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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

HAITI

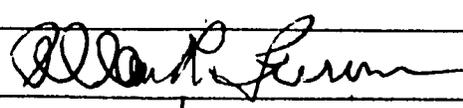
PROJECT PAPER

STRENGTHENING RURAL CREDIT SERVICES

LAC/DR:81-7

Project Number:521-0121

UNCLASSIFIED

<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b> <b>PROJECT DATA SHEET</b>				<b>1. TRANSACTION CODE</b> <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete <input checked="" type="checkbox"/> <b>A</b>		Amendment Number _____		<b>DOCUMENT CODE</b> 3		
<b>2. COUNTRY/ENTITY</b> Haiti				<b>3. PROJECT NUMBER</b> 521-0121						
<b>4. BUREAU/OFFICE</b> LAC				<input type="checkbox"/> 05		<b>5. PROJECT TITLE (maximum 40 characters)</b> Strengthening Rural Credit Services				
<b>6. PROJECT ASSISTANCE COMPLETION DATE (PACD)</b> MM DD YY 09 30 84				<b>7. ESTIMATED DATE OF OBLIGATION</b> (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY <input type="checkbox"/> 8 <input checked="" type="checkbox"/> 1 B. Quarter <input checked="" type="checkbox"/> 4 C. Final FY <input type="checkbox"/> 8 <input checked="" type="checkbox"/> 3						
<b>8. COSTS (\$000 OR EQUIVALENT \$1 = )</b>										
<b>A. FUNDING SOURCE</b>		<b>FIRST FY 81</b>			<b>LIFE OF PROJECT</b>					
		B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total			
<b>AID Appropriated Total</b>										
(Grant)		( 500 )	( 0 )	( 500 )	( 1,419 )	( 981 )	( 2,400 )			
(Loan)		( )	( )	( )	( )	( )	( )			
Other U.S.	1.									
	2.									
Host Country										
Other Donor(s)										
<b>TOTALS</b>										
<b>9. SCHEDULE OF AID FUNDING (\$000)</b>										
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT		
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	
(1) FN	243	246		---	---	2,400		2,400		
(2)										
(3)										
(4)										
<b>TOTALS</b>										
<b>10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)</b> 040      031      010      810								<b>11. SECONDARY PURPOSE CODE</b>		
<b>12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)</b> A. Code _____ B. Amount _____										
<b>13. PROJECT PURPOSE (maximum 480 characters)</b> <div style="border: 1px solid black; padding: 10px; min-height: 100px;"> <p>To strengthen the capability of the BCA to provide credit and other financial services to rural Haitians on a financially viable basis.</p> </div>										
<b>14. SCHEDULED EVALUATIONS</b> Interim MM YY MM YY Final MM YY 02 82 03 83 08 84					<b>15. SOURCE/ORIGIN OF GOODS AND SERVICES</b> <input type="checkbox"/> 000 <input checked="" type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify) _____					
<b>16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)</b>										
<b>17. APPROVED BY</b>		Signature Allan R. Furman 			<b>18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION</b>					
		Title USAID/Director			Date Signed MM DD YY 07 07 81		MM DD YY			

PROJECT AUTHORIZATION

Name of Entity : Government of Haiti  
Name of Project : Strengthening Rural Credit Services  
Number of Project : 521-0121

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Strengthening Rural Credit Services Project for Haiti involving planned obligations of not to exceed Two Million Four Hundred Thousand U.S. Dollars (\$2,400,000) in grant funds over the planned life of project of three years and three months from the date of initial obligation, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project.

2. The project consists of advisory assistance, training, commodities, construction and other activities to assist the Agricultural Credit Bureau (BCA) to strengthen its capacity to provide credit, savings and other financial services to rural Haitians on a financially viable basis. The grant funds provided by A.I.D. will be complemented by Government of Haiti contributions which will cover BCA's operating deficits and provide capital resources to allow for moderate growth in BCA's loan portfolio.

3. a. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

b. Source of Goods and Services

Goods and services, except for ocean shipping, financed by A.I.D. under the Project shall have their source and origin in Haiti or A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States or Haiti.

c. Conditions Precedent to Initial Disbursement

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, the Grantee, except as A.I.D. may otherwise agree in writing, shall furnish in form and substance satisfactory to A.I.D.

(1) An opinion of the Secretary of State of Justice of the Republic of Haiti or other counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of the Republic of Haiti, and that it constitutes a valid and legally binding obligation of the Republic of Haiti in accordance with all of its terms; and

(2) A statement of the name of the person holding or acting in the office of the Grantee, and of any additional representatives, together with a specimen signature of each person specified in such statement.

d. Conditions Precedent to Disbursement for Activities other than Technical Assistance and Studies

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance activities other than technical assistance and studies the Grantee will, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D. evidence that Article 22 of the organic law of the Agricultural Credit Bureau has been revised such that a maximum interest rate is not fixed by this law but by action of the BCA's Administrative Council following the general policy of the Banque de la République d'Haiti.

e. Conditions Precedent to Disbursement for Construction

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance the construction of any facility, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D. evidence that the Grantee has acquired title to the land on which that facility is to be constructed.

f. Conditions Precedent to Disbursements for Long-Term Training

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance overseas, long-term training, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.:

(1) Evidence that the candidate selected for such training has signed a commitment to return to Haiti and to provide services to the BCA for a period at least equal to the time spent in training and

(2) Evidence that the candidate selected for such training is guaranteed a position in the BCA upon his return equal to or superior to the one held by the candidate prior to such training.

g. Special Covenants

(1) The Grantee agrees to establish an evaluation program as part of the project. The program will include, during the implementation of the Project and at one or more points thereafter;

(a) evaluation of progress toward attainment of the objectives of the Project;

(b) identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems; and

(d) evaluation, to the degree feasible, of the overall development impact of the Project.

(2) The Grantee agrees to finance all operating deficits incurred by the BCA during the life of the Project in a manner which does not reduce the capital of the BCA.

(3) The Grantee agrees to advise and consult with A.I.D. on any proposed changes in BCA's organization or legal structure prior to the proposals being submitted for legislative action or decree.

Allan R. Furman  
Director USAID/Haiti

Clearances:

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	D. Shannon	CONT	6/26/81
			Date
	Approved in draft		6/17/81
	R. Meighan	RLA	Date

## ACRONYMS

BCA	Bureau de Crédit Agricole Agricultural Credit Bureau
BNC	Banque Nationale de Crédit National Credit Bank
BNRH	Banque Nationale de la République d'Haiti National Bank of the Republic of Haiti
BRH	Banque de la République d'Haiti Bank of the Republic of Haiti
CIDA	Canadian International Development Agency
CUNA	Credit Union National Association
DARNDR	Département de l'Agriculture, des Ressources Naturelles et du Développement Rural Department of Agriculture, Natural Resources, and Rural Development
DRIPP	Développement Régional Intégré de Petit-Goave et de Petit-Trou de Nippes Integrated Regional Development ( Agency) for Petit-Goave and Petit-Trou de Nippes
IDA	International Development Agency
IDAI	Institut de Développement Agricole et Industriel Institute for Agricultural and Industrial Development
IDB	Inter-American Development Bank
IHPCADE	Institut Haitien pour la Promotion du Café et des Denrées d'Exportation Haitian Institute for Coffee Promotion and Commodity Export
ODN	Organisme du Développement du Nord Organization For Development of the North
ODPG	Organisme de Développement de la Plaine des Gonaives Organization for Development of the Gonaives Plain
ODVA	Organisme de Développement de la Vallée de l'Artibonite Organization for Development of the Artibonite Valley
PPC	Petites Plantations Cafésières Small Farmer Improvement
SAC	Société de Crédit Agricole Agricultural Credit Society
SEP	Secrétairerie d'Etat du Plan State Secretariat of Plan

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## I. SUMMARY AND RECOMMENDATIONS

### A. Project Background

The availability of formal rural financial services in Haiti is very limited. There is no private commercial banking system in rural areas. Formal financial services currently available include only: (1) agricultural production credits extended through the Institut de Développement Agricole et Industriel (IDAI), the Bureau de Crédit Agricole (BCA) and several regional development organizations and (2) savings and credit services through a relatively small credit union movement. It is estimated that less than ten percent of Haitian rural households have access to these formal financial services. Thus, in Haiti the limitation of formal rural financial services includes not only a limitation in the types of services available but limited patronage as well.

This limitation on availability of formal financial services severely constrains the process of rural development. Thus, to provide for increases in rural private sector investments during the late 1980's and on into the 1990's, a solid foundation for rural development banking must be established. Several other major factors must be considered with respect to rural development banking. First, one of the greatest problems affecting rural Haitians is malnutrition. Thus, the near term priority in rural development banking is an expansion of food production credits employing labor intensive technologies. Second, recognizing the immensity of the investment requirements over the longer term, rural savings mobilization must be introduced to complement both external and urban based capital. Third, given the absence of any formal commercial rural financial sector, rural development banking will remain an initiative of the public sector. Fourth, recognizing the limited GOH capacity to subsidize operating costs and thereby constrain expansion, the operating losses of rural development banking must be minimized. Fifth and lastly, given its past involvement with small farmer groups and emphasis on traditional food crop production, given its improvements in both effectiveness and efficiency of current operations and given its recent initiatives in reorganization and control, the BCA is logically the institution which should serve as the foundation for a broad-based rural development banking network.

### B. Project Description

The goal of the project is to accelerate rural development in Haiti, with rural development defined in terms of direct increases in the standard of living of rural Haitians. The gains sought include increases in food production and marketing in rural areas and employment generation for the purpose of providing the lowest income strata the wherewithal to purchase food commodities. The purpose of the project is to strengthen the capability of the BCA to provide credit, savings and other related banking services to rural Haitians on a financially viable basis. The project complements other rural development

activities of the Mission, which are aimed at increasing rural infrastructure (i.e. roads, irrigation and health care) and rural institution building (e.g. agricultural research).

Through the provision of advisory services, training, commodities, construction and capital, the project will strengthen the BCA in four areas, each representing a component of the project. First, administration and management will be improved by the revamping of BCA's organizational structure, operating systems and personnel systems and by additions to its physical infrastructure. This component represents essentially expansion of the Mission's recent support to the BCA and is based on progress to date. Second, BCA's banking services will be expanded. This includes an expansion of agricultural production credit and an expansion of other banking services. The expansion of agricultural production credit includes extension of geographical coverage, as well as the increasing of available capital in locations currently served. Other banking services to be expanded include savings services (i.e. passbook and time deposit accounts) and accounting and money transfer services to other GOH financial institutions. The third component is strengthening of financial viability and includes adjustments in interest rates and fees to minimize operating deficits, a rationalization of GOH contributions covering development banking costs, and improved portfolio management and planning for capital requirements. The fourth and final component is an assessment of rural financial markets in Haiti and the potential for and character of an expanded BCA role therein. One of the studies carried out under this component will address the feasibility of a merger of the small farmer credit portfolio of IDAI with the BCA. The studies will also examine ways BCA's activities can be coordinated better with DARNDR's rural extension services. The assessment will subsequently address issues of a longer term nature, such as the pace and pattern of the BCA evolution into rural development banking.

### C. Project Funding

The A.I.D. grant provides \$2,400,000 in foreign exchange and local costs over a period of 3 years. The A.I.D. grant funds include: \$530,000 for long and short-term technical assistance, \$232,000 for training, \$450,000 for commodities, \$792,000 for construction, \$50,000 to implement pilot savings mobilization programs, \$150,000 for the assessment/studies of rural financial markets, \$30,000 for evaluation and \$66,000 for contingencies. Inflation factors have been built into all the cost estimates individually. The total A.I.D. contribution represents approximately 39 percent of total project costs.

The GOH contribution provides \$3,776,000 in local costs over the life of project. The GOH contribution includes \$110,000 for commodities, \$2,000,000 for capital and \$1,666,000 to cover the anticipated operating deficits. The commodities and capital contribution will be from PL 480 generated funds while the funds covering the operating deficits will come from general revenues. The total GOH contribution represents approximately 61 percent of total project costs.

#### D. Issues

Two issues evolved during project development which potentially could jeopardize the success of the project. The issues and their current state of resolution are discussed below.

##### 1. Proposed Merger of the BCA and the Agricultural Division of IDAI to Create an Agricultural Credit Bank (ACB)

The proposal by the Ministry of Plan (SEP) to merge the BCA and the IDAI agricultural credit division into an ACB has been withdrawn. A new proposal being considered is for the BCA to absorb the small farmer credit portfolio of the IDAI. The BCA and the Mission do not disagree in principle with such a transfer, but do believe that such a transfer should only be effected following an in-depth analysis of the two credit portfolios, staffing requirements, logistics and other financial and administrative aspects and ramifications of such a merger. Such an analysis will be included in the studies/assessment component of the project. A more complete discussion of the proposed organizational transfer is contained in the Administrative Analysis section of this project paper.

##### 2. Continuing GOH Subvention of the BCA

The GOH has traditionally subvented small farmer production credit. In the case of the IDAI, special taxes are earmarked as a subsidy while in the case of BCA, annual transfers from both the public treasury and the PL 480 account have been provided. With the expansion of the BCA portfolio in recent years, the magnitude of the required subvention has increased substantially; in 1975 the deficit was about \$60,000 while in 1979 it had increased to over \$260,000. Despite expected gains in efficiencies which should result in nominal annual growth rates of 35 percent for income but only 18 percent for costs assuming a continuation of the current interest and fee schedule, the annual deficit by the end of the project is projected at \$490,000. It is doubtful that the GOH can maintain such a high level of subvention if it draws solely on funds from the public treasury. Furthermore, an even greater expansion of rural credit is anticipated after project termination, and such an expansion cannot be supported unless the BCA is allowed to increase its operating income, necessitating further increases in interest rates and fees.

In discussions concerning the issue, the GOH has recognized the need to remedy the situation but has also pointed out its view that equity considerations should prevail with respect to BCA small farmers enjoying the same low interest rates provided industry and larger farmers. It has also indicated that the BCA provides developmental services which should continue to be subsidized. The USAID position recognizes the equity considerations but has urged the GOH to consider more appropriate means of subsidizing small farmers than with arti-

ficially low interest rates. The USAID also agreed that to the extent the BCA provides developmental services these should be subvented. It did not, however, agree to the GOH using PL 480 Title I generated funds to subsidize banking services to small farmers.

As a result of the discussions and negotiations, it was agreed that interest rates and fees charges by the BCA would be increased gradually over the IOP. (See Financial Analysis). A necessary first step to this process is for Article 22 of the BCA organic law to be amended in a manner which allows the BCA Administrative Council flexibility to set the interest rate by its own action. (The current legislation specifies an interest rate ceiling of 9 percent). It was also agreed that during the project, the costs of BCA operations would be studied and categorized into developmental service costs or banking service costs. Such a study will provide the BCA/GOH a more solid basis in determining a more appropriate level of subvention.

#### E. Recommendations

##### 1. Terms of Assistance

Based on the findings of the Project Development Committee, the request for assistance from the Government of Haiti and on the review of the project proposal by the Haiti Mission, it is recommended that a \$2,400,000 grant be approved to assist the GOH to strengthen the capability of the BCA to provide credit and other financial services to rural Haitians on a financially viable basis.

The Grantee will be the GOH acting through the Department of Agriculture, Natural Resources and Rural Development (DARNDR), the State Secretariat of Plan (SEP) and the State Secretariat of Finance and Economic Affairs. Responsibility for project execution is with the Bureau of Crédit Agricole (BCA), a semi-autonomous agency of the GOH.

##### 2. Special Conditions

###### a. Condition Precedent to Disbursement for Other Than Technical Assistance or Studies

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance activities other than technical assistance or studies, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D. evidence that Article 22 of the Bureau de Crédit Agricole organic law is revised such that a maximum interest rate is not fixed by this law but by action of the Administrative Council following the general policy of the Banque de la République d'Haiti.

###### b. Conditions Precedent to Disbursement for Construction

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance the construction of any facility, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D. evidence that the Grantee has acquired title to the land on which that facility is to be constructed.

c. Conditions Precedent to Disbursements for Long-Term Training

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance overseas, long-term training, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.:

(1) Evidence that the candidate selected for such training has signed a commitment to return to Haiti and to provide services to the BCA for a period at least equal to the time spent in training and

(2) Evidence that the candidate selected for such training is guaranteed a position in the BCA upon his return equal to or superior to the one held by the candidate prior to such training.

d. Special Covenants

(1) The Grantee agrees to finance all operating deficits incurred by the BCA during the life of the Project in a manner which does not reduce the capital of the BCA.

(2) The Grantee will agree to advise and consult with A.I.D. on any proposed changes in BCA's organizational or legal structure prior to the proposals being submitted for legislative action or decree.

F. Project Preparation and Review

The PID was completed in May, 1980 and reviewed by the DAEC in Washington that same month. The DAEC provided authorization to proceed with the development of the Project Paper pending the results of discussions with senior COH officials concerning question of BCA future status and mandate. The Mission reported by cable to the DAEC on tis subsequent discussions and the DAEC provided its go ahead on project development in late June 1980. The project was then developed over the following year by the following committees and outside advisors. The USAID/Haiti project development committee included:

John A. Becker, Agricultural Economist, Project Design and  
Coordination Division;

Scott E. Smith, Chief, Project Design and Coordination Division;

Michael Baldwin, IDI, Project Design and Coordination Division;

Ernst Paultre, Office of Engineering, Technology and Energy and;

Robert Leonard, Financial Analyst, Controller's Office.

The BCA Project development committee included:

Rodini Conte, Director, BCA

Karl Honoré, Chief, Financial Division, and

Saturnin Louis, Chief Technical Service.

The project development committees were assisted by the following advisors, in chronological order:

Chet Aeschliman,	Financial Advisor, CUNA
Peter Marion,	ADP Specialist, CUNA;
Tom Carter,	Director of Programs, CUNA
Dale Adams,	Professor, Ohio State University
Compton Bourne,	Visiting Professor, Ohio State University
David Adams,	Capital Development Officer, AID/W
John Bilderbeck,	Accounting Advisor, CUNA
John Gadway,	Savings Specialist, Private Consultant and;
Dean Mahon,	Accounting Advisor, CUNA

The Project Paper was reviewed in USAID/Haiti by the following officers:

Allan R. Furman,	Mission Director
Scott E. Smith,	Acting Assistant Director;
William S. Rhodes,	Acting Chief, Project Design and Coordination Division
Joel Cotten,	Program Evaluation Officer
Donald Shannon,	Chief, Controller Division
Gerard Neptune,	Chief, Agricultural Development Office
James Gardner,	Chief, Office of Engineering, Technology and Energy;
Robert Gibson,	Regional Contracting Officer
Robert Meighan,	Regional Legal Advisor

## II. PROJECT BACKGROUND AND DETAILED DESCRIPTION

### A. Background and Rationale

#### 1. Financial Services in Haiti: Institutional Setting

There are several institutions in Haiti - public and private - which provide formal financial services to rural areas. Public sector financial services are provided by a public commercial bank, two development banks and several credit operations involved in area development schemes. Private sector financial services consist only of a small credit union movement. There are no private commercial banks in rural Haiti. The impact of formal financial institutions to date has been limited; less than 10 percent of rural households are served by formal financial services. Informal financial services dominate in rural Haiti.

##### a. Formal Public Financial Services

Until 1979, the Banque Nationale de la République d'Haiti (BNRH) combined the functions of a central bank and a public commercial bank. These two functions were split in that year with the creation of the Banque de la République d'Haiti (BRH) which assumed the central banking functions and the Banque Nationale de Credit (BNC) which assumed the commercial banking functions. The BNC operates 11 offices and two agencies throughout the country. Their lending however is limited primarily to non-agricultural activities in and around the towns where they are located.

The largest development bank is the Institut de Développement Agricole et Industriel (IDAI). It was established in 1961, to replace a predecessor agency which also provided credit to both agriculture and industry. In 1980, the IDAI extended slightly more than 5 million dollars of credit, 2.4 million dollars in lending for agriculture and 2.6 million dollars in lending for industry. Lending in both sectors had increased markedly from the previous year with increases of 90 percent and 82 percent for agriculture and industry, respectively. Of funds lent for agriculture, over 50% were short-term credits for rice and bean production destined for the urban Port-au-Prince market. Of the remaining 1.2 million dollars in agricultural lending, approximately \$500,000 were allocated for two industrial crops, cotton and tomatoes. The remainder was provided for sugarcane, tobacco and various food crops. Agricultural lending includes both supervised credit to medium size producers and short-term production loans to groups of small farmers. Operating costs per dollar of lending are high in both programs and default rates are a serious problem. Operating revenues are low due to artificially low interest rates. Of funds lent for industry, approximately 50% were extended to private sector enterprises, with the remainder extended to the IDAI subsidiary, the Société d'Équipement National (SEN) which directly operates a number of agro-industrial enterprises. Industrial lending also suffers from high operating costs and low operating revenues. Operating deficits incurred in both agricultural and industrial lending are offset by special taxes earmarked for the IDAI.

The other development bank and primary formal source of credit to the agricultural sector is the Bureau de Crédit Agricole (BCA). It was established in 1959 to replace a predecessor agency which provided agricultural credit. In 1980, the BCA extended about \$1.7 million of new loans under two programs, the Prêt Ordinaire and the Coffee Production and Promotion (PPC) scheme; the latter supported by USAID. Of the \$1.7 million, over \$1.5 million was extended under Prêt Ordinaire, while only about \$150,000 in new loans were made in PPC. These amounts represented over a one hundred percent increase in Prêt Ordinaire lending and a decrease of about forty percent in PPC lending. Of the lending under the Prêt Ordinaire scheme, only about twenty percent was for commercial crops. An estimated three quarters of the Prêt Ordinaire is extended for food crops. BCA lending is done primarily through groups of 7 to 15 small farmers called Sociétés Agricoles de Crédit (SACs), although loans are also extended to cooperatives and individuals. Operating costs are high per dollar loaned and defaults under the PPC program are inordinately high. Operating revenue generation is inadequate and the resulting deficits are covered by GOH subsidies. The FY 1980 operating loss covered by subsidy was nearly \$220,000, or about 13% of lending volume.

In addition to funds lent by the IDAI and the BCA, rural (primarily agricultural) credit is a component of several integrated rural development schemes implemented by semi-autonomous regional development organizations, most of which have begun operations only in the last three or four years. These programs, generally financed by international donor organizations, are presently active in the North (ODN), the Gonaives Plain (ODPG), the Artibonite Valley (ODVA), and the area around Petit-Goave in the southern peninsula (DRIPP). The credit operations of these organizations are usually managed by the corresponding regional development organizations with minimal involvement of the regular GOH credit institutions. This represents a proliferation of agricultural credit programs, each with their own objectives, procedures and lending criteria. This problem of uncoordinated proliferation has been recognized and increased inter-governmental coordination on credit has been begun. The IDAI has signed an accord with the ODVA and the ODN credit operations are to be taken over by the BCA. The DRIPP project has discussed integrating its credit operations with both the IDAI and the BCA. In sum, the integrated rural development schemes have substantial amounts of funds available for agricultural credit. However, with the exception of extension of credit to the regional project in the Artibonite Valley (the location of some of the richest agricultural lands) a paltry amount has been lent to date. For example, after three years, the ODN has been able to extend less than \$100,000 in short and medium term credits. This performance has been in part due to delays in developing and extending individual credit systems. The credit systems of the integrated schemes have also had high default rates and required heavy subsidization of costs.

#### b. Formal Private Financial Services

The only formal private financial services in rural areas are those provided by a small and poorly organized credit union (caisse populaire) movement. As indicated above, there are no private commercial banks serving rural Haiti. Although information about the caisses populaires is sketchy, recent estimates by CUNA are that perhaps 60 caisses populaires exist, with total shares and savings amounting to about \$1.0 million. As most of these caisses populaires are in Port-au-Prince, it is doubtful if they play a significant role in rural, especially agricultural lending. A particularly

successful group of primarily rural-based caisses populaires exists in the Southern Peninsula, in and around les Cayes, under the leadership of the Oblate Fathers. These caisses populaires, while having only limited success in rural lending, have demonstrated that rural savings do exist in Haiti and that these savings can be mobilized for investment.

c. Informal Financial Services

By far the largest amount of rural financial activity in Haiti takes place through informal channels. No single detailed study on the operations of informal credit in Haiti has been undertaken. However, information is available from a number of reports and studies of rural Haiti that provide a partial picture of these operations. Informal lending is most often associated with the consumption and planting needs of the small farm family and with the rural marketing process. Loans are frequently required to purchase commodities to feed the family between sowing and harvesting seasons, since storage of agricultural commodities from one harvest to the next is difficult and thus not widely practiced. "Consumption" loans are also required for ceremonies such as weddings and funerals, repayment of debts accumulated by deceased parents prior to their death or to pay for expenses incurred during long or severe illnesses. With respect to marketing, working capital is required to permit the purchase of produce in rural areas before it is brought to market in urban consumption centers.

Interest-free loans among family and neighbors are not uncommon, e.g. when the borrower has some sort of personal or familial emergency. However, such short-term interest-free loans do not appear to be extended for business (i.e. farming or marketing) purposes. The most common sources of informal credit for farming purposes are the marketing intermediaries, i.e. the speculator and the Madam Sara. The most common procedure involves a loan against a future crop. The peasant obtains the loan when he needs it and pays it back, in kind, at harvest time. Interest rates vary, but in general can be considered quite high. Interest can be paid in cash or from the differential between the price at which the borrower contracts to sell his crop to the lender and the market price at the time of the actual transaction.

Working capital for marketing frequently comes from rural money lenders, generally storeowners, at high interest rates (estimated at 10% per month on average). Profits from trading operations are "reinvested" in working capital until the Madam Sara can operate without outside capital. Speculators and other intermediaries in the coffee marketing process are frequently financed by the exporters to whom they sell. Working capital for marketing is sometimes "lent" by the peasant to the trader through the sale of produce on credit until the intermediary resells the produce in the urban market.

## 2. History of the Bureau de Crédit Agricole

The precursor of the BCA was the Bureau de Crédit Rural Supervisé (BCRS). It was created in 1956 as a subsidiary of the DARNDR extension service and was supported by a USOM grant under the POINT IV Program. Limited to only three regions and focussing on supervised credit to operators of family farms, the BCRS provided credit while the DARNDR extension service provided the supervision. The credits were used to: purchase plant stock (coffee, cocoa and bananas) and seeds, construct hog and poultry houses, terrace land and make housing improvements. Largely as a result of a lack of coordination between the two organizations, plus the burden of close supervision, only 114 loans with a total value of about \$60,000 were granted by the BCRS in a period of three years.

The BCA replaced the BCRS in 1959, and was also supported by a USOM grant. The new organization remained a subsidiary of the DARNDR extension service but its role was expanded to also include support to several area development schemes including Poté Colé in the North (forerunner of the Organisation du Développement du Nord - ODN), the Thomassique Watershed scheme and the Organisation de Développement de la Vallée de l'Artibonite (ODVA). All the schemes were or had been U.S. supported activities. In each case, the BCA provided credit and the development organization provided the extension services. The success of the BCA under this new approach was not adequately tested as a result of U.S. withdrawal of all its development support from Haiti in 1962. The Poté Colé and Thomassique schemes were closed shortly thereafter and activity under ODVA scheme slackened. With this abrupt loss of external financing, the BCA was forced to make numerous changes.

To begin, in 1963 the BCA was reorganized into a semi-autonomous credit institution with independent administrative, financial and legal status. Under this legislation, policy guidance is provided by a seven member Administrative Council with representation from the Ministries of Agriculture, Plan and Commerce and the Central Bank. The Minister of Agriculture is the President of the Administrative Council. With the reorganization in 1963, the BCA also changed its outreach structure. While the central office remained physically located in DARNDR, the BCA opened several regional and local offices. This was the BCA's first step in decentralization. However, even more significant changes were in offing.

Due to the loss of capital, the BCA switched emphasis from medium term credits to short term production credit. This resulted in cash crops like coffee, cocoa and bananas being largely replaced in the portfolio by short term food crops. The loss of capital also meant that the BCA would necessarily have to choose its clients more carefully if were to prevent decapitalization as a result of bad debts. Lastly, without external support for operations, the high cost of providing small farmer credit was fully recognized. As a result, the BCA introduced the concept of group lending to small farmers in 1966. In addition to being cost effective, the Sociétés Agricole de Credit (SACs) concept also provided for joint liability, which helped to curb the problem of bad debts. With these changes, the BCA operated at a very low level until external assistance was again introduced

in 1974. Staffing levels remained low and fairly constant at about 30 employees, infrastructure was limited to only seven regional and local offices and the nominal value of lending while fluctuating greatly year to year, only exceeded \$100,000 in one year. Despite its potential, the BCA remained a relatively high cost, low impact small farmer credit organization.

