancy.
- 6.2 The environmental specialist will submit to the SHEC and the Bank, within 30 days of completion of the terms of reference, a report that includes: (1) a description of activities carried out under the contract; (2) a description of the steps to be taken by SHEC to institutionalize the systems developed during the contract; and (3) a list of verifiable indicators by which the success of the institutionalization process can be measured.

B. Technical advisors

- 6.3 Within 30 days of the close of each quarter of the calendar year, the Director General, with the participation of the Senior Advisors, will present to the Bank a brief report that includes: (1) a summary of the financial performance of SHEC, using the indicators described in the *Technical Guide for the Analysis of Microenterprise Finance Institutions* ^{3/}; (2) a summary of the execution of the technical cooperation plan of operations; and (3) an assessment of SHEC's progress in achieving the expected results defined in the financing proposal.

C. Report on the use of technical cooperation resources

- 6.4 Within 120 days of the final disbursement of the technical cooperation resources, SHEC will present to the Bank a financial report prepared by an independent auditing firm approved by the Bank, that will include a detailed presentation of the use of all funds provided under the technical cooperation agreement.

D. Monitoring and evaluation

- 6.5 A financial institution specialist, contracted by the Bank to assist SHEC in the preparation of planning documents and management

^{3/} The *Technical Guide* was published by the Microenterprise Division of the Bank in June 1994 and includes criteria for the assessment of financial performance, operational efficiency, target group orientation and institutional capacity.

procedures and the execution of the mid-term evaluation, will submit to the Bank a report on the execution of the credit and technical cooperation operations. The consultant will assess the progress of the program against the objectives and expected results defined in the financing proposal, and will use the analytical techniques outlined in the referenced technical guide.

VII. JUSTIFICATION

- 7.1 The proposed operation satisfies the requirements of the Bank for non-reimbursable technical cooperation operations in that the primary purpose of the program is to strengthen an institution that provides services to poor and marginalized segments of the Haitian population.
- 7.2 The proposed technical cooperation is designed to introduce the specialized technical expertise required to transform SHEC, a credit union, into a professional finance institution. Although SHEC is covering its current costs, the credit union does not possess the technical nor financial resources to facilitate the proposed transformation. The proposed technical cooperation is designed to compensate for this lack of resources, subsidizing research and development costs directly while maintaining clear incentives for SHEC to adapt itself to the financial market.

VIII. SUPERVISION

- 8.1 Execution of the proposed operation will be supervised by the Haitian Country Office (CHA) of the Bank, in collaboration with RE2/OD4 and RE2/FI2.

IX. EVALUATION

- 9.1 The proposed operation will be evaluated when 50% of the respective financing components have been disbursed. SHEC will be required to submit a final report of completion of project objectives, using the same indicators applied during the mid-term evaluation, within six months of final disbursement of the financing component.

X. UNIT RESPONSIBLE IN THE BANK

- 10.1 The Unit with basic responsibility in the Bank is RE2/OD4. RE2/FI2 is the unit with technical responsibility. RE2/FI2, in collaboration with OD4 and CHA, will contract the services of the financial institution specialist to conduct the preliminary assessments and assist SHEC with the preparation of documents to be submitted as a condition prior to disbursement of the financing component.

TECHNICAL COOPERATION

SOCIÉTÉ HAÏTIENNE D' ÉPARGNE ET DE CRÉDIT (SHEC)

(TC-95-01-25-7)

TERMS OF REFERENCE

I. SENIOR OPERATIONS ADVISOR

- 1.1 The Senior Operations Advisor (SOA) will report directly to the Director General and will be responsible for the administration of all of SHEC operations, including the successful execution of all of the terms of reference presented in the proposed operation. In addition, the SOA is responsible for the coordination and implementation of the program components related to staff training, annual planning systems and human resource development.
- 1.2 The SOA will have a relevant university degree and at least five years of experience in the management of regulated finance institutions. The SOA will also have experience with specialized finance operations similar to the high volume lending that characterizes microenterprise loan operations; prior experience with microenterprise lending being highly desirable.

