

PD- AAJ -153
ICM 365

521-0144/44

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

MISSION TO HAITI

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.

Mr. Edward Marasciulo
Executive Vice-President
Pan American Development Foundation
1889 F Street, N.W.
Washington, D.C. 20006

Subject: Grant No. AID-521-0144-G-00-2018-00

Dear Mr. Marasciulo:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby grants to the Pan American Development Foundation (hereinafter referred to as PADF or "Grantee") the sum of \$300,000 in support of the Haitian Development Foundation (HDF) Phase II Project ("the Project") which provides technical assistance and credit financing to the small business sector and cooperative groups in Port-au-Prince. The Project, which will reinforce and build upon the programmatic achievements of the first Operational Program Grant (OPG), which established the HDF as a viable institution, and provide the resources necessary for a controlled expansion by the foundation outside of Port-au-Prince, is more fully described in Attachment 1, entitled "Program Description". Additional amounts up to \$195,000 for a total A.I.D. contribution not to exceed \$495,000 will be granted in future increments to PADF to support the Project, subject to the availability of funds for this purpose and to the mutual agreement of PADF and A.I.D. to proceed with the Project.

This Grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Grantee in furtherance of program objectives from January 1, 1982 to June 30, 1983.

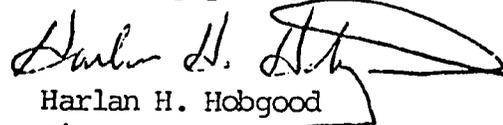
This grant is made to PADF on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1 entitled "Program Description", and Attachment 2 entitled "Standard Provisions - Specific Support Grant", as amended, as has been agreed to by your organization. In addition, PADF will be responsible for assuring the provision of all other resources necessary for the implementation of the Project not provided by the Grant, as set forth in the financial tables included in Attachment 1.

Executive Vice-President -2-
Pan American Development Foundation

Please sign the Statement of Assurance of Compliance, enclosed herein as Attachment 3, and the original and seven (7) copies of this letter to acknowledge your acceptance of the conditions under which these funds have been granted.

Please return the Statement of Assurance of Compliance and the original and six (6) copies of this Grant to USAID/Haiti.

Sincerely yours,


Harlan H. Hobgood
Director

ACCEPTED:

By: 
Edward Marasciulo

Title: Executive Vice-President

Date: 1/8/82

Attachments:

1. Program Description
2. Standard Provision (September 77 as amended in August 1978)
3. Statement of Assurance of Compliance

Fiscal Data

Project Number : 521-0144
Appropriation : 72-1121021.6
Allotment : LDAA-82-25521-DG13 ..
Total Grant Amount: \$495,000
Amount Obligated : \$300,000

Funds Available :

By:  Controller

Date: 1/8/82

Haitian Development FoundationPhase II

Operational Program Grant (Project No. 521-0144)

A. Purpose of Grant

The purpose of this Grant is to provide continued support to the HDF to help meet the technical assistance and credit needs for the small business sector and cooperative groups in the Port-au-Prince area and other selected secondary cities. USAID authorized a grant to PADF (OPG #521-0118) in May 1979 to create a national development foundation (NDF) in Haiti and under this initial grant provided \$495,000 to strengthen the operating efficiency and assistance planning of the HDF and to establish a supervised credit program providing technical assistance and small loans to microbusinesses in Port-au-Prince. Continued AID support is considered to be both reasonable and necessary given the HDF's successful program to assist small businesses in Haiti, developed in spite of the tremendous structural constraints of the Haitian economy, and in a fairly brief (2½ yrs) period of time. Under the Phase II OPG AID will make a second grant of \$495,000 to PADF to: finance a portion of HDF's operating costs, provide technical assistance for the proposed expansion of credit and services, and to increase the revolving loan fund.

B. Specific Objectives

The specific objectives of the program are to:

1. Solidify managerial, financial, and training capabilities of the HDF, through consultation from PADF in administration, resource mobilization, and financial management; through increased interchange with SOLIDARIOS and other effective NDFs and through participation in regional NDF training programs sponsored by PADF.

2. Expand technical assistance and lending activities geographically, to the marginal private sector, in at least one provincial area, in order to raise incomes and create new employment opportunities outside the capital city. Geographic expansion will be carefully phased with training, staff capabilities, and development of arrangements for administration and loan processing. As such the phase two project will reinforce and build upon the programmatic achievements of the first OPG, which established the HDF as a viable institution, and provide the resources necessary for a controlled expansion by the foundation outside of Port-au-Prince.