The U.S. bilateral assistance program was reintroduced into Haiti in the early 1970's. Together, USAID and DARNDR examined areas for potential assistance and determined a program for coffee production was a high priority. USAID was particularly supportive because of the prevalence of small farmers in coffee production. Two organizations were to carry out the program: the Projet d'Amélioration des Petites Plantations Cafésières (PPC) was set up to provide inputs and extension and the BCA was selected to extend credits. USAID had reviewed the BCA progress over the intervening years and was impressed with the SAC approach to small farmer lending. Unfortunately, in terms of the program objectives the coffee project has had only partial success. During the peak lending period in 1978, only 521 SACs with a total membership 5,608 small farmers were benefited. This fell substantially short of the 12,000 EOP target. In fact, due largely to a downturn in coffee prices, the number of SAC's served under the program during 1980 dropped to 250, with a total membership of 2,277 small farmers. The total volume by lending during the LOP (both in kind and cash credits) was about 1.3 million dollars and fell far short of the anticipated 5.6 million dollars although this latter amount was inflated greatly by the extremely high levels for fertilizer prices used in designing the project. Lastly, and of particular import to the BCA is the default rate on loans. It is estimated that approximately 40 percent of the PPC portfolio will be uncollectible. However, despite the limited success of the coffee program itself, the program made three very positive contributions to the BCA and its own operations.

First, the coffee program provided funds for operations which supported increases in both staff and infrastructure for BCA. In 1974, the BCA had a total of 28 employees whereas in 1980 the number had grown to 105. In 1974 the BCA was represented by 6 regional offices and 1 local office whereas in 1980 the numbers had grown to 10 regional offices and 24 local offices. Second, the coffee program provided more than an adequate amount of capital for coffee lending. The excess, complemented by other capital sources, allowed the BCA to increase its Prêt Ordinaire portfolio from a level of \$74,000 in 1974 to over \$1,500,000 in 1980. Third, the coffee program included a major component for advisory services to the BCA. With this assistance, the BCA has made substantial progress in administration and management in support of more effective and efficient credit operations. The positive changes include the following: (1) revised procedures are in place which reduce the amount of paperwork involved in processing a loan by 78 percent, (2) a new accounting and financial control system is in place, (3) a redelegation of authority has been made to regional offices raising the loan approval levels they can extend, (4) a new incentive system to improve performance by augmenting employee wages has been designed, (5) a better system for credit demand projections has been introduced and (6) a two percent dossier fee was introduced to increase operating revenues.

Indeed the BCA has grown substantially over the period of the coffee program. In 1981 an estimated 1,730 SAC's with a total membership of approximately 15,500 small farmers will be receiving about \$3 million dollars in credits; a far cry from its minimal coverage in 1974. Yet, the progress has not come about without growing pains. The BCA still requires much improvement in administration and management to decrease costs of operations. It also requires changes in its revenue generating structure including a rationalization of GOH annual subsidies. For the short term the BCA must expand its credit services to more fully meet the needs of the rural Haitians and lastly for the long term it must begin to plan more carefully its role in rural financial intermediation. Thus, while the BCA has made substantial progress in recent years, a great number of additional improvements are required.

### 3. Rationale of the Project

The process of rural development is a complex, long-term task. It involves construction of physical infrastructure (roads, irrigation works), adequate research and extension, and importantly, the provision of the financial means to allow small farmers to take full advantage of the infrastructure and technologies available to them. Efforts are currently underway, financed by the GOH, AID and other donors to put into place rural infrastructure and to improve the technologies available to small Haitian farmers. These investments in infrastructure and technology must be accompanied by the development of improved rural financial services. The strategy underlying the proposed project is to build a financially sound and effective rural system capable of providing credit and other financial services to rural areas.

#### a. Relationship to GOH Goals and Plans

With the growing divergence between rural and urban incomes, and in light of the widespread malnutrition in rural Haiti, the GOH has recognized the importance of increased rural investment in its development planning. This recognition has resulted in not only a greater reliance on the IDAI and the BCA but also in a proliferation of other agricultural credit schemes during the last five years. The GOH in general, has been dissatisfied with the results, however. In most cases, performance has fallen short of targets. And when targets have been met, two major shortcomings have been apparent. First, the schemes have all been costly and have required heavy subsidization. Second, due to the GOH low fiscal revenue generating capacity Haiti has been largely dependent on external sources for capital funds for expansion. These factors have caused the GOH to take the following actions.

(1) The GOH is reversing the trend toward proliferation by replacing the ineffective or costly area development credit schemes through introduction of either IDAI or BCA services in these areas.

(2) While the GOH has continued to subsidize agricultural credit operations, it is clearly favoring credit systems which are cost effective (e.g., group lending) and have a higher income earning potential.

(3) The GOH is fully supporting efforts to mobilize rural savings as an additional source of investment funds.

This project is consistent with each of these actions of the GOH.

b. Relationship to USAID and Other Donor Activities

The USAID's development assistance strategy emphasizes rural development focussed on the needs of the rural poor, and on institutional strengthening. The proposed support to rural financial services is consistent with both of these areas of program focus and is supportive of the Mission's priority concern of increasing food production and access to this food by the poor by creating opportunities for productive rural employment.

To be effective, a rural financial system must respond to the needs and socio-economic environment of its clients. Agricultural credit must be available not only for selected cash crops, but for the whole range of food crops produced by small farmers. While the majority of credit resources in rural areas will be devoted to agriculture for the foreseeable future, information available on informal rural financial markets indicates that peasants in Haiti have a series of needs which are not now addressed by formal institutions and for which they are paying an extremely high price. An improved rural credit system would help meet these needs and provide an important service to rural producers and traders. Furthermore, while a certain amount of experimentation with different credit approaches is beneficial, Haiti does not have the human, administrative or financial resources to support many duplicative rural credit programs. Clearly, efforts are needed to strengthen existing institutions so that they may serve as effective credit channels for government-sponsored programs, rather than continue the present situation in which each program sets up its own system in the absence of a strong credit institution.

USAID believes that the BCA is the strongest foundation on which to build an improved and expanded rural credit system at this time. BCA's principal focus is on small farmers and it appears completely dedicated to continuing to serve this target group. In addition, BCA has developed a system of group lending which has been successful in allowing it to reach greater numbers of small farmers and which hopefully provides a basis for the growth of small farmer organizations. The BCA has taken steps to involve its clients increasingly in its planning processes, and is moving toward greater decentralization and regional autonomy in its operations. It is empowered to mobilize rural savings, a potentially large source of resources that could be directed toward increased food production and other rural needs. It has also recently begun consideration of new types of lending that might be undertaken to expand the services it provides to rural clients. In addition, BCA has a dedicated and well qualified staff, the majority of which are located in local offices throughout rural Haiti.

The principal activities of other donors in agricultural and rural credit are connected to IDAI and the regional development programs, and are mostly aimed at production promotion rather than rural development. However, several planned donor programs will impact on the BCA and are directly relevant to the proposed project.

The World Bank is financing the ODN project. Although the credit component of this project was to have been implemented through BCA, it has not been. Very little has been lent through the ODN credit program and the credit delivery approach is not yet working smoothly. BCA and ODN have been unable to work together due to differing credit procedures and criteria and ODN's desire to select the clients rather than allow the BCA to do so in accordance with its own procedures. USAID, BCA and World Bank representatives have discussed this problem, and the World Bank is supportive of the proposed institutional strengthening project. In fact, in the recent design of the second phase of the project prepared by the FAO/World Bank Cooperative Programme it was proposed that the BCA take over ODN credit operations completely. The BCA agreed and the expansion has been taken into consideration in this project. The BCA already has regional and local offices in the ODN area and expansion there would support the objectives of the proposed project and lessen the requirement for additional capital resources from other sources during the next several years.

As a result of Hurricane Allen, the IDA has negotiated a loan with the GOH which provides inter alia \$400,000 in cash credits and up to 5,000 short tons of mixed fertilizers. The BCA will utilize the cash credits and will also receive the cash reflows from the fertilizer credits distributed. The \$400,000 and the potential reflows have been fully considered in this project's capitalization requirements.

Negotiations have been held with DARNDR, the BCA and a FAO team concerning a food production program involving in-kind credit distribution of fertilizer. The project is to be supported by the International Fund for Agricultural Development (IFAD). The proposal called for the DARNDR extension service to distribute the inputs to small farmers along with the necessary technical advice. The BCA would then collect the repayments which would capitalize a special fund for relending in food crops. Such schemes have not worked particularly well in the past and the BCA did not agree with its terms. It was agreed however that the BCA would provide money transfer and accounting services to the DARNDR extension agents involved in the program. The project proposal is pending further review by an IDB evaluation team.

## B. Detailed Project Description

### 1. Goals and Purpose

The purpose of the project is to strengthen the capability of the BCA to provide credit, savings and other related financial services to rural Haitians on a financially viable basis. As such, the project contributes to the achievement of two important development goals, increased food production and strengthened rural institutions. With respect to food production, the expansion of BCA's current operations (both geographic coverage and lending capital) will immediately increase the availability of agricultural production credit. For the longer term, the emphasis in the project on the financial viability of the expansion will assure replication, which in turn will provide for even greater increases in food production. With respect to institutional strengthening for rural development, it is recognized that formal financial services critical to accelerating rural savings and investments in Haiti are very weak. The BCA in recent years has exhibited a potential to impact positively on this situation through the substantial expansion of its agricultural production lending activities. In addition, the BCA is starting a savings mobilization program and has expressed an interest in expanding other rural credit services.

### 2. Project Components and Outputs

The project will provide grant funds for technical assistance, training, commodities, and construction to allow the BCA to improve its administration and management, and to expand its financial services. The project will also provide for GOH counterpart contributions to assure the BCA's financial viability; counterpart contributions will cover the BCA's operating deficits and will provide working capital to allow moderate growth in BCA's traditional loan portfolio. Lastly, the project will provide grant funds to enable the BCA to design a long term plan to guide its future expansion. The project will be implemented over a three-year period, beginning in July 1981.

The four integral components of the project and specific outputs to be generated are discussed below.

#### a. Administration and Management

The project will concentrate on improving the effectiveness and efficiency of BCA credit operations, through the provision of advisory services, training, construction and commodities. More specifically, improvements in four areas of BCA administration and management are planned for simultaneous execution they are: organizational structure, operating systems, personnel system and physical infrastructure.

(1) Organizational Structure - A function/task analysis will be conducted to define better the role of each of the three tiers of BCA banking operation—central, regional and local. The analysis will also concentrate on the authority and responsibilities of the various subdivisions and positions within each level. If deemed necessary, a reorganization plan will be drafted and required changes in the BCA organic law will be effected. The planned result will be a streamlined BCA with little or no duplication of functions between tiers, subdivisions or staff positions. A more practical organization/structure will allow maximum spread of overhead costs.

(2) Operating Systems - Improved operating systems will be introduced, building on the progress already achieved over the last two years. Specifically, advisory services and training will be introduced to revise and implement improved accounting and audit procedures for loan processing, monitoring and collection and improved procedures for loan portfolio management. The systems introduced will not only result in greater efficiency in current operations (i.e. increase in loan turnover rate, decrease in bad debt ratio and decrease in excess liquidity), but these systems will also be appropriate for handling the workload generated by the subsequent major expansion in the level of operations.

(3) Personnel System - Training at all levels of BCA operations will be provided to upgrade the capability of professional and administrative support staff. With respect to the latter, retraining and upgrading of skills of central office staff displaced by the on-going and future reorganization will be emphasized. A new personnel incentives system and personnel evaluation procedures will be designed and introduced throughout the organization to complement the training and translate the improved capability of staff into improved performance and efficiency.

(4) Physical Infrastructure - An increase in the effectiveness of BCA's operations cannot be achieved without adequate office space and equipment. Efficient operations require that office buildings and equipment be relatively inexpensive and require little maintenance given the austere conditions in rural Haiti. Therefore, the project will provide funds for appropriate construction and procurement of equipment which will improve the basic physical infrastructure of the BCA at all of the Bureau's three levels. Further, recognizing the critical role of the local offices in the BCA's three tier system, and in light of the absence of adequate rental properties in remote areas, construction of offices will be limited to the local level and then only to those locales where the current or anticipated portfolio is large enough to justify the investment.

b. Expansion of Services

The project, through the provision of technical assistance, commodities, limited construction, additional staff and capital, will strengthen the BCA by expanding its services in two ways: one, there will be a moderate expansion of production credit operations and two, there will be expansion of the banking services provided.

(1) Expansion of Production Credit - The BCA's real annual rate of growth in lending during the period 1974-80 was in excess of 50 percent. Under the project, the BCA estimates its annual volume of lending reaching a level of 8.7 million dollars by 1984. This level represents in real terms a more moderate annual growth rate of 30 percent. Nonetheless, the expansion is substantial and its distribution will impact on the maximum number of clients. The reason for this is that the BCA has elected to follow a strategy where only modest real growth in loan levels will be provided to its current SACs and as much of the increase in lending as possible will be made to new SAC's within the current areas of operations as well as SACs in new geographic locations. This policy of "capital spreading" rather than "capital deepening", while more equitable, has recognized disadvantages in terms of efficiency.

(2) Banking Services Expansion - The BCA has considered expanding its portfolio to include other banking services for rural Haiti. Services considered include voluntary savings, non-agricultural production credit, and money transfer and accounting services to other GOH institutions. Under this project, grant funds will provide technical assistance and limited amounts of support of a savings mobilization program (see Appendix E). The project will also provide technical assistance in the form of advisory services to analyze prospects for expansion into non-agricultural production credit. However, no non-ag production credit specific programs are contemplated for inclusion in the project at this time. The expansion of money transfers and accounting services may proceed during project implementation; however, this is dependent on the progress of the International Fund for Agricultural Development (IFAD) grant with the GOH. Any required funds for this activity will flow from the IFAD grant or will be provided by the GOH.

c. Strengthening of BCA Financial Structure

In recent years the BCA has incurred increasingly greater operating deficits due to its rapid expansion and outmoded operating procedures. While the GOH subsidies to cover these deficits have been adequate over time, they have been granted irregularly, resulting in the BCA periodically having to raid its own capital account to cover operating costs. This, in turn, has resulted in uneven growth in capital available for lending. This project, through the use of both grant and GOH counterpart contributions, will strengthen the financial position of the BCA by separating and directly addressing operating expense

problems and capitalization problems. Through the use of grant funds aimed at increasing the efficiency of BCA administration and management and improving loan collections where required, the project will work toward minimizing BCA operations costs. Also, through the use of grant funds aimed at improved portfolio management, the project will attempt to maximize operating revenues by, inter alia, increasing the loan turnover rates. However these major improvements are inadequate in themselves to arrest the growth in the operating deficits in the near term. Thus, during the LOP policy changes for increasing interest rates and loan fees will be effected to turn what has been a steadily increasing annual operating deficit to one which is annually decreasing. Recognizing that the BCA will continue to incur operating deficits in the short run, the project will also provide adequate operating subsidies to the BCA. The source of these subsidies will be GOH counterpart contributions from the public treasury. (It is important to note that the actual magnitude of the GOH subsidy is inversely related to the eventual increase in interest rates and loan fees charged by the BCA. The levels assumed in the project are gradual increases of two percent in the interest rate and two percent in fees. The eventual increases could be larger and more rapid and the resulting subsidy requirement smaller.)

d. Assessment of Rural Financial Markets (Long-Term Planning)

The project will further strengthen the BCA by providing grant funds to support long term planning. The primary output will be a broad assessment of rural financial markets, institutions, policy issues and the policy-making process. Assessment studies will begin with low-cost reviews of existing documentation and analyses of secondary data which will summarize the situation under each topic and highlight issues important to BCA's planning process. The results of the assessments will be utilized during the project period by the BCA and USAID Mission in determining the nature and extent of possible future support to the BCA. Specific studies proposed under the assessment of rural financial markets will address the utility of group lending, informal credit, the credit union movement (caisse populaire), non-farm rural enterprise credit, etc. These studies are described in greater detail in Annex G. Among the studies proposed are the following:

(1) The Economics and Sociology of Agricultural Credit Societies (SACs) and other groups.

This study will investigate and evaluate the effect of joint liability on the incentives for members of a SAC to repay loans. It will also identify the costs of forming societies and the comparative costs between individual and SAC lending. The major objective of this study is to verify the assumed advantages of group lending over individual lending practices and to determine ways in which the SACs can be strengthened and extended so that the BCA will be able to expand its services successfully.

(2) A Study of Informal Lending Sources

This study is aimed at measuring the impact of informal lending in Haiti by surveying the services provided, the costs of these services, the lending methods utilized, and the access of this type of lending to the rural borrower. Intensive case studies of representative informal lenders and rotating credit and savings associations will be included.

(3) Non-Farm Rural Enterprises

This study will examine the extent and nature of non-farm rural enterprises and the methods by which they obtain financing. The study will determine if these enterprises could utilize savings deposit facilities to assist in cash flow management and whether formal lenders like the BCA could assist these firms with credit and savings services.

(4) Study of Economy-Wide Factors that Influence Rural Financial Markets.

This study will be designed to investigate the impact of the general economic environment on rural financial markets. The study will include analysis of input and rural price behavior and supply as they respond to certain economic trends; the influence of cost-price distortions on the economic rate of return; and the effects of general price level movements; national interest rate and regulatory policies and budgetary deficits on rural financial institutions. This study will assure that overall macro-economic policy is not conducted in a manner detrimental to rural sector objectives and the viability of rural financial markets.

The project will also provide grant funds to enable BCA staff to attend Caribbean regional meetings (CATCOM) and other international financial market workshops and conferences which can provide valuable information for BCA long-term planning.

3. Project Inputs

The costs of project inputs are supported by an A.I.D. grant and by G.O.H. counterpart funds from two sources, general revenues and PL 480 Title I generated monies, as available. In addition to these funds, the BCA will continue to receive funds from other external donors during the LOP. The World Bank will continue to work with the BCA in the North under the ODN project. In addition, the World Bank is to provide fertilizer and capital to the Ministry of Agriculture (DARNDR) for Hurricane rehabilitation relief in the South during FY 81 and FY 82. The BCA will work with PPC to coordinate that project. Finally the BCA may receive funds from IFAD to cover BCA

support costs for an expanded food production program in the DARNDR. None of the above mentioned discrete projects have any formal connections with the proposed USAID/BCA project. However the implications for capital requirements, office expansion and staffing of these other efforts have all been taken into consideration in determining required project inputs, which are summarized in Table 1 and discussed in more detail below.

a. A.I.D. Grant

The proposed A.I.D. grant will provide \$2,400,000 in foreign exchange and local cost financing over a three year period to cover the costs of technical assistance; training of personnel; construction; equipment and vehicles for the BCA central, regional and local offices and a rural financial market assessment. A description of these inputs follows.

(1) Technical/Advisory Assistance - One long term advisor to BCA (24 work months-wm) will be financed. Supplementing the assistance rendered by the long term advisor will be 30 wm of short term advisory services related to specific problem areas. The long-term advisor will be a credit systems management specialist who will assist the BCA in reorganizing and in introducing new operating systems and who will also coordinate the short-term advisory assistance provided under the project. Short-term assistance to be provided includes expertise in accounting and internal auditing (12 wm), personnel management (3 wm), systems analysis (3 wm) organizational development (3 wm), savings mobilization (6 wm) and additional subject areas (3 wm) to be identified during the course of project implementation. See Annex F-2 for the annual schedule of services and specific cost estimates.

(2) Training Assistance - Academic training at a U.S. university will be provided for three BCA employees in business management, finance and agricultural credit. A select group of other BCA personnel will participate in technical courses offered by USDA or other US organizations and institutions. Subject areas will include small farmer credit policy, agricultural project planning, project analysis, and communication and media strategies. In addition, courses in small farmer credit distribution and administration, savings mobilization and in business skills will be offered in-country for an estimated 100 participants from BCA and other organizations. Lastly, English language training will be made available to students to assist them in their preparation for job-related long-term or short-term training. Annex F-2 provides the schedule of specific training and the cost estimates.

(3) Commodities - Equipment and vehicles will be provided for the 10 existing regional offices and for one additional office to be opened in FY 82. Equipment will be provided, where appropriate for the 43 local offices. Much of the current equipment at both regional and local levels is in a poor state of repair. A list of the types of equipment to be provided at the regional and local levels is included in Appendix F-3. The vehicles provided for use at the regional level will be of the 4 wheel drive utility vehicle variety. Radio communications equipment will be procured for establishment of the communications network between and amongst regional and local offices.

TABLE 1

Costing of Project Outputs/Inputs  
(\$ 000)

PROJECT INPUTS	<u>Improved BCA</u>				<u>Expanded BCA</u>		<u>BCA</u>	<u>BCA</u>	INPUT TOTALS
	Organization	Operating Systems	Staff	Physical Infra-structure	Credit	Savings	Financial Viability	Plan	
<u>TOTAL USAID Grant</u>	<u>180</u>	<u>404</u>	<u>331</u>	<u>1,154</u>	<u>39</u>	<u>138</u>	<u>39</u>	<u>105</u>	<u>2,400</u>
1. LT Advisors	68	68	68	13	26	13	26	26	308
2. ST Advisors	30	162	33	11	11	64	11		322
3. Academic TR			88						88
4. Non-Academic TR			30						30
5. In-Country TR		10	99			5			114
6. Equipment		148		106					254
7. Vehicles				196					196
8. Construction				792					792
9. Studies	75								150
10. Pilot Savings Mobilization								75	
11. Cont. & Eval.	7	16	13	46	2	50 6	2	4	50 96
<u>TOTAL GOH Contribution</u>	-	-	-	<u>110</u>	<u>2,000</u>	-	<u>1,666</u>	-	<u>3,776</u>
12. Vehicles				110					110
13. Capital					2,000				2,000
14. Subsidy							1,666		1,666
<b>OUTPUTS TOTALS</b>	180	404	331	1,274	2,039	138	1,705	105	6,176

In addition to the equipment for BCA's local and regional offices, a limited amount of equipment and vehicles will be provided to improve central office operations. Included in this equipment are 2 four wheel drive utility vehicles and 2 cost-efficient sedans. Equipment to be provided the central office is also listed in Appendix F-3.

(4) Construction - The local office is in many ways the most important level of the BCA system, since it is the interface between agent and client. Twenty-six offices already exist, most using rented facilities. A major future expansion in BCA's operations will only be possible if additional local offices can be created and efficiently operated. Thus, the project will include funding for the construction of 18 BCA local offices. These facilities will be of simple construction and will include office space and functional living quarters (approx. 100 sq. meters) for the local agents. The design of the building will allow for expansion if the level of business later warrants. Appendix F-4 provides the schedule of construction, the selected sites and the cost estimates.

(5) Savings Mobilization - Funds will be available to implement pilot savings mobilization approaches which are identified by the BCA and technical advisors.

(6) Studies/Assessments - \$150,000 will be available to procure short term advisors, to commission studies and to facilitate attendance at regional and international workshops and conferences, all aimed at the assessment of rural financial market institutions in Haiti and the definition of the BCA's longer term role therein, which will lead to a long term plan for BCA subsequent expansion in the late eighties.

(7) Evaluation - The A.I.D. grant will provide up to \$30,000 to procure external expertise (3 w/m) to conduct evaluations of the project.

(8) Contingencies - A small amount of funds will be provided for unforeseen requirements which arise during the life of the project and which supplement or complement other project activities.

b. G.O.H. Counterpart Contribution

The GOH counterpart contribution will cover the BCA's operating deficit throughout the three-year LOP, the purchase of trail bikes for credit agents in regional and local offices, and the additional capital required for the projected moderate portfolio growth over the period.

(1) Operating Deficit - An accounting simulation model was used during project development to make estimates of the operating deficit over the LOP. The model used constant assumptions on improvements in operating efficiency, office expansion, portfolio growth and loan turnover rates and variable assumptions on the interest rate and loan fees charged. (See Appendix F-5.) The series of annual operating deficits selected for project budgeting was based on gradually increasing rates: the interest rate to 11 percent and the dossier fee to 4 percent. The total size of the deficit for the LOP is approximately \$1.656 million dollars and decreases throughout the LOP. The operating deficit would be eliminated by the late 1980s under these assumptions. The application of higher interest rates and fees would naturally result in an accelerated rate of decline of the deficit.

The annual subsidy levels factored into the budget are slightly larger than the levels BCA has been receiving over the past several years from GOH general revenue budget resources and PL 480 sources. However, insofar as operating subsidies for banking services are non-developmental in character, PL 480 funds will not be used to cover such costs. Therefore, the level budgeted represents a marked increase over previous transfers from general revenue sources.

(2) Equipment - Approximately \$110,000 will be provided to procure trail bikes for the credit agents in regional and local offices. PL 480 Title I funds, if available, will be used to procure this equipment.

(3) Capital - Two different estimates of portfolio growth were made: one using trend extrapolation and the other based on querying the regional office directors on expected portfolios over the next several years, assuming no capital constraints. These latter estimates were adjusted by central office staff, when necessary, and then aggregated. Due to rapid change in BCA structure, the trend extrapolation approach was considered inappropriate and the regional office director projections were utilized in budgeting. As a result, the BCA projects its annual volume of lending in 1984 at 8.7 million dollars. Discounting for inflation, this represents a real growth rate of about 30 percent, which is less than the rate of growth experienced during the period 1974-80. Nonetheless, a substantial increase in capital is involved and will be provided in several ways. To begin, the IDA loan in the South will provide some funds for expansion. The actual amount will depend on fertilizer usage but will likely range between .5 to 1 million dollars. IBRD support to ODN in the North will also provide additional capital for BCA lending in that region. Next, the BCA forced savings program is expected to generate an additional 1.2 million dollars during the LOP. Further, the project, through the use of grant funds for technical assistance in portfolio management supported by the new operating systems (accounting and communications), should greatly decrease the excess liquidity problem currently facing the BCA. In fact, the target is a drop in the rate from forty percent to fifteen percent. This will also increase substantially the amount of capital available for lending, with no net additional funding. Finally, it is estimated that in addition to the above external and internal funds an additional 2 million dollars will be required. Thus, the project includes GOH counterpart contributions from PL 480 Title I funds, if available, for this additional amount of capital required to support the expansion of services to clientele in locations currently being served and in new areas, as well.

#### 4. Beneficiaries

The project is primarily one of institution-building, and aims to increase the effectiveness and efficiency of BCA to extend financial services to rural Haitians, on a replicable basis. Thus the majority of beneficiaries will be reached neither directly nor immediately. Eventually, however, practically all segments of the rural community will be included. Small farmers and other rural entrepreneurs will benefit from the increase in available production credit. The emphasis on traditional food production will

benefit the lowest income segments of the community by increasing the demand for labor and increasing the supply of locally available food. All segments of the community will have access to the savings services. While the major impact in terms of accrual of benefits will come during the late 1980's there are near term prospects for impact on the target group during the IOP. By 1984 approximately 15,000 additional small farmer clients will be extended production credits which will average about \$160 per family in current prices. Given traditional uses of credit it is reasonable to assume that over 50 percent of production credit will be used to hire labor; it is estimated then that approximately 3,750 new seasonal jobs in agriculture will be created by 1984. The bulk of the credits will be used for food production, where it is estimated that 20,000 additional hectares of food crops will be planted annually by 1984. The remaining credits, approximately 30% of total credits, will be applied toward non-food crops and livestock. Finally, it is estimated that a least 3,500 low and medium income rural families will have access to savings services by the end of the project.

### III. PROJECT ANALYSES

USAID's review of the various factors affecting the project's feasibility suggests that this project is viable.

#### A. Technical Analysis

The inputs reviewed for their technical feasibility are construction and commodities used for the operating systems.

##### 1. Construction

The primary technical consideration in project development concerned the physical infrastructure to be financed. Initially, the mission and BCA targeted construction of 40 local offices under the project. However, changes in design and revised cost estimates precluded construction of more than 18 new buildings for local BCA branches during the IOP. Sites have been identified and prioritized where existing branches now operate, in most cases out of rented facilities (See Annex F-4). By-and-large the present facilities have other drawbacks, e.g. offices are shared with the DARNDR or are in varying states of dilapidation. The former situation is a problem in that the BCA is often identified, for instance, with DARNDR by potential borrowers and not recognized as a semi-autonomous lending institution which must realize a rate of return. Therefore, for this and other reasons related to autonomy, the BCA does not want to be strictly viewed as an entity within the DARNDR. USAID and BCA are convinced that construction of up to 18 local offices during the project life is necessary to respond to the potential demand by improving the BCA's outreach capability.

