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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

MISSION TO HAITI

For U.S. 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.

MAR 29 1983

Mr. Roland Acra
President
Haitian Development Foundation
106 Ave. Christophe
Port-au-Prince, Haiti

Dear Mr. Acra:

Subject: Cooperative Agreement No. 521-0169 (1)
Caribbean Basin Initiative Supplemental Appropriation

Pursuant to the authority contained in Section 531 of the Foreign Assistance Act, as amended, and Chapter VI of the Supplemental Appropriations Act of 1982 (P.L. 97-257), the Agency for International Development (hereinafter referred to as "A.I.D. or "Grantor") hereby grants to the Haitian Development Foundation (hereinafter referred to as "HDF" or "Recipient") the sum of FOUR HUNDRED AND SEVENTY FIVE THOUSAND DOLLARS (\$475,000) to provide financial assistance for the purpose of providing support 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 in Haiti, as more fully described in Attachment 2, entitled "Program Description".

This Cooperative Agreement is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of program objectives through the estimated completion date of April 30, 1984.

This Cooperative Agreement is made to the Recipient on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1, the Schedule, Attachment 2, the Program Description, and Attachment 3, the Standard Provisions, which have been agreed to by your organization.

Please sign the original and five (5) copies of this letter to acknowledge your acceptance of the Cooperative Agreement, and return the original and four (4) copies to this office.

Sincerely,



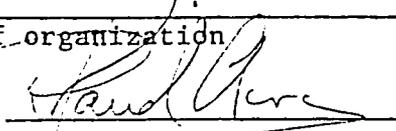
Harlan W. Hobgood
Mission Director

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions
4. Assurance of Compliance

ACKNOWLEDGED:

Name of organization _____

By:  _____

Title: _____

Date: MAR 29 1983

FISCAL DATA:

Appropriation: 72-112/31037
Budget Plan Code: LES2-83-25521-KG13
PIO/T No.: 521-0169-3-30044
Project No.: 521-0169 (1)
Total Obligated Amount: \$475,000
Funding Source: USAID/Port-au-Prince, Haiti

SCHEDULEA. Period of Agreement

1. The effective date of this Cooperative Agreement (C.A.) is the signature date by the Mission Director as shown on the cover letter, and the estimated completion date is April 30, 1984.
2. Funds obligated hereunder are available for program expenditures for the estimated periods of May 1, 1983 to April 30, 1984 as shown in the financial plan below.

B. Amount of Agreement and Payment

1. AID hereby obligates the amount of \$475,000 for purposes of this C.A.
2. Payment will be made to the Recipient in accordance with the procedures set forth in Attachment 3 - Standard Provision entitled "Payment - Periodic Advances"

C. Financial Plan

1. The following is the Financial Plan for the Total Project Revisions to this plan shall be made in accordance with Standard Provision entitled "Revision of Financial Plans"

<u>COST ELEMENT</u>	<u>BUDGET</u>			
	<u>(\$000)</u>			
	<u>(May 1, 1983 - April 30, 1984)</u>			
	<u>AID</u>	<u>HDF</u>	<u>OTHER DONORS</u>	<u>TOTAL</u>
1. External Technical Assistance and Training	\$100	-	-	\$100
2. HDF Operations	220	\$108 ^{3/}	\$ 25	353
3. Revolving Loan Portfolio	135	-	200	335
4. Other Miscellaneous Costs	<u>20^{4/}</u>	<u>-</u>	<u>-</u>	<u>20</u>
Totals	\$475	\$108	\$225	\$808

Cont. SCHEDULE

2. The Recipient may not exceed the obligated amount set forth; adjustments among the line items are unrestricted.

3. Cost Sharing

- a) The funds provided by this grant represent partial support of the program/project as described in the Financial Plan above.
- b) The restrictions on the use of AID grant funds hereunder set forth in the Standard Provisions of this grant are applicable to expenditures incurred with AID funds provided under this grant. The Standard Provisions are not applicable to expenditures incurred with funds provided from non-Federal sources. The grantee will account for the AID funds in accordance with the Standard Provisions of this grant entitled "Accounting, Audit and Records".

4. To be held in escrow in accordance with Section D.8. herein.

D. Reporting and Evaluation

- 1. HDF will prepare for submission to A.I.D., monthly, within 15 days of the end of the month, the financial and loan portfolio reports, of the type and in the manner of those presently being prepared.
- 2. HDF will prepare narrative quarterly progress status reports in accordance with a model to be provided by A.I.D.
- 3. A.I.D. will assist HDF in arranging for an independent third party evaluation, and both agree to participate in and cooperate fully with this evaluation.
- 4. HDF agrees to continue to engage an external auditor acceptable to A.I.D., to conduct the annual financial audit of HDF books of accounts during the term of this Agreement.
- 5. A final report will be conducted 60 days prior to the completion of the C.A. and submitted to A.I.D. as a final managerial and financial status report.

