

**KATALYSIS NETWORK
SUPPORT FOR THE SUSTAINABLE DEVELOPMENT OF MICROENTERPRISES
IN CENTRAL AMERICA**

(TC-95-07-16-4-RG)

EXECUTIVE SUMMARY

EXECUTING AGENCY: Katalysis Honduras

BENEFICIARIES: Productive rural microenterprises of Honduras, Guatemala and Belice.

The intermediaries of this operation are:

Katalysis Honduras, Organización de Desarrollo Empresarial Femenino (ODEF) of Honduras, Mujeres en Desarrollo (MUDE) and Cooperación para el Desarrollo Rural (CDRO) of Guatemala, and Belize Enterprise for Sustained Technology (BEST) of Belize.

OBJECTIVES: The objective of this operation is to support the development of microenterprises in Honduras, Guatemala and Belize. In order to reach this objective, this operation will support the expansion and development of financial and technical assistance services to productive microenterprises through the implementation of pilot projects.

These pilot projects will provide the following services to microentrepreneurs: i) community banking, ii) marketing and iii) appropriate technology.

DESCRIPTION: The project contains the following components:

1. Financial and technical assistance services to productive rural microenterprises:

These services will be provided through the implementation of a bank of nine pilot projects in the following areas: community banks, marketing, and appropriate technologies.

The financial services will be provided through four community bank and microenterprise projects. These projects will be carried out by MUDE, CDRO, ODEF, and BEST. Their general objective is to promote access to credit through training and technical assistance

to microentrepreneurs, and to improve techniques and expand community banks, offering better opportunities for generating income through efficient management of credit.

To achieve the objectives mentioned, the project will train the staff of the NGOs to organize new banks, under an expansion plan prepared in advance. The expansion will be accompanied by a process of reviewing the different components in the community bank methodology. The processes of loan analysis and disbursement will be streamlined and portfolio control and recoveries will be improved to minimize arrears. Training modules and supporting educational materials will also be reviewed and tailored to the specific requirements of the microentrepreneurs.

The product marketing will be developed through two marketing projects. CDRO and BEST will be the NGOs that will carry them out. The general objectives of these projects will be to select products/services supplied by the organizations in the network and sell them on national and international markets. To ensure long-term success, it will be necessary to obtain adequate volumes of high-quality products. The products to be marketed include crafts, processed foods, organic products, natural medicines, and ecotourism services. The marketing projects will be closely linked to the appropriate technologies projects, since the latter are the first links in the chain.

The appropriate technology services will be provided through a bank of pilot projects that includes four projects on appropriate technologies. The NGOs that will provide the services are: MUDE, CDRO, ODEF, and BEST. The goal is to improve traditional production practices (particularly farming practices) and increase income-earning opportunities through the use of appropriate technologies. The projects also seek to conserve the environment through the rational use of natural resources.

2. Technical Assistance to Service Providers:

Katalysis Honduras will establish a technical team of specialists in community banks, marketing, agriculture, and natural resources. This team will provide technical assistance to the service providers of each intermediary directly working in the implementation of the pilot projects. The objectives of the team will be to: (i) support the projects of

the organizations in the network, assuring good management and execution; (ii) ensure that the community banks, appropriate technologies, and marketing projects attain economies of scale, with multiplier effects among the organizations in the network and beneficiaries; (iii) integrate the projects on the basis of exchanges of experiences, taking the best practices as benchmarks for their common development; (iv) monitor the projects to assure continuity and the quality of services provided by the network's institutions.

3. Technical Assistance to Improve Management Practices:

The objective of this component is to improve the management capacity of the NGOs belonging to the Katalysis network by offering them technical assistance in key management areas directly related to the implementation of the pilot projects. The technical assistance services will be: financial controls, fund raising mechanisms and information systems. These technical assistance will ensure good project direction and implementation and greater self-sustainability in the provision of services to microenterprises.

The following activities will be carried out in pursuit of this objective: training of staff in innovative fund raising methodologies, financial performance and controls, and information management through information systems to ensure good programmatic, administrative, and financial management of the projects that will help to bolster the management of the NGOs.

FINANCING:	Type:	donation
	Beneficiary:	US\$1,100,000
	MIF:	<u>US\$1,690,000</u>
	Total:	US\$2,790,000

EXECUTION PERIOD: 36 months

ENVIRONMENTAL CLASSIFICATION: The Environment Committee, at its meeting of November 14, 1995, classified this as a Category II operation.

SPECIAL CONTRACTUAL CONDITIONS: As a condition precedent to the first disbursement of the MIF funding, the executing agency will provide the Bank with evidence that:

(i) the project director has been preselected in accordance with Bank procedures;

(ii) an account has been opened for the deposit of MIF funds;

(iii) an annual calendar of activities has been prepared.

As a condition precedent to the transfer of funds by the executing agency to the NGOs responsible for coexecuting the pilot projects, the executing agency will provide the Bank with evidence that operating regulations have been signed by Katalysis Honduras, ODEF, MUDE, CDRO, and BEST.

The operating regulations will clearly establish the responsibilities of each NGO during the project and will include the following points: (1) relations and obligations of each of the NGOs with the executing agency and the other NGOs; (2) definition of procedures acceptable to the Bank for hiring consultants (prior to hiring consultants, each NGO will provide the Bank with terms of reference for its approval); (3) mechanisms for the transfer and management of funds by the NGOs (independent bank accounts established prior to disbursements); (4) operation of the fund for technological renewal; (5) definition of indicators and the methodology to be used in project evaluations.

**EXCEPTIONS TO
BANK POLICY:**

In line with the provisions established in the Bank's Procurement Manual, it is recommended that Katalysis California be directly contracted by the executing agency to provide specialized advisory services in support of the project, on the basis of its comparative technical and institutional advantages (see chapter III, section G).

I. COUNTRY ELIGIBILITY

- 1.1 The Donors Committee declared Honduras eligible on December 14, 1993, Guatemala on March 30, 1995, and Belize on February 9, 1995.

II. BACKGROUND

- 2.1 The regional project proposed here will be carried out in three Central American countries (Honduras, Guatemala, and Belize) through a network of NGOs. They belong to the Katalysis partners-in-development network and are distributed geographically as follows: (i) Honduras: Katalysis Honduras and Organización de Desarrollo Empresarial Feminino (ODEF) [Business-women's Development Organization] in San Pedro Sula; (ii) Guatemala: Mujeres en Desarrollo (MUDE) [Women in Development] in Guatemala City, and Cooperación para el Desarrollo Rural (CDRO) [Cooperation for Rural Development] in Totonicapán; and (iii) Belize: Belize Enterprise for Sustained Technology (BEST) in Belmopan.

Current Situation and Katalysis Role:

- 2.2 The current situation in Honduras, Guatemala and Belice is that the rural productive microenterprises are not receiving adequate financial and non-financial support to expand their businesses. The objective of this project is to expand and develop new financial and non financial services for these microenterprises.
- 2.3 The main difficulty in reaching the microenterprise sector is the high segmentation and the lack of organization. These factors increase substantially the transaction costs and limit the adequate provision of financial and non-financial services to the microenterprises. These constraints are even bigger for those microenterprises located in rural areas. There are few groups that have successful experiences using low cost methodologies which maximize the impact on the enterprise performance. The network of NGOs selected for this project have demonstrated their capacity to provide support services to these microenterprises in a cost-effective way.
- 2.4 This network, the Katalysis partners-in-development, arose from the establishment of Katalysis in 1984, an international NGO located in the United States, whose objective is to strengthen Central American NGOs in order to improve the standard of living and economic self-sufficiency of low-income groups in the region. It is considered a pioneer in developing the concept of companions in development
- 2.5 The network has a staff of 97 and serves about 19,500 clients in 125 communities throughout Honduras, Belize, and Guatemala.