A construction requirements and costs assessment (See Annex F-4) performed by the USAID/Haiti Engineering Office has concluded that actual costs of construction would amount to approximately \$29,366 per unit on average, in 1981 prices. The costs of construction materials are rapidly escalating and necessitate allowance for a 15% inflation factor per annum in addition to a 10% contingency; therefore, total costs for 18 units will amount to an estimated \$792,000. The design will be refined early in the project and construction will be supervised by an experienced local A & E firm selected by the BCA. The design, award of contracts, and construction supervision will be monitored and approved by the Mission Office of Engineering. Procurement of building materials should not pose any significant problems, in that most, if not all materials will be available locally. The BCA has determined that the surveying, processing of applications and contracts, and other legal requirements for acquisition of land can be completed within 2 - 3 months per site. Acquisition of individual sites will of course be effected more or less concurrently for offices to be built during a specific year of the project. Sites for the first three offices have already been acquired. Group of 4 - 6 local offices in one geographical area will be offered under a single reimbursable progress payments contract, to attract the most qualified firms available. Community participation in construction will be actively sought with the contractors selected being encouraged to employ local labor and tap local sources for construction materials wherever feasible.

The BCA feels that certain psychological factors which impact on the effectiveness of its outreach services are important as well. In this context, a solidly built structure with an aura of permanency can be quite reassuring to potential savers, and can help convince borrowers that the institution will competently serve their needs, and that it will remain solvent. Bad debts may be minimized as well, in that a solid institution should give the impression of a no-nonsense approach to lending and repayment collection. The importance of salary and other tangible incentives for credit officers and accountants to work in the more remote areas should not be under-emphasized. However, intangibles such as a sense of purpose and professionalism cannot be overlooked either. The physical environment within which one works is an important factor affecting morale, and attrition rates. Thus, alternatives to construction such as the rental of facilities, purchase of existing facilities or establishment of mobile banks have been rejected in most cases as not practicable for a number of reasons, some of which have been delineated above. In all but two locales, facilities currently rented are either not in the best location, require frequent maintenance, do not have sufficient living space for BCA officers or cannot be expanded on if the increased volume of business warrants. Purchase of existing facilities would involve expenses in the range of what it will cost for new offices, considering that structural modifications would be required for almost all and maintenance costs could be considerably higher in the long run. Mobile units, while obviously the lowest cost option, would be vulnerable to maintenance deficiencies, may at times provide irregular services, and would not establish the sense of permanency the BCA is intent on instilling. Savings mobilization efforts may be hampered, e.g. depositors may find it unsettling to watch their hard-earned funds being carried off by a mobile bank. The BCA has determined that it can establish permanent facilities in two existing coffee centers which are located in or near towns at the center of the locality to be serviced. The BCA will continue to rent the most suitable premises available for remaining offices.

The Floor Plan and Front Elevation (See Annex F-4) for the type of office structure contemplated demonstrates that the building will be simple and functional. Living quarters have been provided for the credit officers, as in most local office areas adequate living space is in short supply. Furthermore, this will enhance accessibility of the credit officer to customers during all hours of the day, if necessary. The second bedroom\* will provide living space in some cases for the credit officer's family or for the accountant. In all cases, it will be available when required for visiting regional or central office personnel. As has been factored into the financial analysis, depreciation has been calculated at 3% per annum over

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\* Costs for inclusion of a second bed-room are minimal. Second story addition will then be facilitated, according to the Office of Engineering, USAID/Haiti.

the life of the structure. However, it can be expected that property values will appreciate over time and the value of BCA's assets will grow. Maintenance requirements are seen as minimal; paint, replastering material, and related costs have been estimated at 1% of total value. As mentioned above, a second story may eventually be added if the volume of business justifies it; the BCA will be responsible for related costs. The provision of electrical power, where required, will also be the BCA's responsibility. Diesel generators may be acquired for some locales.

## 2. Operating Systems

### a. Automatic Data Processing System

The ADP system to be procured during the last year of the project will be suited to the financial and administrative needs of the BCA. A systems analyst will make recommendations on the most appropriate system (including software) to be installed, taking into account several factors, including the system's ability to adapt to increased needs, its compatibility with a radio communications system for the transmission of financial data, and local maintenance capability. Specific objectives for the improvement of BCA's operations include: production of regular and accurate statistical reports on the number and amount of loans and loan repayments; improvement of loan repayment rates; increases in the productivity of BCA employees; increase in the productivity of investments made with capital distributed through the rural credit system and achievement of a viable credit system in which revenue exceeds the costs of operation.

Outputs to be produced by the system include: statistical reports, work aids for field agents, and calculation of commissions to be paid under the incentives program. Statistical reports would be produced for example, on number of loans made, amount of money loaned, amount of loan repayments received as a percentage of loan repayments due, and number of delinquent borrowers as a percentage of all borrowers with loan repayments due. These reports could be broken down by fiscal year, geographical region and factors of production on loan purpose. Systematized outputs functioning as work aids for field agents include bills to borrowers and lists of these bills, lists of outstanding loans, lists of past due loans, lists of repouped loans, loan repayment control sheets, monthly reports of loan repayments received, lists of individual borrower identification numbers and lists of SAC identification numbers. Commissions paid for outstanding performance under the incentives program can be calculated and accounted for with the ADP system. Cross comparisons of regional /local performance would be facilitated as well.

### b. Radio Communications System

Improved communication between and among the offices of the BCA system is necessary if measures to improve the efficiency of the organization are to be realized. The April 1979 CUNA report recommended the installation of a radio communications system for addressing current communication problems, which are expected to increase with the decentralization program. USAID has financed a relatively sophisticated radio/teletype

communications system for the national road maintenance service (SEPRRN) and several other networks are currently in operation in Haiti. Although maintenance of these systems can be a problem, adequate arrangements are possible on a contract basis. A feasibility study by Teleconsult, Inc. for a radio-communication system for DARNDR, financed by USAID, demonstrated the feasibility of such a system in Haiti. Presently, an IQC contractor has been proposed to look specifically at the needs of the BCA, and make appropriate recommendations. The contractor will review the specific type of system, its range of capabilities (including compatibility with the ADP system), its geographic linkage (most likely regional-local nets) and cost estimates. The increasing reliability of telephone and other means of communication between regional offices and Port-au-Prince may suggest that only regional-local nets are absolutely necessary. Since there are technicians in Haiti with ample experience in installation and maintenance of radio systems, the development of the system is feasible.

#### B. Administrative Analysis

The BCA is a semi-autonomous financial institution. The Board of Directors of BCA is chaired by the Minister of Agriculture and is composed of representatives of the Departments of Finance, Plan and Commerce and Industry, the BRH (Central Bank) and IDAI. The BCA Director is also a member. The Board acts on policy issues regarding the BCA and approves large loans that are beyond the authority of the Director (currently limited to \$5,000 for individual loans, \$7,500 for SAC loans, and \$20,000 for cooperative loans). At the central office, the BCA has 27 employees who are organized into six divisions: Financial Services, Research and Statistics, Legal Services, Technical Services, Inspection and Administration. In 1980, the position of Secretary General was established, as was a Training and Personnel Officer position within the Administration Division. The Research and Statistics Division is currently not functioning, due to the non-availability of qualified staff. BCA's regional offices have overall responsibility for planning and executing activities in their areas. The typical regional office is headed by a regional director, overseeing an accountant and two administrative support personnel. At present, individual loans of up to \$1,000 and group (e.g. SAC) loans of up to \$4,500 can be approved at the regional level. The number of local offices under each regional office varies between one and five. Local offices have from one to four agents (with an average of two) plus a bookkeeper. Local offices are primarily responsible for direct contact with borrowers (and savers), assistance to SACs, and analysis and supervision of BCA loans. The number of regional and local BCA employees is currently 78.

A comprehensive administrative analysis of the BCA was performed by CUNA and is reflected in their April 1979 report (See Annex D for a list of all CUNA reports). As stated before, the proposed project is based in large part on that assessment. The CUNA report identified a number of administrative weaknesses within the BCA. These have been the basis for USAID's discussions with BCA regarding technical assistance requirements under the proposed project, which are reflected in the design of that component. BCA's commitment to the CUNA recommendations and the changes necessary to improve its administration has been demonstrated by the steps it has already taken to implement some of these modifications and by its plans to initiate others.

One of these areas is incentive for improved job performance. BCA is in the final stages of designing a new personnel incentives program to reward superior performance. A draft prepared by CUNA entitled "BCA Staff Incentives Program" outlines the principles and the means for implementing this program (see annex H). This program is intended to provide increased incentives to BCA personnel to increase operational efficiency, improve loan repayment rates (thus increasing loan turnover), improve profitability (by decreasing the bad debts ratio), and initiate voluntary savings (as a form of capitalization). Preliminary analysis of the predicted effect of the incentives program, the relative success the BCA has experienced in attracting high caliber personnel and the expected benefits of the comprehensive training component of the project has convinced the mission that the BCA will be fully competitive in the hiring, training and retention of quality professional and staff.

The BCA has recently undergone a reorganization aimed at decentralizing many of its functional operations and reducing unnecessary duplication of responsibilities. Based on these changes, the BCA has projected its requirements for technical, financial and business management personnel through the LOP and beyond. The planned staffing levels are reflected directly in the rate of office expansion proposed under this project. As noted, the BCA intends to expand only moderately, allowing sufficient time to recruit and train personnel properly.

During project development, an administrative issue which threatened the BCA legal basis and authority arose. In April of 1980, President Duvalier announced that a National Development Bank (NDB) would be established and act as an umbrella organization to coordinate the financial support to and the activities of the three public sector development banks: the IDAI, the BCA and the Banque du Logement. The Mission was advised by senior GOH officials at that time that no specific plans existed for the NDB and that no significant changes in the mandate and autonomy of the existing institutions were anticipated. Based on this assurance, the Mission and the BCA continued to develop the project. However, in October 1980, an advisor from the French Central Bank of Economic Cooperation (CBEC) was invited to review the situation of development financing in Haiti. On the basis of the review, he recommended that the IDAI be restructured by separating its agricultural credit activities from its industrial credit activities. It was further proposed that the agricultural credit division of the IDAI and the BCA be merged to form the ACB. In March of 1981, a committee within the Department of Plan (SEP), based on a review of the CBEC expert's study and recommendations, proposed that (a) a study be made to analyze and evaluate the BCA activities and (b) the procedures of granting and managing agricultural loans by the BCA and IDAI be harmonized. The committee also proposed that the activities of the BCA and the IDAI be regrouped geographically over a period of time and that legal action be taken to create the ACB. This proposal was submitted by SEP to the Cabinet in mid-March. In response to the proposal, the Director of IDAI, Bernard Fatton,

submitted a report to the IDAI Board of Directors which argued in part that the two institutions should not be merged immediately because of the differences in operational characteristics, the large extant demand for credit and the necessity to preserve the unique experience of the two institutions. Further, he argued that the little duplication of activities that exists in some areas could be remedied by better spatial coordination under the Minister of Agriculture, who is the President of each institution's board of directors. In addition, Fatton pointed out that substantial modifications of the loan agreements with the IDB would be required if the IDAI were restructured. The BCA was not asked to comment officially on the SEP proposal, but did unofficially communicate its opposition because of the difference in philosophy and direction of the two institutions. If the BCA were to be merged into a Agricultural Credit Bank its philosophy and direction towards greater rural development financing would very probably be lost.

In project negotiations with SEP, we were advised that a merger of BCA and the IDAI agricultural credit division into a single ACB is no longer being proposed. The new proposal being considered is for the BCA to absorb the small farmer credit portfolio of the IDAI. The GOH recognizes the relatively greater success the BCA has had in extending small farmer credits through its group lending approach and wants to expand on this success. In addition, SEP agrees with the movement towards more general rural development banking by the BCA and particularly supports the new initiative in voluntary savings mobilization. The BCA and USAID/H do not disagree in principle with a transfer of the IDAI small farmer portfolio to the BCA but believe that such a transfer should only take place following an in-depth analysis of the two credit portfolios, staffing requirements to manage both in one institution, regional/local office requirements to support the joint portfolio, and other financial and administrative aspects of such a merger. As a result, in the negotiations it was agreed to include under the studies/assessment component of the project the necessary analyses leading to the BCA taking over the small farmer credit portfolio of IDAI. This study will focus on the current nature of the loan portfolios of each institution, loan processing and approval procedures and criteria, geographic distribution of small farmer loans, financial management and administrative systems, and the implications of capital and staff transfers to the BCA in terms of BCA's current expansion plans. On the basis of these analyses a plan to combine the two portfolios, which takes into account the design and objectives of the Strengthening Rural Credit Services Project, will be developed and implemented over the balance of the Project. The project development committee believes this process of review and study can be accommodated easily during the first year of the project. Recommendations of this study and any adjustments to the project design can be addressed during the first evaluation scheduled in March 1982.

C. Financial Analysis

Strengthening the financial viability of the BCA is a major component of the project and is aimed at: (1) decreasing administrative costs and increasing revenues to minimize operating deficits; (2) obtaining sufficient GOH financial support to continue near term expansion of production credit and (3) designing a long-term capital strategy. With these objectives in mind, and with the assistance of CUNA under the Small Farmer Improvement Project, the BCA conducted a rather lengthy financial analysis. The analysis was centered around the specification and operation of a financial planning model which was designed to provide annual estimates of operating balances and capital requirements through 1984 as a result of: (1) projected expansion of offices and the lending portfolio, assumed levels of performance on key indicators and varied assumptions on policy variables. The planning model was programmed for a Texas Instruments 59 programmable calculator. The initial results of the analysis are reported in the CUNA (WOCCU) report entitled "BCA: Proposed Capitalization and Revenue Strategy" and is available from the USAID/H library or CUNA. The major results of the analysis plus the model run used in budgeting the project are presented in tabular form in Annex F-5. The major results are also summarized below. Prior to the summary of results however, the reasonableness of the projected expansion and the assumptions concerning key performance indicators used in the model are considered.

1. Projected Expansion

One regional office and 18 local offices will be added to the BCA outreach system during the LOP. This will bring the number of regional offices to 11 and the number of local offices to 43 or a total of 54 offices. This increase in geographic coverage is generally consistent with recent performance. Under the Small Farmer Improvement Project, the BCA opened 2 regional offices and 24 of its 25 current local offices. With the opening of 19 new offices over the next three years, approximately 40 new employees will have to be hired and trained, 17 buildings rented and 2 built, equipment purchased, and salaries paid. Although project funds are budgeted for construction and equipment purchases, other expenses such as personnel and administrative overhead will be the responsibility of the BCA. A projection of BCA administrative expenses throughout the LOP are estimated as follows.

	<u>1982</u>	<u>1983</u>	<u>1984</u>
Central Office	\$242,000	\$ 275,000	\$ 314,000
Regional & Local	<u>\$592,000</u>	<u>\$ 750,000</u>	<u>\$ 922,000</u>
Totals	\$834,000	\$1,025,000	\$1,236,000

The greatest increase in administrative expenses is at the regional/local level, averaging approximately 28 percent annually, while the central office's administrative expense growth rate is approximately 14 percent annually. During the LOP, no staff expansion is proposed at the central office level, thus, administrative costs are expected to increase roughly only with the rate of inflation.

The capital needs of the BCA over the life of the project are based both on the loan portfolio expansion of existing offices and the additional capital requirements of the new offices. Although existing offices will need more capital to fulfill the increasing demand for more and larger loans, a large percentage of this loan capital will be available as a result of decreases in excess liquidity and increases in the loan turnover rate. Thus it is the rapid increase in the number of new offices which is the major reason for the additional loan capital required. Estimates of total loan capital required over the period were prepared initially based on an extrapolation of historic trends, specifically, on the BCA's loan portfolio growth during the last few years. Normally, such a method would be valid, however, in the case of the BCA's operations, it was considered inappropriate for several reasons. During FY 1980 the BCA achieved increased operational efficiency as a result of its decentralization process and thus a reduction in time consuming procedures and paperwork. As a result of this decentralization, the BCA is now capable of managing efficiently a much larger portfolio than that indicated by the extrapolations. Secondly, the BCA has not been able to meet fully the demand for credit in the past few years due to capital constraints. Therefore previous total loan volumes (or loan portfolio) do not reflect the demand that existed. The limiting factor in providing credit has been the availability of capital and not the level of credit demand. As an alternative means of determining capital needs over the 1981-84 period, individual assessments of each office's projected loan volumes were made by the BCA's 10 Regional Directors. Then, taking into account existing loan demand, planned expansion into new areas, and making minor adjustments to individual projections that were inconsistent with the overall data collected, aggregate annual projections were made by senior BCA officials. These projections, on regional basis, are presented in Annex F-5. The annual total projections of loan volume by year are as follows:

1981	\$2,976,000
1982	\$4,660,000
1983	\$6,400,000
1984	\$8,660,000

This represents a nominal annual growth rate of about 43 percent or a real rate of growth of about 30 percent when discounted for inflation.

## 2. Assumptions on Key Performance Statistics

The various improvements in administration and management of the BCA rural banking system will decrease the relative administrative and financial costs and increase operating revenues. The decentralization of the BCA and improvements in loan documentation and accounting procedures should increase the Bureau's efficiency. It will be able to account for all financial transactions with greater accuracy and with fewer delays. CUNA has proposed a personnel incentives program (see Annex H) directed at rewarding improved efficiency at the local office level. The aim of these incentives is to increase overall efficiency by increasing the number of loans/employee, decreasing defaults, accelerating loan turn-over rates, reducing the expense/income ratio and increasing voluntary savings. The improvements in inter-office

communication of information, including financial data, will be fulfilled by the radio communication system that is planned. The system will be able to transfer financial information faster and with greater accuracy, thus ameliorating the excess liquidity problem and requiring fewer work hours. Furthermore, the reliability and time saving qualities of the radio communication system is superior to other available communication systems (i.e. courier, mail or telephone). The ADP system planned during the final year of project implementation will simplify records management and provide the means to keep track of all accounting information with increased efficiency and accuracy and with the ability to present accumulated data instantaneously, thus eliminating time consuming accounting practices and reducing overhead costs. Procurement of vehicles and trailbikes budgeted under the project will assist the BCA staff in reaching present and prospective clients throughout Haiti more often and more quickly.

a. Cost Assumptions

Total costs of operations (administrative and financial) are estimated at about \$760,000 for 1981 and represent about 26 percent of the value of the expected loan portfolio. Total administrative costs make up about 70 percent of these costs while interest on deposits and bad debts make up the bulk of other costs. The assumptions used in the model on these three factors are therefore the most important.

(1) Administrative Costs - The planning model assumes that the recent increases in efficiency of the BCA system will continue through the LOP. In 1976, the administrative expenses were 43 percent of portfolio while in 1980 this statistic had dropped to 24 percent. The specific rate of improvement assumed in the model was that the BCA would continue to "slide down its learning curve at a rate of 20 percent". This rate was estimated using regression techniques and learning curve analysis and the assumption is quite reasonable. By the end of the project, administrative costs as a percent of portfolio are estimated at about 15 percent. Actual performance may even exceed this reduction.

(2) Financial Costs - Bad debts (loan defaults) have been a problem for BCA under the PPC project where it is estimated that 40 percent of the total lending is uncollectable. Bad debts, however, have been much less a problem in the BCA Prêt Ordinaire program. In 1979, about 10 percent of the portfolio was written off. Insofar as the Prêt Ordinaire program is more than 10 times larger than the PPC, the default rate on total portfolio is much closer to the lower amount. With two improvements in the BCA system, the model assumes the bad debt provision will be reduced from 10 percent to 5 percent during the LOP. First, with the BCA commitment to improved portfolio management, delinquent loans will be reviewed quicker and action taken sooner to obtain repayment. Second, the employee incentives program will stress the reduction of the bad debts ratio, as an indicator of operating efficiency, and will reward those responsible for increased efficiency. With the expected reduction of bad debts, more internal capital will be also available for lending. Interest rates on deposits are held constant during the LOP.

b. Operating Revenue Assumptions

Operating revenues can be increased directly by increasing interest rates and fees. In addition, they can be increased indirectly by increasing the loan turnover rate and by decreasing excess liquidity. The model makes assumptions about the latter two factors.

(1) Loan Turnover Rate - Presently the average loan term is approximately 13.3 months, therefore the loan turnover rate is approximately 0.9. This loan turnover rate is low because a significant number of loans are not repaid on time. It is expected that once portfolio management procedures are fully introduced into the system the rate and timing of repayment will improve. The loan turnover rate is an important factor in the revenue strategy of the BCA. The level of loan turnover directly influences the financial effect of the dossier fee charged when a loan is made to a client. The effective yield of a 1% dossier fee, when the turnover rate is 0.9, is 0.9 percent or 10 percent less than the stated level. It is estimated that at the end of the project the average loan turnover rate will reach a level of 1.4, although this will vary substantially from region to region due to the variation in crops and livestock financed (see Annex F-5). If the 1.4 average loan turnover rate is achieved, the effective yield of a 1 percent dossier fee would be 1.4 or a full one half of one percent higher than the current effective yield rate.

(2) Excess Liquidity - The BCA's operation has had to function in the past with high levels of excess liquidity. The BCA has traditionally maintained up to 6 months' worth of liquidity for operating expenses because of its lack of a central liquidity facility allowing inter-regional fund transfers and due to delays in the provision of GOH budgetary support funds. Presently, for every \$100 of BCA loans outstanding there is \$41 in excess liquidity extant in the system. Ideally, the BCA should be able to earn 9% on total capital but due to the excess liquidity, it can only earn 9% on 70.9% of the total presently in loan capital form, thus reducing the effective yield to 6.38%. It is expected that with the development of a central liquidity facility during this project, excess liquidity would decline to 15%.

c. Other Assumptions

Several other assumptions are required to make viable projections with the model. Two of the more important of these assumptions that were kept constant during the analyses were that:

operating deficits will be fully offset by subsidies, and that 40 percent of borrower deposits will be available for lending, the other 60 percent will be placed in staggered time deposits at commercial banks.

The remaining assumptions of importance in operating the model were made on the policy variables. In the base case run the assumptions made were that:

voluntary savings will not be a significant source of capital, and current policies on interest rates, dossier fees, and forced capitalization would remain unchanged.

### 3. Results of Financial Planning Model

The purpose of the planning model is to review alternative revenue and capitalization strategies. Thus, the model was operated to provide annual estimates of both the operating balances (deficits) and the capital requirements. In each case the base run was made and then sensitivity analyses were conducted by changing the relevant policy variables.

#### a. Revenue Strategy

In the base case, using the expansion and assumptions as described above, the following annual operating deficits were projected.

1982	\$174,000
1983	\$791,000
1984	\$835,000

This demonstrates the necessity of the GOH to increase interest rates and/or fees. The absolute level of the required subsidy is quite large under the planned expansion and the deficits are not stabilizing but getting larger despite the gains in efficiency. To identify the impact of alternative interest rates and fee charges would have on the deficit, a series of thirteen sensitivity runs were made. These can be reviewed in both tabular form and graphically in Annex F-5. The sensitivity runs pointed out several things. First, the revenue position increases more rapidly with changes in the dossier fees than with interest rates due to the loan turnover rate improvements. Second, the deficit begins to stabilize with an increase of two percent in either the interest rate or the dossier fee. Third to stabilize the deficit at a rate comparable to the 1980 level will take at least a 4 percent increase in dossier fees. Finally, the BCA could achieve relative self-sufficiency if fees were to increase to a level of 10 percent interest and 9 percent dossier fees. This latter result is interesting because the effective cost of BCA credit to the small farmer currently is about 19 percent when one considers the 3 percent charge for the SAC fee and the forced 5 percent savings. In short, the BCA could be financially autonomous and the clients would not be paying any more for credit if the forced savings were changed to fees to cover operating expenses.

The final run in the analysis of revenue was based on the negotiations with the Ministry of Plan and was used in budgeting. It was decided to adjust interest rates and fees up gradually over the LOP. Ultimately, the interest rate on BCA loans would rise until it reaches a level of 2% below the prevailing prime commercial rate in effect at any time. During the LOP, there would be a 1% increase per year in either the interest rate or dossier fee, as demonstrated below. Under these assumptions, the BCA operating deficit, and the need for GOH operating subsidies, would disappear by the late 1980s. The final runs as described in pro-forma statements and the planned financial rate changes are presented on the following chart.

PRO-FORMA STATEMENTS

BUREAU DE CREDIT AGRICOLE

	1981	1982	1983	1984
<u>Balance Sheet Assets</u>				
Cash on Hand	271,250	381,868	502,571	629,540
Investments	40,572	69,407	114,028	178,861
Excess Liquidity	1,011,175	1,133,676	1,084,666	947,761
Loans	2,930,941	4,048,841	5,044,956	6,318,405
	4,253,938	5,633,792	6,746,221	8,074,567
<u>Liabilities and Equity</u>				
Voluntary Savings	-	27,000	86,250	186,750
Client Deposits	135,239	204,357	293,845	409,452
Stock (clients)	322,699	522,495	810,654	1,205,532
Stock (GOH)	3,796,000	4,879,940	5,555,472	6,272,833
Total Liabilities & Equity	4,253,938	5,633,792	6,746,221	8,074,567
<u>Profit/Loss Statement</u>				
Interest on Loans	143,998	244,292	318,283	454,534
Interest on Investments	2,663	4,399	7,337	11,716
Fee: Income	36,810	119,879	230,528	315,901
Sale of Equip. of Furniture	1,200	1,745	2,273	2,841
Total Revenues	184,671	370,315	558,421	784,992
<u>Administrative Expenses</u>				
Interest on Voluntary Savings	0	405	1,699	4,095
Interest on Deposits	3,379	5,094	7,473	10,549
Bad Debts Provision	209,997	261,742	284,181	284,084
Total Financial Expenses	213,376	267,241	293,353	298,728
Total Expenses of Operation	759,488	970,237	1,133,685	1,275,319
Annual Deficit	-574,817	-599,922	-575,264	-490,327
Commulative Deficit 1982-84		-599,922	-1,175,186	-1,665,513
<u>Planned Financial Rate Changes</u>				
Lending Rate	.09	.10	.10	.11
Dossier Fee	.015	.03	.04	.04
Excess Liquidity	.34	.28	.215	.15
Bad Debts	.72	.065	.056	.045
Loan Turnover Rate	.9	1.06	1.26	1.39

b. Capitalization Strategy

The base case output was translated into a cash flow format (see Annex F-5) which in turn was used to produce the external capital requirements. Under the base case, where portfolio levels expanded about 30 percent annually, excess liquidity dropped to 15 percent, and the loan turnover rate increased to 1.4, approximately \$2.5 million of external capital is required. Of this amount, about \$500,000 would be available from the IDA loan in 1982. Thus, the project budgeted the remaining \$2 million from GOH contributions. In the base case, run, forced capitalization at the 5 percent rate introduced nearly \$900,000 of capital. Sensitivity runs indicated that an additional \$1,000,000 of internal capital could be raised by raising the rate of forced capitalization to 10 percent. Sensitivity analysis also indicated that for every 1 percent drop in excess liquidity, an additional \$60,000 of internal capital became available. Lastly, in the base case voluntary savings were assumed zero. This was also the case for budgeting purpose. The reason is that with the program just beginning, it is not clear how much can be mobilized. In fact the BCA's most recent estimates are that only about \$200,000 will be mobilized by 1984. The uncertainty on projected levels revolves around the issue of what interest rates on deposits (time deposits and passbook accounts) will have to be before savings become really a significant source of capital. Given this uncertainty the project did not assume any significant capital would accrue from this source. In the project, the voluntary savings program is viewed as a pilot scheme with important potential only.

#### D. Social Soundness Analysis

Social soundness factors have been examined for the proposed project and the Mission believes that project design is viable in terms of positive social impact. Several factors which have been considered in the design of the project are discussed below.

The project does not represent an introduction of new crops or technologies at this point, but rather an improvement of a system which is now functioning and serving the intended target group. In fact, the focus of BCA activities under this project results in large part from lessons learned about small farmer agriculture, credit needs and desires, and response to the BCA lending approach during the implementation of the PPC project. The emphasis on BCA's traditional lending program reflects the multi-cropping pattern of Haiti's small farmers and needs for credit for a range of purposes. Where new credit or savings mobilization methods will be introduced, they will be based on rural financial market studies and/or experimental pilot projects, both of which will pay close attention to the socio-cultural dimensions of the proposed approaches. The rural financial market studies will help obtain information about local perceptions of financial questions, explore approaches that have been successful in the Haitian rural socio-cultural context, and make this information available for the design of future program strategies for rural credit.