3. Expand the sectors eligible for HDF assistance, first by addition of agribusiness entrepreneurs. Further expansion would be based on agreement among the PADF, HDF, and USAID. Criteria for client eligibility will be similar to those applied to the Port-au-Prince microbusinesses. Priority will continue to be placed on those without management and record-keeping skills, who lack working capital and cannot receive funds from traditional sources, and have promise of effectively increasing incomes, jobs, and opportunities for the poor.

4. Broaden HDF staff skills in fund-raising. Engage new field supervisors in effective local resource mobilization. Equip other HDF staff members to participate in such efforts. Develop project preparation capacity so that HDF can propose specific activities for International Donor financial support. Institutionalize and internationalize HDF fund-raising.

5. Strengthen the Foundation from an overall institutional and financial standpoint in order to establish the basis for a major development loan, from either AID or other donors, under the proposed Phase III program. This loan would provide a significant infusion of low cost capital (\$2 - 3 million) for re-lending at commercial rates, and consequently provide a reasonable interest spread which would generate substantial operating funds for the HDF.

Fulfillment of these objectives will equip the HDF with the human and financial resources required to provide effective assistance to the small business sector lay the groundwork for stronger support from the Haitian private sector, and develop the basis for increased financial assistance from the international donor community.

C. Implementation

In order to achieve the above objectives, PADF, acting through its sub-grantee the HDF, will implement the Phase II OPG over a period of eighteen months with the funds provided by this Grant, as follows:

1. Planned Activities:

a. January - June 1982 (second half of HDF's 1981/82 Fiscal Year)

In addition to the fifteen "animateurs" already trained and being supported by AID and Public Welfare Foundation, \$10,000 in IDB funds will be available to train and support five more. AID/OPG funds will be targeted on the training needs of the new HDF field program, on reinforcing training of on-board extension agents, and on training replacement staff as required. Subject to USAID concurrence, a secondary stage of business skills training, building on the animateur-training curriculum may be extended to HDF borrowers to reinforce loan-specific aid provided by individual animateurs, to strengthen their ability to use credit and expand

production and jobs. Such secondary small business training could also be offered to others (on a fee basis), but would be undertaken initially as a self-supporting and eventually fund-raising activity of the HDF, thus requiring no additional funding under this OPG.

HDF became a member of SOLIDARIOS in July 1981 and in November 1981 the Foundation's accounting and loan processing procedures were reviewed by a team of SOLIDARIOS Consultants as a prerequisite to gaining access to SOLIDARIOS credits and technical assistance. By admitting the HDF into the association, SOLIDARIOS has acknowledged that accounting and collections procedures generally conform to its requirements and therefore it is anticipated that this new source of credit will become available in early 1982. PADF will continue to provide technical assistance to the HDF in administrative/management areas in response to the expansion of activities outside of Port-au-Prince, and to assure the effective management of its financial resources.

Assistance by PADF during early 1982 will place substantial emphasis on HDF fund-raising efforts locally and abroad. It will channel to PFP funds for consultants as required for specialized advisory services.

During this initial six month period of the second-phase AID/OPG, the HDF revolving loan fund will expand by at least \$200,000 using remaining IDB funds and \$50,000 from the new OPG, plus \$10,000 is expected to be raised in the private sector largely as follow-on from the Executive Director's international fund-raising efforts of 1981. Some 80 loans could be approved with these funds.

b. July 1982 - June 1983 (HDF's 1982/83 Fiscal Year)

In order to prepare the HDF to assume a diversified and expanded loan portfolio under the planned Phase III program, PADF will provide technical assistance aimed at strengthening the Foundation's financial management and credit extension staff. Technical assistance will focus on problem identification and early solution in staff and financial management areas and in relation to headquarters/field activity relationships. There will be a continuing need to provide advisory service on development assistance planning as the HDF matures and seeks to emulate multisector programs of established national development foundations in other countries. As support for the development of an in-house evaluation capability, PADF will help HDF staff analyze assistance delivery costs in relation to benefits generated by the project. Training will be provided for any replacement animateurs, reinforcement training in line with revolving lending criteria, and supplemental, second-stage training for HDF clients and others on a fee basis.

During HDF's fiscal year 1982/83 the revolving loan fund will increase by another \$475,000. Plans call for SOLIDARIOS approval of about \$270,000, use of \$100,000 from the phase II AID/OPG, \$75,000 IDB and

\$30,000 obtained from the local private sector and other international sources. HDF management and planning capacities would have grown to a point where cooperation with other private voluntary agencies should be occurring.

