

PD-RAJ-209

Ass-57793

EVALUATION OF THE DEVELOPMENT
FINANCE CORPORATION PROJECT (SOFIHDES)

A.I.D./IQC NO. PDC-0085-I-00-6097-00
Delivery Order No. 39

Submitted to:

Office of Private Enterprise
USAID/Port-au-Prince, Haiti

By:

Checchi and Company Consulting, Inc.
Washington, D.C.

September 12, 1988

Table of Contents

		<u>Page</u>
Section I	EXECUTIVE SUMMARY	1
	1. Introduction	1
	2. Background	1
	3. SOFIHDES	2
	4. Recommendations	9
Section II	FINDINGS AND RECOMMENDATIONS	13
	1. Objectives and Scope of Work	13
	2. Background	14
	3. SOFIHDES	20
	4. Findings	37
	5. Recommendations	49
Annexes		
A	Bibliography	
B	Interviews	
C	Projections Sur Cinq Ans 1988-1993	
D	Plan Préliminaire pour la Levée de Capital	
E	SOFIHDES: Programme de Levée de Capital	
F	USAID Expense Report - May 1988	
G	Agribusiness Loan Activity to August 1, 1988	

Section I

EXECUTIVE SUMMARY

1. Introduction

This is a summary of the findings and recommendations of consultants employed by USAID/Haiti through Checchi and Company Consulting, Inc., under contract # PDC-0085-I-00-6097-00 (Delivery Order No. 39). The consultant team consisted of David Gordon (Development Finance Generalist and Team Leader) and G. Stimson Eveleth (Development Finance Corporation Specialist). The team's assignment was to evaluate SOFIHDES' performance to date, its present situation and prospects, and to make recommendations regarding its structure, policies and mode of operation for the future, as well as for actions to be taken by USAID with respect to SOFIHDES. The evaluation was carried out in Haiti from August 5 to August 20, 1988. The consultants' scope of work and the specific tasks they performed are described in Section II of the report.

2. Background

SOFIHDES was formed in 1983 with the purpose of introducing a new dynamic element into the Haitian economic/financial system, to help break through the barriers of poverty, excessive concentration of economic power, and technological and institutional underdevelopment. Shortly after the inception of SOFIHDES the country was plunged into three years of political turmoil, which lasted until recent weeks. The economy stagnated, and production and real income declined. The banks have ample funds, for lack of investment opportunities that meet their conservative criteria.

Despite the current problems, business circles profess considerable optimism about the prospects for the medium-term future. They cite Haiti's free enterprise economy, the past resilience of the private sector, the country's tradition of fiscal and monetary conservatism, and the now widespread popular desire for political stability after years of upheaval. Given such stability and sensible economic policies, they look to a fairly early revival of foreign investor and tourist interest in Haiti, and to a renewal of local investor confidence.

3. SOFIHDES

a) Performance. SOFIHDES was designed to "provide the capital and technical expertise to promote and support new industrial investment in Haiti" -- more specifically, to assist potential borrowers in project development, and extend credit to entrepreneurs for worthwhile projects (USAID Project Paper--DFC Project # 521-0154). Unlike most DFCs throughout the world, its capital is raised from numerous investors and it is expected to be financially self-supporting and profitable. It has done so within a remarkably short time in spite of the unpropitious environment of its first years and certain operational constraints (some due to USAID restrictions and some self-imposed). After a first year loss, SOFIHDES achieved a small profit in its second year and a net cumulative profit in its third; profits for FY 1988 are estimated to be \$185,000, and for FY 1993 are projected to reach \$346,000 (Annex C). SOFIHDES is outperforming the Haitian banking sector in all standard performance ratios.

b) SOFIHDES is clearly a soundly and efficiently run institution. Its small professional staff, after some initial hiring problems and turnover, now seems of high quality, very well trained and disciplined. Its credit files are orderly, current and

complete, and the review process is reasonably expeditious. These strengths are reflected in SOFIHDES' excellent market image of seriousness, integrity and professionalism. This good reputation, and the company's financial success, reflect well on the ability and dedication of its General Manager, an expatriate banker with long experience in Haiti, whose services have been financed in large part by USAID technical assistance funds.

