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MULTILATERAL INVESTMENT FUND

HONDURAS

**INSTITUTIONAL STRENGTHENING OF CREDIT UNIONS
IN HONDURAS**

(TC-02-06-01-5-HO)

DONORS MEMORANDUM

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BASIC SOCIOECONOMIC DATA

Basic socioeconomic data for Honduras are available on the Internet at the following address:

English:

www.iadb.org/int/sta/english/brptnet/brptframe_eng.htm

INFORMATION AVAILABLE IN THE SDS/MSM FILES

PREPARATION:

1. Financial statements of the Credit Union Federation of Honduras (FACACH)
2. PEARLS Monitoring and Control reports on 70 credit unions
3. Ley de Cooperativas (Credit Union Law) and regulation and oversight bills
4. Superintendency of Banks reports on the financial sector
5. Risk analysis and assessment systems used in other countries
6. Proceedings of the workshop held in Tegucigalpa with 15 credit unions on 7 October 2003
7. Twenty-seven letters from 27 credit unions documenting their board-level decision to approve participation in the project and committing the counterpart funds.
8. Note from the National Banking and Insurance Commission (CNBS), stating its willingness to participate in the project's Technical Review Committee and to act as an outside expert, advising on technical decisions.
9. Institutional and financial analysis of the FACACH and the credit union sector.

EXECUTION:

1. Operating Regulations

ABBREVIATIONS

AWP	Annual work plan
CAC	Cooperativas de ahorro y crédito [credit unions]
CESI	Committee on Environment and Social Impact
CNBS	Comisión Nacional de Banca y Seguros [National Banking and Insurance Commission]
CU	Credit union
DGRV	German Confederation of Cooperatives
FACACH	Federación de Cooperativas de Ahorro y Crédito de Honduras [Credit Union Federation of Honduras]
MIF	Multilateral Investment Fund
OR	Operating Regulations
PEU	Project Executing Unit
SCC	Swedish Cooperative Center
TRC	Technical Review Committee
USAID	United States Agency for International Development
WOCCU	World Council of Credit Unions

INSTITUTIONAL STRENGTHENING OF CREDIT UNIONS IN HONDURAS

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EXECUTIVE SUMMARY

Executing agency:	Federación de Cooperativas de Ahorro y Crédito de Honduras [Credit Union Federation of Honduras] (FACACH)	
Beneficiaries:	Credit unions (CUs) and, through them, approximately 100,000 low-income individuals.	
Amount and source:	MIF (Facility III-A): 67.9%	US\$ 1,425,000
	Local counterpart: 32.1%	<u>US\$ 675,000</u>
	Total:	US\$ 2,100,000
Objectives and description:	<p>The general objective of this project is to extend access of under-served segments of the population to diversified and reliable financial services. The specific objectives to improve the administrative and financial capacity of the credit union sector as a means of ensuring that low-income groups have access to opportunities and security.</p> <p>The project's three components are: (i) development, implementation, and certification of tools for risk control, administration, and management; (ii) development, implementation, and deepening of new financial products and services; and (iii) a sector financial information system for the credit union sector. The project seeks to strengthen the sector's ability to meaningfully deepen the services it provides, based on a sound financial structure and effective monitoring of the risks inherent in financial intermediation, both at the local credit union level and in their second-tier association.</p>	
Terms:	Execution period:	48 months
	Disbursement period:	54 months
Special contractual clauses:	<p>Conditions precedent to the first disbursement will be delivery, to the Bank's satisfaction, of: (i) The annual work plan for the first year of the project; (ii) evidence documenting approval by the FACACH board of the project Operating Regulations; and, (iii) evidence that the project manager has been selected in accordance with Bank procedures. General disbursements are subject to fulfillment of performance indicators (see paragraphs 9.2 to 9.4).</p>	

**Exceptions to
Bank policy:**

None.

**Environmental
and social
review:**

The Committee on Environment and Social Impact (CESI) reviewed this operation at its meeting of 10 October 2003. CESI's recommendations regarding the application of environmental management handbooks and establishment of a list of activities not eligible for CU financing have been duly incorporated into the design of the project: such considerations are to be built into credit risk management tools and are addressed in the Operating Regulations, and evidence of compliance is a condition precedent to disbursement of more than 50 percent of the contribution.

**Coordination
with other
development
finance
institutions:**

During the study phase of the project, contact was made with representatives of the principal international financial institutions that have dealt with the FACACH, such as the United States Agency for International Development (USAID), the German Confederation of Cooperatives (DGRV), the Canadian International Development Agency (CIDA), and the Swedish Cooperative Center (CCS). These officials said they were pleased with the outcomes achieved by the FACACH on the projects they had funded, and that there were currently no duplicating or complementary projects in their pipelines. The German Agency for Technical Cooperation (GTZ) may wish to contribute approximately US\$10,000 for the development of new products. If it goes through, GTZ's contribution would be considered counterpart funding for this project.

I. COUNTRY AND PROJECT ELIGIBILITY

- 1.1 On 14 December 1993, the Donors Committee declared Honduras eligible for all forms of financing with Multilateral Investment Fund (MIF) resources. The project complies with the guidelines for the MIF window to foster the microenterprise sector (Facility III-A), seeking to boost the supply of financial services to underserved populations and to support mechanisms that bring unsupervised entities into compliance with regulatory and supervision requirements.

II. BACKGROUND AND RATIONALE

A. The credit union sector: performance and obstacles to growth and consolidation

- 2.1 Credit Unions (CUs) in Honduras have played a fundamental role in providing and expanding access to financial services in rural and urban areas of the country, especially for low-income individuals, who have traditionally been deprived of quality financial services. While the financial sector carries out 71 percent of its activities in the large cities, that figure for CUs is 54 percent: the remaining 45 percent of their operations are in rural areas. Despite the efforts to reach neglected areas, the CUs need to go further and reach areas and segments of the population in which financial services are practically nonexistent.
- 2.2 At end-2002, there were 127 credit unions in Honduras, 95 of which were members of the Credit Union Federation of Honduras (FACACH). Today the credit unions serve directly over 475,000 people, with savings averaging US\$510 and loans averaging US\$680. An estimated 30 percent of their members live in rural areas, and between 30 percent and 40 percent of the 205,000 members taking out CU loans may be classified as microentrepreneurs. The assets of the credit union sector account for approximately 6 percent of total assets in the financial system and, if member contributions are included in capital, CUs account for 49 percent of financial sector capital. These figures underscore the importance of the CUs as the principal source of informal, small-scale private savings. That is why a healthy credit union sector is a top priority.
- 2.3 Over the past 10 years, the Credit Union Federation of Honduras (FACACH) has played a key part in the introduction of new ideas and practices to strengthen the sector. It has established a strategic partnership of credit unions called UNIRED, membership in which is based solely on the financial performance of the credit unions, as measured by the PEARLS¹ monitoring system of the World Council of Credit Unions (WOCCU). A network was established for remittances and clearing

¹ The acronym stands for: Protection, Effective financial structure, Asset quality, Rates of return and cost, Liquidity, and Signs of growth.

services among credit unions, which provides them with (partial) national coverage. There is a high demand for these services, which cannot fully be met, given the rudimentary procedures used (transfers are carried out via fax). Increasing operational capacity is required, but that, in turn, increases the likelihood of errors that more appropriate technology could help to avoid.