The foundation of BCA's present credit delivery system is the SAC. Although BCA's 13 years of experience with SACs has not yet led to the evolution of viable, independent small farmer organizations as originally hoped, it has demonstrated that the SAC does work as a credit intermediary. Other experiences and studies in rural Haiti and elsewhere confirm that small groups (10-15 members) can be effective rural development mechanisms. The proposed project will allow BCA to continue to explore ways to strengthen the SACs or to build on them to create more effective credit channels. In this process, attention will be given to SAC leadership factors and other aspects of these groups to assure that they are as representative as possible of the interests of all their members. While the SAC drop-out rate has been high for the PPC project, this has been due mainly to factors inherent in that project. SAC performance and repeat-rate has been excellent under BCA's traditional portfolio, which the proposed project will emphasize. It is recognized, however, that improvements in SAC administrative structure/capability are required to enable the SACs to identify better credit priorities, and to obtain, distribute and repay loan funds in an efficient and timely manner. Technical assistance is being provided under the project to assess fully the past performance, role and potential for improvement and possible expansion of the SAC system (see Annex G). Implementation of any recommendations arising from the assessment will be effected with a view toward not burdening individual SACs with needless bureaucratic requirements, organizational structural changes or add-ons, etc.

Although the project does not include specific training activities for women, the BCA is committed to expand on its presently small cadre of women professionals. More importantly, the expansion of lending and savings activities will impact directly on rural women. Women participate as members in their own right in a significant number of existing SAC's. Even where the husband represents the family in a given SAC, it is frequently the woman who ensures that credit funds are used for the purpose for which they were intended. She more often than not controls the family budget and is responsible for the immediate nutritional needs of the family. Haitian women engaged in subsistence activities often use credit to expand home production or to make such production more efficient. Credit used to increase women's production of marketable goods will then add to family income.

Two other important social feasibility concerns are the motivation of BCA's local agents and the interaction between these agents and their clients. On the first point, as elaborated on elsewhere in this paper, the project will provide increased incentives for performance by BCA agents through the adoption of revised personnel procedures, training for BCA agents, and provision of adequate living and transportation arrangements for agents living in remote rural areas. Care has been taken in the design of facilities to be constructed and the choice of transportation for BCA agents to provide adequately for the agents' needs without making their living standard ostentatious by local norms. Generally, BCA agents are from rural areas and identify well with their prospective clients. BCA is now seeking to hire a greater number of its personnel from the specific areas served by its offices. Training offered under the project will prepare the agent to serve his/her rural clientele better. Existing evidence indicates that BCA agents function well in the areas they serve, generally visit clients and SACs outside the office rather than wait for clients to come to them, and are usually the catalyst for the formation and strengthening of SACs. Planning at the local office level now frequently involves the SACs from that area.

As a reflection of BCA's interest in its clientele, it has considered for several years the transformation of BCA into a "mixed capital" organization in which its clients would own shares and participate in policy decisions at the regional level. Adoption of such an approach would be an additional step in the process of involving local ideas and input into BCA's operations and insuring socio-cultural compatibility of these operations with the rural population. The project per se is a step in this direction, and a formal assessment of the feasibility of an equity capital scheme will be undertaken and recommendations made thereon.

Finally, the BCA is committed to involving local communities in implementation of sub-project activities, particularly the construction of local branches (see construction analysis). Communities, in many cases, will provide materials and unskilled labor. Village leaders will be and have been consulted on matters such as branch location and uses of credit.

## E. Economic Analysis

The project is primarily institution building in character. It does, however also include a substantial amount of outreach. There are economic issues involved in both segments and they are discussed below.

### 1. Institution Building Related Issues

There are four institution building related issues in the project which must be considered in an economic context. These include the single agricultural/rural development bank approach, the subvention of development credit, the capitalization of development banks and the selected group of inputs proposed in this project to strengthen the institution.

a. Single Development Bank Approach - The GOH has reversed the direction taken in the mid-seventies which resulted in a multiplicity of agricultural credit systems operating in Haiti. Two basic arguments were extended to support this redirection. First, it was argued that the proliferation of small farmer credit schemes resulted in duplication of effort and thus represented a misallocation of both scarce human and capital resources. Second, it was argued that by combining the various institutions and retaining only the positive elements of each, the resulting institutions would be much stronger. While these arguments are sound in support of reversing the proliferation of rural development credit schemes, they are less sound when supporting the formation of a single institution as proposed with the merging of the agricultural division of the IDAI with the BCA. The reason for this is that the philosophy and direction of the two institutions are different. The IDAI has always been an agricultural development bank where the primary function has been to increase national agricultural output, and financing small farmers is a means to that end. The BCA on the other hand, from its very inception in 1956, has been more of a rural development bank where the primary objective is meeting the needs of its peasant constituency and financing agriculture activities is a means to that end. To argue that the two institutions should merge simply because they both extend agricultural credit to small farmers ignores the basic difference in the two institution's *raison d'être*. If one accords equal weight to the different objectives (agricultural development vs rural development) then one must reject the arguments for a single institution, particularly as when the BCA expands further into non-agricultural rural credit and financial services.

b. Subvention of Development Credit - As the BCA's agricultural credit portfolio has expanded, the level of the required subvention has increased, although this annual increase has declined in relative terms given increased efficiencies in operations and some increases in operating fees. Nonetheless, the rapidly increasing size of the required subvention is of concern to the GOH and USAID. Three broad options exist for the GOH to select from in determining the level of subvention. First, they can fix the income generating rates (interest and fees) by application of political criteria and subsidize the resulting gap. This is the current process.

Second, they can fix the rates to cover the costs of the banking services provided and continue to subsidize the costs of the development services being provided. This of course would require the BCA to apportion its costs for the provision of either banking services or development services. Third, the GOH could fix the rates to cover all costs of operations.

The first option must be rejected on economic grounds. The reason is that the rates would continue to be relatively low and the GOH's fiscal revenue generating structure simply inadequate such that competing claims on funds would be too great to allow for the extremely large scale increases in subvention that would accompany increased portfolios in both agricultural and more general rural credit. In addition, one must seriously question such a procedure in terms of the ultimate burden of GOH subvention. There is no economic merit to using an inefficient and regressive fiscal system to generate funds used to subsidize services to the rural poor. Largely because of these factors, the GOH has selected the second option, although the process of increasing rates and fees will be gradual rather than abrupt, and will necessarily be dependent on the completion of a study which addresses the apportioning of costs of the services provided. While this option is to be much preferred over the first option, the third option is to be preferred in the context of economic efficiency. The reason is that the tax structure in Haiti is generally regressive. Thus, the poor will be subsidizing the poor. There seems to be little sense for the urban poor to subsidize the rural poor and there is no economic sense for the rural poor to subsidize themselves through a largely inefficient tax system. Thus, to the extent the relatively better off rural poor will benefit from development services and in the absence of any specially earmarked progressive tax to subvene these costs, it is more efficient economically for them to bear the costs directly.

c. Capitalization of BCA - To meet even a modest fraction of the effective demand for credit in rural areas will require major increases in capital funds. Several sources exist for such funds, including external grants and loans in cash, external grants and loans in kind (both inputs such as fertilizer or food), domestic forced savings and domestic mobilization of voluntary savings. Some of these are economically preferably to others. With respect to external funds, straight cash grants and credits tend to be the most inflationary and thus in-kind grants and credits are preferred. However, as demonstrated by the experience of the PPC project, attempts to strengthen an institution by promising only a limited range of inputs (e.g. fertilizer) frequently distort the lending provided by that institution and are ultimately unsuccessful in their institution-building objective. Domestic forced savings are of two types. The first type is forced saving by the clients as practiced by the BCA. This procedure, while providing some capital is rather limited and restricts individual choice in the utilization of investment. The individual usually views such forced savings as a cost of doing business, which it is. Forced savings are not recommended from an economic standpoint.

The second type of domestic forced savings is through fiscal revenues. Again, given the regressive and inefficient tax systems in Haiti, there is little merit to relying on this as a basis of capitalization. The final source of capital is voluntary savings, particularly rural savings. This source is the most preferred as it is not inflationary and has positive rural redistribution elements. The savings of the relatively wealthier segments of the rural communities are utilized for food production and employment generation of benefit of the relatively worse off in the rural communities. Further, as capital generated in a rural locale via a voluntary savings program is apt to stay in the same locale, it allows rural communities a greater degree of control over their own development.

d. Selected Group of Inputs - The group of inputs selected in the design of this project were determined by using cost effective criteria. While several options existed, the most cost effective were selected. Thus, recognizing the high costs of long term advisory services, a greater reliance is placed on specific short term technical services. In the case of commodity assistance, commodities purchases have been grouped to maximize efficiencies and reduce total costs. With respect to construction, a simple, adequate structure which can easily be expanded was designed to be built using the most inexpensive adequate materials.

## 2. Outreach Related Issues

The BCA has been more successful in recent years in increasing the size of its portfolio than has the IDAI. The reason behind this is that the BCA follows an implicit policy of capital spreading rather than capital deepening and this policy is supported by an outreach structure which is appropriate to this strategy. The BCA system works through groups of farmers and is not encumbered by extension or input distribution responsibilities. In short, the BCA outreach success has been based on an expansion of traditional production. Unfortunately, there are two opposing issues regarding this type of outreach. On the positive side, it is clear that the bulk of credits extended by the BCA are used to increase food production where the expansion of food production is achieved not through capital intensive approaches (i.e. chemical inputs or mechanization) but largely through labor using and land using traditional technologies. Thus, to the extent that underemployed labor exists, jobs are created and to the extent that full employment exists (peak seasonal employment), wages are increased. This means that not only is more food produced in the rural areas but also that the marginal farmers and agricultural laborers have more disposable income to buy food. Unfortunately; on the negative side, such a traditional expansion in use of land also means increased pressures on marginal lands. The advantages of the former clearly outweigh the disadvantages of the latter, particularly in the short run. Further, under this project the outreach is indeed limited such that there is only minor impact on the environment.

However, in the second evaluation of the project both of these issues should be carefully examined and recommendations should be made in terms of financing capital intensive/land displacing technologies and land conservation technologies. These recommendations would then be fully considered in any subsequent project support.

IV. PROJECT IMPLEMENTATION ARRANGEMENTS

A. Financial Plan

The USAID grant financing will provide for advisory assistance, training, commodities, construction and studies/assessment. Additionally grant funds will be available for the costs of evaluation. The GOH will provide counterpart funds to support BCA operations consisting of PL-480 funds for loan capital and the procurement of trail bikes, and general revenue resources to cover the operating deficit. The financial plan and cost estimates are based on current costs with an allowance for changes due to inflation and other contingency factors. Table 2 presents the financial plan for the project broken down by source and FX/LC costs.

TABLE 2  
SUMMARY OF TENTATIVE COST ESTIMATES  
(US \$000)

<u>Category</u>	<u>Funding Source</u>			<u>GOH</u>	<u>Project</u>
	<u>Foreign Exchange</u>	<u>Local Cost</u>	<u>A.I.D.</u>	<u>Local Cost</u>	<u>Total</u>
Advisory Assistance	630		630		630
Training Assistance	192	40	232	-	232
Commodities	366	64	450	110	560
Construction	-	792	792	-	792
Savings Mobilization Program	-	50	50	-	50
Capital		-		2,000	2,000
Assessment/Studies	150	-	150	-	150
Operation Deficit	-	-	-	1,666	1,666
Evaluation	30	-	30	-	30
Contingencies	51	35	66	↓	66
<b>TOTAL</b>	<b>1,419</b>	<b>981</b>	<b>2,400</b>	<b>3,776</b>	<b>6,176</b>

Table 3 demonstrates the proposed expenditure schedule for A.I.D and GOH resources by fiscal year. A.I.D obligations will be required in advance of expenditures in order to make procurement and contracting commitments. An FY 81 obligation of \$500,000 is proposed and will provide \$100,000 for advisory services, \$30,000 for training and \$50,000 for studies/assessment, \$120,000 for construction and \$200,000 for commodities. The GOH contributions are indicated for the fiscal year in which they will be required.

TABLE 3  
SUMMARY OF PROJECT EXPENDITURES BY FISCAL YEAR  
(US \$000)

CATEGORY	FY 82		FY 83		FY 84		L O P	
	AID	GOH	AID	GOH	AID	GOH	AID	GOH
Advisory Assistance	313	-	272	-	95	-	630	-
Training Assistance	88	-	89	-	55	-	232	-
Commodities	396	98	34	6	20	6	450	110
Construction	325	-	467	-	-	-	792	-
Savings Mobilization Program	20	-	20	-	10	-	50	-
Capital	-	584	-	676	-	740	-	2,000
Assessment/Studies	50	-	50	-	50	-	150	-
Operating Deficit	-	600	-	576	-	490	-	1,666
Evaluation	-	-	-	-	30	-	30	-
Contingency	33	-	26	-	7	-	66	-
<b>TOTAL</b>	<b>1,225</b>	<b>1,282</b>	<b>958</b>	<b>1,258</b>	<b>267</b>	<b>1,236</b>	<b>2,400</b>	<b>3,776</b>

B. Procurement Plan and Schedule

1. Technical Advisory Assistance

Project funds provide for one long-term advisor in rural credit systems management for 24 person months and seven or more short-term specialists in other subject areas for a total of 30 person months. A single contract will be negotiated, with services to begin during the first quarter FY 82.

In the event a single firm cannot provide all the required services at an adequate standard, such services may be broken out of the large single contract and individual contracts will be negotiated separately. All advisory assistance will be obtained through host-country contracting procedures in compliance with USAID standard regulations, (Handbook 11, Ch. 1) when such procedures are not cost prohibitive. The BCA and USAID have shown preference for this mode for several reasons. AID's preference for host country contracting, provided that such capabilities exist, is delineated under Policy Determination No. 68. With respect to this project, both BCA and USAID believe that the BCA, based on the depth of its staff experience and education is capable of adequately preparing all the documentation necessary and implementing/administering host country contracts. Also the RCO is stationed in Haiti and is prepared to assist the BCA in all phases of the contracting process, and to ensure that all documentation is prepared correctly and actions are taken to meet the requirements set forth in HB 11. Based on this initial, hands-on experience the BCA will be capable of continuing to contract on its own during the IOP and beyond; further strengthening its administrative capabilities and reinforcing other aspects of rural project administration. However, despite the preferences and advantages of host country contracting, its limitation in procuring short-term advisory services is recognized. The limitation is that all services must be covered by DBA insurance and that the procurement of such coverage on small Host country contracts with individuals is cost prohibitive. Thus, PD 68 will be waived which will allow the Mission to procure short-term advisory services employing normal U.S. procurement regulations when necessary.

## 2. Training Assistance

This component will be composed of three types of training: U.S. academic, U.S. technical and in-country technical (see Annex F-2). The U.S. long-term academic training will be provided in business management, finance, and agricultural credit. The U.S. technical short-term training planned includes small farmer credit policy, agricultural project planning, agricultural capital projects analysis, contract administration in rural development, agricultural communication and media strategies, and agricultural trainer (extension) development. Both long-term academic and short-term technical participant training will begin during the second quarter of FY 82. The usual PIO/P process will be used to implement this activity. Lastly with respect to long-term training, a condition precedent to disbursement for this purpose will require BCA to provide a copy of the contract signed by employees who are selected for long-term academic training which will (a) require the employee to work for the BCA upon completion of training an amount of time equal to that spent in training and (b) guarantee the employee a position in the ECA equal to or superior

to the one held prior to academic training. In-country training will consist of a small farmer credit distribution courses, courses on business skills, English refresher courses, and a savings mobilization workshop. In-country technical training will also commence during the first quarter of FY 82. In-country training will be the responsibility of the BCA and all services and commodities required, other than the trainers contracted, will be procured. During January-February 1981, the BCA assisted in the preparation and supervision of the successful 4 week course "Small Farmer Credit Distribution and Administration". With this prior experience and with the assistance of USAID the BCA should be able to administer all in-country training. The procurement of trainers for in-country courses and workshops will be procured using USAID/PASA arrangements, if applicable, or normal contracting procedures.

### 3. Commodity Procurement

In accordance with the decision made by the Administrator on July 14, 1977, all goods and services for this project, except motor vehicles, will be procured from countries in A.I.D. Geographic Code 941 and the Host Country. Motor vehicles will be procured only from the U.S., commodities to be procured include typewriters, hand calculators, office furniture, office supplies and equipment, safes, 4 wheel drive vehicles and sedans, automatic data processing equipment and radio communication equipment. The furniture, equipment and office supplies will be locally procured. Existing offices which are only partially equipped will be provided additional equipment necessary to upgrade them to a level equivalent with new offices. Based on the inventory of existing equipment and supplies in local and regional offices, it has been estimated that the cost for equipping an existing office will be approximately half the cost of equipping a new office.

#### a. Vehicles

Vehicle procurement will consist of the purchase of 13 four wheel drive vehicles (11 for the regional offices and 2 for the central office), two sedans for the transportation of central office auditors to and from the regional offices, and 110 trailbikes for rural agents (purchased with GOH funds). The 4 wheel drive vehicles procured will possess a large capacity for carrying luggage, supplies, and passengers. They will be used between the regional and local offices, where the road surface demands the use of 4 wheel drive vehicles. All vehicles procured under this project will be procured through competitive bidding, and no waivers will be required.

All vehicles procured with A.I.D. funds will be procured under one project implementation order, through A.I.D. direct procurement, during the first procurement phase of the project (see Annex F-3). Total costs of vehicles, CIF Port-au-Prince and including the agent fees for procurement services, is estimated at \$196,000. The specifications will be prepared by the BCA in accordance with standard A.I.D. regulations and submitted to the procurement agent in the form of a PID/C during the first quarter FY 82. Procurement of vehicles for Haiti can involve up to four months for the award of a contract and up to an additional 9 months for completion of procurement, including arrival at port of destination. Therefore, procurement for vehicles expected to be available for service by first quarter FY 83 should begin during the first quarter of FY 82.

b. Equipment

Equipment procured under this project will include furniture, typewriters, calculators, and safes required by each local and regional office, as well as the central office. The purchase of this equipment will be divided between the two procurement phases (see Annex F-5) and based on the number of office openings planned during each fiscal year. During each procurement phase, the furniture will be purchased locally by the BCA, (including miscellaneous items for the Savings Mobilization program) and the typewriters, calculators, and safes will be purchased through the procurement agent. The list of equipment, including the specifications will be finalized by the BCA by 4th quarter FY 81, and the procurement process should begin no later than the end of 1st quarter FY 82. Commodities procured during the first phase should be received by 3rd quarter FY 82. The second procurement phase for equipment will be scheduled to proceed similar to the first, and will begin by 4th quarter FY 82. The list of equipment for this second phase will be finalized based on an assessment of current activities and the revised plan for expansion.

c. ADP Equipment

Procurement of ADP equipment is planned for the final year of the Project. The functional abilities, versatility, and size of this equipment will depend on the financial and managerial ADP needs of the BCA at the end of the project. An assessment of these needs will be made in the various operating systems during the IOP. The ADP system then will be procured, locally if a dependable supplier can be located, or from a code 941 supplier if not. The cost of both the hardware and the software required is tentatively estimated at \$20,000. It is recognized, however, that a more sophisticated and thus more costly ADP system may be recommended.

d. Communication System

Based on the recommendations of a radio communications advisor, radio communications componentry suited to the needs of the BCA will be procured. An estimated \$128,000 is budgeted for commodity costs in the procurement of this equipment. The radio communications advisor is expected to present a report by the 2nd quarter of FY 82 outlining the communication system componentry specifications and recommendations for procurement sources. If equipment and maintenance services are available in Haiti, the BCA will be advised to procure locally. In the event that no sources are available locally, 941 procurement will proceed through the services of a procurement agent. The implementation of this system may require an adaptation and a linking to the ADP system in order to transfer efficiently accounting information between offices. This aspect of the communication system will be investigated, and compatibility noted between the proposed system and possible ADP systems.

e. Summary

The implementation of the proposed procurement plan (U.S. financed) is summarized as follows:

<u>Commodity</u>	<u>Procurement Phase</u>	<u>FY</u>	<u>Procurement Process</u>	<u>Estimated Cost</u>
1. Vehicles	1st phase	82	Direct Procurement (941)	\$196,200
2. Equipment	1st phase	82	Local Procurement or Procurement Agent (941)	71,600
	2nd phase	83	Local Procurement or Procurement Agent (941)	34,400
3. ADP Equipment	<u>1/</u>	84	Local Procurement or Procurement Agent (941)	20,000
4. Radio Communication	1st phase	82	Procurement Agent (941)	<u>128,000</u>
			Total:	\$450,200

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1/ Procurement of ADP equipment will not take place until FY 84, and therefore is not included in either of the two major procurement phases.

#### 4. Construction

##### a. Local Offices

The project will include funding for the construction of 18 BCA local offices over the next three years. Of the eighteen offices proposed for construction by the BCA, all are presently served by credit agents. The BCA has 16 leased buildings and plans to lease 2 additional buildings in FY 82 (Ennery and Dessalines). These sites were selected both on the basis of their long-term lending activities and on their potential loan demand, as estimated by the BCA.

The implementation of the planned construction will take place as outlined in Annex F-4. The BCA, with the assistance and approval of USAID, will select an A & E firm to design and formulate construction guidelines for the construction of all the proposed offices. The construction will be scheduled in two phases, one for each year of the first two years of the project. After the initial CP's are met, documents will be approved by USAID and prequalification of construction firms completed. IFBs will be issued, and upon receipt of bids, construction firms will be evaluated by BCA/USAID and contracts will be issued for the construction of 8 buildings. In FY 83, 3 contracts for 10 buildings will be let. A summary of office construction and site locations is in Annex F-4 also. A condition precedent to disbursement for construction will require BCA to demonstrate clear title to each site before construction begins. In addition, BCA will be requested to provide to USAID prior to the beginning of each fiscal year the list of sites where construction is planned during the year, a schedule of construction activities and cost estimates for the year, a schedule of construction activities and an update of cost estimates for any construction not completed during the prior year, and a maintenance plan and schedule for the fiscal year for all A.I.D. assisted construction.

##### b. Savings Windows

As part of the Savings Mobilization Program, service counters with teller windows will be constructed in those existing and planned offices involved in the savings mobilization scheme. The intent of this planned change to the interior design of the office is to provide to the BCA client a specific location for savings transaction, impressing upon him the important consideration given to savings by the BCA. The construction costs of these savings windows will be a part of BCA's contribution to the overall project. The final design of these windows and the cost estimates involved will be made after the first phase of the program, which is presently scheduled to start in first quarter FY 82. As the program expands to other offices the construction of these savings windows will also be expanded as an integral part of the program, provided that evidence shows that such windows contribute significantly to mobilizing savings.

## 5. Capital Assistance

Net additional external capital required during the LOP to meet the projected loan volume is estimated at \$2,000,000 and will be provided by GOH contribution. The source of these funds, if available, will be PL 480 Title I monies. During the fourth quarter of each fiscal year the BCA will estimate its additional external capital requirements for the upcoming year based on performance of the current year. The DARNDR will consider this level and officially transmit the request to the SEP which will, in turn, request USAID concurrence with the proposed usage and level. Project management will monitor throughout the LOP the quarterly flow of Title I funds to the BCA.

## 6. Operating Subsidy

The BCA operating deficits estimated over the LOP total \$1,666,000. Funds to cover the annual operating deficit will also be provided by GOH counterpart contributions except that the source will be general revenues and not PL 480 funds. During the third quarter of each year the BCA will project the operating balance for next year based on the anticipated expansion, improvements in operational efficiency and the level of interest rates and dossier fees. This estimate will be transmitted through normal budgeting channels. Project management will monitor closely the level of operational subsidies provided by the GOH to the BCA to insure that operational deficits are not being covered by capital funds and thereby decreasing lending. If inadequate levels are being provided due to GOH budget constraints, the Mission will request officially that the BCA adjust its fee structure to accommodate the shortfall.

## 7. Assessment/Studies

Approximately 150,000 of grant funds are available to finance specific short-term studies, a rural financial markets assessment and to cover costs of BCA and other GOH officials to attend conferences and workshops on rural financial markets. The purpose of these activities is to provide the basis for the BCA to plan its future role as a rural development banking institution in the late eighties. During project development only a general attempt was made to specify the studies and this list can be reviewed in Annex G. The reason for this was to maintain flexibility for actual implementation such that the studies conducted are indeed studies which will lead to policy changes. The advantage of this strategy was clear in the final negotiations of the project when it was decided that USAID and the BCA would conduct the studies to examine the issues pertaining to the transfer of the IDAI small farmer portfolio to the BCA. However, such flexibility requires a greater degree of management in implementation.

In the case of specific short-term studies, the BCA will outline the study objectives and manpower requirements and formally request USAID approval to conduct the study using grant funds on a reimbursement basis. In addition, if the BCA requests, the project manager will draft a PIO/T to procure advisory services to conduct the study using normal USAID procurement procedures. In the case of the rural financial markets assessment, several U.S. universities that have a strong background in agricultural credit have also been involved with rural development in Haiti. They will be selected by USAID and the BCA and invited to submit proposals

to conduct an assessment during the IOP. This activity will begin early in the FY 82 using USAID university selections procedures. Lastly, the BCA will formally request the use of grant funds to cover attendance at workshops and conferences. If approved, travel orders will be issued.

### C. Evaluation Plan and Schedule

The project will be evaluated three times. The purpose of the first evaluation scheduled for March, 1982 is to review initial implementation activities and consider any adjustment necessary in the implementation plan for the project. With the assistance of approximately two weeks of external advisory services, the Mission and the BCA will review the procurement of inputs, the FY 81 operational year statistics, the FY 82 projections and the background reports and recommendations concerning the transfer of the IDAI small farmer portfolio. The review will result in a short internal report comprised of action recommendations. The second evaluation, following approximately one year later, will assist the Mission in identifying any necessary implementation changes but more importantly, it will serve as the basis for the design of any USAID follow on activities to the BCA. Using approximately six weeks of advisory services, the Mission and the BCA will again review the procurement of inputs, the operational year statistics and projections, and the status of the IDAI small farmer portfolio transfer to the BCA. In addition, the overall rate of progress of BCA management and operations will be assessed, as will the impact of increased banking services in the rural communities. With regard to the latter, the impact review will be more qualitative than quantitative in its analysis of accrual of benefits and effect on beneficiaries and will probably employ the case study approach as a methodology. The third and final evaluation will come near the end of the project in approximately August 1984. With the assistance of an estimated one month of advisory services, the Mission and the BCA will evaluate the project performance and submit a PES. Inputs will be summarized and evaluated in comparison with achieved outputs and the outputs in turn will be evaluated in light of the overall project purpose.

The Mission and the BCA will designate members of the proposed evaluation team early during the project. Their first task will be to refine the broad evaluation plan and schedule discussed above. Once the final plan is established, the team will determine the skills required of the outside advisory assistance. The evaluation team will also decide if the services will be procured through a single contract or a through series of individual contracts.

### D. Mission Management and Monitoring

Project management will reside in the Mission's Agricultural Development Office. One USDH officer will be assigned as project manager and management will require approximately fifty percent of the officer's time. The Project manager will draw on all the Mission's support personnel in implementing the project including the Mission's training officer, the evaluation officer, the regional contracts officer and a FSN engineer. Implementation will be monitored and official project documents (project agreement, PIOs, PILs) will be prepared by the Project Design and Coordination and Program Division. It is estimated that approximately one quarter of the FSN engineering officer's time will be required to assist with the implementation of the construction activities.

V. CONDITIONS AND NEGOTIATING STATUS

In addition to the standard initial condition precedent, the project development committee has determined the necessity of one additional special condition precedent. Similarly, in addition to the standard covenant on evaluation, the committee has determined the necessity of two additional special covenants. The standard conditions and the special conditions with discussions of the negotiating status of the latter are presented below.

A. Conditions Precedent

1. Conditions Precedent to Initial Disbursement

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, the Grantee, except as A.I.D., may otherwise agree in writing, shall furnish in form and substance satisfactory to A.I.D.:

(a) An opinion of the Secretary of State of Justice of the Republic of Haiti or other counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of the Republic of Haiti, and that it constitutes a valid and legally binding obligation of the Republic of Haiti in accordance with all of its terms; and

(b) A statement of the name of the person holding or acting in the office of the Grantee, and of any additional representatives, together with a specimen signature of each person specified in such statement.

2. Conditions Precedent to Disbursement for Other than Technical Assistance or Studies

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance activities other than technical assistance or studies, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D., evidence such that a maximum interest rate is not fixed by this law but by action of the Administrative Council of the Bureau de Crédit Agricole following the general policy of the Banque de la République d'Haiti.

In negotiations with the GOH, it was agreed that the interest rate on loans would be raised gradually during the IOP beginning in FY 1982 with the interest rate being raised to 10 percent. Article 22 of the original BCA organic law passed on September 30, 1963, set the maximum interest rate at 8 percent. On December 12, 1976, Article 22 was amended and the maximum interest rate was raised to 9 percent. The above condition requires that the Article be amended but rather than specifying a new maximum by law, it provides that the maximum interest rate be specified by action of the BCA board in a manner consistent with general banking policy and legal constraints. Thus, subsequent adjustments in interest rates will not require legal decrees.