c) Fulfillment of Mission. SOFIHDES has been the object of some criticism, from diverse quarters, to the effect that it has not adequately fulfilled its development mission; that its clientele and the terms and conditions of its loans are virtually identical to those of commercial banks; indeed that it is an unfair competitor of the banks as it is subsidized, in some measure, by USAID funding. Its sectoral lending targets have been confined largely to export (assembly) industries, import substitution industries, and agro-industry. Its credit manual excludes agriculture, mining, construction, restaurants and hotels, transport/storage, and communications. Little attention has been paid to regions outside the environs of Port-au-Prince. Nevertheless, its portfolio is not unrepresentative of a well managed development bank. While SOFIHDES' appraisals rely initially on cash flow projections as evidence of project viability, they insist also that loans be collateralized as a fall-back; however, SOFIHDES does accept the pledge of equipment as partial security, whereas the commercial banks require ample coverage through real property or personal/bank guarantees.

d) SOFIHDES' clients are generally aware and appreciative of its assistance, notably the somewhat greater flexibility as regards collateral and the assistance rendered in project development, systematic record keeping and the solution of business problems. Even so, they complain of interest rates at or above those of other banks, and SOFIHDES' up-front charges. SOFIDATA

gets high marks from clients for the quality of its assistance in automated record keeping, although a few reportedly were under the illusion that SOFIDATA would relieve them of the entire burden, including that of supplying raw data, and were consequently disappointed. Some small accountants apparently also have alleged unfair competition, as was predictable.

e) Considerable confusion prevails as to what should be a development bank's role--whether it is primarily promotional, innovative, philanthropic or commercially oriented. This is obviously a source of the conflicting views as to SOFIHDES' success in fulfilling its mission. In appraising and approving projects and setting loan conditions, SOFIHDES' Board and Management have constantly to balance their obligation to pursue development aggressively, through potentially risky outreach, and their duty to serve the interests of shareholders and to protect the integrity of the institution. This dilemma can never be wholly resolved. During its first years SOFIHDES chose the safer, conservative course, probably necessarily so. Having established a solid financial base and reputation, it can now (and should) become more venturesome while continuing to assess the risks judiciously and to maintain balance in its portfolio. Greater diversification of the portfolio, indeed, should enhance its safety and stability.

f) Strategy and Planning. During the initial years, with all their vicissitudes, SOFIHDES' thinking inevitably focused mainly on short-term problems, needs, goals and prospects. It still has not formulated a longer-range strategy except with regard to a proposed capital increase (Annexes D and E) and certain institutional changes which Management views as necessary to, or contingent on, the capital increase. It has prepared five-year financial projections, but these do not appear to be founded on any clear marketing strategy, geographic or sectoral priorities or project pipeline. It is very important that these elements of an

effective operational plan be fleshed out with minimum delay.

g) Capital increase. The size of SOFIHDES' capital, about \$1 million, is a factor restricting its operations in several respects: the debt/equity limit of 5:1, specified in the agreement with USAID, inhibits its mobilizing additional resources through borrowing; the limit on exposure in any single project - 15% of capital, also agreed with USAID - sets an unduly low ceiling on the size of its loans; and a condition precedent to the release of additional earmarked U.S. loan funds, amounting to \$2.8 million, is the raising of \$500,000 of new capital from the Haitian public. Unless the latter condition is met relatively soon, the funds in question may be diverted to other uses. Hence SOFIHDES feels under the gun and has been intensively studying/ preparing to undertake an issue of convertible preferred stock in November 1988.

h) In the view of the consultants, and of most of the people whom they interviewed, there is little objective reason for SOFIHDES to increase its capital at this time--apart from the understandable aversion to losing the USAID financing. The Company already has substantial liquid funds which cannot be lent or placed advantageously in the short run. The increment of \$500,000 of new capital would simply add to these virtually idle resources while raising SOFIHDES' interest costs by \$35,000-\$40,000 annually. Dividend payments to the founding shareholders at the rate of 6% (\$60,000 per year) would also probably be necessary--but this should be done in any event. If the optimism noted earlier regarding the prospects for a medium-term revival of economic growth and investor confidence proves justified, then in 2-3 years SOFIHDES would indeed require a capital increase; but in those circumstances a share issue should be easier than at present, and could be effected quickly given the preparatory work already done. This notwithstanding, SOFIHDES should proceed with the planned organizational restructuring of the board and management in order

to provide for a more effective and efficient decision making process as a stimulus for future growth.