- 2.4 The FACACH conducted a diagnostic assessment of the sector in order to identify shortcomings and the problems encountered by its affiliates. Its assessment was corroborated by the project team with respect to the finding that the principal obstacle to reaching more customers, particularly those in the least privileged sectors, is the lack of tools for administering and managing financial intermediation risks. The shortcomings are: (i) poor management of financial risks (liquidity and price); (ii) improper handling of technological risk;² (iii) poor management of credit risk; and, (iv) insufficient technical skills of personnel, in other words, improper handling of operational risks. The Federation does not have information systems that would enable it to conduct sector and risk analyses and record aggregate performance, strengths, or weaknesses. Through the FACACH, the CUs have lobbied for a law to regulate and supervise the sector, which would even involve some coercive measures under the National Banking and Insurance Commission framework and thereby provide tools for strengthening the sector. The bill is currently being debated, but risks being withdrawn from Congress due to the opposition of other cooperatives that would either have to be overseen or else cease financial intermediation activities. This does not pose a risk for proper execution the project referred to in this Memorandum, because it is structured in such a way that it does not depend on the law being passed. It is based on the use of financial tools that, if the bill does become law, would support and facilitate its enforcement.

B. MIF and Bank strategy

- 2.5 The MIF has actively helped strengthen CUs. The funded projects are designed to facilitate access by low-income sectors to financial services, while recognizing the importance of overseeing the institutions that handle the savings of the poor. They also contain policy ingredients to facilitate monitoring and regulation of the sector and the restructuring of various state entities in order to attain that objective. Another element in common is that the projects are executed jointly by the Federation or second-tier association representing the sector and the ministry in charge of regulating the financial system.
- 2.6 The lessons learned from these projects are: (i) projects based—and dependent—on a law being passed are difficult to execute, given that both the legislative agenda of

² Lack of suitable platforms for the level of transactions, use of systems with little support, and use of inflexible systems that do not allow modifications to the structure or definition of asset and liability products.

countries and their priorities shift frequently, giving rise to delays in project execution and difficulties in respect of counterpart funds; and (ii) associations or federations of credit unions have proved to be the best executing agencies for this kind of project, their activities having been constrained by the passage of laws, rather than by their operational capacity.

- 2.7 The project presented here takes these lessons into account inasmuch as it does not depend on a law being passed or on cooperation with government agencies for execution. Its executing agency is an institution that is well versed in sector issues and commands considerable respect in that field. Furthermore, it envisages training CUs in control, prevention, and management of the most common risks involved in financial intermediation: aspects that are normally covered by prudential regulations.
- 2.8 There are currently no projects in Honduras that duplicate or complement this initiative. A financial sector program (HO0219) and a global credit program are currently being studied and are expected to be approved in 2004.
- 2.9 **Rationale.** The rationale for the project is that it: (i) contributes to financial deepening by extending services to the most disadvantaged segments of the Honduran population, fostering domestic savings and catering to the growing savings and loan needs of the low-income population in rural areas; and (ii) above all offers safeguards for the savings of nearly 500,000 low-income Hondurans.

III. PROJECT OBJECTIVES AND DESCRIPTION

A. Objectives

- 3.1 The general objective of this project is to extend access of underserved segments of the population to stable, reliable, and diversified financial services. The specific objective is to improve the administrative and financial management capacity of the credit union sector as a means of ensuring that low-income groups have access to opportunities and security.
- 3.2 The CUs benefiting from the project must meet the eligibility criteria established in the Operating Regulations (OR), which can be found in the project technical files. These criteria stipulate that they must be open CUs that have expressed a desire to participate in the project by contributing counterpart funds and, above all, have a certain financial performance rating (at least “B” on the PEARLS scale, which ranges from “E” to “AAA”). The intention is also to provide more support for the smaller credit unions (with assets under US\$2 million).

B. Components and activities

1. Component 1: Development and implementation of tools for risk control, administration, and management (MIF: US\$781,350; Counterpart: US\$317,400)

- 3.3 The idea of this component is to enable credit unions to expand and enhance services for low-income individuals through proper management of administrative, operational, and financial risks. Computer tools will be developed to enable them to measure the same factors that would need to be monitored in a prudential regulations system, such as liquidity gap estimates, risks associated with interest rates, credit, investment, exchange, and technology, customers' handling of environmental risks, and monitoring and prevention of money laundering, as well as other factors.
- 3.4 The following activities will be carried out: (i) a diagnostic assessment of the financial and technological "toolbox"; (ii) development or updating of risk management and control tools; and (iii) implementation of those tools at CU headquarters and training in how to use them for managers and line staff. The project envisages using two mechanisms to provide different levels of financing for the technical assistance earmarked for implementation and approval of risk management tools. On the one hand, financing will differ according to the size of the credit union, in order to ensure that more support goes to the smaller institutions. On the other, there will be increases in funding in the form of a liquidity bond to reward sound financial performance and use of the tools provided by the project. The estimated maximum cost of technical assistance for implementation of the aforementioned tools is US\$28,000. The MIF would provide up to 80 percent for the small CUs, 70 percent for the medium-sized, and 60 percent for large CUs. The MIF's initial contribution will be 60, 50, and 40 percent, respectively. The difference between the initial and maximum percentages corresponds to the liquidity bond, which will be executed as financial management targets are met: 50 percent six months after installation of the tools in the CUs, and 50 percent as soon as a further six months have elapsed, provided that there has been an improvement in the overall PEARLS rating. The specific mechanisms to be used are described in the OR.
- 3.5 The expected outcome of this component is that at least 50 CUs will have received risk management training, and that at least 20 CUs will have tools and handbooks in place to manage and predict different kinds of administrative and financial risks.