This proposed amendment was submitted by the BCA to its Board of Directors in March of 1980 along with other proposed legal changes. No actions have been taken on the proposed legal changes to date. The purpose of this special condition is to elevate this amendment from the others and obtain the required action by the next fiscal year. In subsequent discussions concerning this condition, the BCA has been advised that recent changes in banking laws preclude the necessity of the proposed change. No legal opinion however has been provided and until such time, the Mission position is that the special condition should remain.

3. Conditions Precedent to Disbursement for Construction

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance the construction of any facility, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D. evidence that the Grantee has acquired title to the land on which that facility is to be constructed.

4. Conditions Precedent to Disbursements for Long-Term Training

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance overseas, long-term training, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.:

(a) Evidence that the candidate selected for such training has signed a commitment to return to Haiti and to provide services to the BCA for a period at least equal to the time spent in training and

(b) Evidence that the candidate selected for such training is guaranteed a position in the BCA upon his return equal to or superior to the one held by the candidate prior to such training.

B. Covenants

1. The Grantee agrees to establish an evaluation program as part of the Project. The program will include, during the implementation of the Project and at one or more points thereafter;

(a) evaluation of progress toward attainment of the objectives of the Project;

(b) identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems; and

(d) evaluation, to the degree feasible, of the overall development impact of the Project.

2. The Grantee agrees to finance all operating deficits incurred by the BCA during the Life of the Project in a manner which does not reduce the capital of the BCA.

3. The Grantee agrees to advise and consult with A.I.D. on any proposed changes in BCA's organization or legal structure prior to the proposals being submitted for legislative action or decree.

In March 1980, as mentioned above, the BCA submitted to its Board of Directors a comprehensive set of amendments to its basic legislation which would result in major reorganization. The Mission generally supports these proposed changes. Simultaneously, the SEP and other elements of the GOH have been considering and proposing major financial policy reforms. These reforms are having various impacts on the financial institutions of the country including the BCA. For example, in April of 1981, a sub-committee in SEP proposed a merger between the BCA and the IDAI agricultural division to create the ACB. Subsequently, the proposed merger proposal was withdrawn and in its place, a proposal for the small farmer portfolio of the IDAI be transferred to the BCA was made. This may or may not require changes in the BCA's legal status. The project with its studies/assessment support will address these issues and changes in legal structure during the LOP. The purpose of the special covenant is to insure that the GOH, in its efforts of general financial reform for the country, will specifically consider the potential impact on this project by requiring that they advise and consult with the Mission on any reforms which will significantly affect the BCA's legal charter.

STRENGTHENING RURAL CREDIT SERVICES

Project 521-0121

ANNEXES

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JUN 1980

Annex A  
page 1

AMERICAN OVERSEAS DEVELOPMENT BANK

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TO AMEMBASSY PORT AU PRINCE HAITI 0771  
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AIDAC

E.O. 12858: WA

TAGS:

SUBJECT: STRENGTHENING RURAL CREDIT SERVICES PID

1. BASED ON DAEC REVIEW OF SUBJECT PID MAY 23, 1980, AUTHORIZATION TO PROCEED WITH DEVELOPMENT OF PP IS SUBJECT TO SATISFACTORY RESOLUTION OF QUESTION OF BCA'S FUTURE STATUS AND MANDATE. SEE ITEM TWO BELOW:

2. AS INDICATED IN PID, PRESIDENT OF HAITI RECENTLY ANNOUNCED GOH INTENTION TO ESTABLISH NATIONAL DEVELOPMENT BANK TO INCLUDE BCA, AGRO-INDUSTRIAL DEVELOPMENT INSTITUTE (IDAI), AND NATIONAL HOUSING BANK. ESTABLISHMENT OF SUCH A BANK COULD HAVE SIGNIFICANT IMPACT ON BCA'S AUTONOMY, MANDATE, AND INSTITUTIONAL CONFIGURATION. MOREOVER, BCA'S ORGANIC LAW AS WELL AS OTHER LAWS CONCERNING BANKING AND FINANCIAL MATTERS MAY BE REVISED IN NEAR FUTURE. THE UNCERTAINTIES SURROUNDING PROPOSED INSTITUTIONAL AND LEGAL CHANGES BRING INTO QUESTION APPROPRIATENESS OF PROCEEDING WITH PROPOSED PROJECT AT THIS TIME. WE AWAIT RESULTS OF DISCUSSIONS WITH SENIOR GOH OFFICIALS ON THIS ISSUE. IF ISSUE CAN BE RESOLVED, GUIDANCE FOLLOWS FOR PP PREPARATION.

3. EXPANDING BCA OFFICE LOCATIONS:

(A). PID STATES THAT SOME 40 LOCAL BCA OFFICES (INCLUDING 17 OFFICES CURRENTLY RENTED) MAY BE CONSTRUCTED UNDER PROJECT ALONG WITH 3 ADDITIONAL REGIONAL OFFICES. BUREAU CONCERNED THAT AN EXPANSION OF MAGNITUDE ENVISIONED MAY UNDERMINE BCA'S FINANCIAL VIABILITY, A BASIC PROJECT OBJECTIVE. THEREFORE, REQUEST THAT MISSION AND GOH EXAMINE AN ALTERNATIVE MEANS OF EXPANDING BCA'S OPERATIONS THROUGH A MORE INTENSIVE USE OF THE EXISTING 17 LOCAL BCA OFFICES, INDICATING THE EFFECT OF IMPLEMENTING THIS ALTERNATIVE IN TERMS OF LOAN VOLUME, ADMINISTRATIVE COSTS AND PROJECT COSTS. A COMPARATIVE ANALYSIS OF BOTH ALTERNATIVES (AND POSSIBLY SOME COMBINATION OF THE TWO) SHOULD BE MADE AND SET FORTH IN THE PP. A DECISION TO CONSTRUCT ADDITIONAL BCA OFFICES, HOWEVER, SHOULD BE BASED ON EFFICIENCY CRITERIA (I.E., ADEQUACY OF PROJECTED LOAN VOLUME TO COVER ADMINISTRATIVE COSTS) APPLIED TO EACH OF THE OFFICE SITES SELECTED. THE ANALYSIS OUTLINED ABOVE SHOULD BE COMPLETED AND COST ESTIMATES REASONABLY FIRM PRIOR TO OBLIGATING AID GRANT FUNDS FOR UPGRADING OR EXPANDING BCA FACILITIES.

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(B) WHERE POSSIBLE, MISSIONARIES SHOULD CONSIDER BEATING FACILITIES SINCE PLANNED RURAL MARKETING STUDIES MAY INDICATE MORE APPROPRIATE SITES LATER ON.

(C) FIXED AMOUNT REIMBURSEMENT (FAR) SYSTEM SHOULD BE CONSIDERED AS BASIS FOR DISBURSING AID FUNDS FOR CONSTRUCTION OF LOCAL BCA OFFICES.

#### 4. RURAL MARKETING STUDIES:

(A) GIVEN THE GROWING NUMBER OF INSTITUTIONS PROVIDING AGRICULTURAL CREDIT TO SMALL FARMERS IN HAITI, AND THE POTENTIAL FOR DUPLICATION OF EFFORT, ONE OF THE PROJECT'S MARKETING STUDIES SHOULD EXAMINE THE CREDIT TERMS, EFFECTIVENESS AND GEOGRAPHICAL COVERAGE OF THESE

INSTITUTIONS WITH THE OBJECTIVE OF RATIONALIZING THE EXTENSION OF AGRICULTURAL CREDIT TO SMALL FARMERS.

(B) ALL RELEVANT RURAL MARKETING STUDIES SHOULD BE COMPLETED PRIOR TO DELICATING APPROX. \$25,000 IN RISK CAPITAL TO TEST NEW CREDIT DELIVERY OR SAVINGS MOBILIZATION CHANNELS.

5. AGRICULTURAL CREDIT SOCIETIES (ACS): CURRENTLY AND IN FORESEEABLE FUTURE THE LACK OF APPROPRIATE FINANCIAL SERVICES FOR CREDITING AND SAVINGS INSTITUTIONS IS A MAJOR OBSTACLE TO SMALL FARMERS. CURRENTLY, THESE SHOULD BE CAREFULLY EXAMINED DURING INTENSIVE REVIEW TO DETERMINE MEASURES FOR IMPROVING THEIR ADMINISTRATIVE CAPABILITIES IN TERMS OF

IDENTIFYING PRIORITY CREDIT NEEDS, TERMS OF THEIR CREDITING, SECURITY AND DISTRIBUTION OF THE NECESSARY CREDIT IN A TIMELY MANNER, AND REFINANCING THE DEBT IN ACCORDANCE WITH TERMS AND CONDITIONS OF LOAN. MUSKIE

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# TELEGRAM

FROM AMEMBASSY PORT AU PRINCE

CLASSIFICATION UNCLASSIFIED

12065  
E.O. 11652  
TAGS:

N/A

SUBJECT: DAEC Guidance Cable for Strengthening Rural Credit Service, PID (521-0121)

ACTION: SECSTATE WASHDC PRIORITY

UNCLASSIFIED PORT AU PRINCE 2019

AID  
AMB/DCM  
Chron

AIDAC

REF: State 142995

1. Mission has reviewed reftel and has discussed cable with LAC/DR officer Barry Burnett. USAID believes cable as revised creates serious problems, which AID/W may not have intended, which could substantially delay project development and endanger proposed FY 80 obligation. Paragraph one of reftel implies that PID has not been approved for intensive review and development of PP, and that such approval is contingent upon final resolution of issue concerning proposed new development national development bank (NDB). We agree that this is an important issue to resolve prior to project authorization, but based on information set forth in para. 2 below, we do not believe it is a basis on which to delay further development of PP. If PID is not approved at this time, we

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DRAFTED BY: PDC: SESmith/hdw:mp WSR for SES	DRAFTING DATE: 6/2/80	TEL. EXT: 222	CONTENTS AND CLASSIFICATION APPROVED BY: Director, Allan R. Furman
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REFERENCES:  
 PDC: JABecker (draft)  
 PDC: WSRhodes (draft)

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CLASSIFICATION

OPTIONAL FORM NO. 10  
MAY 1962 EDITION  
GSA FPMR (41 CFR) 101-11.6

will be unable to contract for advisory assistance in designing rural financial market studies and radio communications systems which was contemplated in PID. PP cannot be completed to USAID satisfaction without this assistance. Therefore, delay in PID approval will seriously delay final project design, authorization and obligation.

2. Subsequent to PID submission, USAID has had discussions with among others, the Director General of the Department of Plan, the Sub-Secretary of Finance, the Deputy Governor of the Central Bank (BRH), the Directors of IDAI and BCA, and high officials of the Department of Agriculture (DARNDR). According to these GOH officials, no specific plans exist for creation of the NDB in the near future. Further, the consensus of these officials is that, when and if established, the NDB would be a second-level umbrella organization through which international donors and financial institutions can channel funds for productive, financial (e.g. ~~supposed~~ agricultural or industrial credit) projects. It would most likely not undertake lending operations directly itself. It would serve to rationalize external resource flows to the productive sector, but would not change significantly the organization, management, mandate, or autonomy of existing public development finance institutions. Furthermore, DARNDR sources insist that the Department of Agriculture will continue to have

an agricultural ~~note~~ credit function through the BSA. The banking laws mentioned in the PID will affect principally the commercial banking sector, not development banks like BCA.

3. On the basis of this information, USAID believes that the issue is not sufficiently serious to foreclose proceeding with project development at this time. We intend to address the NDB question as completely as possible in the PP, as was indicated in the PID. USAID is also willing to cable AID/W results of our final analysis prior to PP authorization. However, we would appreciate an unambiguous approval of the PID ~~so~~ so we can proceed with project design as closely as possible to the ~~the~~ schedule described in the PID.

4. Points raised by Bureau in paras. 3 through 5 reftel are well-taken. Questions raised will be thoroughly examined in Mission's intensive review and specifically addressed in PP.

  
JONES

DEPT. OF STATE  
OFFICE OF THE ASSISTANT SECRETARY FOR  
ECONOMIC AFFAIRS  
WASHINGTON, D.C. 20520

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# TELEGRAM

1 JUL 1980

AMERICAN EMBASSY, PORT-AU-PRINCE

Annex A  
page 6

**UNCLASSIFIED**

Classification

OFFICIAL FILE

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ADM AID

E.O. 12065: N/A

TAGS:

SUBJECT: STRENGTHENING RURAL CREDIT SERVICES PID

REF: (A) STATE 142995; (B) PORT AU PRINCE 2559

1. BASED ON INFORMATION SUBMITTED PER REF B, BUREAU APPROVES SUBJECT PID.

2. AS PROPOSED BY USAID IN PARA 3 OF REF B, WE REQUEST THAT SHORTLY BEFORE AUTHORIZING SUBJECT GRANT, MISSION PROVIDE BUREAU WITH AN UPDATED STATUS REPORT REGARDING THE ESTABLISHMENT OF THE NATIONAL DEVELOPMENT BANK. MUSKIE  
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PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORKAnnex B  
page 1Life of Project:  
From FY 81 to FY 84  
Total U.S. Funding \$2,400,000  
Date Prepared: 5/27/81

Project Title &amp; Number: Strengthening Rural Credit Services 521-0121

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><b>Program or Sector Goal:</b> The broader objective to which this project contributes:</p> <p>Increase the standard of living of the Rural Haitian poor through increased food production and strengthened rural institutions.</p>	<p><b>Measures of Goal Achievement:</b></p> <ol style="list-style-type: none"> <li>1. Increased consumption (food, consumer durables and non-durables) and services.</li> <li>2. Increased Savings.</li> <li>3. Increased private investment (e.g. education)</li> </ol>	<p><b>MEANS OF VERIFICATION</b></p> <ol style="list-style-type: none"> <li>1. Household consumption survey of participants and non-participants.</li> <li>2. Case studies combined with analysis of secondary data.</li> </ol>	<p><b>Assumptions for achieving goal targets:</b></p> <ol style="list-style-type: none"> <li>1. Financially sound productive opportunities leading to increased per capita output.</li> <li>2. Constant relative prices (productive consumer)</li> <li>3. No. non-productive</li> </ol>
<p><b>Project Purpose:</b></p> <ol style="list-style-type: none"> <li>1. To strengthen the capability of the Bank to provide credit and related banking services to rural Haiti</li> </ol>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ol style="list-style-type: none"> <li>1. Increased portfolio and annual loan volume.</li> <li>2. Increased number of clients.</li> <li>3. Increased recovery rate on lending</li> <li>4. Decreased relative operating deficit. Approximately 13% to 6%.</li> <li>5. Defined rural-credit policy.</li> </ol>	<p><b>MEANS OF VERIFICATION</b></p> <ol style="list-style-type: none"> <li>1. BCA records</li> <li>2. GOH 5 year plan 81-86</li> <li>3. USAID/CDSS</li> </ol>	<p><b>Assumptions for achieving purpose:</b></p> <ol style="list-style-type: none"> <li>1. BCA will continue as an autonomous rural credit entity of the GOH.</li> <li>2. Gradual increase in interest rates dossier fee.</li> </ol>
<p><b>Outputs:</b></p> <ol style="list-style-type: none"> <li>1. Reorganization of the BCA Central/Regional/Local/SAC system.</li> <li>2. Improved operations systems.</li> <li>3. Better trained staff &amp; Upgraded staff levels.</li> <li>4. Upgraded and expanded physical infrastructure.</li> <li>5. Expanded Agricultural Credit</li> <li>6. New Banking services</li> <li>7. Financial viability</li> <li>8. Financial Market Assessment</li> </ol>	<p><b>Magnitude of Outputs:</b></p> <ol style="list-style-type: none"> <li>1. Revised organizational structure plan.</li> <li>2. ADP for accounting and record keeping, Radio nets for communications and a new planning and budgeting system.</li> <li>3. Increased staff numbers and better performance.</li> <li>4. Fully equipped offices 43 local 11 regional, and 1 central.</li> <li>5. Thirty percent real annual growth rate.</li> <li>6. Savings, credit lines, and consumption credit</li> <li>7. Fully subsidized deficit</li> <li>8. 5 or more studies on rural credit needs.</li> </ol>	<p><b>MEANS OF VERIFICATION</b></p> <ol style="list-style-type: none"> <li>1. Review Legislation and organizational chart.</li> <li>2. Audit records and review of BCA operating directives.</li> <li>3. Field level observations and review personnel records.</li> <li>4. Field level observation and review of inventory records.</li> <li>5. Accounts &amp; Records</li> <li>6. Review BCA policy directives and portfolio.</li> <li>7. Accounts &amp; Financial Statements</li> <li>8. Review completed study reports.</li> </ol>	<p><b>Assumptions for achieving outputs:</b></p> <p>For no. 4. output it is assumed that construction contractor/contractors can perform in allotted period.</p>

**PROJECT DESIGN SUMMARY**  
**LOGICAL FRAMEWORK**

Annex B  
page 2

Life of Project:  
From FY 81 to FY 84  
Total U.S. Funding \$2,400,000  
Date Prepared: 5/27/81

Project Title & Number: Strengthening Rural Credit Services 521-0121

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<u>Inputs</u>	<u>Implementation Target (Type &amp; Quantity)</u>		<u>Assumptions for providing Inputs</u>
1. Advisory assistance 2. Training assistance	1. 24 pm of long-term and 30 pm 2. 3 Academic US, 10 non-academic US 100 non-academic local.	1. Audit contractor records 2. Review PIO/Ps and PIO/Ts.	
3. Commodities	3. Equipment for local offices \$75,000, equipment for regional offices \$178,000, equipment for central office \$49,000, ADP systems \$20,000 and Radio networks \$128,000.	3. Review procurement data and invoices.	
4. Construction	4. Local construction contracts and engineering oversight.	4. Review contracts	
5. Capital	5. 10,000,000 gdes for ordinary lending.	5. Audit records and financial statements.	
6. GOH Budget for equipment, supplies	6. 12,500,000 gdes in administrative costs during LOP (82-84)	6. Financial statements	5. and 6. it is assumed that PL-480 resources will be made available.
7. Contracts for studies	7. Several at 150,000	7. Review contracts	
8. Evaluation	8. \$30,000 - 3 p.m.	8 Interviews and review all records.	

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521-0121

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Chronological List of CUNA Documents

1975

1. 3/75 Plan of Work by Paul Derstine
2. 8/75 A Practical Planning Worklook for the BCA by James Jannick

1976

3. 12/76 Objectif du Plan de Travail par H. Snyder
4. 12/76 Essai du Plan de Travail à Réaliser par H. Snyder

1977

5. 1/77 Budget Financier pour 1977 par H. Snyder
6. 3/77 Control of PPC Project Funds by CONADEP
7. 4/77 Rapport Mensuel pour l'Encaissement par H. Snyder
8. 4/77 Faibles Taux d'Intérêts et Programmes de Crédit de Production pour Petits Fermiers by Chris Baker
9. 4/77 Tableau des Comptes pour le BCA par H. Snyder
10. 4/77 Recommended Journal Entries by H. Snyder
11. 5/77 Révision des Rapports de Remboursements du PPC par H. Snyder
12. 5/77 Transfer of Funds Required to PPC Bank Accounts by H. Snyder
13. 6/77 Workplan Objectives
14. 6/77 Multiplicity of Bank Accounts from M. Snyder
15. 6/77 Workplan Objectives for CUNA/H Consultants
16. 6/77 Status Report
17. 8/77 Activités Traditionnelles des Prêts pour 1977
18. 8/77 An Analysis of the Results of the Financial Operations of the B.C.A.
19. 8/77 The Role of Savings in an Agriculture Credit Program
20. 8/77 Program du Cours de Crédit Agricole
21. 8/77 Note sur le Rapport d'Evaluation du PPC par le DAI
22. 9/77 Compte-Rendu des Réunions .....

23. 9/77 Estimated Budget
24. 9/77 Compte-Rendu de la 118<sup>ème</sup> Session
25. 9/77 Preliminary Observations/Recommendations by  
Marc Scott
26. 9/77 Circulaire des Remboursements de Prêts des Pro-  
cédures de Rapport
27. 9/77 Budget Requests
28. 10/77 Etat du Bureau Régional de Jacmel
29. 10/77 Annual Report on BCA Accomplishments
30. 11/77 Proposal on a Strategy for Achieving ALSAC .....
31. 11/77 General Status Report

1978

32. 1/78 Letter to Henry Cruz
33. 1/78 Intérêts sur les Dépôts à Terme
34. 1/78 Notes sur les Intérêts Accordés aux Dépôts à Terme
35. 1/78 Letter from M. Scott to R. Conte
36. 1/78 Function of the Service Financier of the BCA
37. 2/78 Rapport de M. Jean Lafontant
38. 2/78 Tâches Prioritaires dans le Cadre du PDAI
39. 2/78 Agrément des Nouvelles Sociétés Agricoles de  
Crédit
40. 2/78 Nouvelles Orientations de l'Action de l'IDAI
41. 2/78 Rapport Spécial de Cépha Célestin
42. 2/78 General Status Report
43. 3/78 General Status Report
44. 3/78 Letter to R. Conte from M. Scott
45. 3/78 Letter to R. Conte from M. Scott
46. 4/78 Informations Requises Avant Tout Déboursement
47. 4/78 A Brief Description of the B.C.A.
48. 4/78 General Status Report
49. 5/78 Rapport Mensuel du CUNA/H au BCA
50. 5/78 Lettre de M. Scott à R. Conte
51. 5/78 Lettre de M. Scott à M. Conte
52. 5/78 CUNA/H Monthly Report to the BCA
53. 5/78 Estimated First Year Budget
54. 5/78 Letter to L. Morales
55. 5/78 BCA - Project PPC - Etats Financiers
56. 6/78 Letter to Paul Hebert from Marc Scott
57. 6/78 Letter from H. Snyder to R. Conte
58. 7/78 Letter from M. Scott to P. Hebert
59. 7/78 Rapport d'Inspection dans le Nord
60. 7/78 Analyse Sommaire du BCA - Opérations Financières  
pour 1977

- 61. 7/78 Letter to L. Morales
- 62. 8/78 Budget Summary
- 63. 9/78 Budget Summary
- 64. 9/78 Bref Résumé du Portefeuille de Prêt BCA
- 65. 10/78 Budget Summary
- 66. 10/78 Letter from M. Scott to R. Conte
- 67. 11/78 Proposition pour un Système de Comptabilité Régionale par M. Karl Honoré
- 68. 11/78 Letter from R. Conte to M. Scott
- 69. 11/78 Letter to R. Conte from M. Scott Concerning Incentives
- 70. 12/78 Budget Summary
- 71. 12/78 Lettre du Ministre Berrouet

1979

- 72. 1/79 Circulaire du BCA: Prime d'Efficiencie
- 73. 1/79 Preliminary Note on the Development of a Strategy ....
- 74. 1/79 Plan de Travail pour l'Année 1979
- 75. 2/79 Letter from M. Scott to Karl Honoré
- 76. 3/79 Letter to Paul Derstine
- 77. 3/79 Projet de Renforcement Institutionnel du BCA
- 78. 4/79 Report to the Management of the BCA on Institutional Performance
- 79. 4/79 Application des Recommandations du "Rapport du CUNA" ....
- 80. 5/79 Letter from M. Scott to R. Conte
- 81. 5/79 Budget Summary
- 82. 6/79 Letter from M. Scott to R. Conte
- 83. 6/79 Summary Status Report
- 84. 7/79 Letter from M. Scott to J. Becker
- 85. 7/79 Communication de M. Conte à l'Hotel Christopher
- 86. 7/79 Note sur le Système d'Enregistrement Comptable ....
- 87. 7/79 Application of the Recommendations ....
- 88. 8/79 The Status of the B.C.A. Process for Grouping .... by Paul Derstine
- 89. 9/79 Actions du BCA Suite aux Recommandations du CUNA
- 90. 9/79 Letter from M. Scott to AID
- 91. 9/79 Letter from M. Scott to R. Conte
- 92. 10/79 General Status Report
- 93. 10/79 Lettre de M. Conte à M. Scott
- 94. 10/79 Note on the Regional Office Organigram ....

- 95. 11/79 Letter from M. Scott to AID
- 96. 11/79 Letter to L. Morales from M. Scott
- 97. 11/79 Letter concerning the Up-Date to the Annual  
Statistical Report on BCA/PPC Accomplishments
- 98. 11/79 Rapport de la Réunion de Ouanga Bay
- 99. 11/79 Letter to L. Morales

1980

- 100. 8/80 Final Report - Haiti Small Coffee Farmer Project
- 101. 12/80 Rapport Adressé à la Direction du BCA sur  
l'Exécution Du Système Comptable Décentralisé  
et Sur Le Contrôle Interne par John Bilderbeck

1981

- 102. 3/81 Proposed Capitalization and Revenue Strategy  
by Chet Aeschliman

No date

- 103. Outline of Proposed SAC Study
- 104. The Cooperative Banking Society: A Proposed  
Alternative to the SAC Group Lending Approach
- 105. Trip Reports Derstine 3/77 - 6/78
- 106. Trip Reports Snyder 2/77 - 7/78
- 107. Trip Reports Scott 9/77 - 2/80

APPENDIX TO JOHN GADWAY'S REPORT

The ECA Savings Program: Suggestions for Technical Assistance and the  
Creation of an Incentive Structure

The major portion of the technical assistance would be supplied near the beginning of the project. Two mini-seminars would be conducted in June and/or July, 1981, for which two instructors would be needed, each for a period of two weeks. One of the instructors should have expertise in savings mobilization, the other in project design.

The first seminar would provide a theoretical foundation in the role of savings and financial intermediation in development, plus an introduction to the theory and practice of project design. The second seminar, which should take place within about one month of the first, would be a workshop in which the participants design a pilot savings mobilization project for the ECA. The project design would include an overall framework for the savings program, as well as a plan for the first savings campaign.

Technical Assistance for the balance of the program will require an advisor with expertise in savings mobilization and project evaluation.

The first campaign would begin in the second quarter of FY82. One technical advisor should be available during the first two weeks of the campaign.

After the completion of the first campaign, two technical advisors would be needed for a period of two weeks each in FY82-3 to complete an evaluation of the first campaign.

One technical advisor would be needed for a two week period for the opening of the second savings campaign during the fourth quarter of FY82.

During the first quarter of FY83 two advisors would be needed for two weeks each to conduct a program evaluation with recommendations for the possible expansion of the savings program to include the remaining BCA offices.

If the project is on schedule at this point, one and a half years would remain for expansion to other offices. By now there should be a number of BCA staff members with considerable expertise in the mobilization of savings. The need for technical assistance should be of a more specific nature. Four person weeks of technical assistance should be budgeted for specific problem areas during the balance of the program.

The design of the incentive structure, which should include a grant of matching funds, should be done in consultation with a technical advisor with expertise in savings mobilization.

In thinking about savings mobilization it is helpful to distinguish between the savings program and savings campaigns. The program is the on-going institutional framework within which the individual campaigns must operate.

The savings program provides answers to questions of a policy nature, such as what types of savings instruments to offer, what rates of interest to pay, how much of the general operating budget to allocate to the savings department, and so forth. Unfortunately, at present there is a very slender informational basis on which to operate. We do not know, for

example, what types of savings instruments would be most attractive to BCA's rural clients. Most likely large numbers of small savers would be adequately served by pass book accounts paying only a token rate of interest, provided they had ready access to their savings. Larger savers would probably be interested in time deposits paying a significant return.

ECA should be prepared to pay whatever is necessary to support a solid savings program, but it should not incur unnecessary expenses. It might not be necessary, for example, to pay interest on small pass book accounts if what these savers are really interested in is security and accessibility. It may be necessary, on the other hand, to offer a substantial return to attract larger time deposits.

A rule of thumb that seems applicable to savings behavior in LICs is that about 90% of the savings will be generated in 10% of the accounts, with about 10% of the savings distributed among the remaining 90% of the small accounts.

As part of its savings program the ECA may wish to build on its experience with SACs, encouraging the formation of savings societies. These societies might be established with specific savings goals, such as the creation of a fund to cover burial, wedding, travel or educational expenses.

Each office participating in the program should have a person whose main responsibility is the mobilization of savings. The office itself, however, should be set up so that one person could operate both the savings window and the loan department, freeing the other person for the important work to be done away from the office, such as maintaining contact with the SAC's, mobilizing savings and collecting loans.

### Equipment and Construction Needs

Some minor changes would be needed in most offices to adapt them to a savings program. The physical set up of each office should testify to the dual aspects of financial intermediation, savings and credit. There should be a savings department visibly distinct from the loan department, with the accounting and collection department slightly in the background.

The construction needs to make these changes are minimal. The savings department need have little more than a counter with a lockable cash drawer and some storage space for records and supplies. The loan department might need little more than a desk and a file, while the accounting/collection department could be located in a second desk.