i) Self-imposed constraints. Some SOFIHDES policies on the eligibility criteria for lending seem excessively restrictive - e.g. 51% Haitian ownership, and the exclusion of the commercial agriculture, transport/storage, construction, and hotel and restaurant sectors. Prohibition of loans to Board members is quite abnormal in the banking industry, although clearly it must be subject to strict conditions and careful scrutiny. It has the effect of excluding important segments of the business community and of discouraging desirable candidates from service on the Board; and it does not really preclude conflict of interest, which may take many other forms. For example, assignment of the function of detailed review and approval of specific loans to a committee of the Board may create at least the perception of such a conflict - either by the possibility of a veto of projects likely to compete in business with Board members or by giving them advantageous access to confidential information. Finally it transfers to individual Board members responsibilities for portfolio quality and for operating decisions that are properly those of Management.

j) Future Business Development. As was stated earlier, SOFIHDES can now afford to be more venturesome than in its infancy. USAID will doubtless continue to urge a more aggressive stance, while maintaining certain restrictions on use of its funds. Funds from other sources, including SOFIHDES' own capital, reserves and (eventually) borrowings, will be usable with greater freedom. In addition, the present USAID restriction on purchases of used equipment should be removed, subject to appropriate safeguards as to valuation and inspection.

k) One way to increase SOFIHDES's financial leverage and potential earnings would be to develop a merchant banking, deal-

making capability. In this mode SOFIHDES would seek out and help to develop new or expansion projects, make thorough technical/financial appraisals, and then market the projects to other lenders, obtaining a fee for its services and normally taking a portion of the equity. Thus the resource mobilization in which it would be the market leader would be multiplied several times and it would become a valued collaborator, rather than competitor, of the banks. SOFIHDES' excellent staff and high reputation in the market suit it admirably to undertake this function--although it must enhance its promotional/marketing capabilities to do so successfully.

1) The question remains whether the constraints noted in Paragraph 7 could be relieved in the absence of a new capital issue, until there are more persuasive reasons for proceeding with such an issue.

- First, some part of retained profits, now about \$440,000, could be capitalized, perhaps to the extent of \$300,000; this would raise the present ceiling of exposure from \$150,000 to \$195,000. Parallel to this change should be an approval to increase the upper loan limit to 20% of capital, thus creating a maximum lending limit of \$260,000. Management should, with board approval, set a maximum "house limit" of, say, \$230,000 with excess over that amount requiring specific Board approval.

- Second, in view of SOFIHDES' exceptionally strong financial situation and performance, an increase in the 5:1 leverage permitted to it surely seems justified--perhaps to 8:1, which is still conservative.

- Finally, and this may be the most important and difficult adjustment, possible means of waiving or relaxing the capital increase condition for release of the earmarked USAID funds should be explored. In the consultants' view all these possibilities should be strongly considered.

m) Other funding sources. While SOFIHDES can generate small amounts of funding in the interbank market, its ability at present to raise substantial sums without third party guarantees is questionable. It is also barred by Haitian law from accepting commercial deposits. USAID has been its only external source of funds to date, but the consultants' conversations with the Inter-American Development Bank and UNDP representatives indicated a favorable disposition on their part - indeed, a view that SOFIHDES is the only Haitian financing channel that they could utilize. However, any concrete decisions are probably a year or more away. Meanwhile, SOFIHDES should seek means to diversify its funding sources through a calling program, particularly in Europe and Canada.

n) Technical Assistance (TA) and Training. SOFIHDES has so far made use of funds mainly for salaries and other personnel expenses for senior staff (Annex F). The contract of the General Manager will terminate in May 1989; that of the Agribusiness Advisor may (and should) be extended. Some funds were used for recruitment efforts and startup expenses, justified in light of the special nature and infant status of SOFIHDES; but given its strong financial position it should be able to absorb any further such expenses. Future TA should be limited to professional training for staff; financing of seminars for the Haitian business community to improve their understanding of modern financial institutions and instruments, and the efficiency of their functioning; and, perhaps, to assign two or three young, energetic

field agents to seek out and help prepare projects in the hinterland for SOFIHDES consideration, for a period of two years.

4. Recommendations

Summarized below are the team's recommendations, culled from the body of the report, addressed to SOFIHDES and to USAID respectively.

Recommendations to SOFIHDES

- Maintain the high standards that have been established for project appraisal and supervision, and the meticulous credit files. Continue attention to personnel training, particularly for junior staff as new recruitment takes place.
- Continue to emphasize sympathetic attention to clients' needs and problems and to provide appropriate technical assistance using the facilities/services of SOFIDATA and SOFICONSEIL.
- Undertake more aggressive searches for suitable projects, including regions and sectors that have hitherto been neglected; specifically, include commercial agriculture, mining, construction, transport/storage and tourist facilities among sectors eligible for financing.
- Be willing to accept some relaxation of requirements of loan collateral in the form of property or personal guarantees in those cases where cash flow prospects, quality of management, and other less tangible factors are especially favorable.