2. Component 2: Development, implementation, and deepening of new financial products and services (MIF: US\$142,000; Counterpart: US\$182,000)

- 3.6 This component aims to enhance the quality and depth of the financial services provided by the CUs and FACACH. This is to be achieved by helping the FACACH to undertake a major expansion of clearing and remittance services. A study will also be conducted of the demand for new savings and loan products, to ensure that the CUs have a chance of competing in an increasingly sophisticated market.
- 3.7 The following activities will be carried out: (i) market research to determine the scope and potential for clearing and remittance services and to spot credit and savings needs; (ii) development of at least one new product, along with its handbooks, software upgrades, and implementation procedures; (iii) technological improvements to the communication and control systems needed to strengthen and expand remittance and clearing services; and (iv) training for CU managers and line staff in promotion, handling, and financial and operational control of these services.
- 3.8 The expected outcomes are that, in addition to the CUs that are already part of the clearing and remittances network, nine more CUs start providing these services; that the CUs providing these services increase the value of their operations by at least 20 percent; and that some 20 CUs develop at least one additional product.

3. Component 3: Sector financial information system for the credit union sector (MIF: US\$216,000; Counterpart: US\$25,000)

- 3.9 This component aims to help the sector implement a standardized information system which combines, certifies, and centralizes the financial, administrative, and risk exposure data of the CUs. This will make it possible to monitor their financial statements, facilitate analysis and consolidation, and make their figures transparent. Since this system is to be set up within the FACACH, this component also envisages a strategic strengthening plan for the Federation, to ensure that the information system project is properly executed.
- 3.10 The outcome will be a second-tier association of credit unions capable of administering a sector financial information system to be used for sector studies and as an oversight and reporting tool, facilitating, in the near future, strategic partnerships with private credit rating agencies.
- 3.11 **Other.** This category covers the costs of the project executing unit and project monitoring and evaluation activities.

IV. COST AND FINANCING

A. Cost and financing

- 4.1 The estimated cost of the project is US\$2.1 million equivalent, of which US\$1,425,000³ will be contributed by the MIF. Counterpart funds will total US\$675,000, with US\$390,000 of that amount in cash. Following is a summary of principal budget items (the itemized budget is given in Annex II):

	MIF	%	Counterpart	Total	%
I. Component 1	781,350	54.8	317,400	1,098,750	52.3
a. Consultant services	80,450	5.6	5,800	86,250	
b. Technical assistance	502,300	35.2	157,700	660,000	
c. Training	88,600	6.2	3,900	92,500	
d. Equipment	110,000	7.7	150,000	260,000	
II. Component 2	142,000	10.0	182,000	324,000	15.4
a. Consultant services	110,000	7.7	51,500	161,500	
b. Technical assistance			52,500	52,500	
c. Equipment	32,000	2.2	78,000	110,000	
III. Component 3.	216,000	15.2	25,000	241,000	11.5
a. Consultant services	70,000	4.9	25,000	95,000	
b. Equipment	146,000	10.2		146,000	
IV. Other	285,700		150,600	436,300	20.8
Project executing unit	130,000	9.1	150,600	280,600	13.4
Evaluation and audits	60,000	4.2		60,000	2.9
Contingencies	95,650	6.7		95,650	4.6
TOTAL	1,425,000	100.0	675,000	2,100,000	100.0
%	69.8		30.2	100.0	

- 4.2 Counterpart financing will be contributed by FACACH and by participating credit unions. However, the FACACH will be responsible for seeing that the local contribution is provided in full. The project files include board meeting minutes of 27 CUs, in which they commit to putting up the counterpart funds needed to ensure that the project proceeds according to plan.

³ It should be noted that the approved project profile envisaged up to US\$1.8 million in MIF financing. That was cut back to US\$1.4 million following the analysis mission.

B. Sustainability

- 4.3 The project's sustainability stems from the financial and operational strength that will result from risk management practices in keeping with prudential rules. Furthermore, the tools instituted will become part of the human and technical assets of the CUs and FACACH, leading to a system that will eventually link the CUs and the FACACH electronically for ongoing monitoring of their operations and timely responses to clearing and remittance needs. Having executed a number of projects, the FACACH has acquired the human and technical capabilities needed to attain the goals set for it, and to enhance and disseminate its achievements.

V. PROJECT EXECUTION

A. Executing agency

- 5.1 The project executing agency will be the Credit Union Federation of Honduras (FACACH), a second-tier association founded in April 1996 with 95 member credit unions. Its purpose is to establish and develop service systems and programs for its credit union affiliates, such as: financing, insurance and guarantees, technical assistance, and business management training for credit unions.
- 5.2 Most of the FACACH's revenue comes from financial intermediation or training services for its affiliates. As of September 2003, its assets totaled US\$23.6 million (of which its portfolio with affiliates represents 32.8 percent). Its liabilities totaled US\$16.4 million and its own capital base (total net worth minus member quotas) was US\$5.5 million. As of the same month, accumulated profit was US\$177,000.
- 5.3 The FACACH was granted a MIF line of credit (43/MS-HO) under the reconstruction program for microenterprises hit by Hurricane Mitch. It is current on its payments under that arrangement. It has executed projects financed by other donors, such as the United States Agency for International Development (USAID) in the amount of US\$6 million, and the Swedish Cooperative Center (CCS) in the amount of US\$500,000 per annum. The USAID project, carried out between 1999 and 2001, comprised US\$1 million in technical assistance for implementation of the WOCCU's PEARLS monitoring and evaluation system and US\$5 million in lending to small business. When the project concluded, the FACACH and participating credit unions used US\$400,000 of their own funds to finance the monitoring and implementation of tools developed under that project and succeeded in introducing the PEARLS system at 70 CUs, that is to say, *50 more than those contemplated by USAID*. The CCS project comprised nonreimbursable funding for classroom construction in disadvantaged communities. Currently, the sector is receiving support from the German Confederation of Cooperatives (DGRV) to train 20 CUs in internal control methods.

- 5.4 Despite successful implementation of the PEARLS system and its proven sustainability, the CUs still do not meet basic financial deepening indicators with respect to member savings and deposits and asset quality. For that reason, execution of this new project will be dependent on compliance with the indicators referred to in paragraphs 9.2 to 9.4.
- 5.5 According to officials at USAID, CCS and DGRV, the projects they supported were carried out in a timely and orderly manner. These agencies are familiar with the new initiative and are not planning similar projects that might duplicate it. However, the German Agency for Technical Cooperation (GTZ) may wish to contribute approximately US\$10,000 to support the sector's efforts to develop new products. If it goes through, GTZ's contribution would be considered counterpart funding for this project.