E. Alterations and Additions to the Standard Provisions

- 1. In Attachment 3, Standard Provisions, delete the words "Grant" and "Grantee" wherever they appear and substitute in lieu thereof the words "Cooperative Agreement" and "Recipient".

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Cont. SCHEDULE

2. Delete the following Standard Provisions: .
 - a) SP, No. 8 A -- Negotiated Overhead Rates - Predetermined.
 - b) SP, No. 8 B -- Negotiated Overhead Rates - Nonprofit Organizations.
 - c) SP, No. 9 B -- Payment - Reimbursement.
 - d) SP, No. 12 B -- Procurement of Goods and Services over \$250,000
 - e) SP, No. 15 B -- Title to and Care of Property (U.S. Government).
 - f) SP, No. 15 C -- Title to and Care of Property (cooperating Country Title).

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PROGRAM DESCRIPTIONA. Purpose of Grant

The purpose of this Cooperative Agreement 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. Continued A.I.D. 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 (4 yrs) period of time. Under this project A.I.D. will make an assistance award to HDF to: finance a portion of HDF's operating costs, provide technical assistance for institutional development, and to increase the revolving loan fund.

B. Specific Objectives and Implementation

The specific objectives of the program are to:

- 1) Improve the managerial, financial, and training capabilities of the HDF, in administration, resource mobilization, and financial management.
- 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 project will reinforce and build upon the programmatic achievements of the first two OPGs, 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 sector eligible for HDF assistance, first by addition of agribusiness entrepreneurs. 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.

Cont. PROGRAM DESCRIPTION

- 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 A.I.D. or other donors. 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. End of Project Status/Outputs

By the end of this 12 month grant; the HDF will have gained an additional year of experience with particular emphasis on the monitoring and implementation of the technical assistance and credit program. Approximately 180 new clients will be assisted during this grant, although this figure could be increase if additional loan funds come available.

A major emphasis, however, will be on the operation of the reimbursement program. While it is recognized that the HDF is in a risk business lending funds to individuals and groups with none or only limited experience with credit, the Foundation is successfully recuperating approximately 10 percent net in interest. By the end of the project year, there is expected to be an improvement both in the area of interest collected (currently at about \$6,000 per month) as well as in principal recycled. Although there will always be defaults in this area of credit extension, the HDF will institute and implement a detailed and concrete program to deal with defaults, not only to minimize the number of defaults, but also to advise the community that the Foundation is serious about loan collection.

Cont. PROGRAM DESCRIPTION

The HDF also anticipates extending operations to one provincial areas of Haiti, probably the region of Pétit-Goave. A detailed plan and budget has already been prepared a survey of small business in that area has been completed, and field work has been undertaken by new animateurs being trained to work in principally agricultural/rural areas. The HDF expects to have a team of five animateurs operating in this area at the conclusion of this grant.

SUMMARY CHART - OUTPUTS

	<u>Current</u>	<u>Grant</u>	<u>Total</u>
Animateurs	10	5	15
Beneficiaries	240	180	240
Loan portfolio	\$650,000	\$135,000	\$ 785,000
Number of jobs created	480	360	840
HDF Regional Extension (office)	0	1	1
HDF Membership	200	25	225

D. Substantial Involvement Understandings

- 1) Any grant to 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.
- 2) A written fund raising policy and strategy containing plans for both local and international fund raising activities should be prepared by HDF, approved by the HDF board and reviewed by USAID by no later that June 30, 1983.
- 3) 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.
- 4) No transfer of A.I.D. funds should be made to other categories in HDF's budget without prior A.I.D. approval.

Cont. PROGRAM DESCRIPTION

- 5) A financial analysis is to be made and submitted to A.I.D. for review, to investigate the areas in which the HDF can cut its operational expenses in order to eliminate the Foundation's cumulative operating deficit before the end of the C.A.
- 6) From time to time when project issues require it, A.I.D. will request to attend the HDF Board Meeting in an ex-officio capacity.
- 7) The \$20,000 in contingency funds are to be held in escrow to eliminate the cumulative deficit (if any) at the end of the C.A. and as such disbursement from this escrow account will be subject to A.I.D. approval.
- 8) USAID reserves the right to suspend disbursement of funds should the Grantee fail to comply with any of the above special conditions.
- 9) The HDF will submit for AID review and approval any proposed contracts for consultants financed under this C.A. prior to issuing a formal contract.