- Be willing to forego the requirement of majority Haitian ownership for projects that promise significant contributions to Haitian economic development.
- Propose to USAID the lowering of the floor for individual loans to \$30,000.
- Plan to place the functions of credit analysis/administration and new business/marketing, respectively, under different units or officers as soon as staff numbers permit.
- Implement the planned restructuring of Board and Management organization and responsibilities.
- Reconstitute the Credit Committee with membership consisting entirely of SOFIHDES management/senior staff, without directors.
- Permit extensions of credit to members of the Board of Directors, subject to the same economic and commercial criteria as other lending and to special scrutiny to guard against abuse.
- Postpone the issuance of new capital shares until the funds so obtained can be put to productive use--provided that the availability of the presently earmarked USAID loan funds would not thereby be prejudiced (see recommendations to USAID below). The planned campaign in support of the share issue should be put on hold, to be available for quick implementation when the time is ripe.
- Capitalize \$300,000 of the retained earnings.

- Declare a dividend for the founders' shares (notionally 6%-\$60,000) at the forthcoming Annual Meeting and announce the Board's intention to continue such dividend payments on a regular basis.
- Consider and explore possibilities of undertaking a merchant banking function: project potential, promotion/marketing problems, scale of commissions, market acceptance, staffing requirements, etc.
- Continue to sponsor or take leadership in activities for civic and professional improvement - e.g. the Cercle Economique, legal seminars, the Pestel initiatives, etc.
- Continue low-key public relations efforts directed at the general public, and also seek to devise marketing campaigns more narrowly focussed at specific targets or groups

Recommendations to USAID

- Release the \$2.8 million of loan funds earmarked for SOFIHDES without requiring as a condition the immediate increase of its share capital.
- Be prepared to consider continuing support in the form of loans in future years, contingent on SOFIHDES demonstrating satisfactory performance, need and active canvassing of other funding sources.
- Continue TA support for the Agribusiness Advisor, and for training programs to be agreed upon, especially for newly recruited junior staff.

- Explore the possibility of assigning, with TA financing, two or three field-oriented project investigators to identify and help prepare projects for SOFIHDES' consideration.
- Agree to an increase in SOFIHDES' debt/equity ratio to 8:1.
- Raise the ceiling for individual loans from 15% to 20% of SOFIHDES' capital and be willing to grant exceptions to this ceiling for especially meritorious cases.
- Agree to lower the floor for individual loans to \$30,000.
- Consider sympathetically requests to finance used equipment, subject to appropriate valuation and inspection.
- Agree to a payment of a 6% cash dividend to the founding shareholders, for FY 1988 and to similar dividend payments in future years.
- Permit SOFIHDES to make equity investments, in aggregate amount not to exceed 25% of its capital.

Section II

FINDINGS AND RECOMMENDATIONS

1. Objectives and Scope of Work

1.1 The overall purpose of the assignment was to assess the effectiveness of SOFIHDES in meeting its stated goals and objectives. More specifically, the evaluation was to assess the following critical areas:

1. Development Impact
2. Technical Assistance
3. Portfolio Structure
4. Operational and Financial Status

1.2 While the team needed to be aware of the turbulent political and economic scene in Haiti, the primary purpose of the mission was to assess the success and viability of a private, for-profit development bank in Haiti and make appropriate recommendations to support the fulfillment of its objectives.

1.3 The assessment was based on:

1. Interviews with USAID personnel
2. Interviews with managers and staff of SOFIHDES
3. Interviews with shareholders and directors of SOFIHDES
4. Interviews with customers and potential customers of SOFIHDES

5. Interviews with Haitian bankers
6. Interviews with Haitian government officials
7. An examination of the relevant files and reports at USAID
8. An examination of the books, files and records of SOFIHDES.

1.4 The evaluation team consisted of David Gordon, an experienced development banker who also acted as Team Leader, and G. Stimson Eveleth, an experienced international commercial banker. Both team members have substantial experience in developing countries and backgrounds in economics in addition to banking experience.