Katalysis' budget in 1994 was US\$1.2 million and the total budget managed by the network was US\$2.5 million.

- 2.6 As part of a strategy to strengthen the network, in 1994 Katalysis established a regional office in San Pedro Sula, Honduras. Katalysis Honduras is a Honduran NGO with its own directors and independent staff. Its establishment has made a substantial contribution to the network, including better interaction with other Central American development agencies, a reduction in medium- and long-term operating expenses by lessening travel times and costs, and greater sustainability and effectiveness of the network. The technical team of Katalysis Honduras is a mechanism for immediate response to the needs of the member NGOs, the transfer of know-how, and closer monitoring of technical assistance and training activities. This regional presence also provides a strategic base for expanding the network into other countries of the region and boosting the dynamism of south-south cooperation.
- 2.7 The proposed project responds to the need for expansion and development of new financial and non financial services to support microenterprises in the region while the NGOs providing these services move towards self-sustaining institutions able to obtain income from their operations and not having to rely on funds from donors. This approach will ensure the sustainability of the services that will be provided by the intermediaries.
- 2.8 The project also has intra-regional significance in that the features of the network and the way in which it operates can serve as examples for similar networks in South America and the Caribbean.

A. The NGOs Service Providers

1. The executing agency

- 2.9 The executing agency for this regional operation will be Katalysis Honduras.
- 2.10 Katalysis Honduras is registered as an Honduran institution that has an independent board of directors with six members, and four professional and two support staff, five of whom are local. It has an independent legal status, articles of incorporation, internal regulations, personnel policies, contracting and budgeting procedures, and an independent financial and accounting system.
- 2.11 The staff of Katalysis Honduras works to strengthen the member NGOs by providing direct training and technical assistance services. The main services provided include organization of north-south workshops, cross-cutting evaluations, design and development of programs for international agencies, coordination of south-south exchanges, promotion of north-south joint ventures, research and

documentation of the partners-in-development process, and sector consulting services.

- 2.12 In 1996 it will have a budget of US\$391,000. The main donations to Katalysis Honduras come from USAID, the Life Foundation, United States institutions and foundations, corporations, and private parties. Just recently established, Katalysis Honduras had assets worth US\$111,600 and managed a budget of US\$188,000 in 1994-1995.

2. Network of NGOs

- 2.13 The NGOs in the network (ODEF in Honduras, MUDE and CDRO in Guatemala, and BEST in Belize) will be national coexecuting agencies of the pilot projects administered by the regional executing agency. Annex VII presents the financial statements of the NGOs.
- 2.14 Broadly speaking, the institutions in the network have many characteristics in common, including: (i) direct work with indigenous peoples; (ii) high percentage of women beneficiaries; (iii) sustainable programs (financially and environmentally); and (iv) community participation in program development. The nature of the institutions in this network, their socioeconomic values, techniques, and conduct are unique in the region. The network's specific development methods and mutual support are not features found in other NGOs. The concept of companionship-in-development and its institutional attributes set the Katalysis network apart from most NGOs working in this field.
- 2.15 **Organización de Desarrollo Empresarial Feminino (ODEF).** ODEF registered as a private nonprofit institution in 1985, with the purpose of promoting the socioeconomic development of low-income rural women in the departments of Cortés, Yoro, and Santa Barbara in Honduras. It joined the network in 1989. Its specific objectives are to broaden the opportunities available to women by offering credit and technical assistance for productive activities; help educate and train Hondurans to join in the economic development process; With the aid of this institution, over 2,000 microenterprises have been established or strengthened in 66 communities in northeastern Honduras.
- 2.16 In 1994, ODEF had assets worth US\$795,000 and an income of US\$331,000. It managed a budget in that year of US\$290,000 and its net operating results were US\$42,000. ODEF has made substantial progress toward financial self-sustainability. Its current situation clearly suggests that it can become financially self-sustaining in the medium term.
- 2.17 **Mujeres en Desarrollo (MUDE).** MUDE was established in 1991 as an association of seven women's groups to combat the economic dif-

ficulties encountered by women in Guatemala. It jointed the Katalysis network in 1992.

- 2.18 Its organizational structure, MUDE currently has a staff of eight and a board of directors with seven elected members. Over the course of its operations, MUDE has granted loans to and provided training, technical assistance, and community services for 200 rural low-income women and their families in four regions. It extends small loans to strengthen microenterprises and provides training in better business management. The repayment rate for its loans is 100%.
- 2.19 Since it is a fledgling organization, MUDE is the weakest member of the network. Its financial situation present assets of US\$104,000, operating income of US\$29,000, and net operating results of US\$2,100 in 1994.
- 2.20 **Cooperación para el Desarrollo Rural de Occidente (CDRO).** CDRO was established in 1981 by leaders of the Mayan community to promote social change. It works with more than 6,000 low-income Mayan-Quiché natives in the Totonicapán region. It joined the network in 1992. It helps the poorest communities to design and implement development projects, offering them training and credit. It also promotes programs for women, natural medicine, soil conservation techniques, organic farming, and reforestation projects. Its cooperative philosophy is based on the Mayan principle that successful development depends on self-sufficiency and participatory decision making.
- 2.21 In 1994, CDRO had assets of US\$1,004,000, its income was US\$1,082,000, and its annual budget was US\$307,000. It has considerable potential for generating resources, but leans too heavily on donations.
- 2.22 **Belize Enterprise for Sustained Technology (BEST).** BEST was founded in 1985 to work with low-income groups in order to improve the environmental, economic, social, and cultural development of the people of Belize. It works towards this objective by promoting enterprise development and the use of effective business management practices, sustainable natural-resource management and conservation, and women's participation in the country's social and economic development. It has served over 11,000 people in six districts with high percentages of indigenous peoples. BEST was the first NGO to join the network (1985).
- 2.23 In 1994 its assets were worth approximately US\$948,000, its income in that year was US\$208,000 and its budget was US\$254,000. In that year it had operating losses of US\$46,000.

B. Methodology

- 2.24 During preparation of the proposed project, a preliminary diagnosis was made of the strengths and weaknesses of each of the participating NGOs. The analysis was used to prepare the portfolio of pilot projects that each NGO will implement under the operation. The purpose of using pilot projects is to foster activities in areas in which the NGOs are most experienced and have the highest possibilities of obtaining successful and sustainable results in the short term, with the idea of sharing the best practices with other NGOs and replicating the projects. The economies of scale and comparative advantages of carrying out these activities through a network of NGOs have been taken into account in the project design.
- 2.25 It is expected that the future expansion of these pilot projects into other countries - to members and nonmembers of the network - will have a multiplier effect on other institutions in the region.