A specific linkage already in force and not unduly burdensome is the assumption of responsibility for the programming and delivery of PADF shipments of donated Health Services and Tools for Training equipment to eligible institutions. Also it should be noted the HDF's Executive Director was recently chosen to chair a coordinating committee of local and foreign PVO's in Haiti. PADF advisory services will help HDF management consider appropriate responses to other PVO requests for assistance in order to avoid placing unnecessary burdens on HDF's management team, to focus on specific development priorities, and to assure that HDF's management continues to exercise effective control of the credit and technical assistance programs which are its primary activities.

HDF management is currently analyzing necessary linkages between field offices and headquarters. It is proposed that during the HDF's fourth year one regional office be opened, based on the existence of a substantial client base and on-going demand in the selected provincial town. The proposed new staff will be recruited over a period of months and the disbursements of loans accelerated to \$40,000 a month. An area of the country will be selected as a pilot area for field activities. Initially this area will be served from Port-au-Prince by dealing with selected qualified candidates. Then as demand for services and funding permits an office will be opened and staff will be placed in the field. This regional office would be run by a Manager/Supervisor accountable to a regional Advisory Committee composed of citizens from the private sector and/or local community development programs. The HDF Board of Directors may be expanded to include a representative from each region, for the purpose of assuring that special needs and problems are aired in the Board and to engage the regional committee in regional fund raising efforts, membership drives, etc., coordinated with the central HDF efforts in these activities.

Within each regional office, the Manager/Supervisor will bring to bear his managerial and loan extension experience to direct the regional animateurs, help them select areas of work and potential clients, provide technical assistance, select and provide basic business skills training, make preliminary selection of potential loans, complete cost-benefit or feasibility analysis, and provide follow-up aid to clients. The regional Manager/Supervisor will give final approval to projects to be submitted to the central HDF office Credit Committee which will notify him of loan approvals.

2. End of Project Status/Outputs

By the end of the Phase II Project the HDF will have gained an additional one and half years experience (or a total of four years) in small business assistance programs both in Port-au-Prince and rural Haiti. Approximately 350 new clients will be assisted during Phase II through the efforts of 20 animateurs including the 5 new members of the credit extension team, with each animateur responsible for thirty clients by the end of the fourth year.

The HDF organization now consists of an Executive Director, Director of Operations, Senior Loan Officer, Animateur Supervisor, fifteen animateurs and two clerical employees. An additional ten animateurs and clerical staff will be added toward the end of the third year. The HDF will employ about thirty employees by the end of the fourth year.

The HDF staff will manage a loan fund of approximately \$1,000,000. The maximum subloan size will be \$10,000 for individuals and \$25,000 for groups, with an average size of \$3,000 and \$4,000 respectively. Commercial interest rates (12-18%) will be charged on all loans. Loan fund activity will include: (a) short-term working capital loans of approximately 1 year with up to a three month grace period; and (b) medium term capital investment loans, 2-5 years with up to a six month grace period. Eligible enterprises include firms employing up to twenty employees with fixed assets of \$15,000 or less.

SUMMARY CHART - OUTPUTS

	<u>Phase I</u>	<u>Phase II</u>	<u>TOTAL</u>
Animateurs	15	5	20
HDF Client	250	350	600
Loan Portfolio	300,000	750,000	1,050,000
Number of Loans Disbursed	120	250	370
No. of Jobs created	204	750	950
Cost per Job	850	1,000	970
HDF Regional Office Established		1	1

3. Financial Implementation Plan

This proposal by PADF, is for an Operational Program Grant (\$495,000) for an eighteen month Phase II project in support of the strengthening of the Haitian Development Foundation. The proposal has three distinct components, each with its own budget and particular financial implications. These components are technical assistance provided by PADF, operating cost support for the Haitian Development Foundation, and a contribution of funds to HDF's revolving loan fund.

While a detailed budget of disbursements and sources of funds is presented below, the highlights are as follows. Disbursements are contemplated over an eighteen month period January 1, 1982 through June 30, 1982 of \$119,000 for technical assistance, \$568,000 for HDF operations and \$735,000 for an addition to the revolving loan fund, for a total \$1,422,000 project. AID will provide \$251,000 in support of the HDF operation and \$94,000 to finance required technical assistance, while it is anticipated that \$75,000 would be raised from membership and local contributions, \$110,000 would be generated in interest and technical assistance fees, and \$132,000 would be secured from other international donors. Of the \$735,000 expected in additions to the revolving loan fund, \$150,000 would be from the OPG, \$275,000 would be from the IDB under an existing commitment, \$270,000 would be received from SOLIDARIOS (of which the Haitian Development Foundation is a member), and \$40,000 secured from other international donors.