Each office in a rural area should probably have a reliable trail bike for use in savings mobilization and loan collection. A typewriter might be useful in the preparation of certificates of deposits and other documents. Some portable public address system might be useful in campaigns, although the present writer has a strong personal dislike of sound trucks.

An argument can probably be made for the need of a trail bike in any case. The need for additional equipment, such as PA systems and typewriters, should be studied closely, with the understanding that they may have very high opportunity costs, given the limited budget on which the program must operate. Our savings mobilization project must be cost-effective if it is to be a meaningful part of the overall institutional strengthening project. The most cost-effective use of funds will

undoubtedly be in the construction of an incentive system for BCA employees that is, money set aside to reward outstanding performance in savings mobilization.

Since one of the most important products to come out of a pilot project is knowledge that will permit the successful implementation of a larger one, the pilot project should be designed with the goal of maximum information generation. With this in mind, a strong argument can be made for the inclusion of more than one office or more than one region in the initial effort. In the Peru savings mobilization project the two BANCOOP offices initially included produced vastly different results. If only one of these offices had been included, the information generated and the assessment of future prospects for savings mobilization would have been vastly different, depending on which of the two offices had been chosen. Even with two offices included there was concern that the exciting results produced in one area were dependent on special local conditions that would not be present in the rest of the system. For this reason, the pilot project in Haiti should include at least three ECN offices, possibly four, instead of the one or two anticipated in the PID. There are significant economies of scale to be realized in including a few more offices; the additional information produced should be well worth its marginal cost.

If four offices were included in the project, specific equipment needs would probably include four trail and four counters to make up the savings departments, possibly four typewriters, and one or two PA systems that could be rotated among offices. A certain amount should be budgeted for supplies and prizes for use in the campaigns, but with

an ever watchful eye to costs. The design of the overall savings program, and the incentive structure for the BCP employees are the key elements. The actual campaigns should be low-cost.

ADVISORY ASSISTANCE EXPENDITURE SCHEDULE

(US \$000)

TYPE OF ADVISOR AND SEQUENCE BY YEAR AND TOTAL	FY 82	FY 83	FY 84	LOP
<u>LONG TERM TECHNICAL ASSISTANCE</u>				
1. Credit System Manager 12-12-0-24	145	163		308
<u>SHORT TERM TECHNICAL ASSISTANCE</u>				
1. Accounting and Internal Auditing 4 - 4 - 4 - 12	39	43	47	129
2. Personnel Mgmt. 1 - 1 - 1 - 3	10	11	12	33
3. Systems Analyst 1 - 1 - 1 - 3	10	11	12	33
4. Organization Dev. 2 - 1 - 0 - 3	19	11	-	30
5. Savings Mobilization 3 - 2 - 1 - 6	30	22	12	64
6. Other 1 - 1 - 1 - 3	10	11	12	33
 TOTAL SHORT TERM 12 - 10 - 8 - 30	 118	 109	 95	 322
TOTAL ADVISORY ASSISTANCE	263	272	95	630

NOTE: All short term advisory assistance average \$10,715/month during LOP and the long term advisor costs \$12,833/month during the LOP. Cost estimates reflect a 10% annual inflation rate and are rounded to the nearest thousand.

Training Assistance Expenditure Schedule  
(US \$000)

<u>Type of Training (No. of Trainees)</u>	FY 82	FY 83	FY 84	LOP
<u>U.S. Academic 1/</u>				
1. Business Mgt (1- MS) Jan 82 - June 83	13.5	14.9	0	28.4
2. Finance (1-MS) Jan 83 - June 84	0	14.9	16.3	31.2
3. Agric. Credit (1-MS) Jan 82- June 83	13.5	14.9	0	28.4
TOTAL	<u>27.0</u>	<u>44.7</u>	<u>16.3</u>	<u>88.0</u>
<u>U.S. Non-Academic 2/</u>				
1. Small Farmer Credit Policy 140-9 (3)	5.9	3.1	0	9.0
2. Agricultural Project Planning for Implementation 140-15 (1)	3.4	0	0	3.4
3. Agricultural Capital Projects Analysis 140-2 (1)	0	5.3	0	5.3
4. Contract Administration in Rural Development 140-30 (1)	3.3	0	0	3.3
5. Agricultural Communication and Media Strategies 110-3 (1)	4.0	0	0	4.0
6. Agricultural Trainer Development 110-15 (1)	5.0	0	0	5.0
TOTAL	<u>21.6</u>	<u>8.4</u>	<u>0</u>	<u>30.0</u>
<u>In Country Non-Academic 3/</u>				
1. Small Farmer Credit Distribution and Administration Course (90)	30.0	33.0	36.3	99.3
2. Business Skills and English Refresher Course	4.0	3.0	3.0	10.0
3. Savings Workshops	5.0	-	-	5.0
TOTAL	<u>39.0</u>	<u>36.0</u>	<u>39.3</u>	<u>114.3</u>
TOTAL	87.6	89.1	55.6	232.3

1/ Base cost of Academic Training at \$1500/month for FY 82 with a 10% annual inflation factor thereafter.

2/ Base cost of U.S. Non Academic Training at actual course costs in FY 81 with a 10% annual inflation adjustment thereafter.

3/ Base cost of Credit Course at \$1000/student month in FY 82 with a 10% annual inflation factor thereafter.

USAID Commodity Assistance Expenditures Schedule  
(US \$000)

Category of Commodities and Sequence of Equipping Offices Year and Total	FY 82	FY 83	FY 84	LOP
Equipping Local Offices 30 - 13 - 0 - 43	40.2	34.4	-	74.6
Equipping Regional Offices 11 - 0 - 0 - 11	178.2	-	-	178.2
Equipping Central Office				
A. Radio Network	128.0	-	-	128.0
B. Equipment	5.0	-	-	5.0
C. Vehicles (4 wheel drive)	27.6	-	-	27.6
D. Vehicles (sedans)	16.8	-	-	16.8
E. ADP System	-	-	20.0	20.0
<b>TOTAL</b>	<b>395.8</b>	<b>34.4</b>	<b>20.0</b>	<b>450.2</b>

Sequencing and Cost Assumptions of Equipping Offices

A. Local Office

All 25 current (FY 81) local offices will be equipped in FY 82. However the total costs will be reduced by 50% because of current inventories of equipment. 5 new local offices will be equipped at full cost in FY 82, 6 in FY 83 and 7 in FY 84 for an increase of 18 during the LOP, a 13% inflation factor is utilized in the cost computations since the procurement of the required commodities (local and regional) will take place during FY 82 and FY 83, in preparation of the planned openings in FY 82, 83 and 84.

Procurement # 1	FY 82	25	Existing Offices	x	(50%) 2,300	=	28,750
		5	(FY 82) Offices	x	2,300	=	11,500
Procurement # 2	FY 83	6	(FY 83) Offices	x	2,645	=	15,870
		7	(FY 84) Offices	x	2,645	=	18,515
		<u>43</u>					<u>74,635</u>

Sequencing and Cost Assumptions of Equipping Offices (continued)

B. Regional Office

All 11 current (FY 81) regional offices will be equipped in FY 82. However the costs for equipment and supplies (not vehicles) will be reduced by 50% because of current inventories of equipment. Vehicles costs are based on proforma estimates with 20% of total vehicle costs for options and freight.

Procurement FY 82	11 offices	x	(50%) \$4,800	=	26,400
# 1					
	11 offices	x	\$13,800/vehicle	=	<u>151,800</u>
					178,200

Procurement of commodities will take place in two phases, procurement #1 scheduled to begin in 4th quarter FY 81 and be finalized with the receipt of all commodities by 3rd quarter FY 82. Procurement # 1 will include the equipment and supplies as well as the vehicles for 30 local and 11 regional offices. Procurement of Radio Communication Equipment will depend on the recommendations of the radio communication expert and procurement of this equipment should take place no later than 2nd quarter FY 82.

The equipment and supplies for the remaining 13 proposed offices (6 in FY 83, 7 in FY 84) will be procured during the 2nd major procurement phase. Procurement #2 is scheduled to begin in 4th quarter FY 82 or 1st quarter FY 83. This 2nd procurement phase is scheduled to follow the FY 82 assessment that is planned for 4th quarter FY 82. This 2nd procurement phase will be designed according to the assessments made and any changes necessary in the scheduled office expansion for FY 83 and FY 84.

EQUIPMENT AND SUPPLY ESTIMATES

BASE YEAR  
(US \$)

<u>LOCAL OFFICE</u>	<u>PER UNIT</u>	<u>TOTAL</u>
1. Typewriter(1)	300	300
2. Hand calculator w/printer(2)	100	200
3. Furniture (desks, tables chairs, benches, file cabinets etc.) (LC)	1,000	1,000
4. Safe(1)	300	300
5. Horses or mules(2) (LC)	200	400
6. Miscellaneous		100
		<u>2,300</u>

REGIONAL OFFICE

1. Typewriter(2)	300	600
2. Hand calculator w/printer(3)	100	300
3. Furniture and Equipment (LC)	1,200	1,200
4. Safe or vault	1,000	1,000
5. 4 wheel drive vehicle(1)	11,500	11,500
6. 20% vehicle cost/options freight		2,300
7. Miscellaneous		1,700
		<u>\$18,600</u>

CENTRAL OFFICE

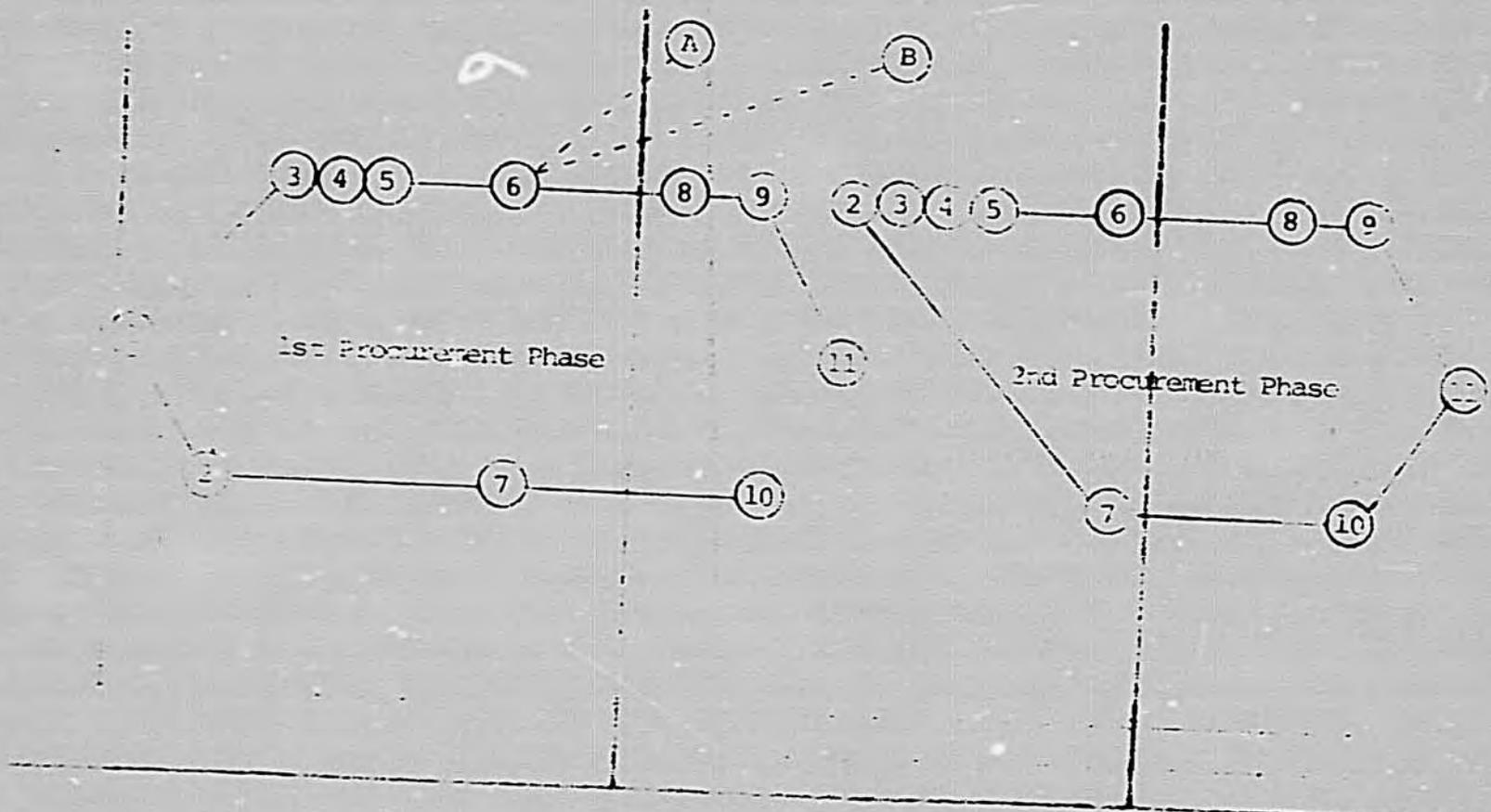
1. Radio communication network	128,000	128,000
2. Equipment and supplies (50% IC)	5,000	5,000
3. 4 wheel drive vehicles (2)	11,500	23,000
4. Sedan (2)	7,000	14,000
5. 20% vehicle costs, options/freight	7,400	7,400
6. ADP System	20,000	<u>20,000</u>
		197,400

Radio network includes 1 central/regional net and 11 regional/local nets. The estimated costs are based on the following: 11 radio units at \$4,000/unit, 11 battery systems at \$2,000/unit, 11 antennas at \$500/unit and 45 mobil units at \$1,000/unit, along with an additional 10% (\$11,500) for miscellaneous costs involved in the installation.

COMMODITY PROCUREMENT SCHEDULE

PPT FORM  
(May be Expanded as Appropriate)

Haiti			521-0121			Strengthening Rural Financial Services			3/1/81			PPT #		
April	July	Oct	Jan (82)	April	July	Oct	Jan (83)	April	July	Oct	Jan (84)	Feb	Mar	
May	Aug	Nov	Feb	May	Aug	Nov	Feb	May	Aug	Nov	Dec	Jan	Mar	
June	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Jan	Feb	Mar	



BEST AVAILABLE DOCUMENT

PPT FORM

Country: Haiti	Project No: 521-0121	Project Title: Strengthening Rural Financial Services	Date: 3/1/81	/X/ Original / / Revision #	Apprvd:
<p><u>CPI DESCRIPTION</u></p> <ol style="list-style-type: none"> <li>1. Request SER/COM assistance in preparation of PIO/C's through cooperating Country Procurement procedures, scheduled for August 1981.</li> <li>2. Finalize commodity lists with BCA (including specifications on vehicles).</li> <li>3. Preparation of PIO/C's by BCA/USAID with assistance of SER/COM.</li> <li>4. Submission of PIO/C's to AID/W for implementation.</li> <li>5. AID/W PIO/C issuance to procurement agent with Letter of Commitment.</li> <li>6. Awards made on bids and notification to USAID/Haiti and BCA by agent.</li> <li>7. BCA begins local procurement based on USAID approved commodity lists.</li> <li>8. Commodities procured and prepared for shipment to P-A-P.</li> <li>9. Commodities received P-A-P.             <ol style="list-style-type: none"> <li>A. Vehicles received if locally procured</li> <li>B. Vehicles received if procured through agent.</li> </ol> </li> </ol>			<ol style="list-style-type: none"> <li>10. Local procurement completed</li> <li>11. Commodities received are collated and transported to regional and local offices.</li> </ol> <p>NOTE: Procurement schedule may be extended into CY 83 for additional commodities requested during IOP</p>		

App. Stt., Ch. 5, HB 3, Pt. 1 (TM 3:19)

CONSTRUCTION COST ESTIMATES

(US \$000)

CONSTRUCTION OF LOCAL OFFICES  
SEQUENCES BY YEAR AND TOTAL

LOCAL OFFICES CONSTRUCTED	FY 82	FY 83	LOP
8 - 10 = 18	298.0	428.2	726.2
10% Contingency on cost of construction	27.0	38.8	65.8
<b>TOTAL</b>	<b>325.0</b>	<b>467.0</b>	<b>792.0</b>

NOTE:

Local office includes office of 40 sq. meters and living quarters of 64 sq. meters for a total area of 104 sq. meters. Construction is cement floor, masonry wall, iron bar windows, and cement roof for possible second floor expansion. Base year cost estimate for construction of one unit is \$29,366, computed on the basis of construction materials required and a 1.25 factor cost comparison for localities outside Port-au-Prince. A 15 percent inflation factor is used in subsequent years and estimates are rounded to the nearest hundred. An additional 10 percent contingency factor is used to guard against any dramatic changes in the rate of inflation and the 1.25 factor which would change with changes in site location.

SUMMARY OF OFFICE CONSTRUCTION

(ACCORDING TO BCA PRIORITIES)

<u>REGIONAL</u>	<u>LOCAL</u>	<u>BLDG</u>	<u>82</u>	<u>83</u>
JACMEL	1) La Vallée	L	X	
	2) Cayes-Jacmel	L	X	
	3) Marbial	L	X	
FONDS DES NEGRES	4) Paillant	L	X	
	5) Plaisance du Sud (CC)	L	X	
GONAIVES	6) Marmelade	L		X
	7) Dessalines	A		X
	8) Ennery	A		X
HINCHE	9) Maissade	L		X
JEREMIE	10) Anse d'Hainault	L		X
	11) Beaumont (CC)	L		X
	12) Léon	L		X
CAP HAITIEN	13) Bahon	L		X
	14) Plaisance	L		X
	15) Dondon	L		X
ST MARC	16) Verrettes	L	X	
PORT DE PAIX	17) Anse-à-Foleur	L	X	
	18) St Louis du Nord	L	X	
			8	10

Key:

- L : Leased building/Office exists
- CC : Coffee Center
- A : No building/Agent exists

CONSTRUCTION ESTIMATE

UNITARY COSTS 1981

Construction Costs	\$ 20,258
OFTAMA (insurance)	213
Overhead & Finishing work	<u>8,895</u>
	\$ 29,366

UNITARY COSTS 1982

15% Inflation	\$ 33,771
---------------	-----------

UNITARY COST 1983

15% Inflation	\$ 38,836
---------------	-----------

PROPOSED CONSTRUCTION SCHEDULE AND ESTIMATED COSTS

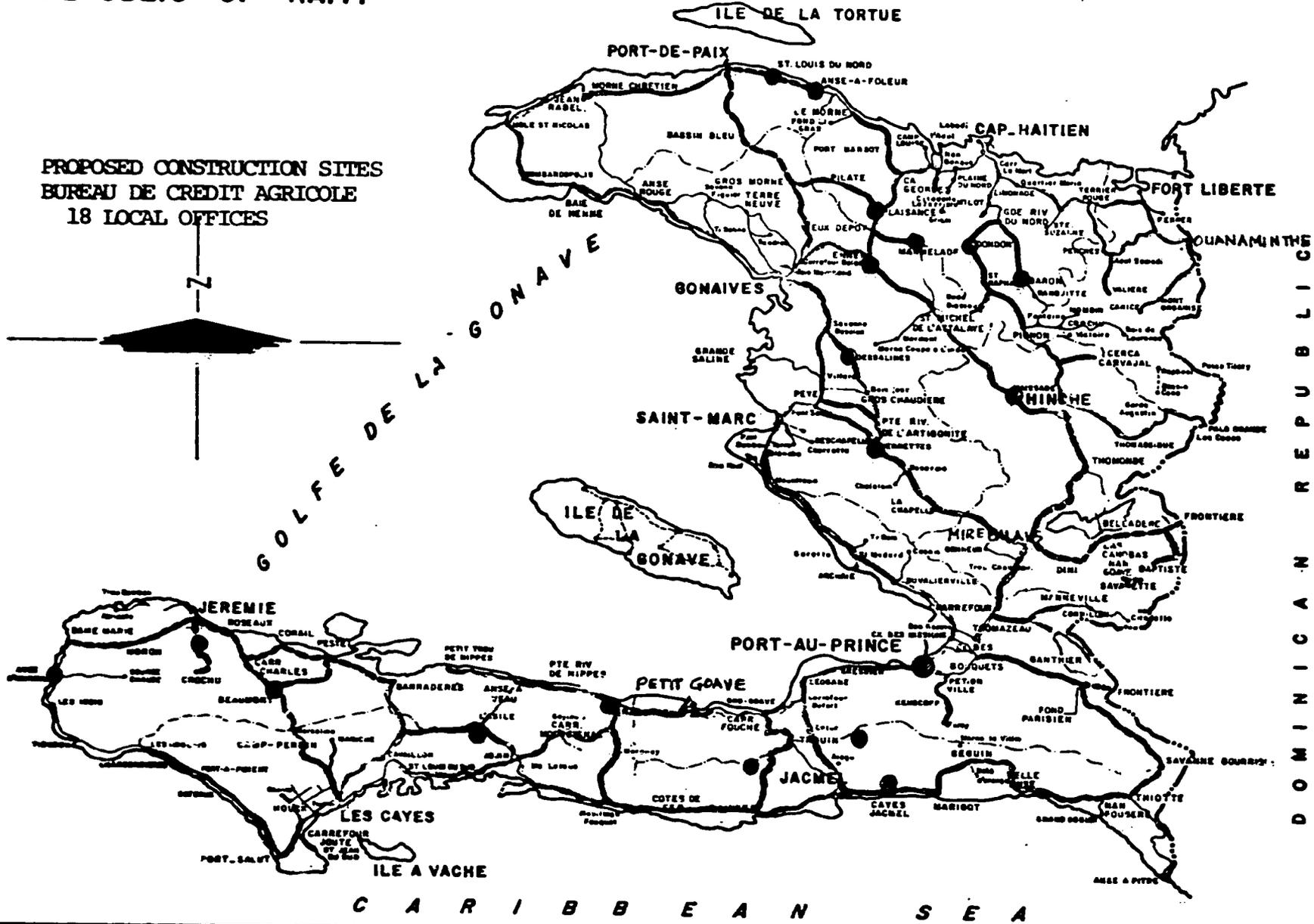
Phase I (1982) 8 buildings	\$270,168
Phase II (1983) 10 buildings	388,360
SUBTOTAL	<u>658,528</u>
Contingency (10%)	65,853
Design 6% of 1981 costs	1,762
Construction supervision (10%)	65,853
TOTAL Construction Cost	<u><u>\$791,996</u></u>

REPUBLIC OF HAITI

A T L A N T I C O C E A N

PROPOSED CONSTRUCTION SITES  
BUREAU DE CREDIT AGRICOLE  
18 LOCAL OFFICES

N



D O M I N I C A N R E P U B L I C

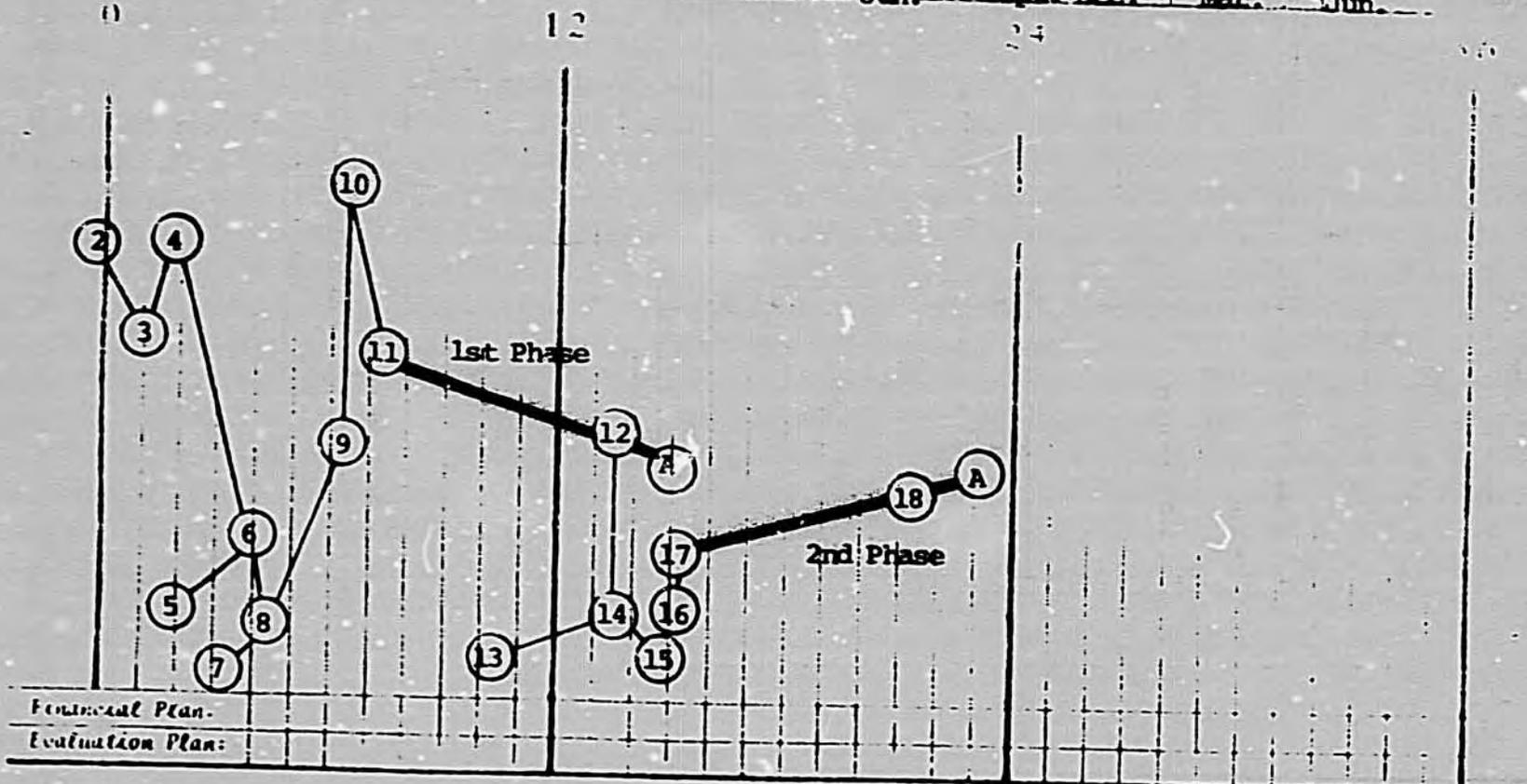
C A R I B B E A N S E A

CONSTRUCTION SCHEDULE

PET FORM  
May to Expanded or Appropriate

Haiti	521-0121	Strengthening Rural Financial Services	x
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July Aug. Sept. Oct. Nov. Dec. Jan (82) Feb. Mar. Apr. May Jun. July Aug. Sept. Oct. Nov. Dec. Jan. (83) Feb. Mar. Apr. May Jun. July Aug. Sept. Oct. Nov. Dec. Jan. (84) Feb. Mar. Apr. May Jun.