C. Project justification

- 2.26 The proposed project responds to the following needs in the region:
- a. greater support for productive rural microenterprises in Honduras, Guatemala and Belice
 - b. greater institutional capacity for management on the part of NGOs based on financial self-sustainability;
 - c. support for the Central American integration process through the exchange of ideas and the spread of successful experiences in financial and nonfinancial services.
- 2.27 In pursuit of these goals, it is proposed to provide financial and non financial services to microenterprises carrying out pilot projects in the following areas: (a) improvement of micro-credit methodologies; (b) development of innovative marketing mechanisms; (c) use of appropriate technologies for improving the productivity and competitiveness of microenterprises. The provision of services to micro-enterprises will be reinforced by specific management strengthening of the NGOs in financial management, fund raising and information systems. The reinforcement of the management of this intermediaries will play a key role for the sustainability of the services provided with this project.
- 2.28 The regional justification for this project is based on the following needs: (i) to surmount the individual difficulties encountered by each NGO affiliated with Katalysis in building up an interdisciplinary team of consultants; (ii) to obtain economies of scale, multiplying the effects of each specific technical- cooperation project in each country; (iii) to build lending methodologies for microenterprises on foundations that reach across national boun-

daries; (iv) to foster intra-regional exchanges of experience and information among the members of the Katalysis network.

D. Bank and MIF country strategy

- 2.29 The project complies with the criteria established by the MIF for operations under Facility III-A. The project will: (a) help to develop services to assist micro-enterprises (b) help to increase private sector participation; (c) encourage the entrepreneurial activities of the beneficiaries, particularly microenterprises; and (d) help to strengthen the management and efficiency of institutions of local indigenous organizations through an innovative, community-based pilot demonstration project .
- 2.30 The project is in line with Bank strategy to strengthen the micro-entrepreneurial sector in the beneficiary countries. The Bank's strategy in the countries of the region and the policies for trade liberalization and competitiveness being implemented by Central American governments imply major challenges for the microentrepreneurial sector. This project will help to boost competitiveness and economic and environmental sustainability in the sector, which is a key objective shared by the Bank and the region's governments.
- 2.31 The improvement in the management capacity of these NGOs will have a very positive impact on the success of present Bank initiatives and future activities in the fields of financial and nonfinancial services.

E. MIF funding

- 2.32 It is recommended that the project be financed by the MIF on a nonreimbursable basis, for the following reasons:
- a. The proposed financing for this pilot initiative will serve as a catalyst and demonstration effect which will open the door for extending this model of sustainable provision of services to other Latin American organizations.
 - b. The proposed operation requires a significant economic effort by the counterpart institutions. The counterpart funds, which will be used for major items such as the hiring of long- and short-term consulting services, equipment, training, etc., total US\$1.1 million and represent 40% of the cost of the project.

III. PROJECT DESCRIPTION

A. General Objective

- 3.1 The objective of this project is to support the development of microenterprises in Honduras, Guatemala and Belize.

B. Specific Objective

- 3.2 To achieve the general objective, this operation will support the expansion and development of financial and technical assistance services to productive microentreprises through the implementation of pilot projects. These pilot projects will provide the following services to microentrepreneurs: i) community banking, ii) marketing and iii) appropriate technology.

C. Project Sustainability

- 3.3 The sustainability of these NGOs will be key for the development and provision of services. To improve the sustainability of these NGOs, they will receive technical assistance in management, and in particular areas such as financial controls, fund raising mechanisms, and information systems.
- 3.4 The improvements in the management of these NGOs will have a very positive direct impact on the quality and execution of their development projects, on the income they are able to generate, and on the economic development of the communities where they are active.
- 3.5 The benefits of using a established network of NGOs is that the exchange of best practices among the participants will encourage innovation and the spread of successful projects, strengthening the income-generating capacity and financial sustainability of the institutions in the network.

D. Project components

1. Financial and technical assistance services to productive rural microenterprises:

- 3.6 These services will be provided through the implementation of nine pilot projects in the following areas: community banking, marketing, and appropriate technology.

a. Community Banking

- 3.7 These financial services will be provided through four community bank and microenterprise projects. ^{1/} These projects will be carried out by MUDE, CDRO, ODEF, and BEST. Their general objective is to promote access to credit through training and technical assistance to microentrepreneurs, and to improve techniques and expand community banks, offering better opportunities for generating income through efficient management of credit.
- 3.8 All the NGOs participating in this project are already involved in Community bank programs. However, limited funding makes it difficult for them to improve their programs and expand them into new communities to obtain sufficient volumes to allow for economies of scale and lower transaction costs. The four community bank projects will offer technical assistance to improve lending techniques which will make it possible for the NGOs to expand their portfolios into new community banks and offer financial services to microenterprises that lack these services. This expansion will help the NGOs take a further step towards becoming self sustaining.
- 3.9 To achieve the objectives mentioned, the project will train the staff of the NGOs to organize new banks, under an expansion plan prepared in advance. The expansion will be accompanied by a process of reviewing the different components in the community bank methodology. The processes of loan analysis and disbursement will be streamlined and portfolio control and recoveries will be improved to minimize arrears. Training modules and supporting educational materials will also be reviewed and tailored to the specific requirements of the microentrepreneurs. Last, the technical assistance provided by the institutions will be improved. External specialists will be hired to support the entire process and they will develop new procedures and train the staff of the NGOs.

^{1/} Many lending experiences in the region indicate that the credit techniques of community banks are highly appropriate for lending in rural areas remote from large urban centers. The methods, although they vary slightly depending on the country and the institution, consist basically of establishing groups of a minimum of ten people mainly engaged in microentrepreneurial activities. Once a group is established, it undertakes to receive training in community banking and commercial management. When the training is completed, the group receives capital. The capital is lent in cycles (normally 16 weeks) at annual interest rates that vary depending on the country and the institution. The maximum initial amount per member is not generally more than US\$200. The size of the loans increases in function of the savings and repayment history of each bank. The groups are collectively responsible for all the capital received. Each community bank determines the interest rate for its members and each member must repay capital and interest to the bank. Approximately 20% of the loan is saved for future capitalization and strengthening of the institution.

- 3.10 Participation by the NGOs in the Katalysis network will allow each of them to focus on certain parts of the process, subsequently sharing the improvements made. The entire procedure will be supervised by Katalysis Honduras, which will be responsible for coordinating the exchanges of information and best practices.

b. Product marketing

- 3.11 The product marketing will be developed through two marketing projects. CDRO and BEST will be the NGOs that will carry them out. The BEST project is rather special, since it involves marketing ecotourism services. The general objectives of these projects will be to select products/services supplied by the organizations in the network and sell them on national and international markets. To ensure long-term success, it will be necessary to obtain adequate volumes of high-quality products. The products to be marketed include crafts, processed foods, organic products, natural medicines, and ecotourism services. The marketing projects will be closely linked to the appropriate technologies projects, since the latter are the first links in the chain.
- 3.12 The marketing channels envisaged in the project will work on two levels, depending on the markets to be penetrated. The first will be sales on national markets by the NGOs, and the second will be sales on regional and international markets through Katalysis Honduras. The NGOs will promote the establishment of marketing units by hiring marketing specialists to design and implement strategies. The units will be called upon to identify markets, determinate the quality parameters demanded by prospective clients, promote products, negotiate prices, and conclude sales.
- 3.13 The marketing component will receive technical support from Katalysis Honduras providing technical assistance in areas such as identification of market niches, market studies, adapting products to client requirements, quality standards, promotion, distribution channels, etc. The marketing component will also receive technical support from a specialist in international markets who will act as broker, promoting the products and concluding commercial arrangements between NGOs and clients, mainly on the US market. The expert will rely on the logistical support of Katalysis California and the contacts already established by it. He will begin work in year two of the project to allow time for introducing the changes in the production processes necessary to ensure sufficient volumes and the levels of quality demanded by international markets. The lines with the best sales potential in the first phase are crafts, ecotourism services, and farm produce, since they are already well developed.

c. Appropriate technologies and the environment

- 3.14 The appropriate technology services will be provided through a bank of pilot projects that includes four projects on appropriate

technologies, The NGOs that will provide the services are: MUDE, CDRO, ODEF, and BEST. The goal is to improve traditional production practices (particularly farming practices) and increase income-earning opportunities through the use of appropriate technologies. The projects also seek to conserve the environment through the rational use of natural resources.