2. Background

General Economic Conditions

2.1 The original concept of SOFIHDES, and the pattern of its initial operations and of its potential development, must be viewed in the context of Haiti's socio-economic situation and evolution during recent years. Important features include:

- a small national territory, mountainous, deforested and severely eroded, with difficult and deficient communications;
- a predominantly agrarian economy, mostly subsistence with a high rural population density, increasing at about 2% per year, and the Western Hemisphere's lowest GNP per capita;

- a very limited national market, relatively open to international trade, including a high proportion of contraband;
- excessive concentration of industry and communications in and around Port-au-Prince, with few and weak forward/backward linkages to outlying regions;
- severe political instability with frequent and drastic shifts of government power during the past three years, following nearly 30 years of dictatorial reign; and
- a meager level and diversity of financial sector institutions and instruments, providing limited conventional services for a small segment of the population.

The Political/Economic Situation

2.2 The past 3-4 years have been a period of political unrest and uncertainty. Recent Haitian history is dominated by the legacy of Francois Duvalier, who came to power in 1957, crushed all opposition, centralized authority in his own person, and in the process stifled economic initiative and growth in the countryside outside Port-au-Prince. Jean Claude Duvalier, who succeeded his father as president-for-life in 1971, mitigated this repression somewhat, and the country experienced considerable growth during the subsequent decade, notably in tourism and the assembly industry. Real per capita income declined, however, throughout the 1980s, partly because of the world recession and partly because of growing political dissatisfaction and disturbances.

2.3 In February 1986 Duvalier was forced to flee the country. There followed a transitional military regime that co-existed uneasily with a constitutional assembly; an election, first aborted, then inconclusive and widely criticized; and finally, in June 1988, a military coup deposing the "elected" President. During these years economic growth and investment stagnated. External aid, which was an important supplement to Haiti's financial resources (especially foreign exchange) in the 1970s and early 1980s, was sharply increased at first, then cut or suspended after the election fiasco and the subsequent coup. While considerable resources (not quantifiable in view of the paucity of data) appear to be available and seeking remunerative outlets, the desire of investors generally is for quick profits and the return of capital within a year or so. Conversion of Gourdes into foreign exchange is easy, but at a rising premium - currently about 20% in the parallel market.

Economic Prospects

2.4 No reliable predictions can be made as to the medium-term prospects of the Haitian economy, given the present political uncertainties in the country. However, a rough consensus emerged from the opinions of business and financial leaders and other observers who were interviewed in connection with this report. Despite understandable differences in emphasis and specifics, the general tone of these opinions was surprisingly optimistic. This optimism was based - in simplified summary - on the following considerations:

- While Haiti is extremely poor and currently in the doldrums, its economy is an open one, based on free enterprise; the private sector has shown a considerable resilience and the export sector has held up well. The Government's financial situation is difficult at

present, but its commercial debt burden is relatively low; public enterprises are not unduly subsidized; and there seems to be a good chance that the tradition of fiscal and monetary conservatism will be restored and stability maintained. On the other hand, the country's economic growth rate is normally slow - only 4-5% in the boom years of 1970-75.

- The country is tired of political upheaval and the military regime is expected to maintain stability and to follow sensible economic policies, continuing the trend towards liberalization. This should progressively dispel the negative image that has been attached to Haiti abroad, and help revive tourist and investor interest. Local industries and agriculture will need restructuring and upgrading in order to respond to the pressures and opportunities of a more open economy, and local investors will find reassurance in the improved atmosphere.

- Haiti's image is worse in the United States than in other foreign countries, especially Western Europe. For the latter, several substantial investment projects were cited as under advanced and positive consideration. However, Haiti must look to the U.S. as its major market and main source of capital and tourism; hence it will be important for the government to establish promptly and convincingly its economic rationality and integrity and its intention to move toward political liberalization.

The latter point is reinforced by the general recognition that a restoration of external aid (especially from the U.S.) at levels

which were provided and projected a year or two ago would contribute in large measure to faster economic growth and renewed investor confidence.

Financial Markets

2.5 The banking sector is comprised of nine commercial banks, of which two are state owned, three are branches of foreign banks and three are private banks. In addition there are six special purpose financial institutions. All state owned institutions are reported to be in poor condition. One, the Agricultural Bank is, for practical purposes, closed. The privately owned banks are reported to be in good condition but with some portfolio problems developing.