B. Execution mechanism

- 5.6 The project will have a technical review committee (TRC) and project executing unit (PEU). The PEU will report directly to the manager of the FACACH and will have a coordinator and an administrative assistant to handle accounting. The terms of reference for hiring these individuals are included in the project Operating Regulations (OR). This PEU will be responsible for (i) preparing and executing the annual work plans (AWPs); (ii) coordinating project activities; (iii) hiring, procurement, and supervision of goods and services; (iv) arranging disbursements by the Bank; (v) submitting financial statements and project management reports to the Bank; and (vii) monitoring the performance indicators established in the logical framework. The TRC is an ad-hoc body comprising the manager and the chairman of the board of the FACACH, and a representative of the Superintendency of Securities and Other Financial Institutions of the National Banking and Insurance Commission (CNBS). Its task will be to: (i) perform a technical review of the design and procedural aspects for implementation of risk management tools; (ii) approve the technical assistance payments, both to the consultants hired to improve the indicators of participating CUs and for payment of liquidity bonds; and (iii) select participating CUs that meet the eligibility criteria.
- 5.7 The beneficiary CUs will be invited to take part in a publicly announced open competition. They will be selected by the TRC in accordance with the eligibility criteria described in paragraph 3.2 on a first-in/first-out basis. If the TRC cannot reach a unanimous decision, the Bank's Country Office will decide, based on the technical information. A participation agreement will be signed with each CU.
- 5.8 FACACH's board, as its highest governing body, and its management will be responsible for: (i) approving the project OR and any amendments to them (amendments would require the Bank's nonobjection); (ii) inviting all CUs to take part in the project via public advertisement; (iii) authorizing participation agreements; (iv) authorizing the hiring of consultants for the project; and

(v) coordinating the international competitive bidding process for procurement of equipment for purchases exceeding US\$350,000. To facilitate execution, the FACACH will purchase the equipment on behalf of the beneficiary CU. The manner of payment for these goods and services will be agreed upon by the parties, preferably addressed as a specific point in the agreement they sign, which will indicate the origin of the funds so as to facilitate monitoring and control of the counterpart.

C. Execution period and disbursements

- 5.9 The project will have an execution period of 48 months, and a disbursement period of 54 months. Given the liquidity requirements for proper execution, a 20 percent revolving fund is recommended.

D. Accounting and audits

- 5.10 The FACACH will be responsible for: **(a)** establishing and maintaining a workable internal financial and accounting control system, organized in such a way as to provide the documentation needed to verify transactions and facilitate the timely preparation of project financial statements and reports. The project's records should be kept in such a way as to (i) distinguish between sums received from different sources; (ii) register, in keeping with the chart of accounts approved by the Bank, project outlays using resources from the MIF's contribution and those using the other funds that have to be made available for full execution of the project; (iii) are sufficiently itemized to allow identification of procured goods and services, as well as the use made of those goods and services; and (iv) show the cost of activities in each component; **(b)** opening separate bank accounts to manage the MIF's contribution and the local counterpart funds; **(c)** processing requests for disbursements and expense vouchers, in keeping with the Bank's normal procedures; and **(d)** preparing and submitting to the Bank the project's annual financial statements, audited by a consultant or independent audit firm acceptable to the Bank under terms of reference previously agreed to by the Bank. Audit expenses will be defrayed using MIF resources.

VI. MONITORING AND EVALUATION

- 6.1 **Project performance monitoring reports.** The PEU will coordinate the hiring of consulting services to establish a **baseline** that incorporates: (i) the PEARLS indicators for all participating CUs as of the same date; (ii) the volume of transactions, in value and quantity, using the remittances and clearing system among credit unions; (iii) an inventory of available equipment; (iv) saver and borrower profiles; and (v) a list of the paid professional staff working at the CUs, especially those with responsibilities in financial areas. In addition, the PEU will prepare and present to the Bank's Country Office in Honduras (CHO) **progress**

reports on the project within thirty (30) days after the end of each semester, and a final report 30 days after the last disbursement. For the first annual status report, the PEU will draw up the annual work plan for year two. These reports will follow a format agreed upon in advance with CHO and will address project-related activities, financial performance, the procedures followed to select participants and consultants, and overall outcomes. CHO will use these reports to oversee progress on project execution and to prepare a project completion report within three months after the final disbursement.

- 6.2 **Project management reports.** The PEU will prepare quarterly project management reports for the FACACH management and administrative bodies, in order to track progress and budget performance closely. Each quarterly report must contain, for the reporting period, progress toward the intermediate and final outcomes contemplated in the work plan; budget performance; administrative matters; monitoring of agreements; principal achievements, and problems and action taken to correct them. Quarterly project management reports make it easier to keep track of the project and provides input for the Country Office.
- 6.3 **Evaluation.** Evaluation will be based on the logical framework (Annex I), which provides detailed indicators for project execution, monitoring, and evaluation. The project envisages two evaluations to be conducted by a consultant specializing in supervision and control of regulated and unregulated financial institutions, who will be selected and hired directly by the Bank. The first evaluation will be performed when over half the contribution has been disbursed, or 24 months after the first disbursement. That evaluation will review at least the following: (i) the beneficiary CU selection process; (ii) progress vis-à-vis the baseline; (iii) performance with respect to the indicators specified in the logical framework; (iv) progress with the execution of each component, based on PEARLS indicators as specified in the logical framework, and analysis of the implementation and use of the tools provided under the project; (v) the institutional capacity of the executing agency; and (vi) compliance with the *pari passu* in accordance with the OR. This report should point out any corrective action needed to ensure proper execution of the project.
- 6.4 The second evaluation will take place once 90 percent of the contribution has been disbursed. It will analyze the extent of compliance with the project's specific purposes and objectives, which are, basically: (i) the number and nature of new customers; (ii) the new products brought on stream; (iii) user satisfaction, as determined by a survey of participating CUs and their customers; and (iv) the degree of sustainability of actions sponsored by the project once the MIF contribution is complete. This second evaluation will analyze and compare actual outcomes with the initial baseline.
- 6.5 Finally, an agreement was reached with the executing agency, whereby the latter will commission an *ex post* evaluation one year after completion of the project and forward the findings and lessons learned to the Bank.