- 3.15 The projects will be carried out by specialized technical personnel who will provide assistance to microentrepreneurs in the areas of sustainable agriculture, energy efficiency, reforestation, food processing, natural medicines, and the manufacture of soaps, dyes, and crafts. The advisory services will encourage the diversification of productive activities, and community production will be studied to identify which products are profitable. Assistance will be provided throughout all stages of the production process, with special stress on issues relating to quality and the environment. The "learning by doing" method will be used and communities will participate actively in implementing the projects. The experiences will be shared through exchanges among the NGOs in the network.
- 3.16 The appropriate technologies projects will be self-sustainable by charging fees for services to the microentrepreneurs. The activities with the best short-and medium-term prospects are in the areas of agriculture and crafts, which have considerable development and marketing potential.
- 3.17 Under the appropriate technologies component special stress will be placed on the three areas described below:

(i) Sustainable agriculture

- 3.18 The sustainable agriculture projects may be the most important with regard to direct and long-term benefits for the microenterprise communities, since families participate actively in working the land and managing crops and animals during the entire cycle. While the organic techniques to be used are not expensive, the key to the success of this component lies in the use of adequate techniques to improve the productivity of each crop. The crop and livestock projects will improve the family diet and the surplus can be sold to earn income to meet other needs.
- 3.19 The activities will include technical assistance in the following areas: (a) use of organic fertilizers; (b) soil conservation techniques; (c) organic pest control; (d) primary training in agricultural and environmental conservation; (e) reforestation; and (f) management of barnyard animals. Technical assistance and training under this component will have a multiplier effect which will permit the agricultural extension program to carry over into other areas not presently included, thus contributing to ecological sustainability in the region.

(ii) Energy efficiency

- 3.20 The projects on energy efficiency respond the need to ease pressure on firewood and to improve the efficiency and productivity of microenterprise production processes. The use of improved stoves (chefinas) and solar panels to heat food are alternatives that will contribute to the sustainability of local natural resources and to greater efficiency in production processes, and will therefore help to boost the productivity of microenterprises.

(iii) Crafts

- 3.21 Apart from the promotion of farming activities, there is considerable potential for the development and sale of traditional local crafts. The communities served by CDRO will be used as test cases for the development of traditional crafts made from local raw materials. They include woven articles tinted with natural dyes, furniture, and other wooden objects. They will be sold on local and international markets through the marketing units created by this project under the marketing component.
- 3.22 Finally, because the project has been designed as a whole, improvements in financial services for microenterprises through community banks will help in the introduction of appropriate technologies which are the starting point for the manufacture of products that can be sold under the pilot marketing projects included in this operation.

2. Technical Assistance to Service Providers (for the implementation of pilot projects):

- 3.23 Katalysis Honduras will play an important role to provide technical assistance, related to the implementation of the pilot projects, to service providers in each of the intermediaries.
- 3.24 Katalysis Honduras will establish a technical team of specialists in community banks, marketing, agriculture, and natural resources. This team will provide technical assistance to the service providers of each intermediary directly working in the implementation of the pilot projects. The objectives of the team will be to: (i) support the projects of the organizations in the network, assuring good management and execution; (ii) ensure that the community banks, appropriate technologies, and marketing projects attain economies of scale, with multiplier effects among the organizations in the network and beneficiaries; (iii) integrate the projects on the basis of exchanges of experiences, taking the best practices as benchmarks for their common development; (iv) monitor the projects to assure continuity and the quality of services provided by the network's institutions.
- 3.25 In the regional marketing activities Katalysis Honduras will engage a marketing expert to provide support in carrying out the projects for the specialists in the NGOs. The expert's specific functions will determine which markets are priorities and promoting the

network's products. He will also provide technical assistance in areas such as the identification of market niches, market studies, adapting products to client requirements, quality, promotion, presentation, price setting, distribution channels, sales networks, and negotiation. This expert will be responsible for presenting a plan to transfer know-how to the institutions' staff during the early months of the project and to oversee the consolidation and self-sufficiency of the marketing units of each NGO.

- 3.26 The technical assistance provided by this team will be integrated through training events in area related to each of the tasks and on-going advisory services to improve the technical aspects of the projects. The goal will be to ensure that the different projects contribute to the self-sustainability of the institutions.

3. Technical Assistance to Improve Management Practices

- 3.27 The objective of this component is to improve the management capacity of the NGOs belonging to the Katalysis network by offering them technical assistance in key management areas directly related to the implementation of the pilot projects. The technical assistance services will be: financial controls, fund raising mechanisms and information systems. These technical assistance will ensure good project direction and implementation and greater self-sustainability in the provision of services to microenterprises.
- 3.28 The following activities will be carried out in pursuit of this objective: training of staff in innovative fund raising methodologies, financial performance and controls, and information management through information systems to ensure good programmatic, administrative, and financial management of the projects that will help to bolster the management of the NGOs.
- 3.29 Given its distinctive qualities and its comparative technical and institutional advantages (see chapter III section G), Katalysis California will be contracted for the above mentioned advisory assistance services in improving the management capacity of the NGOs of the network.
- 3.30 Parallel to these specific advisory services, Katalysis California will continue with the on-going support it has been providing for the network in mobilizing funds and making contacts and commercial alliances with companies and corporations in the United States market. Thanks to its intermediation, the network has established commercial ties with three American organizations that share the commitment to sustainable development in Central America. These organizations are Seeds of Change (New Mexico), Pueblo to People (Texas) and Coffee Kids (Rhode Island), which market Mayan crafts, organic coffee from different countries in the region, etc.

E. Expected results

- 3.31 The expected result of this operation is to support the expansion and development of financial and technical assistance services available to microenterprises.
- 3.32 These services will be provided through pilot projects that the intermediaries will carry out. These pilot projects will will generate additional income to boost the finances of the NGOs. It is expected that the financial self-sustainability index will have risen by 20% by the end of the program. The index will be monitored periodically as part of project evaluation.
- 3.33 The estimates available show that this operation will have a direct impact on 10,670 microentrepreneurs distributed as follows:

Program	Direct Beneficiaries	Indirect Beneficiaries*	Community Banks Started	Business activities Started
Community Banking	4,770	23,850	170	4,770
Marketing services	4,400	22,000	n/a	15**
Appropriate Technology services	1,500	7,500	n/a	200
Total	10,670	53,350	170	4,985

* Assumes family of 6

** Community-based enterprises

- 3.34 One significant medium-term result will be the demonstration effect of successful pilot projects and their replication by other interested NGOs, regardless of whether they are members of the Katalysis network.
- 3.35 Annex V presents the logical framework which gives a consolidated summary of activities, budgets, indicators, benchmarks, beneficiaries, etc.