II. MANAGEMENT AND CONTROL SPECIALIST

- 2.1 The management and control specialist will be responsible for the implementation of internal control systems and procedures adequate for a financial institution.
- 2.2 The specialist will have a relevant university degree and at least five years of relevant experience in a regulated finance institution. Preferably, the specialist will also have experience with specialized finance operations similar to the high volume lending that characterizes microenterprise loan operations; prior experience with microenterprise lending is highly desirable.

III. MANAGEMENT INFORMATION SPECIALIST

- 3.1 A management information specialist will be hired by SHEC to adapt all accounting, financial and information systems to the new procedures that will be introduced in the course of the proposed program.
- 3.2 The consultant[s] will have a relevant degree and at least four years of experience in the design of computerized information systems for finance institutions. The consultant must be able to demonstrate competence with the hardware and software to be used by SHEC.

IV. SHORT TERM CONSULTANCY: CREDIT TECHNOLOGY SPECIALIST

- 4.1 A consultant or consultants will be hired to assist SHEC in the adaptation or development of all policies and procedures related to the delivery of credit services in order to increase productivity and financial performance. Activities will include the adaptation of loan conditions, eligibility criteria, loan analysis techniques and documentation, loan approval and disbursement policies and procedures, loan supervision procedures, and the development of new financial products. The consultants will be responsible to train SHEC staff in the administration of newly created or adapted procedures.
- 4.2 The consultant[s] will have a relevant university degree and at least four years of international experience in the described activities.

V. SHORT TERM CONSULTANCY: SAVINGS INSTRUMENT SPECIALIST

- 5.1 A consultant or consultants will be hired to assist SHEC in the adaptation or development of all policies and procedures related to the delivery of deposit taking services in order to increase productivity and financial performance. Activities will include the design of savings instruments appropriate for the small savings market. The consultants will be responsible to train SHEC staff in the administration of newly created or adapted procedures.
- 5.2 The consultant[s] will have a relevant university degree and at least four years of international experience in the described activities.

VI. SHORT TERM CONSULTANCY:

FINANCIAL MANAGEMENT AND CONTROL SYSTEMS SPECIALIST

- 6.1 The consultant will be hired to assist SHEC in the adaptation or development of all policies and procedures related to financial management and control, resulting in the following outputs:
 1. Accounting policies and procedures will be structured in accordance with prudential norms to be drafted for the prior approval of the Bank. The norms will include provisioning requirements related to a loan classification system based on arrears of individual loans.
 2. The format of the chart of accounts and financial reports will provide adequate cost accounting information.
 3. Financial control mechanisms will be implemented to insure security and accuracy in the accounting system.

4. Policies and procedures will be implemented to insure management and control over liquidity, asset and liability matching, budgeting and financial reporting.
5. Policies regarding cost reduction, pricing of services and capitalization of net income will be developed, and systems to monitor the implementation of these policies will be institutionalized.
- 6.2 The consultant[s] will have a relevant university degree and at least four years of international experience in the described activities.

VII. ENVIRONMENTAL SPECIALIST

- 7.1 The Bank will contract an environmental specialist to assist SHEC in a survey and classification of its clients according to the potential environmental impact of the activities involved, and in the development of systems for classifying clients by environmental category and referring those clients in category III and IV to the appropriate agencies.
- 7.2 The environmental specialist will assist SHEC in developing procedures for classifying clients by environmental category and either referring clients with category III or IV activities to the appropriate governmental agencies and/or assessing the clients based on the guidelines developed by these agencies. Specific responsibilities will include:
 1. conducting a survey of SHEC clients;
 2. adapting client classification and referral procedures and implement the appropriate systems within SHEC; and
 3. training SHEC staff in the classification and, if necessary, diagnostic procedures.
- 7.3 The consultant will have a relevant university degree and at least four years of experience in the activities described.

VIII. FINANCIAL INSTITUTION SPECIALIST

- 8.1 The Bank will contract directly the services of a specialist in the analysis of financial institutions for the purpose of conducting an assessment of SHEC, assisting the organization in the development of planning documents to be presented as a condition prior to disbursement of the small project financing, and conducting a mid-term evaluation of the execution of the project. The consultant will analyze the operation in terms of the degree of achievement of the objectives and expected results of the program and make recommendations to the Bank and the executing institution for specific measures to be taken to insure successful completion of

the project. On the basis of the analysis, the Bank will decide whether to authorize the continuation of the operations. If the performance of SHEC is not acceptable to the Bank, the Bank and the executing institution will define the appropriate measures to be taken to insure successful completion of the project.