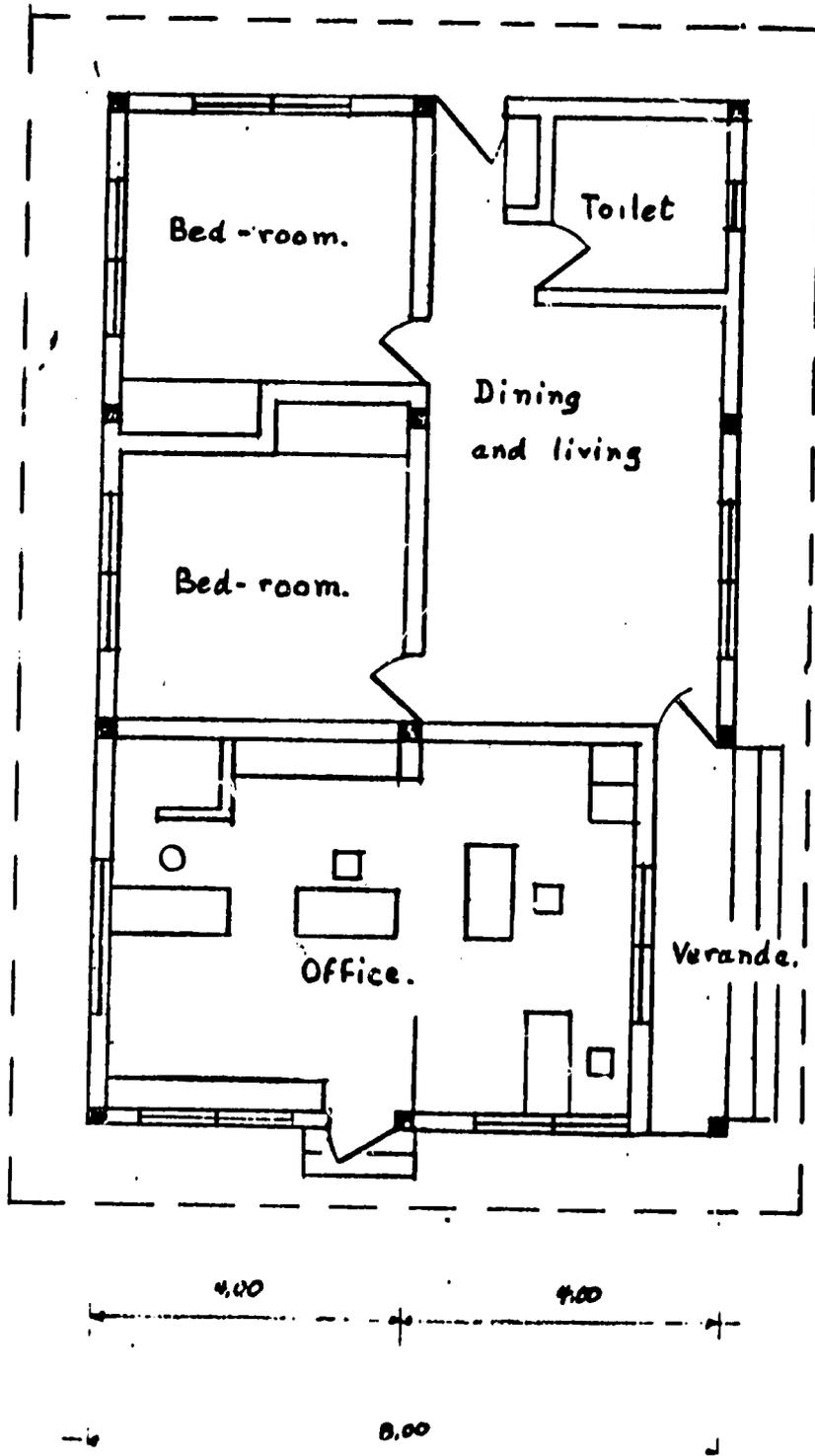


Financial Plan.  
Evaluation Plan:

PROJECT PERFORMANCE NETWORK  
Critical Performance Indicator (CPI) Network

BEST AVAILABLE DOCUMENT

# FLOOR PLAN



BEST AVAILABLE DOCUMENT

PROJECT PURPOSE Construction of 18 buildings throughout Haiti for  
Rural branches of the "Banque de Cr dit Agricole" (BCA)

CPI DESCRIPTION

CPI	DATE	DESCRIPTION
1	6/81	PP approved
2	7/81	Grant agreement signed w/GOH
3	8/81	Selection of A and E Firm
4	9/81	Design by A and E Firm
5	.9/81	GOH meets initial conditions precedent
6	11/81	Approval of Invitation for Bid Documents
7	10/80	Prequalification of construction Firm
8	11/81	Issue IFB for Lot I equipment
9	1/82	Evaluation by GOH of Bid proposals
10	1/82	Contract awards by USAID
11	2/82	Construction of Lot I facilities begins
12	8/82	Lot I facilities 75% completed
1a	10/82	Lot I facilities completed
13	5/82	Clear land titles for Lot 2 construction
14	8/82	Issue IFB for Lot 2 construction
15	9/82	Evaluation by GOH of bid proposals
16	10/82	Contract awards by USAID
17	10/82	Construction of Lot 2 facilities begins
18	4/82	Lot 2 facilities 75% completed
a	6/83	Lot 2 facilities completed

LONGITUDINAL ANALYSIS OF BCA LOAN PORTFOLIO: 1976-1980

(Amounts in '000 Gourdes)

<u>PLANATION</u>	<u>CY 1976</u>	<u>CY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980*</u>
No. Society Loans Granted	298	539	901	829	1,141
Loans Outstanding (BOY)					
- Ordinary Loans	996	954	1,182	2,359	4,515
- PPC Loans	<u>394</u>	<u>924</u>	<u>2,180</u>	<u>3,435</u>	<u>3,910</u>
- Totals	1,390	1,878	3,362	5,794	8,425
Loans Granted During Year					
- Ordinary Loans	613	926	2,596	3,718	6,331
- PPC Loans	<u>682</u>	<u>1,544</u>	<u>1,709</u>	<u>1,185</u>	<u>638</u>
- Totals	1,295	2,470	4,305	4,903	6,969
Principal Reimbursements during year					
- Ordinary Loans	655	698	1,420	1,562	3,959
- PPC Loans	<u>152</u>	<u>288</u>	<u>454</u>	<u>709</u>	<u>818</u>
- Totals	807	986	1,874	2,271	4,877
Loans Outstanding (EOY)					
- Ordinary Loans	954	1,183	2,359	4,515	6,887
- PPC Loans	<u>924</u>	<u>2,180</u>	<u>3,435</u>	<u>3,910</u>	<u>3,630</u>
- Totals	1,878	3,363	5,794	8,425	10,517
Average Portfolio					
- Ordinary Loans	975	1,068	1,771	3,437	5,701
- PPC Loans	<u>659</u>	<u>1,552</u>	<u>2,807</u>	<u>3,673</u>	<u>3,770</u>
- Totals	1,634	2,620	4,578	7,110	9,471
Interest on Loans	106	128	164	182	548
Total Administrative Expenses	696	991	1,339	1,597	1,805

<u>PLANATION</u>	<u>CY 1976</u>	<u>CY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980*</u>
<b>Loan Turnover Ratio</b>					
- Ordinary Loans	0,629	0,867	1,466	1,082	1,333
- PPC Loans	<u>1,034</u>	<u>0,995</u>	<u>0,608</u>	<u>0,323</u>	<u>0,203</u>
- Totals	0,792	0,943	0,940	0,690	0,883
<b>Ave. Effective Repayment Period</b>					
- Ordinary Loans	1,488 yrs.	1,531 yrs.	1,247 yrs.	2,200 yrs.	1,200 yrs.
- PPC Loans	<u>4,346 yrs.</u>	<u>5,374 yrs.</u>	<u>6,180 yrs.</u>	<u>5,178 yrs.</u>	<u>3,421 yrs.</u>
- Totals	2,026 yrs.	2,657 yrs.	2,443 yrs.	3,130 yrs.	1,618 yrs.
<b>Effective ROR on Loans</b>	6.51%	4.90%	3.58%	2.56%	6.94%
<b>Expenses as % of Ave. Portfolio</b>	42.6%	37.8%	29.3%	22.5%	22.9%**

\* 10-month estimates

\*\* Increase primarily due to large salary increases during year.

PROJECTED ANNUAL LOAN VOLUMES AND TOTAL EOP LOAN PORTFOLIO

(Derived from Regional Directors' Responses)  
(Amounts in '000 Gourdes)

<u>REGIONAL OFFICE</u>	<u>Past and Projected Annual Loan Volumes</u>						<u>Est. EOP Loan Turnover Ratios*</u> (Times/Year)	<u>Est. Total EOP Portfolio</u>
	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>FY 1982</u>	<u>FY 1983</u>	<u>FY 1984</u>		
Cap-Haitien	518	660	1,050	1,500	2,200	3,000	1.0	3,000
Fonds-des-Nègres	330	601	1,200	2,000	2,500	3,000	1.5	2,000
Gonaïves	368	935	1,700	2,600	4,000	6,000	2.0	3,000
Hinche	239	502	800	1,300	1,700	2,000	1.5	2,330
Jacmel	1,101	1,359	2,650	4,000	5,000	7,000	1.2	5,830
Jérémie	579	981	1,800	3,000	4,000	5,500	1.25	4,400
Ouest	635	1,424	2,000	3,000	4,000	5,000	1.5	3,300
Port-au-Prince	239	302	480	700	1,100	1,500	1.5	2,000
St. Marc	270	1,163	1,700	2,700	3,000	6,000	1.8	1,200
St. Pierre	232	435	1,500	2,000	2,500	3,000	1.7	3,000
Sub-Totals	4,562	9,363	14,880	22,300	31,000	41,800	1.33	30,200
New Offices (Cayes/Aquin)	-	-	-	500	1,000	1,500	1.25	1,200
Grand Totals	4,562	9,363	14,880	23,300	32,000	43,300	1.33	31,420
W. Society Loans	(829)	(1,141)	(1,730)	(2,350)	(3,880)	(3,500)		

\*Based on crop cycles of principal crops financed in each region.

BEST AVAILABLE DOCUMENT

COMPARATIVE PAST AND PROJECTED INCOME & EXPENSE STATEMENTS  
1975 - 1980  
FOR THE 12 MONTHS ENDING  
(US \$)

Annex F  
Page 19 of 21  
Exhibit 5  
Page 4 of 6

	12/31/75	12/31/76	12/31/77	9/30/78	9/30/79	9/30/80
<b>Data on BCA Lending</b>						
Loans Outstanding (boy)	NA	227,981**	367,901	616,886	1,220,861	1,697,400
New Loans Granted	NA	259,011	494,092	861,055	980,538	NA
Less: Principal Repayments	NA	161,307**	197,275	374,784	454,286	NA
Estimated Bad Debts Provisions	NA	7,785	47,833	62,296	49,710	-
Sub-total	NA	169,092	245,108	257,080	503,996	NA
Loans Outstanding (Boy)	227,981**	367,901	616,886	1,220,861	1,697,403	2,264,840
Average Loans Outstanding	227,981**	322,941	492,393	918,874	1,459,132	1,981,120
New Loan Capital Required	-	-	-	-	-	-
<b>Income and Expense Statement</b>						
<b>Revenues</b>						
Interest on loans	6,663	21,278	25,686	36,768	36,349	808,182
Interest on investments	-	-	182	2	7,738	1,751
Loan processing charge	-	-	-	4,820	7,725	14,508
Sales of supplies	-	295	237	738	1,285	1,016
Miscellaneous income	1,523	1,649	5,800	9,133	12,210	14,357
Total Earned Income	8,186	23,222	31,911	51,461	65,307	239,815
Grants	41,835	110,390	220,220	260,160	303,268	542,850
Total Revenues	50,021	133,612	252,131	311,621	368,575	782,665
<b>Expenses</b>						
Administrative costs	59,456	139,274	198,142	267,871	319,443	459,707
Interest on deposits	-	-	1,842	3,000	3,024	-
Estimated Bad debts provisions	-	7,785	47,833	62,296	49,710	-
Total Expenses	59,456	147,059	247,816	333,166	372,176	459,707
Gross income/(loss) without grant	(51,270)	(123,837)	(215,906)	(281,705)	(306,869)	(219,892)
Net income/(loss)	(9,435)	(13,447)	4,315	(21,545)	(3,601)	322,958
<b>Analysis</b>						
1) Earned revenue as % of expenses	13.8	15.8	12.9	15.4	17.5	52.2
2) Expenses as % of average portfolio	21.4	45.4	50.3	36.3	25.5	23.2
3) Expenses as % of loan volume	NA	56.8	50.2	38.7	38.0	25.8
4) Interest on loans as % of average portfolio	2.4	6.6	5.4	4.0	2.5	10.5
5) Bad debts provisions as % of average portfolio	-	2.1	7.7	5.1	2.9	0.0

OPERATING DEFICIT

(U.S.\$)

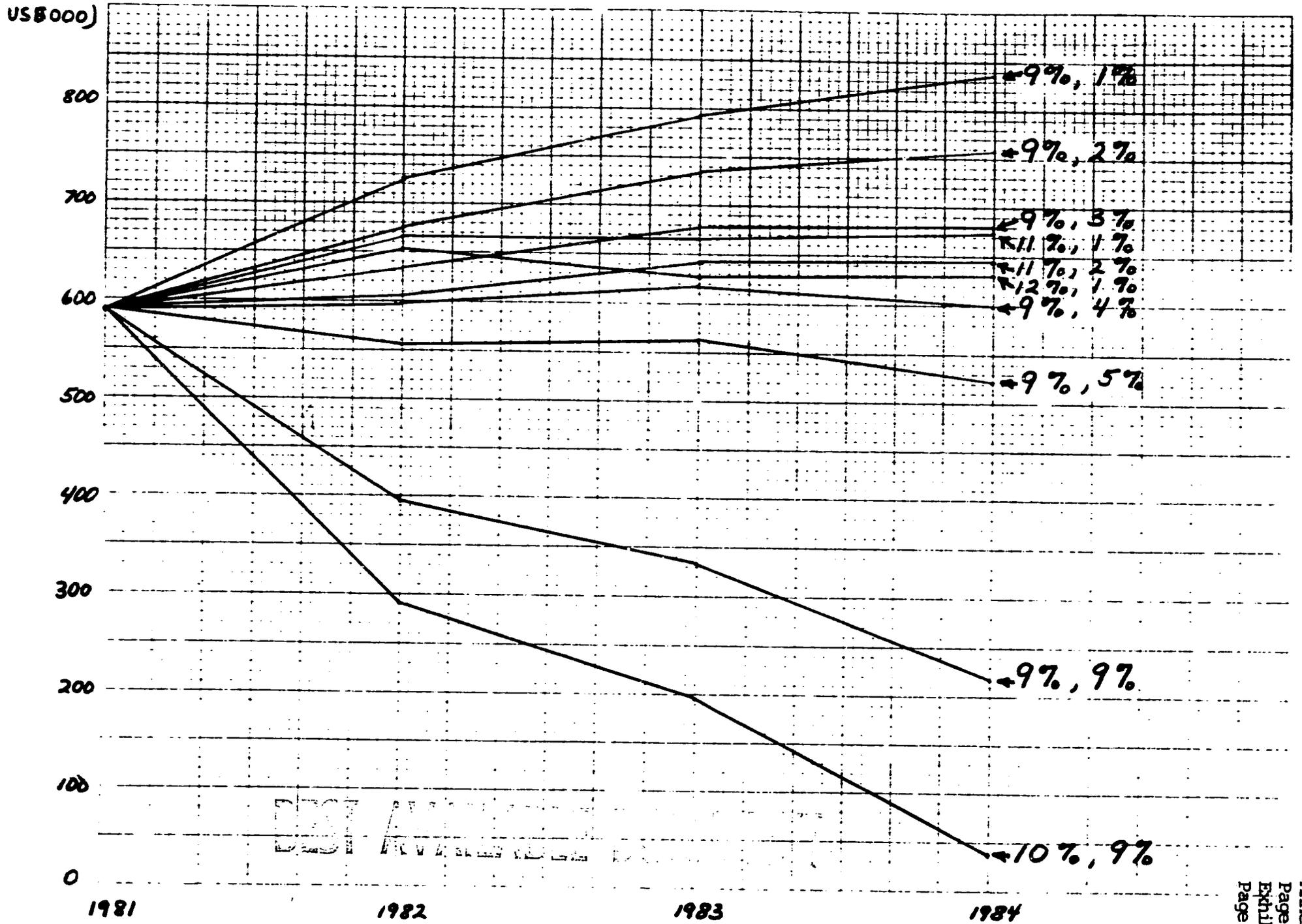
ASSUMPTION:

- 1) Turnover Rate Change from :.9 to 1.39
- 2) Excess Liquidity Change from:.41 to .15

Interest Rate	Dossier Fee	1981	1982 <sup>1/</sup>	1983	1984	82 -84
9	1	587,087	713,971	790,875	835,100	2,339,946
9	2	587,087	674,067	733,508	756,865	2,164,440
9	3	587,087	634,164	676,140	678,630	1,988,934
9	4	587,087	594,261	618,772	600,395	1,813,428
9	5	587,087	554,357	561,404	522,180	1,637,921
9	9	587,087	394,744	331,933	209,220	935,897
10	9	587,087	290,518	196,165	39,317	526,000
11	1	587,087	665,354	664,715	678,539	2,008,608
11	2	587,087	604,660	634,464	644,920	1,893,044
12	1	587,087	651,415	628,472	633,417	1,913,304
9	1 Constant Turnover Rate (.9)	587,087	417,997	427,969	315,284	1,241,250
9	1 Constant Excess Liquidity (.41)	587,087	677,503	726,696	742,710	2,146,909
9	1 Constant Turnover of Excess Liquidity (.9) & (.41)	587,087	779,323	840,629	863,821	2,483,773

<sup>1/</sup> FY 82 changes take place from base case of  
.9 & 1.

# OPERATING DEFICIT



## PROPOSED STUDIES

### I. Quality and Costs of BCA Services

Three of the proposed studies are distinctly interrelated in that they deal with the quality and costs of BCA's lending services. The studies will focus on:

- a) The Quality of BCA's Financial (Lending) Services;
- b) BCA's Lending Costs and
- c) Borrower Loan Transaction costs.

It is expected that BCA's institutional and operational efficiency will be improved through the application of recommendations arising from the analyses. Because of similarities of subjects and indicators on which each study will focus, there may be a tendency toward duplication of data generated. Measures will be taken to ensure coordination of individual studies to avoid situations where this same data is analyzed for the same or similar purpose(s).

Another study, which will impact on BCA's pilot savings mobilization project, will determine the amount of resources which can be mobilized by financial institutions in rural areas. The investigation will examine popular ideas about savings, the successes and failures of various forms of savings, methods of stimulating additional savings, the roles of various types of institutions in rural savings, and the policies and procedures which limit and promote the ability of these institutions to mobilize rural savings.

Finally, BCA places a high priority, on examination of the proposal to convert BCA into a "mixed capital" institution. Clients, through SACs and other organizations, would own shares in the BCA and participate in the policy-making processes. The study would involve the investigation of the administrative, financial and participatory implications of such a system and, possibly, production of a plan for implementation.

The three proposed analyses relating to BCA's present operations are delineated below:

#### A. A Study of the Quality of B.C.A.'s Financial Services Justification for the Study

Borrowers typically have a number of factors that enter into their decisions to borrow and repay loans. The total costs of acquiring the loan and the expected benefits from the use of inputs purchased with the loan are of course important aspects of these decisions. Borrowers are also

interested in the quality and quantity of the financial services they receive. For example, borrowers may place a high value on being able to draw loans from the same source each year. For this reason lenders who are viewed as transitory or unstable are less desirable as loan sources than are individuals or institutions that have an aura of permanence about them. Borrowers may also be very sensitive to the flexibility of the lender, especially when it comes to repayment. Also, many borrowers place a high premium on maintaining an utilized credit reserve with a lender that can be drawn on in case of emergency. Other factors like the range of economic services provided by the lender, and the dignity with which the borrower is treated can also be important factors in the borrowers' perceptions about the quality of the lender's services.

### Objectives

1. To determine the range and quality of services provided borrowers by B.C.A. How long does it take for the average borrower to negotiate and receive a loan? What is the incidence of tardiness in delivery of services?
2. To determine if B.C.A. borrowers view the Bureau as being permanent. Do most expect to be able to get needed loans from the Bureau next year?
3. To determine the flexibility of B.C.A.'s lending arrangements. What percentage of borrowers are forced to take loans in kind? Are loan amounts largely rationed on the basis of so much per acre owned? Do repayment terms correspond to the cash flow of the borrower?
4. To compare B.C.A.'s lending procedures with other formal lenders.
5. To measure the importance of unutilized credit reserves to borrowers. What emergency uses are made of these reserves? Does B.C.A. provide these reserves?
6. To determine how the quality of loan services affect the willingness of borrowers from B.C.A. to repay their loans. How can B.C.A. increase the quality of their services?

### Coverage of Study

This study could be done in several representative areas of Haiti. A sample of B.C.A. borrowers plus a sample of other rural households would provide the information needed. This might include several hundred interviews with farm-households and possibly some non-farm rural firms.

### Duration of the Study and Personnel Requirements

The study can be done in 6 months and will require 9 person-months of time.

#### B. A Study of B.C.A. Lending Costs

##### Justification for the Study

The long run strength of any financial institution is closely related to its ability to mobilize loanable funds and to extend and recover loans efficiently. The institution must do this and still maintain high quality services. Several studies have shown that operational expenses of B.C.A. are a large ratio of the value of loans extended by the agency. Because of some interest rate restrictions and customs, B.C.A. has not been able to increase its revenues enough to cover a significant part of these costs. It has been forced to turn to the Government or international agencies for funds to cover operating costs.

It will be important for B.C.A. to work on reducing the average cost of extending a unit of money. A clear understanding of these costs will be necessary if management is to adopt cost reducing innovations.

##### Objectives

The general objective of the study will be to document B.C.A.'s current lending costs and also its costs of mobilizing loanable funds. The specific objectives are as follows:

1. Determine the costs of the various sources of loanable funds available to B.C.A.
2. Determine the administrative costs of making various kinds of B.C.A. loans: group loans as well as individual loans.
3. Estimate the costs of developing an expanded forced private savings deposit system in one major area serviced by the B.C.A.
4. Assess the opportunities for B.C.A. to increase the yield from its asset portfolio through improved cash and asset management.
5. Compare the costs of lending by B.C.A. with other major agricultural lenders like IDAI.

##### Coverage of Study

Information on the overall costs of lending and servicing savings deposits should cover all of B.C.A.'s operations. Less detailed information on similar costs for several other agricultural lenders should also

be assembled. The detailed information on costs of individual activities like lending to groups, lending to coffee farmers, or making individual loans should be done in intensive case studies in several of B.C.A.'s regional offices.

#### Duration of the Study and Personnel Requirements

The study should be planned to cover a 6-month period. An estimated 12 person-months of time will be required to complete the study.

#### C. A Study of Borrower Loan Transaction Costs

##### Justification for the Study

In most low income countries a good deal of attention has been directed at the costs of providing loans to agriculture, in general, and especially to the rural poor. Very little attention, however, has been given to the transaction costs that the borrower incurs to get access to either formal or informal loans. In all too many cases it is assumed that almost all of the borrowing costs for individuals or groups to either the formal or informal market is represented by the interest payment or related fees. Recent research in several countries has shown that some rural borrowers, especially the rural poor, may incur very substantial loan transaction costs, especially when they try to get formal loans. The high loan transaction costs for borrowers, plus poor and undependable loan services may help to explain the low value many borrowers place on maintaining a good credit rating with the formal lender.

##### Study Objectives

1. To measure the borrowers' loan transaction costs for getting B.C.A. loans individually or through groups. These costs would include the value of borrowers' time used to negotiate the loan, receive payments, and to make repayments. Costs for paperwork, notaries, bribes, and borrowers' transportation costs would also be measured. If the formal loan arrives late, it may be necessary for the borrower to get a short-term informal loan. The costs of this informal loan would also be measured and included in the costs of formal borrowing along with explicit interest payments.

2. To evaluate how the borrowers' loan transaction costs might be reduced if the procedures of formal lenders were changed. Would formal lenders reduce the amount of paperwork required, for example, if they were allowed to charge higher interest rates on their loans? Would this reduce the total borrowing cost, especially for borrowers of small amounts?

##### Coverage of the Study

The study should be done in several representative areas of Haiti. A sample of B.C.A. group and individual borrowers would provide part of the information needed. Samples of other rural households would provide

information on the costs of borrowing from other formal lenders. Reviews of some formal lenders' procedures would be necessary to determine how changes in policies or procedures might reduce borrowers' loan transaction costs.

#### Duration of the Study and Personnel Requirements

The study should be completed in 6 months and require 9 person-months of time. Much of the information needed for this study could be collected as part of the data collection process used in studies A and B.

## II. Studies of Groups, Informal Lending, and Non-Farm Rural Firms

Other discrete studies which may be commissioned early in the LOP, and which could have a bearing on the improvement and direction of BCA services, will investigate:

a) The Economics and Sociology of Agricultural Credit Societies (SACs);

b) Informal Lending Sources; and

c) Non-Farm Rural Firms and How They Manage Their Liquidity. The examination of SACs and other groups is an especially high priority of the BCA. Investigation of informal sources of credit is also a high priority in that if the determination is made that indeed Madam Sara and other such "institutions" provide a significant amount of credit services in rural areas, at high rates of interest, the GOH will be presented with a strong argument for raising interest rate ceilings for lending, which will allow a resultant increase in savings interest rates. This would provide BCA and other lenders the opportunity to actively pursue savings mobilization programs.

The study of non-farm rural firms is of a lesser priority and will be pursued if funding and time permits.

A study may also be proposed to examine the status of and prospects for the caisse populaire movement in Haiti. This examination of the credit union movement will catalogue the successes and short-comings of caisses populaires and will describe their potential role as financial intermediaries.

A fuller description of the first three proposed studies follows:

### A. The Economics and Sociology of Agricultural Credit Societies (SACs)/and other Groups

#### Justification for the Study

Group lending has become popular in a number of low income countries. At least four advantages have been claimed for lending to groups of small farmers over lending individually. The first advantage claimed is that through joint liability, repayment performance can be improved. The second advantage is that group loans reduce the lender's loan transaction costs. The third benefit claimed is that groups reduce the borrowers' loan transaction costs. Finally, the fourth advantage claimed is that it is easier and cheaper to provide development services through groups than it is to individuals.

A large part of B.C.A.'s loans are made to informal groups of borrowers, primarily SACs. If B.C.A. is to expand the amount of money that it lends to farmers through groups, it is important to know more about these claimed benefits, and also to clarify the factors that lead to successful groups.

### Objectives

1. To evaluate the effect of joint liability on the incentives for members of a SAC to repay their loans to B.C.A.
2. To measure the loan transaction costs of SAC members, and contrast this with borrower loan transaction cost on individual loans.
3. To identify methods, and potential of the SAC concept, to attract hitherto unidentified borrowers.
4. To document the costs of forming groups that borrow from B.C.A.
5. To measure and evaluate the development services provided to SACs in addition to credit.
6. To study the characteristics of groups that are successful in repaying loans to B.C.A. and contrast this with those groups that fail to repay, and disband.
7. To determine the extent of training, and training requirements, in principles of credit for SAC group leaders.

### Coverage of Study

Part of the study should focus on information about groups for all of B.C.A. This should include a yearly description of the number of groups serviced by B.C.A., average size of group, number of loans received by the group, changes in group composition, and how groups were formed. In addition, detailed studies of some successful and unsuccessful groups in one or two of the areas where B.C.A. is working would provide most of the information to meet the objectives of the study.

### Duration of the Study and Personnel Requirements

The study should be completed in about 3 months. An estimated 4 person-months will be needed to complete the study.

## B. A Study of Informal Lending Sources

### Justification for the Study

There is so little formal credit available in Haiti that it is very likely that informal sources of loans are very important for most rural households and rural non-farm enterprises. There has been very little research done in the country on this subject. As a result, very little is known about the extent of informal loans in rural areas, the terms of these loans, and the other types of services provided by these lenders. Too many people view informal lending as something that ought to be eliminated and replaced by formal loans. Research in other countries indicates that many of the services provided by the informal lender are valuable to the borrower, and that informal lenders are often able to provide some services more cheaply than can formal lenders. This research also shows that repayment of loans is often much more satisfactory to informal lenders than to formal lenders in many low income countries.

### Objectives

1. To measure the importance of informal lending in several representative rural areas in Haiti. This will include a description of the informal lenders, the types of services they provide, and their loan terms.
2. To determine the lending costs incurred by these informal lenders. This will include measuring the opportunity costs of the funds used to make informal loans.
3. To determine if informal lenders are able to price-discriminate in making their loans. Do lenders charge risky borrowers higher borrowing rates than they do for low risk borrowers?
4. To determine the access that informal lenders have to formal loans.
5. To study any rotating credit and savings associations that might exist in rural areas of Haiti.

### Coverage of the Study

The study should do an inventory of all of the major informal lenders in several representative rural areas in Haiti. Through farm-household interviews and interviews with operators of non-farm rural enterprises it should also establish the importance of loans by friends, neighbors, and relatives in rural areas. Intensive case studies of representative informal lenders and rotating credit and savings associations will also be done.

### Duration of the Study and Personnel Required

The study will be designed to take 6 months, and will require 6 person-months of time.

#### C. A Non-Farm Firms and How They Manage Their Liquidity

##### Justification of the Study

Most agricultural credit programs try to restrict their lending to direct production purposes through farmer loans. Relatively few agricultural credit agencies provide loans directly developing countries has shown that these non-farm rural enterprises may make up a very large part of the rural economic scene. These firms are often very important employers of the rural poor, and often provide very vital services and goods to those living in rural areas. Some research has been done on the nature of these firms in Haiti, but little is known about their sources and uses of liquidity. Because there are so few banking facilities in many of the rural areas of Haiti, it is unlikely that these non-farm rural firms have much direct access to either formal loans or to deposit savings services. As B.C.A. expands its activities it might be useful for the Bureau to provide more direct financial services to these non-farm firms.

##### Objectives

1. To document the extent of non-farm rural firms in several representative rural areas of Haiti. (This might be done by building on earlier work done by The Michigan State University).
2. To determine how a representative sample of these firms obtain their financing.
3. To determine if these firms could make use of savings deposit facilities to help manage their cash more effectively.
4. To evaluate the possibilities of formal lenders like B.C.A. providing loans to some of these firms.