F. Organization and execution of the operation

- 3.36 As executing agency, Katalysis Honduras will administer the technical-cooperation funding, transferring to the NGOs the sums budgeted for the pilot projects presented in annex I.
- 3.37 Katalysis Honduras will be answerable to the Bank for project supervision and for management of the funds for the pilot projects. MUDE, CDRO, ODEF, and BEST will be responsible for local implementation of the community banks and appropriate technologies projects, and CDRO and BEST will also conduct marketing programs.

- 3.38 In addition to coordinators for each of the specific components, each organization will appoint a person to take charge of general project coordination. BEST will appoint coordinators for each of the following programs: community banks, appropriate technologies, and the marketing of ecotourism services. CDRO will appoint a coordinator for community banks and microenterprises, one for appropriate technologies, and a third for product marketing. ODEF will appoint one coordinator for community banks and one for the Herencia Verde (appropriate technologies) program. MUDE will appoint a single coordinator for the entire project, on account of the smaller volume of its activities. The coordinators will be responsible for planning, implementing, monitoring, and evaluating the different programs, and will receive support in this area from Katalysis Honduras.
- 3.39 The executing agency will directly supervise the technical consultants hired to implement the pilot projects. Prior to the first disbursement of the financing, the executing agencies and the NGOs will sign operating regulations governing execution of the program .
- 3.40 The executing agency will coordinate the exchanges of experience among the different NGOs to achieve economies of scale. It will also be responsible for seeing that the counterpart funds are provided as shown in the following table and will monitor the pilot projects to ensure that the NGOs are carrying them out properly.
- 3.41 Community participation will be decisive in the program and training for local personnel in managing the project components will ensure the sustainability of the benefits. The community will be involved in training events and will participate in the productive processes.

G. Cost and financing

- 3.42 The IDB/MIF contribution to the project will be disbursed to the executing agency following standard Bank procedures for technical-cooperation projects. At the request of Katalysis Honduras, a revolving fund will be established, equivalent to 10% of the MIF financing. The fund will be replenished at the request of the executing agency, once the use of the previous disbursement has been justified in a manner satisfactory to the Bank.

Budget and distribution of contributions

Components	Categories	Beneficiary	MIF contribution	Local Contribution	Total
I	Community Banking Services	ODEF	120,720	123,400	244,120
		CDRO	28,643	17,149	45,792
		BEST	78,000	119,000	197,000
		MUDE	117,930	32,212	150,142
	Marketing Services	CDRO	105,248	50,998	156,246
		BEST	67,800	32,344	100,144
	Appropriate technology Services	CDRO	200,306	228,891	429,197
		ODEF	207,260	107,800	315,060
		BEST	65,000	29,771	94,771
II	Technical Assistance to Service Providers	ODEF, CDRO, BEST, MUDE	302,715	152,125	454,840
III	Tech. Assist. to Improve Management Practices of Intermediaries	ODEF, CDRO, BEST, MUDE Katalysis/HO	219,000		219,000
	Supervision and Project Administration		139,500	175,050	314,550
	Evaluation and contingencies		37,878	31,260	69,138
	Total		1,690,000	1,100,000	2,790,000

- 3.43 Each NGO will undertake to make annual deposits in an account that is separate from the project account to cover annual depreciation of the equipment purchased under the project. These payments will be used to establish a fund for technology renewal which will operate as a revolving fund to continue financing new equipment in the future.
- 3.44 As a condition precedent to the first disbursement of MIF funding, the executing agency will provide the Bank with evidence that:
- (i) the project director has been preselected in accordance with Bank procedures;
 - (ii) an account has been opened for the deposit of MIF funds;
 - (iii) an annual calendar of activities has been prepared.
- 3.45 As a condition precedent to the transfer of funds by the executing agency to the NGOs responsible for coexecuting the pilot projects, the executing agency will provide the Bank with evidence that operating regulations have been signed by Katalysis Honduras, ODEF, MUDE, CDRO, and BEST. The operating regulations will clearly establish the responsibilities of each of the NGOs during the project and will define the following points: (1) relations and

obligations of each of the NGOs with the executing agency and with the other NGOs; (2) definition of procedures acceptable to the Bank for hiring consultants (prior to hiring consultants, each NGO will provide the Bank with terms of reference for its approval); (3) mechanisms for the transfer and management of funds by the NGOs (independent bank accounts prior to disbursement); (4) operation of the fund for technological renewal; (5) definition of the indicators and the methodology to be used in project evaluations.

H. Exceptions to Bank policy on hiring consulting services

3.46 In line with the provisions established in the Bank's Procurement Manual, it is recommended that Katalysis California be contracted directly by the executing agency to provide specialized advisory services in support of the project, on the basis of its comparative technical and institutional advantages. The consulting services will cost US\$135,000 (see terms of reference in Annex IV). Katalysis California is a private, nonprofit organization, which specializes in partners-in-development networks. It forms part of the Katalysis network for NGOs in Central America, contributing its experience in institutional development, work with networks, communications, and fund raising abilities. Hiring Katalysis California to carry out activities related to the improvement of management of NGO in areas such as fund raising, communications systems, and financial controls is based on the comparative advantages mentioned below and is considered crucial for attaining project objectives:

- a. **Comparative technical advantages.** The proposed specialized agency has an distinguished team of experts (see annex VIII) and the capacity to coordinate activities that involve a large number of specialists, in addition to being a pioneer in the development of networks. Katalysis was the founder of the partners-in-development network for indigenous NGOs in Central America and its institutional strengthening department worked with the organizations to design long-term development plans. Its knowledge of the different countries and the NGOs that will execute the project is also decisive for project success.
- b. **Comparative institutional advantages.** The experience of Katalysis California with operations of this kind in the region ensures that an adequate support system will be available to strengthen the institutions and monitor the process. The commitment of Katalysis California does not end with the project and assures the continuity and replication of this pilot initiative.

IV. PROJECT RISKS

- 4.1 The project involves some risks, particularly in the appropriate technologies subprogram, which stem from the need for changes in the mentality of certain communities with regard to the use of agricultural chemicals. However, initial studies suggest that the project will be feasible from the ecological and economic standpoints. Organic crops are already being grown in some communities and demonstration plots will be planted to assist in bringing about change. The establishment of marketing units assures that significant income will be obtained from the sale of organic products on markets that pay high prices. Other possible risks have to do with the necessary coordination between the appropriate technologies subprograms and the producers, and between the marketing subprogram and vendors. Failure to produce the quantities or quality required may place the subprograms in difficulty. This risk will be minimized by selling products in incremental steps.
- 4.2 The success of the project depends on the efficiency with which institutional management capacity is developed and how well training and technical assistance are attuned to the special characteristics of each NGO and each community. If these objectives are attained, the success of the project will be assured.

V. MONITORING AND EVALUATION

A. Programming and evaluation committee

- 5.1 Given the innovative nature of this operation and the objective of learning lessons as it is being implemented, it is proposed that a programming and evaluation committee be established for administrative and technical monitoring, composed of representatives from the executing agency, the participating NGOs, and the Bank's Country Office in Honduras. The committee will discuss the general course of the program, personnel, materials, equipment, financial requirements, technical aspects of the cooperation and the results obtained, and will examine the need to modify the programmed activities. It will meet once a year during the project. The executing agency will be responsible for preparing the agendas and minutes of the meetings.
- 5.2 The first meeting will be held in Honduras within 30 days after the agreement has been signed with the Bank, and will review the following items: (i) detailed proposal for the organization, administration, and programming of the activities to be carried out during the project; (ii) key aspects of coordination and supervision for good project control; and (iii) the requisites and conditions for selecting consultants.