The OPG would be awarded to PADF as Grantee, who would as determined necessary, establish a Sub-Grantee relationship with the Partnership for Productivity (an organization that was a Sub-Grantee in the Phase I project). PADF would also make available to HDF, under a plan to be developed jointly, fund-raising consultants, in an attempt to strengthen HDF's fund-raising capabilities both in Haiti and internationally. The HDF Executive Director, who in the Phase I project was a PADF employee, would now be directly responsible to and employed by HDF, and his costs fall within the HDF operating budget. In addition, PADF has secured funding for a project to establish Caribbean regional NDF training programs to be made available to leaders and staff of HDF.

Funds will be provided to PADF as grantee using the FRLC method as used for the HDF Phase one project. Draw downs from the FRLC are expected to be at a fairly even rate after the first month and will amount to about \$200,000 during the first six months and \$295,000 during the 13th through 18 months of this project. Proposed adjustments in any budget component should receive prior USAID approval. The Grantee may not exceed the total amount of the budget, or, if partially or incrementally funded, the funds obligated against the budget.

a. SUMMARY BUDGET
(\$,000)

SOURCE

Category

	<u>AID</u>	<u>PADF</u>	<u>HDF</u>	<u>IDB</u>	<u>SOLIDARIOS</u>	<u>Other Inter- national Donors</u>	<u>TOTALS</u>
Operating Costs	226		185			132	543
Training		25					25
Commodities	25						25
Technical Assistance	94						94
Loan Fund	<u>150</u>	<u>---</u>	<u>---</u>	<u>275</u>	<u>270</u>	<u>40</u>	<u>735</u>
TOTALS	\$495	25	185	275	270	172	\$1,422

Phase II Budget

<u>Disbursements</u>	FY 81-82 2nd half	FY 82-83*	Total
I. <u>External Technical Assistance</u>	\$ 41,000	\$ 78,000	\$ 119,000
PADF: Proj. Mgr. (3pm yearly)	6,500	12,500	19,000
Fund-raising & other consult. (3pm yearly)	10,000	12,500	22,500
Staff & consult. travel & subsistence (12 trips yearly)	6,000	15,000	21,000
Overhead (20% provisional)	4,500	8,000	12,500
Regional NDF project training	5,000	20,000	25,000
PFP: Consulting (1pm)	4,000		4,000
Contingencies	5,000	10,000	15,000
II. <u>HDF Operations**</u>	<u>182,000</u>	<u>386,000</u>	<u>568,000</u>
Including Executive Director and other personnel, gen. operations staff training, fund-raising and commodities			
III. <u>Revolving Loan Fund</u>	260,000	475,000	735,000
<u>TOTALS:</u>	<u>483,000</u>	<u>939,000</u>	<u>1,422,000</u>

Sources of Funds

I. <u>External Tech. Asst. and Training</u>	41,000	78,000	119,000
AID/OPG	36,000	58,000	94,000
PADF regional NDF project	5,000	20,000	25,000
II. <u>HDF Operations</u>	<u>182,000</u>	<u>386,000</u>	<u>568,000</u>
AID/OPG	91,000	160,000	251,000
Memberships,			
Local contribns.	25,000	50,000	75,000
Interest and TA fees-	25,000	85,000	110,000
Other int'l donors	41,000	91,000	132,000
III. <u>Revolving Fund</u>	<u>260,000</u>	<u>475,000</u>	<u>735,000</u>
AID/OPG	50,000	100,000	150,000
IDB	200,000	75,000	275,000
SOLIDARIOS	-	270,000	270,000
Other int'l donors	10,000	30,000	40,000
TOTALS	<u>\$483,000</u>	<u>\$939,000</u>	<u>\$1,422,000</u>

* Refers to HDF's fiscal years (Jan - June 1982, July 1982 - June 1983).

** Refer to OPG/Project Paper (521-0144), Annex B for detailed budget.

4. Implementation Arrangements

Project Implementation in most aspects will proceed along the lines already established during Phase I. However, a new agreement will be worked out and signed between HDF and PADF to reflect their changing relationship, the maturing of HDF and revised technical assistance focus of PADF.

a. Disbursement Plan

Phase II USAID project funds will be channelled through the same Federal Reserve Letter of Credit arrangements as Phase I. Initially, PADF will advance the equivalent of three months funds (\$39,000) to HDF and then provide \$13,000 monthly against HDF presentation of standard financial reports. Disbursements for commodities will be made as required.

b. Procurement

In the procurement of AID-financed goods and services PADF will abide by procurement rules which meet the requirements of AID Handbook 13, Ch. 10. The source and origin of all goods and services under this Grant will be as set forth in Standard Provision 10 of Attachment 2, as amended by Standard Provision 28 of Attachment 2.