8.2 The evaluations will include an assessment of financial performance, operational efficiency, target group orientation and institutional capacity as defined in the referenced *Technical Guide*.

8.3 The consultant will have a relevant university degree and at least four years of international experience in the analysis of specialized finance institutions.

TECHNICAL COOPERATION**ORGANIZATION FOR THE REHABILITATION OF THE ENVIRONMENT (ORE)**

(TC-95-02-37-0)

PLAN OF OPERATIONS**I. BACKGROUND**

- 1.1 The Organization for the Rehabilitation of the Environment (ORE) has requested a non-reimbursable technical cooperation to support the execution of the program presented in their proposal for financing through the Small Projects Program. The Government of Haiti, through the Ministry of Planning, has expressed its non-objection to the Bank regarding this participation of ORE in the proposed technical cooperation operation.

II. OBJECTIVES**A. General objective**

- 2.1 The objective of the proposed technical cooperation is to strengthen ORE's seed production and storage capacity as well as the financial systems and policies related to the sale and distribution of seeds and agricultural inputs.

B. Specific objectives

- 2.2 The specific objectives of the proposed Plan of Operations are: (i) expansion of ORE's current germplasm seed bank in order to produce a larger base stock of high yielding, temperature and disease resistance seed crop; (ii) expansion of ORE's research and development program for adapted seed and plant varieties; and (iii) strengthening of ORE's financial systems and policies.

III. DESCRIPTION OF PROGRAM ACTIVITIES

- 3.1 The technical cooperation component will consist of the following components:

A. Contracting of short term consulting services

- 3.2 ORE will contract the services of short term consultants according to the general description that follows. Prior to contracting the specialists, ORE will submit detailed terms of reference for the approval of the Bank.

1. Financial analyst and systems specialist

- 3.3 ORE will contract the services of [a] short term consultant[s] to assist in determining margins and mark-ups on seeds and agricultural supplies. The consultant[s] will assist ORE in the upgrading of financial control and management systems, particularly in accounting and inventory control.

2. Seed production consultant

- 3.4 ORE will contract a specialist in small scale seed production to provide technical support to the design and installation of the germplasm, treatment and storage facilities.

B. Research and development

- 3.5 ORE will use resources from the technical cooperation to put in place the infrastructure required for the expansion of its research and development activities for the development of adapted seed and plant varieties. Research and infrastructure required for the proposed operation includes: tractor and accessories, mobile corn sheller, dryers, calibrator and seed cleaner, seed treater, (6) silos, seed aspirator and materials for a seed processing and storage facilities.

C. Environmental assessment

- 3.6 During the execution of the proposed operation, the Bank will conduct an assessment of the impact of ORE's seed propagation activities and as well as the impact of the agricultural supplies distributed by ORE.

D. Mid-term evaluation

- 3.7 The Bank will contract directly the services of a specialist in small scale seed production and/or organizational management to conduct a mid-term evaluation of the project. The specialist will analyze the operation in terms of the degree of achievement of the objectives of the program and make recommendations to the Bank and the executing institution for specific measures to be taken to insure successful completion of the project. If the performance of ORE is not acceptable to the Bank, the Bank and the executing institution will agree to the appropriate measures to be taken to insure successful completion of the project.

IV. COST AND FINANCING

A. Source of funds

- 4.1 The Bank will provide CHF293,986 (US\$253,000) to be disbursed in Swiss Francs from the Swiss Fund for Technical Cooperation and Small Projects on a non-reimbursable basis. The total cost of the

technical cooperation program is US\$253,000, broken down in the following categories:

Category	Description	US\$	CHF
2.1	Professional Consulting Services:		
	Financial Consultant	18 mos @ US\$1,000	18,000
	Seed Production Specialist	3 mos @ US\$4,000	12,000
	Environmental Specialist	14 days @ US\$250	3,500
8.2	Consultants for mid-term evaluation	15,000	17,430
97.	Research and development activities	194,500	226,009
98.	Contingencies	10,000	11,620
TOTAL		253,000	293,986