- 5.3 In subsequent years the Bank and executing agencies will hold similar meetings in Honduras to evaluate the results of the project and examine future activities. Prior to those meeting, the executing agency will provide the IDB/MIF with the reports mentioned in the following paragraph.

B. Reports

- 5.4 The executing agency will present the following reports to the IDB/MIF:
- a. Semiannual progress reports discussing the activities carried out in the preceding period, activities planned for the following period, and the consulting services contracted in the period with copies of the consultants' reports. The reports should include estimates of progress toward the objectives.
 - b. A final report within 60 days after completion of the program. This report will cover all aspects related to attainment of the program's objectives and will include an executive summary.
 - c. Annual financial reports on the use of the IDB/MIF contribution at the end of each calendar year, and a final financial report within three months after the final program evaluation has been completed. All the financial reports will be audited by a firm of independent auditors.

C. Evaluation

- 5.5 Monitoring and evaluation will be directed by Katalysis Honduras and will include periodic visits to the different organizations and communities and preparation of internal quarterly reports. These quarterly reports will be consolidated in the semiannual reports to be presented to the Bank (see paragraph 5.4 a.).
- 5.6 To facilitate the review of activities and objectives, each of the NGOs will establish a set of quantitative and qualitative targets, expected results, and indicators (see the summary of the technical project fiches given in annex I).
- 5.7 The executing agency will use funds from the technical-cooperation project to hire a consultant or a consulting firm to carry out two program evaluations. The first will be performed 14 months after the program gets under way and the second after 24 months.
- 5.8 These performance evaluations will study the extent to which the project's benchmarks have been attained and will be a necessary condition for future disbursements of the IDB/MIF contribution. The indicators and methodology to be used in the evaluations will be presented as an integral part of the operating regulations agreed upon by the NGOs and the executing agency before the latter will transfer funds to the coexecuting agencies.

- 5.9 Last, it is recommended that the Bank perform an ex post evaluation two years after disbursement in full in order to examine the effectiveness of the program and determine to what extent the experience can be replicated in other regions.

PROJECT: MUDE'S PILOT PROJECTS ON COMMUNITY BANKS AND MICROENTERPRISES AND APPROPRIATE TECHNOLOGIES

EXECUTING AGENCY: MUDE

BENEFICIARIES: Direct: 540 low-income women from communities in the municipality of San Martín Jilitepeque (county seat of the department of Chimaltenango), Tecpán Bárcenas, Villa Nueva, and San José Pinula (department of Guatemala), Municipality of Palín, Caserio El Calvío (department of Escuintla), San Juan Alotenango (department of Sacatepeque) and Santiago Atitlán (department of Solalá).

Indirect: The families of the women served.

FINANCING:	MIF:	US\$117,930 (79%)
	NGO:	<u>US\$ 32,212</u> (21%)
	Total:	US\$150,142

DURATION: 3 years

OBJECTIVES:

1. To provide MUDE with the human resources and equipment it needs to improve its management capacity.
2. To expand the programs currently being delivered by the NGO.

DESCRIPTION: The improvement of MUDE's community banking methodology will be achieved through the employment of community-based promoters who will provide enhanced training in three principal sectors: (1) the basic tenets of microenterprise development: credit management, feasibility studies, sales principles, marketing, and internal controls and management, and (2) the organization, administration and management of a community bank enterprise (preparation of the Constitution Act and Internal Operating Guidelines of the bank, accounting and reporting of finances, savings account management, meeting facilitation, conflict resolution and group participation).

The appropriate technology component will directly impact the productive practices designed to improve the efficiency and effectiveness of microenterprises. Specifically, a team of technical specialists will provide training to microentrepreneurs in chafina stove construction, the

establishment of backyard organic gardens, and environmentally sound agricultural practices. The introduction of these appropriate alternatives is designed to improve the cost-effectiveness and productivity of the micro-enterprises as well as contribute to the sustainability of local natural resources.

BENEFITS:

- More people served.
- Consolidation and strengthening of the institution.

RISKS:

- Rejection by the board of directors of the changes needed to boost the management capacity of the NGO.
- Failure to attune the development plans to the capacity of the institution and/or to the needs of the beneficiaries.
- Proprietary attitude to the programs executed.

PROJECT: STRENGTHENING OF METHODOLOGIES FOR THE EXPANSION OF
COMMUNITY BANKS AND MICROENTERPRISES

EXECUTING AGENCY: ODEF

BENEFICIARIES: Direct: 2,000 low-income women in the departments of Santa Bárbara, Cortés, and Yoro (Honduras) - 40% individual micro-entrepreneurs and 60% microentrepreneurs belonging to community banks.

Indirect: The families of the women served.

FINANCING:	MIF:	US\$120,720 (49%)
	NGO:	US\$123,400 (51%)
	Total:	US\$244,120

DURATION: 3 years

OBJECTIVES:

1. To expand the community banks and microenterprises program on the basis of a strategic development plan.
2. To strengthen the community banks and microenterprises program by optimizing management procedures and control of the loan portfolio.
3. To improve training offered to the beneficiaries by designing a new methodology.

DESCRIPTION: The primary purpose of the community banking program is to provide small-scale loans in a cost-effective manner to rural sectors of the population, primarily women microentrepreneurs. Within ODEF's organizational structure, village bank promoters provide training in credit management, sales principles, marketing, cash flow, and internal controls and management. Bi-weekly follow-up visits by ODEF field staff serve to monitor individual business performance, collect loan payments, ensure adequate saving rates, and to provide individual consultations to bank members and individual clients as needed. Since starting community banking in 1989, ODEF has established 105 banks and plans to start 160/year for the next three years. MIF funding will enable ODEF to launch its three--year strategic plan to reach full sustainability of its financial and non-financial services.

BENEFITS: - More people served.

RISKS:

- Institutional consolidation and strengthening.
- Expansion plan not attuned to the circumstances of the beneficiaries or institutional capacity.
- Excessive priority attached to lending as compared to other program components.
- Resistance by the members of the NGO to applying the new methods.

PROJECT: STRENGTHENING FOR THE COMMUNITY BANKS AND
MICROENTERPRISES PROGRAM

EXECUTING AGENCY: CDRO

BENEFICIARIES: Direct: 325 low-income women from the communities of Paxtocá, Rancaná, Santa María, Chiquimula, Xelcajá, Chuacorrall, Chicorrall, Momostenango, Chuculjuyup, Xantún, Chuanoj, Ninasec, Chipuac, and Chiyas.

Indirect: 1,950 families members of the beneficiaries.

FINANCING:	MIF:	US\$28,643 (62%)
	NGO:	<u>US\$17,149</u> (38%)
	Total:	US\$45,792

DURATION: 3 years

OBJECTIVES:

1. To help strengthen the community banks and micro-enterprises program through the contracting of promoters.
2. To use training and technical assistance as a means of boosting the productive activities of low-income women in the department of Totonicapán.
3. To serve a larger public.

DESCRIPTION: CDRO's community bank promoters provide training in business feasibility studies, marketing, credit and business management in addition to credit. Bi-weekly follow-up training by CDRO field staff ensures successful application of new skills and provides opportunities to monitor individual business and group performance. Since starting the program in 1994, has established 35 community banks with 670 members, of which the majority are women microentrepreneurs.