2.6 The market is characterized as highly liquid with few prospects for good loan opportunities. Banks are reported to be holding large foreign exchange assets. Reduction in banking activity is a result of financial disintermediation and has hit the private sector particularly hard. Credit to the private sector declined 12% in the period 1981-1986 and the trend is continuing. During the same period credit to the public sector increased, except in 1986. The Central Bank and state controlled banks provide 3/4 of the credit to the economy but only 1/4 of the credit to the private sector; clearly private banks are the primary source of credit for the private sector. Development institutions play a small role in credit markets, providing about 10% of total credit and a much smaller percentage of new credit. There is no new investment being undertaken and very limited expansion of existing enterprises. Banks are running down their interest bearing liabilities by not taking new time deposits (they have not done so for two years) and letting existing ones run off at maturity. Some banks are reported to be actively discouraging savings accounts.

2.7 There are large pools of investible funds in the form of personal fortunes, insurance company and pension fund resources. However, since insurance companies are not required to invest most of their reserves locally they do not do so, preferring to keep them abroad. The government pension fund is relatively new and has little investment experience, preferring to keep its assets in interest bearing deposits. However, since banks do not offer time deposits the pension fund invests in real estate loans, mostly to its own participants. The best industrial companies could be self financing; their only reason for borrowing is tax considerations. (Owners cannot, by law, be paid interest on funds invested in or lent to their companies. Therefore, they place deposits in banks and use the deposit to secure company borrowing).

2.8 Financial markets are largely unregulated and unsupervised. There is no capital market, formal or informal. There are no legislated bank ratios, such as debt/equity or acceptable returns on assets or equity. The Central Bank does, however, provide guidelines for deposit rates, currently 4.5% for savings accounts and 7-8% for time deposits. Current lending rates are in the 13-14.5% range and are positive. An interbank market exists but is not well developed due to the excess liquidity in the system. Current interbank rates are in the 5-6% range. There does not appear to be any rate differentiation by commercial banks as to term and very little as to credit risk. Demand for term credit is low because:

a) commercial banks effectively provide term credit in the guise of evergreen loans;

b) economic stagnation, political and social uncertainties have resulted in reduced investment in term projects; and

c) there is a lack of guarantees acceptable to a conservative and unsophisticated banking system.

2.9 The condition of the financial system is considered by some observers to be fragile, characterized by high overhead, low profitability, increasing portfolio problems and little depth of talent in the industry. Very little is known about the informal sector but it is believed to play a significant role in:

a) mobilizing savings;

b) financing micro enterprises, sometimes at usurious rates; and

c) foreign exchange transactions in the parallel market.

3. SOFIHDES

Formation/Purpose

3.1 SOFIHDES was conceived as a means to remedy some of the deficiencies of the financial system, to help make it more dynamic and responsive to the needs of a modernizing economy. The genesis came from a self-constituted committee of 142 Haitian businessmen, who decided to set up a term financing institution to cater to the needs of small and medium scale industries, with a view to job creation and improvement of the country's balance-of-payments through export promotion and efficient import substitution. It was intended that it be financially viable and make a profit, and the founders subscribed the equivalent of US\$1 million in equity capital; to supplement this they sought a line of credit of \$5

million, on moderately concessional terms, from USAID. Despite their expectations of eventual profitability these founding shareholders evidently were motivated more by considerations of national interest than by the prospects of lucrative return.

3.2 The USAID Project Paper (DFC Project # 521-0154) defined the concept as follows:

3.3 "The basic mission of SOFIHDES is to promote and stimulate above average growth in the manufacturing and agro-industrial sector in Haiti, which will benefit the country via increased levels of employment, personal income, foreign exchange earnings and a broadening of the entrepreneurial base. This catalytic role will be achieved primarily by providing medium to long term credit to those productive sector businesses which cannot easily or sufficiently access or use traditional sources of capital....[and] provision of technical assistance to selected borrowers and training to targeted audiences in various aspects of business management and project development with the idea of improving the quality of productive sector business practices. SOFIHDES will also attempt to expand the potential for increased productive sector activity by initiating, coordinating and/or participating in various private sector development programs with other interested groups. In all cases, however, the underlying tenet of SOFIHDES must be to conduct its affairs in a highly professional and ethical manner consistent with its obligations to its clients, staff, shareholders and the general public."

3.4 SOFIHDES would "provide the capital and technical expertise to promote and support new industrial investment in Haiti. This institution will differ from the previous project concept and existing financial institutions in terms of its legal basis, scope of activities, anticipated development impact and extensive shareholder (equity) participation. The DFC will be a

unique finance institution, engaged in professional and efficient lending activities, that will: assist potential borrowers in project development, and extend credit to entrepreneurs for worthwhile projects. However, in defining the uniqueness of this institution both in its Haitian context and more broadly in comparison to other AID assisted private development finance companies in Central America and the Caribbean, it possess several notable characteristics which are of special development importance. Among these are the wide distribution of ownership, non-GOH controlled, a tool for the economic growth and modernization of society."