V. EXECUTION

- 5.1 ORE is solely responsible for the contracting of consultants (lump-sum basis) and for the execution of the proposed operation, with the exception of the contracting of the financial institution specialist for the monitoring and mid-term evaluation activities and the environmental specialist, both of which will be contracted directly by the Bank.
- 5.2 The Bank's contribution will be disbursed within 48 months from the date on which the contract between the Bank and ORE is signed. At the request of ORE, the Bank may disburse an advance of funds, not to exceed 20% of the total budget of the technical cooperation, in order to insure the efficient flow of the resources during the execution of the project.

VI. REPORTS

- 6.1 Within 30 days of the completion of each short term consultancy, the consultant will present to ORE a brief report that includes: (1) a description of activities carried out under the consultancy; (2) a description of the steps to be taken by ORE to institutionalize the expertise delivered during the consultancy; and (3) a list of verifiable indicators by which the success of the institutionalization process can be measured. Within 45 days of the completion of the consultancy, ORE will submit the consultant's report with comments to the Bank.
- 6.2 Within 30 days of the close of each quarter of the calendar year, ORE will present to the Bank a brief report that includes: (1) a summary of the financial performance of ORE; (2) a summary of the execution of the technical cooperation plan of operations; and (3) an assessment of ORE's progress in achieving the expected results defined in the financing proposal.

- 6.3 The specialist hired by the Bank to conduct the mid-term evaluation will submit to the Bank and ORE a report on the execution of the financing and technical cooperation operations. The specialist will assess the progress of the program against the objectives defined in the financing proposal and plan of operations.
- 6.4 Within 120 days of the final disbursement of the technical cooperation resources, ORE will present to the Bank a financial report prepared by an independent auditing firm approved by the Bank, that will include a detailed presentation of the use of all funds provided under the technical cooperation agreement.

VII. JUSTIFICATION

- 7.1 The proposed operation satisfies the requirements of the Bank for non-reimbursable technical cooperation operations in that the primary purpose of the program is to strengthen an institution that provides services to economically marginalized segments of the Haitian population.

VIII. SUPERVISION

- 8.1 Execution of the proposed operation will be supervised by the Haitian Country Office (CHA) of the Bank, in collaboration with RE2/OD4 and RE2/FI2.

IX. EVALUATION

- 9.1 The proposed operation will be evaluated when 50% of the respective financing components have been disbursed. ORE will be required to submit a final report of completion of project objectives, using the same indicators applied during the mid-term evaluation, within six months of final disbursement of the financing component.

X. UNIT RESPONSIBLE IN THE BANK

- 10.1 The Unit with basic responsibility in the Bank is RE2/OD4. RE2/FI2 is the unit with technical responsibility.

TECHNICAL COOPERATION

ORGANIZATION FOR THE REHABILITATION OF THE ENVIRONMENT (ORE)

(TC-95-02-37-0)

TERMS OF REFERENCE

I. FINANCIAL ANALYSIS AND SYSTEMS SPECIALIST

- 1.1 A Financial Analysis and Systems Specialist (FASS) will be contracted to assist in determining margins and mark-ups on seeds and agricultural supplies. The consultant will assist ORE in the upgrading of financial control and management systems, particularly in accounting and inventory control.
- 1.2 The FASS will report directly to the Executive Director of ORE and will be responsible for the coordination and implementation of the program components related to development of systems and staff in the area of financial management systems.
- 1.3 The FASS will be responsible for the adaptation or development of all policies and procedures related to financial management and control, resulting in the following outputs:
 1. the format of the chart of accounts and financial reports which will provide adequate cost accounting information;
 2. financial control mechanisms which will be implemented to insure security and accuracy in the accounting system;
 3. policies and procedures which will be implemented to insure management and control over liquidity, budgeting and financial reporting.
 4. policies regarding cost reduction, pricing of services and capitalization of net income which will be developed, and systems to monitor the implementation of these policies will be institutionalized.
- 1.4 The FASS will have a relevant degree and at least five years of experience in financial systems development.