Three new promoters will be hired to assist an average of 66 groups over the three years of the project. Training and assistance are the main components of this project, in addition to credit (local contribution).

BENEFITS: - Consolidation of CDRO's program to assist women.

- Strengthening of women's businesses through training and technical assistance.

- More people served.

RISKS:

- Poor organization of the beneficiary groups.

- Training not attuned to the characteristics of the groups

- Weakness of the technical assistance, owing either to improperly trained staff or to over-extension of the program.

- Failure to find stable markets for the products.

PROJECT: STRENGTHENING FOR TRAINING AND TECHNICAL ASSISTANCE
PROGRAMS FOR COMMUNITY BANKS

EXECUTING AGENCY: BEST

BENEFICIARIES: Direct: 160 low-income indigenous women and 40 indigenous men from 19 communities in the districts of Cayo, Belize, Corozal, Orange Walk, Stann Creek, and Toledo.

Indirect: 1,000 members of the families of the beneficiaries.

FINANCING:	MIF:	US\$ 78,000 (40%)
	NGO:	<u>US\$119,000</u> (60%)
	Total:	US\$197,000

DURATION: 3 years

OBJECTIVES:

1. To increase the number of community banks.
2. To strengthen the training and technical assistance components of the community banks and microenterprises program.
3. To provide a stable source of credit for women engaged in productive activities.

DESCRIPTION: BEST's community banks are primarily comprised of women's groups who conduct community-based enterprises related to eco-tourism, food processing, or of women who are engaged in similar business activities. Training and follow-up services by field staff are essential complementary services. BEST emphasizes training in credit management, basic business skills, and marketing, as well as assistance to individual businesses as specific needs arise.

BENEFITS:

- Strengthening for community banks.
- More people served.

RISKS:

- The training is not attuned to the characteristics of each group (multiracial, urban-rural characteristics).
- Failure by the groups to participate.

- Proprietary attitude to the programs executed.

PROJECT: MAYAN MARKETING INITIATIVE

EXECUTING AGENCY: CDRO

BENEFICIARIES: Direct: Marketing of the products of 800 persons, 108 basic grain producers, 40 fruit producers, 40 fruit processors, 20 producers of natural medicines, 780 appropriate technologies, 800 crafts-people, 268 soap manufactures, 800 dyers, 200 producers of natural medicines and nutrients, and 800 infrastructure providers.

Indirect: The families of the beneficiaries.

FINANCING:	MIF:	US\$105,248 (67%)
	NGO:	<u>US\$ 50,998</u> (33%)
	Total:	US\$156,246

DURATION: 3 years

- OBJECTIVES:**
1. Establish a systematic marketing structure that provides benefits and boosts the sales of all products made by the different production units through market identification and product promotion.
 2. Provide CDRO with the human resources and equipment it requires for efficient management of the marketing unit.
 3. Provide training for CDRO staff in marketing and professionalize the production teams.
 4. Promote the CDRO's products on national and international markets.

DESCRIPTION: The Mayan Marketing Initiative is a pilot project designed to expand the marketing potential for indigenous products in local, national, regional and international markets. CDRO works with small producers in the indigenous crafts sector and provides assistance to microenterprises such as a women's soap factory, the production and distribution of natural medicines, de-hydration of organic fruit, and a natural dye operation. MIF funding will help launch a CDRO-specific marketing department with specialized staff to improve production, provide quality control, conduct market research for local,

national, and international markets to increase the marketability of indigenous products and ensure steady and increased income generation for indigenous producers.

The project consists of establishing a marketing department to sell the products produced by CDRO under its different projects. One marketing specialist and one production expert will be hired. Products will be transported to sales centers. A training plan will be designed for production coordinators during the project. One significant component will be an analysis of the quality of products to ensure they can be promoted on domestic and international markets.

BENEFITS:

- Sale of CDRO products on markets with higher profit margins.
- Production quality will be improved and stable markets identified.
- Strengthening for businesses through the training and technical assistance components.

RISKS:

- Suitable markets for the products are not identified.
- The quality demanded by the market is not attained.
- Poor production organization.
- Weakness in the technical assistance for production projects.
- Stable markets for the products are not found.

PROJECT: ENVIRONMENTAL EDUCATIONAL PROGRAM AND PROMOTION OF
ECOTOURISM SERVICES FOR COMMUNITIES

EXECUTING AGENCY: BEST

BENEFICIARIES: Direct: 314 members from 14 groups; 50.5% women.

Indirect: 1,115 members of communities in which the
groups are located.

FINANCING: MIF: US\$ 67,800 (68%)
NGO: US\$ 32,344 (32%)
Total: US\$100,144

DURATION: 3 years

OBJECTIVES:

1. To provide the beneficiary communities with the capacity to control and operate tourist services, keeping the income earned in the communities.
2. To conserve the environment through an environmental training program.

DESCRIPTION: Tourism is the main source of foreign exchange in Belize, with environmental or ecotourism gaining an increasing share. However, the inability of community groups to reach end clients means that most of the earnings generated leave the communities. With this program, BEST expects to increase the capacity of community groups to market tourism services and to develop an environmental education program to raise public awareness regarding the importance of environmental conservation.

BEST works with client groups who create community-based enterprises around their environmental resources, most notably businesses that take advantage of growing interest in ecological tourism with an international clientele. In order to ensure the optimal use of this income-generating opportunity, BEST field staff conducts training in environmental conservation, and provides business training to groups and individuals who are engaged in tourism-related ventures. Through its marketing center in Belmopan, BEST will then assist its clients with the promotion and marketing of their environmentally-oriented businesses or products.

BENEFITS: - Increase in community income.

- Increase in income from activities that do not harm the environment.
- Greater awareness of the importance of the environment for community life and as a source of stable income.
- Increase in community interest in the environment.

RISKS:

- The quality of service does not correspond to the image promoted.
- The services provided are not homogeneous in quality.
- Plan for contacts with tour operators not worked out.
- Training not attuned to the characteristics of each group.
- Lack of participation by groups.
- Proprietary attitude to the programs executed.

PROJECT: IMPLEMENTATION OF APPROPRIATE TECHNOLOGIES FOR ENVIRONMENTAL CONSERVATION

EXECUTING AGENCY: CDRO

BENEFICIARIES: Direct: 1,868 low-income women from the communities of Paxtocá, Rancaná de Santa María, Chiquimulas, Xelcajá, Chuitacabaj, Chuascorral, Chicorral, Momostenango, Xatún, Chipuac, Chiyax, Xolsacmaljá, Poxlajuj, Chuanoj, Chuculjuyup, and Vásquez

Indirect: 10,548 family members of the women served.

FINANCING: MIF: US\$200,306 (46%)
NGO: US\$228,891 (54%)
Total: US\$429,197

DURATION: 3 years

OBJECTIVES:

1. To conserve natural resources through the efficient use of appropriate technologies in the communities served by CDRO.
2. To provide CDRO with the human resources and equipment it needs to provide training and technical assistance in the development of appropriate technologies in each of the production projects carried out in the communities.