##### Coverage of the Study

An inventory of non-farm rural firms should be done in several representative areas of the country. Case studies of a few of these firms should also be done to show how they finance themselves. Some interviews with formal lenders should also be done to clarify the problems they may face in making more loans to these types of firms.

### Duration of the Study and Personnel Requirements

The study will take 9 months and will require 12 person-months of time.

AN OUTLINE OF MAJOR TOPICS THAT MIGHT BE INCLUDED IN AN  
ASSESSMENT OF RURAL FINANCIAL MARKETS IN HAITI

The assessment could be organized under four headings. The first would be an analysis of policies and political factors that influence the performance of rural financial markets (RFMs). The second would be an analysis of the current structure and recent performance of rural financial markets. The third would be an analysis of financial intermediary behavior. The fourth would be an analysis of how farm-household and non-farm rural firms manage their liquidity.

The topics listed under each of these headings in the following are illustrative of those that might be treated by various studies. The specific research agenda and the timing of the studies would be worked out jointly by the AID contractor in charge of the research and evaluation part of the project, the AID project monitor, and interested GOH entities.

I. Studies on Economy-Wide Factors that Influence Rural Financial Markets

Justification

Economy-wide factors exert pervasive effects on the performance of RFMs. The most well intentioned and efficient program design and reform might be unable to compensate for problems outside the control of the RFMs. It is necessary to have a clear understanding of how the general economic environment affects the RFM so that overall macro-economic policy is not conducted in a manner inconsistent with both rural sector objectives and the viability of rural financial institutions.

Topics

The studies should have the following broad dimensions:

- a. Analysis of input price behavior and supply as they respond to trends in wages, general prices, import prices, exchange rates and import rationing.
- b. Rural product price movements as they respond to or are affected by these same factors.
- c. The influence of cost-price distortions and input supplies on the economic rate of return to rural farm and non-farm enterprise and correspondingly on rural savings and debt servicing capacity.

d. The effects of movements in the general price level on the operating expenses of the financial institutions.

e. The effects of national interest rate and regulatory policies on resource mobilization and the earning potential of rural financial institutions.

f. The implications of budgetary deficits and relative trends in external and domestic debt financing for the flow of financial resources to rural borrowers via financial institutions.

## II. Structure and Performance of the Rural Financial Markets in Haiti

### Justification

While there is documentation of some broad features of the formal rural financial market, there are still major information gaps in areas crucial to the formulation of credit and savings strategies for servicing rural areas. Documentation exists on loan volumes, balance sheets, and interest rate policies of the B.C.A. and I.D.A.I. Important information gaps exist with respect to:

a. The role of commercial banks in the direct and indirect financing of farm and rural non-farm activities.

b. The degree of financial intermediation (savings and credit) by formal institutions in rural communities.

c. The use of rural savings by financial institutions.

d. The credit operations of formal institutions.

e. Conditions affecting the viability and quality of rural credit programs.

f. The role and importance of informal savings and credit associations and other informal lenders in rural areas.

g. The overall performance of RFMs in mobilizing savings, extending medium and long-term loans, serving the poor, and expanding the amount of loanable funds available for agriculture. This includes diagnosis of cause and effect.

Several of these topics will be partially covered by the studies on the priority list. Nonetheless, there is need for additional studies that overview the main features of the rural financial market. Such studies will draw upon the results of the priority studies; and in some ways extend those results, and also proceed in directions not closely related to those studies.

The central objective of these overview studies would be to identify issue, areas and problems, and to guide policy formulation.

### Topics

At this stage nothing more than a listing of research topics will be attempted. The research team selected and the experience (knowledge) gained from the priority studies would shape more specifically the actual content of the study.

The following are important topics:

- a. Institutional composition of the RFM through time (say 1970 to the present)
  - i) Institutions
  - ii) Percent share of resource flows.
- b. Credit criteria and terms of lending used.
- c. Types of activities financed.
- d. Loan size and farm size distribution of number and value of loans.
  - i) Who benefits from rural credit.
- e. Implicit interest rate subsidies
  - i) The magnitude of the subsidy
  - ii) The financing of the subsidy
  - iii) The consequences for equity and institutional viability.
- f. Loan repayment experience
  - i) By institutions and loan type
- g. Sources of loan resources for the RFM
  - i) Role of Government of Haiti
  - ii) Role of external donors
  - iii) Role of local savers
  - iv) Prospects for sustained growth.
- h. Operating costs, revenues, and overall viability of rural financial institutions.

### III. Studies on the Behavior of Rural Financial Intermediaries

#### Justification

Relatively little research has been done in most countries on the behavior of lenders in rural areas. Most of the studies done on the priority research issues would look at this behavior. Governments often assume that formal lenders will blindly follow policy directives irrespective of the economic interests of the lender involved. Policy-makers also often assume that informal lenders are exploitative and that they ought to be driven out of rural lending. Both of these critical assumptions have been challenged recently by some research results. Some of the priority issues that might be studied for both formal and informal intermediaries follow:

#### A. Topics on Formal Intermediaries

- 1) The lending costs for main lines of credit to major agricultural lenders. This would include analysis of costs in group as well as individual lending.
- 2) The effective gross yields on main lines of credit in B.C.A. and I.D.A.I. compared with yields on loans made by urban banks to commercial borrowers.
- 3) The attitudes of public and private bankers toward agricultural loans and their perceived costs and benefits of making such loans.
- 4) The costs of mobilizing voluntary financial savings in rural areas with several major financial instruments.
- 5) The usefulness of loan application information to bank managers.
- 6) The usefulness of loan guarantees required by lenders in assuring loan repayment.
- 7) The economics of B.C.A. and I.D.A.I. providing financial services to non-farm rural firms and to market intermediaries.
- 8) The usefulness of loan status information in B.C.A. and I.D.A.I. in helping managers clarify loan repayment problems. The merits and demerits of various measures of loan repayment status.

9) The effectiveness of B.C.A. in managing its cash to assure maximum yields from its assets.

10) Recent innovations in financial procedures in B.C.A.? The role of incentives to employees in the introduction of cost reducing innovations.

11) The characteristics of people and firms holding deposits with B.C.A.

12) Identification of the training needs of B.C.A. and I.D.A.I.

13) Identification of the added incentives necessary to induce B.C.A. employees to actively promote a pilot savings mobilization program.

#### B. Topics on Informal Intermediaries

1) The relative importance of various types of informal lenders in representative rural areas of Haiti.

2) The types of services these informal lenders provide to borrowers.

3) The costs and returns to the informal lender from these activities. Investigation of profits in these transactions.

4) Possible use of informal lenders to make formal loans to finance part of their liquidity needs.

5) The extent to which formal and informal lenders compete for business, or the degree to which they serve two different markets.

6) Existence of barriers to entry for informal lenders.

#### IV. Studies on How Farm-Households and Non-Farm Rural Firms Manage Their Liquidity

##### Justification

Research on this topic has received a lot of attention in a number of low income countries. In large part, this is because of the interest in measuring the impact of various credit programs at the farm level. Donors such as AID, IDB, and the World Bank often require these kinds of studies to document the effect that their credit programs have on specific input use, farm investments, crop or

livestock production, farm incomes, or technological change. Daines' recent study "Impact Evaluation of the Haiti Small Farmer Improvement Project" (January, 1979) is very representative of these kinds of studies. Most of these studies are expensive to carry out, involve farm interviews, collection of a good deal of data and they are often flawed. Typically, these studies ignore the fungibility of loans, do not measure adequately the substitution and diversion of liquidity within the borrowing unit, and also ignore that the borrowing units typically have multiple sources and uses of liquidity. All too many studies attribute all of the differences in production, for example, between borrowers, and non-borrowers, or for the same individual over time to loan use. These studies typically do not answer the counter-factual question: what changes would have occurred anyway without the credit program? Very detailed case studies are needed to provide useful measures of credit impact. Some of the types of studies that might be carried out follow:

#### Topics

1. The sources and uses of liquidity for a handful of representative farm-households and non-farm rural firms over a year.
2. The roles informal and formal sources of credit play in the way these households manage their liquidity and risks.
3. The borrowing costs for these households to get loans from formal and informal sources.
4. The value of unutilized credit reserves to borrowers. Identification of the loan sources that typically provide these reserves.
5. The services other than credit that formal and informal lenders provide borrowers.
6. The economic goods individuals realize from participating in group borrowing. The individual costs of borrowing through groups.
7. The structure of the asset portfolio of representative farm-households, and rural non-farm firms. The importance of financial assets in these portfolios. The net real returns from holding various forms of financial assets.

(D R A F T)

BCA STAFF INCENTIVES PROGRAM

I. PRINCIPLES

A review of literature on staff incentives programs yields the following basic principles for assuring successful staff incentives programs:

- A. Performance measures should be expressed quantitatively, e.g., in time, cost, resources, percentages, and ratios.
- B. Measures of performance should not require data not already being provided by the existing information system. Avoid the need for special on-site visits to gather information.
- C. Performance measures should be limited to only 4 or 5 major impact areas that represent perhaps 70% to 80% of the job. Trying to include the last 20% to 30% of the job makes the incentives program unwieldy and costly.
- D. The measures used should change from year to year as the priorities of the institution change.
- E. The measures should be understandable to managers whose performance is being measured.
- F. The amount of potential bonuses must be perceived as significant in amount by managers whose performance is being measured, as well as attainable with some hard work.

II. PREQUALIFICATIONS

Each regional office should satisfy certain prerequisites before staff time is expended in calculating performance measures or bonuses. In the case of the BCA, these prequalifications would probably include, at a minimum, the following:

- A. All 12 monthly financial statements will have been received by headquarters no later than a fortnight after the end of the fiscal year.
- B. All 4 quarterly delinquency reports will have been received by headquarters no later than a fortnight after the end of the fiscal year.
- C. Individual (Client) ledgers should be in balance with general ledger control accounts.
- D. There should be no unresolved cash shortages in excess of ₱ 50.

### III. 1981 PRIORITIES

If the BCA's current thinking has been interpreted correctly, the four "major impact areas" in which the BCA wants to stimulate improved performance in 1981 by means of the incentives programme are as follows: (1) Efficiency; (2) Loan Repayment Rates; (3) Increased Profitability; and (4) Mobilization of Voluntary Savings. Assuming that we agree on these priorities, it is necessary to develop adequate measures of performance in each area. After review of a number of possible measures, the following indicators would seem to be the most appropriate:

A. Efficiency: Number of Society/Coop loans per employee

$$= \frac{\text{Total No. of Loans Granted during Year}}{\text{Total No. of Employees at End of Year}}$$

B. Loan Repayment: Average effective repayment period

$$= \frac{\text{Average Total Amount of Loans Outstanding (12-Mo. Ave.)}}{(\text{Total Loan Principal Repayments})/12}$$

C. Profitability: Expense/Income Ratio

$$= \frac{\text{Total Expenses Incurred During Year}}{\text{Total Income Received During Year}}$$

D. Voluntary Savings: per cent of total liability and capital (total assets)

$$= \frac{\text{Total Voluntary Savings at Year-End}}{\text{Total Assets at Year-End}} \times 100$$

These measures were selected on the basis of their (1) ease of calculation; (2) current availability of required data; and (3) their understandability. It is believed that a regional office which scores high on all of these indicators is probably doing well in other areas as well.

### IV. QUANTIFICATION

If we agree on these measures, we must still specify what levels of performance are adequate, inferior, or superior. To do so will require analysis of past years' operating data. Approximate, illustrative levels might be the following (Those regional offices whose indicators fall exactly on the dividing point between two categories would automatically receive the benefit of the doubt and be placed in the higher category):

<u>Indicator</u>	P	E	R	F	O	R	M	A	N	C	E	
	P	O	O	R	F	A	I	R	G	O	O	D
1. No. Loans per employee	0 to 10			11 to 15			16 to 25			> 25		
2. Ave. repayment period	>15 mos.			12 to 15 mos.			8 to 12 mos.			< 8 mos.		
3. Expense/income ratio	> 2.0			1.5 to 2.0			1.0 to 1.5			< 1.0		
4. Voluntary Savings	0 to 2%			2 to 5%			5 to 10%			> 10%		

More precise performance targets will be developed in collaboration with BCA management.

V. WEIGHTING AND FORMATTING

Once quantitative measures of poor to superior performance have been specified, management must decide whether some measures are more important than others and assign weights correspondingly; and put together an easy-to-use and understand format. The following format is suggested for consideration:

BCA STAFF INCENTIVES WORK PAPER

Regional Office: \_\_\_\_\_

PERFORMANCE MEASURE	ACTUAL SCORE	P E R F O R M A N C E W E I G H T I N G								Points Allowed
		P O O R		F A I R		G O O D		S U P E R I O R		
		Definition	Weight	Definition	Weight	Definition	Weight	Definition	Weight	
1. Efficiency										
2. Repayment										
3. Profitability										
4. Voluntary Savings										
Total Points Allowed . . . . .										
Minimum Level of Points to Qualify for Bonus . . . . .										
Total Qualifying Bonus Points . . . . .										
Amount of Bonus per Qualifying Bonus Point . . . . .										
Equals: Bonus Earned . . . . .										

VI. Example

Assume the following data for Regional Office A:

No. Loans Granted	=	120
Total No. employees	=	4
Ave. Loans Outstanding	=	Ø2,400,000
Total principal repayments	=	Ø3,300,000
Total expenses	=	Ø 250,000
Total revenues	=	Ø 200,000
Total voluntary savings	=	Ø 160,000
Total Assets	=	Ø3,000,000

Also assume an equal weighting for each indicator and that for each qualifying bonus point the regional office earns Ø 1,000.

Regional Office A's bonus computation would then be as follows:

BCA STAFF INCENTIVES WORK PAPER

Regional Office: "A"

PERFORMANCE MEASURE	ACTUAL SCORE	P E R F O R M A N C E W E I G H T I N G								Points Allowed
		P O O P		F A I P		G O O D		S U P E R I O R		
		Definition	Weight	Definition	Weight	Definition	Weight	Definition	Weight	
Efficiency	30.0	0 to 10	4	11 to 15	11	16 to 25	18	25	25	25
Repayment	7.6 mos	15 mos.	4	12 to 15 mos	11	8 to 12 mos	18	8 mos	25	25
Profitability	1.25	2.0	4	1.5 to 2.0	11	1.0 to 1.5	18	1.0	25	18
Voluntary Savings	5.3%	0 to 2%	4	2 to 5%	11	5 to 10%	18	10%	25	18
Total Points Allowed . . . . .										86
Minimum Level of Points to Qualify for Bonus . . . . .										70
Total Qualifying Bonus Points . . . . .										16
Amount of Bonus per Qualifying Bonus Point . . . . .										Ø 1,000
Equals: Bonus Earned . . . . .										Ø16,000

LAC/DR-IEE-81-17

ENVIRONMENTAL THRESHOLD DECISION

Project Location : Haiti

Project Title and Number : Strengthening Rural Credit Services  
521-0121

Funding : \$2,400,000 Grant

Initial Obligation : FY 80 - \$500,000

Life of Project : Three years, FY 80 - FY 83

Recommended Threshold Decision : Negative Determination

IEE Prepared by : John A. Becker

Bureau Threshold Decision : Concurrence with Mission  
Recommendation

Action : 1) Copy to USATD/Haiti  
Allan R. Furman, Director

2) Copy to John A. Becker

3) Copy to IEE file

Robert O. Otto Date 3 April 81

Robert O. Otto  
Chief Environmental Officer  
Bureau for Latin America  
and the Caribbean

INITIAL ENVIRONMENTAL EXAMINATION

Project Location : Haiti  
Project Title : Strengthening Rural Credit Services  
#521-0121  
Funding : \$2,400,000 Grant  
Initial Obligation : FY 80 \$500,000  
Life of Project : 3 Years FY 80 -- FY 83  
IEE Prepared by : John A. Becker  
Date : May 1, 1980

PART I

THRESHOLD DECISION

a. Recommendation:

Negative Determination

b. Concurrence:

\_\_\_\_\_  
Allan R. Furman  
Director, USAID/Haiti

Date: May 5 , 1980

PART II

DESCRIPTION OF THE PROJECT

The project aims at strengthening rural credit services. In particular, this project has two purposes. First, the project through advisory, training, commodities, construction and limited capital assistance will improve the capability of the Bureau de Crédit Agricole (BCA) to provide credit and related banking services to its small farmer clients. Second, the project, through advisory assistance to conduct rural financial market studies, will develop an improved strategy for accelerative rural savings and investment.

Thus, the project is essentially institution building with limited outreach to the rural poor. Major focus is placed on reorganization and physical expansion of the BCA. Management operations will be streamlined and a financial plan/capitalization strategy will be developed. At the end of the project, the BCA system (central/regional/local/SACs) will be in place and operating in an effective and efficient manner. Major outreach to the rural poor in terms of expanded credit will be provided only through a follow-on project or projects financed by AID or other donors.

### PART III

#### IDENTIFICATION AND EVALUATION OF ENVIRONMENTAL

#### IMPACT

The project will have no "significant effect" on the human environment and described in Part 216.1 (c) (3) of AID Environmental Procedures as published in the Federal Register. The major focus of the project is strengthening the BCA system and conducting studies. Both are actions which have no direct impact on the human environment. The outreach of the project is limited to modest amounts of capital to finance traditional agricultural production to an additional 18000 small clients. While such an action will have major positive effect on the individual beneficiaries, the aggregate effect in terms of the natural resource environment will be negligible.

### PART IV

#### RECOMMENDATION FOR ENVIRONMENTAL ACTION

Given that the project actions have only a negligible aggregate impact on human environment and that this impact will be positive rather negative, a recommendation for a Negative Determination is extended.

JUN 29 1981



REPUBLIQUE D'HAÏTI

RECEIVED Annex J  
page 1 of 1

JUN 27 12 02 PM '81

# BUREAU DE CRÉDIT AGRICOLE

(LOI DU 17 SEPTEMBRE 1963)

BUREAU PRINCIPAL : PORT-AU-PRINCE  
CASIER POSTAL : 1308

ADRESSE TELEGRAPHIQUE  
BUCREDA

REF 15D-32 : 158

Port-au-Prince, le 25 Juin 1981

Monsieur Allan Furman,  
Directeur  
Agency For International Development,  
Mission to Haiti  
P.O. Box 1634  
En Ville.

Monsieur le Directeur,

J'ai l'honneur de vous faire savoir qu'à sa séance du 26 mai 1981, le Conseil d'Administration du B.C.A. a agréé une proposition de projet de renforcement de cet organisme et a autorisé le Directeur du B.C.A. à poursuivre ses démarches pour concrétiser ce projet.

Je viens donc, par la présente, confirmer les démarches entreprises concernant le projet de renforcement du Bureau de Crédit Agricole en demandant officiellement à l'AID, de bien vouloir envisager la possibilité d'une part, de faire un don de l'ordre de \$ 2.400.000 pour couvrir sur une période de trois ans les coûts des services consultatifs, la formation du personnel, la construction de locaux pour loger les agences locales, l'acquisition de biens d'équipement et de véhicules pour les bureaux du BCA (Central, régional, local), les frais qu'occasionneront la mobilisation de l'épargne rurale et l'évaluation du marché financier en milieu rural, et d'autre part, d'obtenir son autorisation pour une contrepartie du Gouvernement Haïtien de \$ 2.110.000 sur le compte PL-480 Titre I, en vue d'augmenter les fonds de prêts et d'acheter des motos-cyclettes.

Il est entendu que les frais de fonctionnement estimés à \$1.666.000 pour la même période seront tirés des ressources du Trésor.

Comptant sur la bienveillante attention que vous avez toujours accordée au BCA, je vous prie d'agréer, Monsieur le Directeur, avec mes remerciements, mes salutations distinguées.

Rodini CONTE  
Directeur du B.C.A.

DATE REC'D		
USAID ROUTER		
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ENG		
ADO		
PRO		
FFP		
RF		
CP		
ACTION TAKEN		
DATE:		
BY:		

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
MISSION TO HAITI

Annex K  
Page 1 of 1

For US. MAIL:  
USAID / HAITI  
Department of State  
Washington D.C. 20520

For INTERNATIONAL MAIL:  
USAID / HAITI  
P. O. Box 1634  
Port-au-Prince, Haiti W.I.

CERTIFICATION PURSUANT TO SECTION 611 (E) OF THE  
FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, Allan R. Furman, the Principal Officer of the Agency for International Development in Haiti, having reviewed the Project Paper and having taken into account, among other factors, the maintenance and utilization of projects in Haiti previously financed or assisted by the United States, do hereby certify that in my judgement the Bureau de Crédit Agricole (BCA) has both the financial capability and human resources capability to effectively maintain and utilize the proposed Strengthening Rural Credit Services Grant Project.



Allan R. Furman  
Director USAID/Haiti

5C(1) - COUNTRY CHECKLIST

Listed below are, first, statutory criteria applicable generally to FAA funds, and then criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 116. Can it be demonstrated that contemplated assistance will directly benefit the needy? If not, has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? Yes, the project will improve the availability of credit to the rural poor of Haiti.
  
2. FAA Sec. 481. Has it been determined that the government of recipient country has failed to take adequate steps to prevent narcotics drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the United States unlawfully? No.
  
3. FAA Sec. 620(b). If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement? Yes.
  
4. FAA Sec. 620(c). If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government? No
  
5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No

A.

6. FAA Sec. 620(a), 620(f); FY 79 App. Act, Sec. 108, 114 and 606. Is recipient country a Communist country? Will assistance be provided to the Socialist Republic of Vietnam, Cambodia, Laos, Cuba, Uganda, Mozambique, or Angola? No
7. FAA Sec. 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression? No
8. FAA Sec. 620 (j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property? No
9. FAA Sec. 620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason? No
10. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters:  
 a. has any deduction required by the Fishermen's Protective Act been made?  
 b. has complete denial of assistance been considered by AID Administrator?  
 This has not happened.
11. FAA Sec. 620; FY 79 App. Act, Sec. 603.  
 (a) Is the government of the recipient country in default for more than 6 months on interest or principal of any AID loan to the country?  
 (b) Is country in default exceeding one year on interest or principal on U.S. loan under program for which App. Act appropriates funds? No
12. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget which is for military expenditures, the amount of foreign exchange spent on military equipment and the  
 This is a Development Grant.

A.12.

amount spent for the purchase of sophisticated weapons systems? (An affirmative answer may refer to the record of the annual "Taking Into Consideration" memo: "Yes, as reported in annual report on Implementation of Sec. 620(s). This report is prepared at time of approval by the Administrator of the Operational Year Budget and can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

13. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No.

14. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? Haiti is not in arrears.

15. FAA Sec. 620A, FY 79 App. Act, Sec. 607. Has the country granted sanctuary from prosecution to any individual or group which has committed an act of international terrorism? No.

16. FAA Sec. 666. Does the country object, on basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. there to carry out economic development program under FAA? No.

17. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it detonated a nuclear device after August 3, 1977, although not a "nuclear-weapon State" under the nonproliferation treaty? No.

B. FUNDING CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

a. FAA Sec. 102(b)(4). Have criteria been established and taken into account to assess commitment progress of country in effectively involving the poor in development, on such indexes as: (1) increase in agricultural productivity through small-farm labor intensive agriculture, (2) reduced infant mortality, (3) control of population growth, (4) equality of income distribution, (5) reduction of unemployment, and (6) increased literacy? Yes.

PAGE NO. 5C(1)-4	EFFECTIVE DATE June 7, 1979	TRANS. MEMO NO. 3:32	AID HANDBOOK 3, App 5C(1)
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Annex L  
Page 4 of 9  
Exhibit 1  
Page 4 of 4

B.1.

b. FAA Sec. 104(d)(1). If appropriate, is this development (including Sahel) activity designed to build motivation for smaller families through modification of economic and social conditions supportive of the desire for large families in programs such as education in and out of school, nutrition, disease control, maternal and child health services, agricultural production, rural development, and assistance to urban poor?

Yes, this project is to provide the capital resources necessary, through the most efficient and viable means, to assist and improve agricultural production and rural development.

2. Economic Support Fund Country Criteria

N.A.

a. FAA Sec. 502B. Has the country engaged in a consistent pattern of gross violations of internationally recognized human rights?

b. FAA Sec. 533(b). Will assistance under the Southern Africa program be provided to Mozambique, Angola, Tanzania, or Zambia? If so, has President determined (and reported to the Congress) that such assistance will further U.S. foreign policy interests?

c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

d. FY 79 App. Act, Sec. 113. Will assistance be provided for the purpose of aiding directly the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

e. FAA Sec. 620B. Will security supporting assistance be furnished to Argentina after September 30, 1978?

## 5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable generally to projects with FAA funds and project criteria applicable to individual fund sources: Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Fund.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE?  
HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PRODUCT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 79 App. Act Unnumbered; FAA Sec. 653 (b); Sec. 634A. (a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that figure)?
  - A) The project was included in the FY 1981 Congressional Presentation.
  - B) Yes.
2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?
  - A) Yes.
  - B) Yes.
3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?
 

An amendment to existing legislation is required to permit the BCA flexibility in establishing its interest rates. Based on negotiations with GOH, it is expected that this amendment will be forthcoming. A condition precedent to disbursement to this effect will be included in the Project Agreement.

Not Applicable.

The Mission Director has so certified.
4. FAA Sec. 611(b); FY 79 App. Act Sec. 101. If for water or water-related land resource construction, has project met the standards and criteria as per the Principles and Standards for Planning Water and Related Land Resources dated October 25, 1973?
 

The project, being specific to Haiti is not susceptible for implementation as a regional project. The project is susceptible for execution as a multilateral project but at present time, no such agencies have expressed an interest in the project.
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?
 

The project, being specific to Haiti is not susceptible for implementation as a regional project. The project is susceptible for execution as a multilateral project but at present time, no such agencies have expressed an interest in the project.
6. FAA Sec. 209. Is project susceptible of execution as part of regional or multilateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.
 

The project, being specific to Haiti is not susceptible for implementation as a regional project. The project is susceptible for execution as a multilateral project but at present time, no such agencies have expressed an interest in the project.

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A.

7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The project is specifically oriented towards improving the provision of rural credit services, thus assisting the GOH in rural developmental and institutional developmental goals.

8. FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The project is too small to have any impact on U.S. private trade and investment and is specifically designed to have an impact on the rural sector. The project may interest the participation of private U.S. technical assistance enterprises.

9. FAA Sec. 612(b); Sec. 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.

There are no U.S. owned foreign currencies available in Haiti. About 59% of the total project costs will be provided for from Haitian sources.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

Not applicable.

11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

12. FY 79 App. Act Sec. 608. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar, or competing commodity?

Not applicable.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b); 111; 113; 281a. Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained

A) The project will directly affect the rural poor by providing additional credit for productive purposes (i.e. agricultural production) to members of rural communities. The project has U.S. technical assistance and training components for upgrading managerial capabilities of local officer in rural areas.

## B.1.a.

basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106, 107.  
Is assistance being made available: (include only applicable paragraph which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.)

(1) [103] for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, is full account taken of needs of small farmers;

(2) [104] for population planning under sec. 104(b) or health under sec. 104(c); if so, extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community research.

(3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development;

(4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:

(i) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

(ii) to help alleviate energy problems;

(iii) research into, and evaluation of, economic development processes and techniques;

(iv) reconstruction after natural or manmade disaster;

- B) The project utilizes existing agricultural credit societies (SAC's) who administer the loans and implement the credit policies in rural areas, thus insuring active participation of the rural Haitian in the lending process
- C) The project will assist the credit institution to improve its lending capability so as to increase opportunities in the rural sector.
- D) Women will be active members of credit societies.
- E) Not applicable.

The project is specifically designed to increase the productivity and incomes of the rural poor via the expansion of productive credit.

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B.1.b.(4).

(v) for special development problem, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(vi) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

c. [107] Is appropriate effort placed on use of appropriate technology?

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least-developed" country)?

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to the Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"?

f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental and political processes essential to self-government.

g. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase or productive capacities and self-sustaining economic growth?

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

Yes, the Grant Agreement will require GOH to provide assurances of the availability and proper allocation of funds for the project. The GOH contribution amounts to more than 25% of project costs.

No, the project is scheduled as a three year project.

The project directly responds to the needs of GOH by encouraging institutional development through technical and training assistance. The project recognizes the needs of the country to increase production in rural areas and creating job opportunities for the rural poor.

The project will contribute to productive capacities and self sustaining economic growth by providing additional capital for production purposes at the rural level.

Not applicable

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B.

3. Project Criteria Solely for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance support promote economic or political stability? To the extent possible, does it reflect the policy directions of section 102?

Yes, this project will provide capital, technical and training assistance to promote economic stability in rural areas.

b. FAA Sec. 533. Will assistance under this chapter be used for military, or paramilitary activities?

No.