A waiver is hereby granted to purchase two (2) Japanese motorcycles. The motorcycles will be used by the Animateur Supervisors to supervise animateurs and visit clients.

c. Implementation Plan

December 1981	:	USAID Director approves HDF Project.
December 1981	:	USAID and PADF sign Grant Agreement (OPG).
January 1982	:	PADF and HDF sign revised agreement establishing their relationship and respective responsibilities.
January 1982	:	PADF fund-raising consultant visits Haiti.
January 1982	:	Planning of field activities begins.
February 1982	:	HDF attends first PADF regional training course.
March 1982	:	HDF Executive Director fund-raising trip to U.S. with consultant.
February through June 1982	:	Additional HDF staff recruited.
April 1982	:	HDF begins to serve clients in new field area.
May 1982	:	HDF attends PADF - SOLIDARIOS fund-raising course in Washington.
July 1982	:	Independent evaluation arrives to begin evaluation of HDF loan portfolio, organizational structure, training program.

- August 1982 : HDF Board of Directors hold annual meeting and reviews independent evaluation and audit. Plans for the coming year.
- April 1983 : Evaluation of progress to date and development of Phase III plans.
- June 1983 : Final disbursement of Phase II OPG funds.
- July 1983 : Project Assistance Completion Date (PACD).

d. Reporting and Evaluation

Evaluation of the HDF will take place annually with a list of key indicators which have been selected to best measure the progress being made towards the selected goal and purpose of the OPG. The key indicators are included in the logical framework. All data for the evaluation will be collected on a regular basis by the Promotion Department, Accounting Department, or the Executive Director's Office and compiled in the quarterly, semi-annual and annual reports. The third annual evaluation, scheduled for July 1982 will be conducted by an outside evaluator to determine the adequacy of progress made towards establishing the HDF as a viable organization and the feasibility of replicating the activities in other areas throughout Haiti. An end of project evaluation is scheduled for April 1983 as a means of preparing the groundwork for the anticipated Phase III project.

The system of reports, charts and statements presently prepared by HDF on a monthly basis will continue. Attention will be given to preparation of quarterly narrative reports covering both accomplishments and problems encountered and their resolution. HDF will provide reports to PADF who will add additional material and provide the full reports to USAID. In addition, annual financial audits will be conducted by an independent accounting firm. The office of Private Enterprise Development, USAID/Haiti, will monitor project activities and provide support to both PADF and HDF as necessary.

e. Overhead Rate

A 20% provisional overhead rate will be applied to the direct technical assistance costs incurred by PADF, as estimated in the Phase II budget.

D. Special Provisions

1. Of the attached Standard Provisions, the following will be deleted: 7B, 7C, 12B, and 12C.

2. PADF will submit to USAID within thirty (30) working days after the signature of the PADF/AID OPG Agreement a copy of an agreement defining the PADF/HDF relationship and respective responsibilities in implementing this project.

3. AID's on going contribution to this OPG will be subject to the Grantee's adherence, acting through the HDF, to the HDF Operating Budget (presented in Annex B of the OPG/PP - 521-0144) and governed by the following conditions except as AID may otherwise agree to in writing:

a. The monthly expenditure levels contained in the budget should not be exceeded.

b. Monthly HDF financial statements indicating actual revenues and expenditures should be sent to USAID and PADF no later than 15 days following the end of each month.

c. Any grant to HDF, or to PADF on behalf of HDF, to finance a specific program or activity should be reviewed by USAID prior to the signature of any agreement with a potential donor institution.

d. A written fund raising policy and strategy containing plans for both local and international fund raising activities should be prepared by HDF with PADF assistance, approved by the HDF board and reviewed by USAID by no later than March 31, 1982.

4. Prior to the start-up of any activities outside at Port-au-Prince, HDF will prepare for USAID review a justification for the selection of the region where it intends to provide new services and a plan for implementing the proposed field activities.

5. HDF will undertake a complete review of its present loan policy (including maximum amounts, repayment periods, interest rates levels and collection methods) and develop revised policy that will permit the disbursement of medium size loans, reflect current interest rates, and establish the basis for an expanded portfolio.

6. By no later than April 30, 1982, HDF will finalize the proposed plans for charging technical assistance fees to non-borrowing clients for review by USAID.

7. By no later than April 30, 1982, HDF will develop a plan to coordinate business interrelationships among its loan beneficiaries in order to multiply the impact of development efforts.

8. By no later than June 30, 1982, HDF will undertake an analysis of its clients' financial status to determine the return on investment from loans disbursed.

9. USAID reserves the right to suspend disbursement of funds should the Grantee fail to comply with any of the above special provisions.