DESCRIPTION: CDRO provides training and technical assistance to farmers in conservation farming techniques, promotes the cultivation and processing of medicinal plants for income generation, ensures that the farmers and managed soap factory operates in an environmentally safe manner, and promotes the use of natural dyes to prevent pollution of local water sources. In addition, community-based reforestation and soil conservation initiatives will further advance the protection and restoration of eroded hillsides and damaged watersheds. With MIF funding, CDRO will contract experts to help implement and expand enterprises which are economically viable and environmentally sustainable and create the organizational infrastructure needed to provide ongoing assistance to such projects.

CDRO will apply appropriate technologies in the production products it is currently implementing in the communities named above. These projects involve sus-

tainable agriculture, reforestation and environmental protection, health products and natural medicines, dye and soap production. Specialized technical personnel will be hired to apply these technologies, who will be provided with the logistical support and equipment needed to provide technical assistance for each project.

BENEFITS:

- Environmental conservation stemming from the use of appropriate technologies.
- Consolidation of the services provided by CDRO for the communities.
- More people served.
- Production of quality goods that bring more income into the community.

RISKS:

- Rejection of appropriate technologies by producers.
- Failure to find stable markets for the products.
- Lack of coordination between CDRO production and marketing teams.

PROJECT: HERENCIA VERDE (GREEN HERITAGE)

EXECUTING AGENCY: ODEF

BENEFICIARIES: Direct: 200 producers in the departments of Cortés, Yoro, and Santa Bárbara.

Indirect: 1,400 people in 48 communities in those departments.

FINANCING: MIF: US\$207,260 (66%)
NGO: US\$107,800 (34%)
Total: US\$315,060

DURATION: 3 years

OBJECTIVES:

1. To hire staff and procure the equipment needed for the Herencia Verde project.
2. To prepare diagnoses of production and markets in order to select producers and organic products.
3. To train and organize producers for the production and marketing of organic products.
4. To establish and implement a system for selling organic products on the national and international markets.

DESCRIPTION: The first center of its kind in northern Honduras, Herencia Verde is designed to provide training to small-scale farmers in environmentally sustainable farming practices and help them protect and conserve their natural resource base. The goal of Herencia Verde training is help farmers increase their yields and produce marketable crops for the local and national market. In addition, Herencia Verde will house a food processing facility for value-added agricultural production and assist farmers with the marketing of their specialty crops. Groups of farmers from northern Honduran communities will receive on-site training ranging in length from one to five days by qualified technicians in environmental topics, soil conservation, erosion prevention, organic composting, irrigation, watershed protection, and low-input food processing. Field staff will provide follow-up training and assistance in the communities to ensure proper application of new techniques. In addition, Herencia Verde will serve as a promotional and marketing center for

specially crops and agricultural production of associated farmers.

Technicians specializing in organic production and marketing will be hired to enable producers to use appropriate technologies by providing them with training and technical assistance. Centers will be established to process products for sale on markets identified by the marketing experts. This project will ensure high-quality organic products that can be sold on national and international markets.

BENEFITS:

- Environmental conservation.
- Increase in organic production and the productivity of farmers.
- Increase in farmers' incomes.
- Improvement in the self-sustainability of the Herencia Verde center.

RISKS:

- Refusal by farmers to accept organic techniques.
- Production of crops that do not have secure markets.
- Use of agricultural chemicals in some stage of the production process.
- Failure to produce sufficient volumes for sale on national and/or international markets.
- Failure to achieve the quality demanded by the market.

PROJECT: ENVIRONMENTAL CONSERVATION THROUGH THE USE OF APPROPRIATE TECHNOLOGIES

EXECUTING AGENCY: BEST

BENEFICIARIES: Direct: 1,305 people in 12 groups.
Indirect: family members.

FINANCING: MIF: US\$65,000 (69%)
NGO: US\$29,771 (31%)
Total: US\$94,771

DURATION: 3 years

OBJECTIVES:

1. To provide BEST with the human resources and materials it needs to successfully carry out each of the project's production components.
2. To provide technical assistance and training for the beneficiaries of each of the subprograms in the efficient use of energy, sustainable farming techniques, and reforestation.
3. To carry out demonstration projects on the use of appropriate technologies.

DESCRIPTION: BEST natural resource field staff works with small farmers and community-based enterprises to promote and implement environmentally sustainable farming methods that produce higher yields, conserve soils, and protect water sources. Furthermore, BEST promotes the use of fuel-efficient food processing methods such as solar and improved ceramic stoves for cooking and other food processing methods. MIF funding will substantially expand BEST's capacity to reach clients with these innovative technologies and contribute to the creation of low-input family farms and community-based enterprises that are environmentally sustainable in the long term.

Qualified personnel will be hired to carry out production activities based on appropriate technologies. Training and technical assistance are essential components of this project. The areas to be dealt with include organic fertilizers, the construction and use of solar and "chefina" stoves, solar plants for drying grain, biogas plants, environmental conservation, and reforestation. The methodology to be used is "learning by doing", involving the communities in the process from the outset.

BENEFITS: - Environmental conservation.

- Possibility of introducing income-earning technologies that are true alternatives to traditional crops and technologies.
- Expansion of the community services provided by BEST.

RISKS:

- Rejection by the communities of the new technologies.
- Failures in the transfer of technologies.
- Training and technical assistance not attuned to the characteristics of the communities.

CONSOLIDATED BUDGET

Category	MIF	Counterpart	Total
1. Professional services firm	135,000	0	135,000
1.1 Fees for the firm <u>1/</u>	135,000	0	135,000
2. Individual consultants	833,736	746,069	1,579,805
2.1 Fees	730,659	682,683	1,413,342
a. Long-term consultants <u>2/</u>	522,924	678,683	1,201,607
b. Short-term consultants <u>3/</u>	207,735	4,000	211,735
2.5 Official travel	103,077	63,386	166,463
6. General support	319,194	229,178	548,372
6.2 Furniture and supplies	8,099	10,060	18,159
6.3 Equipment <u>4/</u>	158,594	28,117	186,711
6.4 Supplies	116,701	122,526	239,227
6.6 Support staff	0	62,775	62,775
6.8 Communications	35,800	5,700	41,500
7. Publications	63,200	0	63,200
7.3 Printing	63,200	0	63,200
8. Evaluation consultants	20,000	0	20,000
8.2 Fees	20,000	0	20,000
97. Special programs	300,992	93,493	394,485
a. Promotion of products at trade fairs	39,900	10,300	50,200
b. Microenterprise fund	0	50,000	50,000
c. Training	261,092	33,193	294,285
98. Contingencies	17,878	31,260	49,138
TOTAL	1,690,000	1,100,000	2,790,000

1/ See terms of reference in Annex IV.

2/ 32 long-term consultants (duration of the project) to execute 11 projects.

3/ 27 short-term consultants (188 person/months).

4/ 3 pick-up trucks, 13 computer systems, 5 printers, 2 industrial dehydrators, minor production equipment, and educational video equipment.

PROPOSED RESOLUTION

REGIONAL. NONREIMBURSABLE TECHNICAL COOPERATION TO SUPPORT THE
SUSTAINABLE DEVELOPMENT OF MICROENTERPRISES IN CENTRAL AMERICA

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with Katalysis Honduras and to take such additional measures as may be pertinent for the execution of the project memorandum referred to in Document MIF/AT-__ with respect to a technical cooperation project for the support for the sustainable development of microenterprises in Central America.

2. That up to the sum of US\$1,690,000 or its equivalent in other convertible currencies, is authorized for the purpose of this resolution, chargeable to the resources of the Small Enterprise Development Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.