VII. BENEFICIARIES AND RISKS

A. Beneficiaries

- 7.1 The project's direct beneficiaries are the approximately 50 CUs that will receive training, including 20 CUs chosen especially to receive technical assistance to develop professional business and financial management skills. The ultimate beneficiaries of the project are the low- and middle-income segments of the population, who will benefit from more stable, varied, and appropriate financial services. It is estimated that, indirectly, the project will benefit approximately 100,000 people, including small-scale savers and microentrepreneurs in rural areas.

B. Risks

- 7.2 The risks are: (i) that the project fails to expand the base of the credit unions that are currently working in a strategic partnership; (ii) given the fact that credit union leaders change with some frequency, that those elected during project execution may not maintain the commitments undertaken at the start of project execution; and, finally (iii) that the credit unions do not continue to improve their performance and financial consolidation, leading to a decline in their PEARLS rating.
- 7.3 The mitigating factors are: (i) the project provides incentives for participation by the smaller CUs; (ii) the project contemplates holding socialization and project awareness events to ensure communication and a good grasp of the project from the grassroots to the leaders; moreover, it envisages partial funding of technical assistance once the CUs show that they have begun contributing to the project in cash by purchasing over half the computer equipment needed; and (iii) the project will introduce tools that will help improve management of the risks analyzed and evaluated in financial supervision processes.

VIII. SOCIAL AND ENVIRONMENTAL CONSIDERATIONS

- 8.1 This operation poses no environmental risks. Nevertheless, as stipulated in the OR, implementation of the credit risk management module will entail amending credit regulations to include a list of potential environmentally harmful activities that cannot be financed. In addition, one of the performance indicators and a condition for disbursement of more than 50 percent of the contribution will be that participating CUs are implementing the Bank's environmental guidelines, in order to enable financial institutions to assess the various environmental and social risks.

IX. SPECIAL CONTRACTUAL CLAUSES

- 9.1 Conditions precedent to the first disbursement will be delivery of: (i) the annual work plan for the first year of the project; (ii) evidence documenting approval by the FACACH board of the project Operating Regulations, including execution mechanisms, terms of reference for contracting envisaged, and the model agreement to be signed with the CUs; and (iii) evidence that the project manager was selected in accordance with Bank procedures.
- 9.2 A condition precedent to disbursement of more than 20 percent of the Bank's contribution will be evidence provided by the FACACH that: (i) at least 40 CUs have received risk management training; (ii) a market survey has been conducted for the introduction of new products and deepening of clearing and remittance services, and (iii) a project baseline has been established.
- 9.3 A condition precedent to disbursement of more than 50 percent of the contribution will be evidence provided by the FACACH, to the Bank's satisfaction, that: (i) participating CUs at the very least maintain their baseline PEARLS rating; (ii) that the environmental guidelines and lists of activities that may not be financed are implemented in the credit regulations; (iii) that clearing and remittance services have increased by 10 percent; (iv) that both the FACACH and the CUs have written off 100 percent of the accounts that are 360 days past due; that they maintain provisions of at least 35 percent against debts less than a year past due; and that they have doubled the baseline ratio of deposits to assets; and (v) that the average deposit rate is not below 75 percent of the going market rate.
- 9.4 To obtain disbursements of more than 75 percent of the contribution, the FACACH will have to show that: (i) the participating CUs have improved their PEARLS rating; and (ii) they still meet the other conditions for previous disbursements.

HONDURAS
INSTITUTIONAL STRENGTHENING OF CREDIT UNIONS
MIF - TC-02-06-01-5-HO
LOGICAL FRAMEWORK AND PERFORMANCE INDICATORS

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions
GOAL			
To expand access of underserved segments of the population to diversified and reliable financial services	By project completion, the CUs have increased the number of customers by 20 percent, compared to the baseline and have increased by 20 percent the volume and number of transactions involving remittances from abroad or clearing operations among financial institutions.	<ol style="list-style-type: none"> 1. FACACH information and reporting system functioning and generating sector information 2. Ex post evaluation commissioned by the FACACH 	<p>Economic and social conditions in Honduras remain stable.</p> <p>The number of Honduran immigrants in other countries remains stable, and they continue remitting money to family members in Honduras.</p> <p>The CUs and FACACH maintain a smooth working relationship.</p>
PURPOSE			
Enhance the administrative and financial management capacity of the credit union sector in Honduras.	<p>CUs</p> <ol style="list-style-type: none"> 1. 24 months after project start, at least 15 more CUs have achieved PEARLS ratings of “BB.” (Initially, 5 CUs had a “BB” rating, and 38 had lower ratings). 2. 24 months after project start, the CUs have written off 100% of accounts that are 360 days past due, maintain a provision of at least 35% against debts less than one year past due, and have doubled the baseline ratio of deposits to assets; their average deposit rate is not below 75% of the prevailing market rate. 	<ol style="list-style-type: none"> 1. Mid-term evaluation 2. PEARLS system 3. CU financial statements 4. Baseline report 5. Project completion report 6. FACACH financial statements 7. FACACH statistics 8. Membership documents 	<p>The CUs maintain and improve the financial monitoring system enabling them to enhance their administrative and financial management capacity.</p> <p>The FACACH succeeds in expanding the pool of CUs working on a strategic partnership basis to deliver services.</p> <p>Credit union leaders remain committed to working together toward a financially sound sector.</p>

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions
	<p>3. By project completion, 15 more CUs have achieved an “A” rating on the PEARLS scale. (Initially 11 had “A” and 47 had lower ratings.)</p> <p>4. 24 months after project start, the CUs have credit regulations that incorporate environmental guidelines and lists of activities not to be financed.</p> <p>5. 24 months into the project, the CUs have increased their clearing and remittance operations by 10%, and by 20% by project completion.</p> <p>FACACH</p> <p>1. 24 months into the project, the Federation has achieved a “BBB” rating.</p> <p>2. By project completion, the number of CUs currently using the PEARLS system has increased by 20%. (The baseline figure was 76.1% (70 of the 92 CUs belonging to FACACH); by project end, 91% (84 CUs) of the CUs in FACACH will be using the PEARLS system for management control.</p>		
COMPONENTS			
<p>I. Development and implementation of tools for risk control, administration, and management.</p>	<p>1. 24 months into the project, 50 CUs have received training.</p>	<p>1. Accounting records and project oversight statistics.</p> <p>2. Record of systems implementation at CUs.</p>	<ul style="list-style-type: none"> ▪ The CUs and the FACACH achieve and maintain a “B” rating. ▪ CUs with a “CCC” or higher PEARLS rating maintain or improve their rating.