Organization

3.5 Overall direction of SOFIHDES' policies and operation is vested in a 13 member Conseil d'Administration, i.e. Board of Directors, comprised of leading members of the Port-au-Prince business community; its membership has been remarkably stable since 1983. Communications and relations between the Board and the General Manager (GM) are good. Several of the former are almost constantly involved with specific financial and operational matters - especially the five members of the Executive Committee and the five who, together with the GM and his deputy, make up the Credit Committee that reviews and approves all loans.

3.6 In 1983, at SOFIHDES' inception, there was no Haitian candidate available who possessed the qualifications deemed necessary to be its GM, to organize the company and guide it through its formative period. The post was therefore offered to, and accepted by, an expatriate banker with several years experience in Haiti; the cost of his services is paid largely from USAID technical assistance funds. Originally for two years, his contract has been extended by stages to May 1989. Despite some early problems and mistakes in recruitment, resulting in high turnover

of key personnel during SOFIHDES' early years, the GM has now built up a strong professional staff, few in number but competent and well trained, including a deputy who is slated and evidently qualified to assume the role of GM.

3.7 The core staff of SOFIHDES is organized into two departments: Credit and Operations. The former is responsible for the initial review, amendment (as necessary, in consultation with the client) and appraisal of projects; for much of the loan negotiation, under supervision of the GM or his deputy; for its presentation to the Loan Committee; and for subsequent supervision of the loan relationship with the client. The Operations Department insures that legal requirements and loan conditions are fulfilled, and that documentation of approvals, disbursements, repayments, and the relevant accounts are properly maintained - in effect, the requisites of orderly loan administration. The Credit Department has responsibility for marketing SOFIHDES' financial products/services as well as for loan analysis and follow-up; this is a questionable arrangement, since almost inevitably concerns with applications currently pending or loans under supervision will take precedence over active canvassing for new business - especially given the small size of SOFIHDES' professional staff, which is of course the reason for the combining of functions. Nevertheless, the two types of responsibilities (and the corresponding talents and attitudes) should be separated as soon as is feasible, even if it entails some increase in personnel cost, in order to give due emphasis to marketing.

Performance and Future Prospects

3.8 Given the very difficult political, economic and financial environment which has prevailed during the first five years of SOFIHDES' existence (see above), as well as the contractual restraints imposed by USAID and self-imposed constraints

(see below), its financial performance must be viewed as exceptional. After a first year loss of \$116,000, SOFIHDES achieved a small profit in the second year of operation and a net cumulative profit in the third year. Profits for 1988 are estimated to be \$185,000. Profit projections estimate profits will reach \$346,000 per annum by 1993.

3.9 SOFIHDES is outperforming the banking sector in all standard ratios of performance. In 1988 return on equity is estimated to be 18.5% against a market average of approximately 10%. Return on Risk Assets is expected to be about 3.2% against a market average of 0.6%. Net interest margin of 7.7% slightly exceeds the market average of 7%. These ratios clearly demonstrate that SOFIHDES is a profitable and efficiently run institution with overhead and administrative cost substantially below the average. Recent projections for 1988-1993 (Annexes C, D and E) anticipate that this trend will continue. Given the circumstances of the economy, adversely rated credits are not high and are certainly within manageable proportions. Loans classified as "watch," i.e. loans requiring close management supervision but still performing as contracted, constitute 10% of the total portfolio, while adversely rated credits constitute another 4.8%. Exact figures for the other banks are not readily available but were consistently reported to be high to very high, particularly for the state-owned banks and development institutions.

3.10 It must be noted that management was able to take prompt corrective action in 1987 and 1988 when projections forecast a shortfall of profit against budget. This action was supported by USAID and has helped keep SOFIHDES both profitable and healthy.

3.11 Management estimates that a loan base of \$15 million is necessary to assure the company stability and continued profitability. It is estimated that this level will be reached

in 1994. With loans running at about \$5.5 million, SOFIHDES constitutes about 5% of banking sector activity.