II. SEED PRODUCTION SPECIALIST

- 2.1 ORE will contract a specialist in small scale seed production (SPS) to provide technical support to the design and installation of the germplasm, treatment and storage facilities.

- 2.2 The SPS will have a relevant degree and at least five years of experience in research and development of seed and plant varieties.

III. ENVIRONMENTAL SPECIALIST

- 3.1 The Bank will hire an Environmental Specialist to review ORE's seed improvement and plant propagation activities to determine the potential impact of chemical substances and land use practices. Activities will include:

1. visits to seed propagation sites;
2. an assessment of management practices and the potential environmental impact of the chemical substances; and
3. training sessions for ORE staff in measures to be taken to mitigate potentially negative environmental impact procedures.

- 3.2 The consultant will have a relevant university degree and at least four years of experience in the activities described.

**MODEL CREDIT REGULATIONS
FOR
FONDS HAITIEN D' AIDE À LA FEMME (FHAF)
and
SOCIÉTÉ HAITIENNE D' ÉPARGNE ET DE CRÉDIT (SHEC)**

SUMMARY OF PRINCIPAL CONDITIONS

I. GENERAL CONDITIONS

- 1.1 These credit regulations establish the terms and conditions that govern the use of the resources of the financing component of the Small Projects financed by the Inter-American Development Bank for SHEC and FHAF.

II. OBJECTIVES

- 2.1 The general objective of the program is to expand the supply of financial services to the urban and rural microenterprise sector through the development of commercially viable service delivery institutions. Resources from the financing component will be used exclusively for lending to the sector.

III. BENEFICIARIES

- 3.1 The beneficiaries of the program will be low-income micro and small entrepreneurs, defined in accordance with the guidelines of these Regulations.

IV. USE OF RESOURCES

- 4.1 Program resources can be used to finance any economic activity of a microentrepreneur not specifically restricted by the credit regulations. For the purposes of these credit regulations, a microentrepreneur has the following characteristics: (i) annual sales of less than US\$50,000; (ii) total fixed assets of less than US\$25,000; and (iii) less than 20 employees.

V. RESTRICTIONS ON THE USE OF RESOURCES

- 5.1 Program resources cannot be used to finance: (i) the purchase of land or houses; (ii) payment of debt or dividends; (iii) the purchase of stocks, bonds or other financial instruments; (iv) the payment of taxes.

VI. TERMS AND CONDITIONS OF THE LOANS

6.1 The following terms and conditions will be applied to the loans approved in the credit programs of this project:

1. Denomination of loans and repayment: Loans made from program resources and repayments by their beneficiaries will be denominated in Haitian Gourdes.
2. Terms: Repayment and grace periods would be established by the intermediary organization in accordance with the type of activity that would be financed, the return on capital invested, and the capacity of the beneficiary to repay the loan. In general, loans for working capital would not exceed 18 months, and loans for fixed capital would not exceed 36 months.
3. Loan amounts: The maximum loan amount for both FHAF and SHEC's clients is US\$7,000. The average amount of loans disbursed with program resources shall not exceed US\$1,500.
4. Interest rate: SHEC and FHAF will determine the interest rate on loans to their borrowing clients based on a calculation of the return on performing assets required to: (i) cover all direct financial costs; (ii) all operating costs, including provisions for bad debt and depreciation of assets; and (iii) maintain the real value of equity capital plus the resources provided by the Bank in the financing component. The intermediary, in consultation with the Bank, will periodically revise the interest rates charged on the loans and, if necessary, take appropriate measures consistent with the country's economic policies to harmonize such rates with the Bank's policy in this area.
5. Guarantees: The principal guarantee for the execution of the projects financed with resources from the Bank will be the technical competence and financial performance of the executing agencies. The sub-loans may also be guaranteed by: (i) land having titles or other proprietary rights; (ii) buildings or equipment; (iii) guarantors; (iv) products that are expected to be obtained; or (v) other goods.

VII. MODIFICATIONS TO THE CREDIT REGULATIONS

7.1 FHAF or SHEC may request changes to their respective credit regulations in order to adapt to new circumstances arising in the course of program execution. Any modification will require the written consent of the Bank.