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions
	<ol style="list-style-type: none"> 2. 24 months into the project, the methodology is in place for implementation of the administrative handbooks (policies, functions, processes, and operational risk management) and the financial risk management handbooks. 3. By project completion, 50 CUs have received training and at least 20 have introduced administrative handbooks (policies, functions, processes, and operational risk management). 4. By project completion, 50 CUs have received training, and at least 20, including the FACACH, have adopted financial technology tools to manage financial risks (credit, liquidity, interest rate, and exchange). 	<ol style="list-style-type: none"> 3. CU financial reports and financial statements 4. Project evaluations and semiannual reports 5. Consultant reports 6. Baseline 	<ul style="list-style-type: none"> ▪ Commitment on the part of management and leaders in the FACACH and CUs to work in a disciplined fashion and in partnership with one another, and to introduce new products. ▪ The CUs and FACACH maintain the interest and incentive to establish and administer a risk management system.
II. Development and implementation of new financial products and services.	<ol style="list-style-type: none"> 1. 24 months into the project, the clearing tool has been designed and programmed with its twin handbooks (one for users, the other for the system administrator) for implementation at the credit unions. 2. By project completion, 25 CUs have introduced clearing operations and have a “B” rating. 3. 24 months into the project, the remittances tool has been designed and programmed with its twin handbooks (one for users, the other for the system administrator) for implementation at the credit unions. 4. By project completion, 25 CUs are conducting remittance operations and have a “B” rating. 	<ol style="list-style-type: none"> 1. PEARLS rating system 2. CU financial statements 3. Remittances and clearing operations records 4. Project evaluations and semiannual reports 5. Consultant reports 	<ul style="list-style-type: none"> ▪ The CUs and the FACACH continue to meet demand for clearing and remittance services and, in general, for new and different savings and loan financial services. ▪ The new products are relevant and accessible for CU customers, especially the smaller ones.

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions
III. Development of a sector financial information system for the credit union sector.	<ol style="list-style-type: none"> 1. 24 months into the project, the parts of the clearing tool having to do with centralizing operations in the FACACH have been designed and programmed. 2. 24 months into the project, the parts of the remittances tool having to do with centralizing operations in the FACACH have been designed and programmed. 3. 24 months into the project, the FACACH has administrative manuals in place (policies, functions, processes, and operational risk management) for its activities with its affiliates. 4. 24 months into the project, the statistical and financial information system has been designed and programmed, and is being tested. 5. By project completion, the statistical and financial information system is up and running. 	<ol style="list-style-type: none"> 1. FACACH administrative handbooks 2. Member surveys 3. Project and sector statistics 4. Midterm evaluations 5. Semiannual reports 6. Consultant reports 	<ul style="list-style-type: none"> ▪ The financial sector and regulatory and oversight bodies continue to be interested in collecting information on loans, savings, and investment in the credit union sector and in making those figures transparent. ▪ The CUs continue to be interested in reporting their figures and centralizing information through the FACACH.
ACTIVITIES COMPONENT I 1.1. Diagnostic assessment of administrative management 1.2. Workshop to present assessment findings	MIF: \$781,350 Counterpart: \$317,400 Estimated duration of activity, from the date the agreement is signed. 1.1 6 months 1.2 8 months	1. Accounting records of CUs, FACACH, and project special accounts 2. Invoices paid	<ul style="list-style-type: none"> ▪ 100% of counterpart funding has been contributed by the CUs and FACACH by project completion. ▪ CU and FACACH leaders remain committed to completing execution of the project.

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions
1.3. Training on policies, handbooks, and processes 1.4. Implement management policies and handbooks in at least 20 credit unions 1.5. Inventory and evaluate computer hardware and software 1.6. Inventory, evaluate and design financial standards for risk management (liquidity, credit, interest rate, exchange rate, market price of investments) 1.7. Training on financial risk management 1.8. Design, develop, and build technology tools for financial risk management 1.9. Implement in-situ financial risk management tools for 20 credit unions 1.10. Procurement of computer hardware	1.3 10 months 1.4 15 months 1.5 6 months 1.6 12 months 1.7 15 months 1.8 18 months 1.9 24 months 1.10 6 months	3. Consulting reports 4. Project evaluations 5. Semiannual reports	
Component II: 2.1. Conduct market research to evaluate current remittance and clearing products and determine potential demand 2.2. Design a new clearing and remittances product or service, including blueprint, handbooks, procedures, training, and dissemination 2.3. Standardize and strengthen the remittance and financial operations (clearing) service and processes, including systems, implementation, server, and communications	MIF: \$142,000 Counterpart: \$182,000 2.1 6 months 2.2 12 months 2.3 18 months	1. Accounting records of the CUs, FACACH, and project special accounts 2. Invoices paid 3. Consulting reports 4. Project evaluations 5. Semiannual reports 6. Periodic reports on clearing and remittances	

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions
<p>Component III:</p> <p>3.1. Conduct an institutional diagnostic assessment of FACACH that includes recommendations for strategic financial, operational, and administrative improvements</p> <p>3.2. Implement a credit union sector information system</p> <p>3.3. Project executing unit</p>	<p>MIF: \$216,000</p> <p>Counterpart: \$25,000</p> <p>6 months</p> <p>3.2 36 months</p> <p>3.3 48 months</p>	<p>1. Accounting records of the CUs, FACACH, and project special accounts</p> <p>2. Invoices paid</p> <p>3. Consulting reports</p> <p>4. Project evaluations</p> <p>5. Semiannual reports</p> <p>6. Periodic reports on the credit union sector</p>	

Itemized General Budget

INSTITUTIONAL STRENGTHENING OF CREDIT UNIONS IN HONDURAS ITEMIZED BUDGET					
COMPONENT/ACTIVITY	FINANCING REQUIREMENTS			TOTAL	TIME PERIODS OUTCOMES
	IDB	CUs	FACACH		
COMPONENT I					
1. Three studies to review, update, train, and certify tools for risk control, management, and administration					This review will be based on a representative sample, to include, in principle, 15 credit unions (CUs): 3 that do not belong to FACACH, 2 CUs that are members of Unired, and 10 others belonging to FACACH, but not Unired.
Diagnostic assessment of administrative management	39,950	0	1,300	41,250	Approximately US\$2,750 per credit union
Workshop to present assessment findings	30,000	0	2,500	32,500	Meeting at a hotel, to which all CUs are invited
Training on policies, handbooks, processes, functions, and operational risks (50 credit unions (CUs))	28,600	0	1,400	30,000	Trainers US\$9,600; US\$2,500 per diem, US\$12,000 board and lodging. There will be 12 three-day courses, attended by 5 groups of CUs on 4 weekends.
Technical assistance for implementation at 20 CUs (includes costs of FACACH monitoring of all risk management tools during implementation).	178,800	51,200	20,000	250,000	US\$12,500 x 20 CUs = \$240,000
					Large > US\$5.5 million in assets; 3 CUs - 60% MIF Medium-sized: US\$1.9 million < US\$5.5 million; 5 CUs - 70% MIF Small: < US\$1.9 million; 12 CUs - 80% MIF
Inventory and evaluate computer hardware and software	12,000	0	3,000	15,000	2 consultants, US\$6,000, 2 assistants US\$3,000; per diem US\$3,000 for one month, sending the survey to all CUs and visiting a sample (25 CUs)
Inventory, evaluate and design financial standards for risk management (liquidity, credit, interest rate, exchange rate, investment price)	28,500	0	1,500	30,000	One international and one local consultant at an average cost of US\$1,500/CU
Training on risk management (50 CUs)	30,000	0	0	30,000	50 CUs for three days.
Technical assistance to develop and build tools for financial risk management	100,000		0	100,000	5 tools (liquidity, credit, interest rate, exchange rate, and valuation of assets) at US\$20,000 each
Technical assistance to introduce tools for managing financial risk at the head offices of 20 CUs	223,500	86,500	0	310,000	US\$15,500 x 20 CUs. Same system as 1.4
Procurement of computer hardware	110,000	150,000	0	260,000	Budget for 20 CUs, one server per CU, and 3 computers
TOTAL COMPONENT I	781,350	287,700	29,700	1,098,750	
COMPONENT II					
Conduct market research to evaluate current remittance and clearing products and determine potential demand	40,000	5,000	5,000	50,000	1 senior consultant and 2 assistants, plus field surveyors. Tabulation and analysis of information. Duration: 3-5 months
Design at least three financial products or services based on the demand study findings including blueprint, handbooks, procedures, implementation, and training	30,000	9,500	12,000	51,500	Design at US\$10,500 per product, handbooks, procedures, and publicity US\$10,000; Training US\$10,000
Standardize and strengthen remittance and clearing services and processes, including software development, servers, and communication interface equipment				0	
Design (consulting services)	40,000	12,000	8,000	60,000	Development of software to handle remittances US\$30,000; development of software for bank clearing operations: US\$30,000
Technical assistance	0	45,000	7,500	52,500	US\$2,250/CU plus per diem and transportation costs
Equipment	32,000	52,000	26,000	110,000	22 servers (20 CUs, 1 FACACH and 1 backup), 20 modems, and 1 encoder
TOTAL COMPONENT II	142,000	123,500	58,500	324,000	

Itemized General Budget

INSTITUTIONAL STRENGTHENING OF CREDIT UNIONS IN HONDURAS ITEMIZED BUDGET					
COMPONENT/ACTIVITY	FINANCING REQUIREMENTS			TOTAL	TIME PERIODS OUTCOMES
	IDB	CUs	FACACH		
COMPONENT III					
Conduct an institutional diagnostic assessment of FACACH (operational, financial administrative, and as a professional association)	15,000		5,000	20,000	2 months, 1 senior consultant and 1 assistant
Design credit union sector information systems (centralized statistics office and web page)	55,000		20,000	75,000	Analysis and design of information system US\$75,000
Procurement of Universal software	66,000			66,000	Communication software US\$5,000; Web software US\$3,000; Database software US\$35,000; Operating sytem US\$4,000; Programming software US\$10,000; Firewall US\$5,000; miscellaneous US\$4,000
Procurement of hardware for the information system and FACACH requirements	80,000			80,000	UPS and inverter US\$10,000; Server US\$50,000; 2 desktop computers, 2 laptops, 1 printer.
SUBTOTAL COMPONENT III	216,000	0	25,000	241,000	
PROJECT EXECUTING UNIT					
Project coordinator	120,000			120,000	US\$2,500 for 48 months
Administrative assistant for financial matters			57,600	57,600	US\$1,200 for 48 months
Furniture and fittings (fax, desk, telephone, filing cabinets)			20,400	20,400	All equipment will be for the project executing unit and advisers to the FACACH's Business Development Department for monitoring and evaluation of 20 CUs
Operating expenses			57,600	57,600	US\$1,200/month
Travel and per diem expenses	10,000		15,000	25,000	(Project Executing Unit and Business Development Department)
TOTAL PROJECT EXECUTING UNIT	130,000	0	150,600	280,600	
TOTAL COMPONENT III	346,000	0	175,600	521,600	
MONITORING AND EVALUATION SYSTEM					
Baseline consultation	15,000			15,000	
Audit	20,000			20,000	
Midterm evaluation	10,000			10,000	
Final evaluation	15,000			15,000	
TOTAL MONITORING SYSTEM	60,000	0	0	60,000	
CONTINGENCIES	95,650			95,650	
GRAND TOTAL FOR THE PROJECT	1,425,000	411,200	263,800	2,100,000	
Percentage	67.9%	19.6%	12.6%	100.0%	

Budget Breakdown by Category

	COMPONENT/ ACTIVITY COMPONENT - 1	FINANCING REQUIREMENTS			TOTAL
		IDB	CUs	FACACH	
1	CONSULTING SERVICES/STUDIES				
	Diagnostic assessment of administrative management	39,950	-	1,300	41,250
	Inventory and evaluate computer hardware and software	12,000	-	3,000	15,000
	Inventory, evaluate and design financial standards for risk management (liquidity, credit, interest rate, exchange rate, market price of investments)	28,500	-	1,500	30,000
	Subtotal Consulting services --> I,V,VI,VIII	80,450	-	5,800	86,250
2	TECHNICAL ASSISTANCE				
	Technical assistance to design, develop, and build tools for financial risk management	100,000	-	-	100,000
	Technical assistance for implementation/certification at 20 CUs, operational risks	178,800	51,200	20,000	250,000
	Technical assistance to introduce tools at the head offices of 20 CUs	223,500	86,500	-	310,000
	Subtotal technical assistance --> IV,IX	502,300	137,700	20,000	660,000
3	TRAINING				
	Workshop to present findings of administrative diagnostic assessment	30,000	-	2,500	32,500
	Training on policies, handbooks, processes, functions, and financial risks (50 CUs)	28,600	-	1,400	30,000
	Training on risk management	30,000	-	-	30,000
	Subtotal - Training --> II,III,VII	88,600	-	3,900	92,500
4	EQUIPMENT				
	Procurement of computer hardware	110,000	150,000	-	260,000
	Subtotal - Equipment --> X	110,000	150,000	-	260,000
	TOTAL COMPONENT - 1	781,350	287,700	29,700	1,098,750