**LIST OF ACTIVITIES NOT ELIGIBLE FOR FINANCING WITH BANK FUNDS PRIOR TO
ESTABLISHMENT OF ENVIRONMENTAL IMPACT CRITERIA**

**I. PRODUCTION OR PROCESSING ACTIVITIES
IN THE FOLLOWING AREAS:**

Bottled beverages
Photographic Materials
Graphics and newspapers
Dairy products
Slaughterhouses
Oils and oil by-products
Construction clay products
Common pharmaceutical products
Sugar and alcohols
Coffee
Processed food
Refrigerants
Batteries (including battery storage)
Tanneries
Soaps
Paints, tints and glazes
Cosmetics
Textiles
Chemical products and inorganic fertilizers
Plastics or oilcloth products
Detergents

II. AGRICULTURAL ACTIVITIES

Irrigated cultivation
Woodland cultivation (including rice)
Banana
Cotton plant
Firewood extraction
Coal production
Natural forest exploitation
Forest products exploitation

III. FISHING AND AQUACULTURE

Touristic fishing
Commercial fishing
Aquaculture in swamp zones

IV. COMMERCIAL ACTIVITIES

Gas stations/lubrication centers
Printer's and engraving
Industrial or chemical labs
Incinerators

APENDICE

PROPOSED RESOLUTION

HAITI. FINANCING TO THE FONDS HAITIEN D'AIDE A LA FEMME
WITHIN THE PROGRAM FOR FINANCING SMALL PROJECTS

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the Swiss Fund for Technical Cooperation and Small Projects, to enter into such agreement or agreements as may be necessary with the Fonds Haitien d'Aide a la Femme, de la République de Haïti, to grant it, within the Program for Financing Small Projects approved by Resolutions DE-85/78 and DE-147/79: (a) reimbursable financing for the execution of the program referred to in Document PR- ; and (b) nonreimbursable technical cooperation for the execution of the program, in accordance with Annex I of said document.

2. That up to the sum of Fr.Sw.348,600, is authorized for the purposes indicated in paragraph 1(a), and up to the sum of Fr.Sw.249,830, is authorized for the purposes indicated in paragraph 1(b), both chargeable to the resources of the Swiss Fund for Technical Cooperation and Small Projects.

PROPOSED RESOLUTION

HAITI. FINANCING TO THE SOCIETE HAITIENNE D'EPARGNE ET DE CREDIT
WITHIN THE PROGRAM FOR FINANCING SMALL PROJECTS

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the Swiss Fund for Technical Cooperation and Small Projects, to enter into such agreement or agreements as may be necessary with the Société Haïtienne d'Epargne et de Crédit, de la République de Haïti, to grant it, within the Program for Financing Small Projects approved by Resolutions DE-85/78 and DE-147/79: (a) reimbursable financing for the execution of the program referred to in Document PR- ; and (b) nonreimbursable technical cooperation for the execution of the program, in accordance with Annex I of said document.

2. That up to the sum of Fr.Sw.377,650, is authorized for the purposes indicated in paragraph 1(a), and up to the sum of Fr.Sw.316,645, is authorized for the purposes indicated in paragraph 1(b), both chargeable to the resources of the Swiss Fund for Technical Cooperation and Small Projects.

PROPOSED RESOLUTION

HAITI. FINANCING TO THE ORGANIZATION FOR THE REHABILITATION OF THE
ENVIRONMENT WITHIN THE PROGRAM FOR FINANCING SMALL PROJECTS

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the Swiss Fund for Technical Cooperation and Small Projects, to enter into such agreement or agreements as may be necessary with the Organization for the Rehabilitation of the Environment, de la République de Haiti, to grant it, within the Program for Financing Small Projects approved by Resolutions DE-85/78 and DE-147/79: (a) reimbursable financing for the execution of the program referred to in Document PR- ; and (b) nonreimbursable technical cooperation for the execution of the program, in accordance with Annex I of said document.

2. That up to the sum of Fr.Sw.174,300, is authorized for the purposes indicated in paragraph 1(a), and up to the sum of Fr.Sw.293,986, is authorized for the purposes indicated in paragraph 1(b), both chargeable to the resources of the Swiss Fund for Technical Cooperation and Small Projects.