	COMPONENT/ ACTIVITY COMPONENT - 2	FINANCING REQUIREMENTS			TOTAL
		IDB	Cus	FACACH	
1	CONSULTING SERVICES/STUDIES				
	Conduct market research to evaluate current remittance and clearing products and determine potential demand	40,000	5,000	5,000	50,000
	Design at least three financial products or services based on the demand study findings, including blueprint, handbooks, procedures, implementation, and training	30,000	9,500	12,000	51,500
	Design of study into clearing and remittances	40,000	12,000	8,000	60,000
	Subtotal consulting services	110,000	26,500	25,000	161,500
2	TECHNICAL ASSISTANCE				
	TECHNICAL ASSISTANCE capac. 2 x 20 = 40	-	45,000	7,500	52,500
	Subtotal TECHNICAL ASSISTANCE --> IV,IX	-	45,000	7,500	52,500
	EQUIPMENT				
	Modems	6,000	12,000	-	18,000
	Servers	26,000	-	24,000	50,000
	Communication	-	40,000	2,000	42,000
	Software	-	-	-	-
	Subtotal Equipment --> X	32,000	52,000	26,000	110,000
	TOTAL COMPONENT - 2	142,000	123,500	58,500	324,000

	COMPONENT/ ACTIVITY COMPONENT - 3	FINANCING REQUIREMENTS			TOTAL
		IDB	Cus	FACACH	
1	CONSULTING SERVICES/STUDIES				
	Conduct an institutional diagnostic assessment of FACACH (operational, financial, administrative, and as a professional association)	15,000	0	5,000	20,000
	Design credit union sector information systems (centralized statistics office and web page)	55,000	0	20,000	75,000
	Subtotal Consulting Services	70,000	-	25,000	95,000
	EQUIPMENT				
	Procurement of hardware	80,000	0	0	80,000
	Procurement of Universal software	66,000	0	0	66,000
	Subtotal Equipment --> X	146,000	-	-	146,000
	TOTAL COMPONENT - 3	216,000	-	25,000	241,000

TOTAL COMPONENTS 1,2,3,	1,139,350	411,200	113,200	1,663,750
Project Executing Unit	130,000	0	150,600	280,600
Monitoring system	60,000	0	0	60,000
Contingencies	95,650	0	0	95,650
	1,425,000	411,200	263,800	2,100,000

MIF Operations for the strengthening of Credit Unions

Country	Year	Operation Number	Project Name	MIF Financing
Bolivia	1993	MIF/AT-1	Strengthening of the Rural Credit Unions serving microentrepreneurs. ATN/ME-4409-BO	800,000
Bahamas	1998	MIF/AT-201	Strengthening of the Bahamas Co-operative Credit Union System. ATN/ME-6212-BH	660,000
Chile	2002	MIF/AT-461	Strengthening of the Chilean Credit Unions.	660,000
Colombia	1998	MIF/AT-415	Strengthening of the Credit Union System. Strengthening of Superintendencia de Economía Solidaria. ATN/MT-6279-CO	1,415,000
Ecuador	1998	MIF/AT-156	Strengthening of the Credit Union system. ATN/MT-5878-EC	706,000
Jamaica	1994	MIF/AT-32	Strengthening of the Jamaican Credit Unions. ATN/MT-4763-JA	1,900,000
México	2002	MIF/AT-459	Strengthening of institutions in the low income and savings sector and strengthening of the network of savings and loans entities. ATN/MT-7792-ME	3,500,000
Perú	1999	MIF/AT-276 and MIF/AT-277	Strengthening of the structure for delegated regulation and supervision of credit Unions and strengthening of rural and municipal savings and loans institutions. ATN/ME-6635-PE y ATN/ME-6636-PE	2,500,000
El Salvador	2001	MIF/AT-401	Strengthening of the Credit Unions and workers banks system. ATN/ME-7359-ES	2,000,000
Trinidad y Tobago	1995	MIF/AT-60	Strengthening of the Credit Unions in Trinidad and Tobago. ATN/ME-5054-TT ATN/MH-5055-TT	945,000
			TOTAL	15,086,000

Similar or related projects in execution in Honduras
TC-0206015-HO Institutional Strengthening of the Credit Unions

A. Similar or related MIF Projects in Honduras

None

B. Similar or related Bank projects in Honduras

None

C. Projects related to the same sector or beneficiaries

Project Number/Approval Date	Project Name, Executing Agency and Amount	Signing date and disbursement period in months	Percentage disbursed	Comments.
ATN/MH-5128-HO 01/23/1996	Rural Entrepreneurship Development Program El Zamorano School \$1,890,000	10/02/1996 66 months	100%	Ended succesfully.
ATN/ME-6342-HO 01/04/1999	Institutional Strengthening of FINSOL- Financiera Solidaria S.A. \$300,000	03/12/1999 24 months	100%	Ended sucesfully but with an extensión of 22 months.
ATN/ME-6499-HO 05/12/1999	Microenterprises Network Expansion Centro de Recursos y Tecnología (CERTEC) \$700,000	05/20/1999 60 months	68%	Yellow Flag: unfavorable development perspectives (outputs)
ATN/MH-6576-HO 07/7/1999	Competitiveness of textile Sector Fundación para la Investigación y el Desarrollo Empresarial (FIDE) \$705,000	08/17/1999 36 months	50%	Project being reformulated.

Project Number/Approval Date	Project Name, Executing Agency and Amount	Signing date and disbursement period in months	Percentage disbursed	Comments.
ATN/ME-6946-HO 04/25/2000	Institutional Strengthening of Bancomer BANCOMER \$270,000	05/17/2000 24 months	9%	Cancelled \$245,000 (91%)
ATN/ME-7118-HO 08/20/2000	Institutional Strengthening of BANHCAFE Banco Hondureño del Café \$273,000	09/19/2000 36 months	100%	Ended successfully
ATN/ME-7835-HO 04/03/2002	Strengthening Agroexporter Capacity Federación de Agroexportadores de Honduras \$728,150	05/07/2002 54 months	23%	Favorable development perspectives (outputs and outcomes)