Management

3.12 The quality of SOFIHDES' loan files -- the completeness and relevance of both analytical reports and of operational records -- is excellent. Clearly the professional personnel now in place have learned their jobs well and perform them conscientiously; they are a credit to SOFIHDES and to its GM. Any new staff should probably be brought in at a more junior level and progressively upgraded through in-house (and occasional external) training, while the existing staff should gradually be prepared to undertake more varied banking functions such as those suggested below.

3.13 The composition of the Credit Committee, including members of the Board as a substantial majority, seems anomalous and quite possibly damaging to SOFIHDES' image. The members are all actively engaged in business. Assignment to them of responsibilities to review in some depth the project and financial data presented by prospective borrowers, some of whom may be competitors, may give rise to an appearance of conflict of interest and hence to reluctance of some desirable potential clients to submit themselves to such scrutiny. Even if Directors who might possibly have a conflict conscientiously abstain, outsiders may not understand. Banks generally, worldwide, constitute their credit committees from the staff and limit the Board's role to general considerations of lending policy, sector priorities, borrowers' general credit standing or business reputation, general portfolio quality, review of the management of troubled loans and other matters not involving the specifics of a project.

3.14 Apart from its lending operations, SOFIHDES established in 1986 a small business services unit, SOFIDATA, which assists

borrowers (and a few other clients) to organize and maintain their accounts and other management information in systematic fashion. A further service (SOFICONSEIL) is currently being launched, to help Haitian business more generally to identify and analyze their needs for management consulting assistance, and to fill these needs in the most economical and satisfactory manner.

Portfolio

3.15 The credit files of roughly 20% of the outstanding loans were reviewed. Credit files were found to be orderly, current and complete. The management of the credit process is excellent and timely. Of a portfolio of 41 loans, only 4 were not current as to review, and this was an improvement over the 7 non-current in the previous month. However, 12 loans totaling \$2.5 million were deficient in documentation. These discrepancies are being actively pursued by management. A total of \$1.14 million in approved loans are pending disbursement.

Capital Adequacy

3.16 Under current debt/equity ratio requirements current equity is not sufficient to assure growth and continued profitability. Additionally, in order to avail itself of a further tranche of USAID financing SOFIHDES is obligated to increase its capital base, preferably by expanding its current investor list. Management is currently designing an equity issue which it hopes will overcome the obstacles in the current investment environment in Haiti and the fact that SOFIHDES has yet to declare a dividend. Retained earnings have not been capitalized and are therefore not available for either debt/equity calculations or lending limit management.

3.17 Given the fixed term nature of SOFIHDES' funding base and the fact that its assets are primarily at medium-term, there are no serious problems of mismatch. Additionally, since 20% of assets are cash or cash equivalent there would appear to be no immediate problems in funding new loans.

3.18 However, if additional AID funding is not forthcoming nor additional sources of term funding developed, SOFIHDES may be unable to expand its activities in a prudent manner. It is essential that development banks have a ready and steady source of term funding, not all of which can be generated through equity and debt issues.

3.19 Other than liquidity, the two principal areas of risk management for a bank are credit and rate. Credit risk has already been covered under the Portfolio heading and is considered to be better than average.

3.20 Given the fixed rate applying to the majority of SOFIHDES' liabilities, and prevailing conditions in the credit markets and interbank markets, it is unlikely that SOFIHDES will suffer from a rate squeeze unless it undertakes to do a substantial amount of preferential lending, either to buy market share or to be seen more clearly to be undertaking "development" type lending. Even so, a modest reduction in rates would not involve serious risk. For agricultural loans, especially for tree crops requiring a gestation period of several years, a 14.5% interest rate poses a major obstacle. The possibility should be examined of reducing interest rates, as well as providing adequate grace periods for principal payments for such late yielding projects, compensated by higher interest rates when the project becomes profitable.

Role and Management of U.S. Dollar Denominated Portfolio

3.21 SOFIHDES does not lend in foreign currency and consequently its only foreign currency denominated assets are deposits held in banks in Miami. However, the availability of foreign currency is essential for it to service its clients' import needs. USAID is the only source of foreign exchange for SOFIHDES. Other banks generate foreign exchange through commercial transactions, letters of credit, remittances, etc. --which functions are not performed by SOFIHDES-- but commercial banks must repass 50% of the foreign exchange they generate to the Central Bank with the result that foreign exchange is scarce in the market. SOFIHDES' foreign exchange resources can be an important marketing tool.

Planning Process

3.22 SOFIHDES's management, throughout the company's five year life, has been largely preoccupied with establishing sound operational policies, recruiting and training staff, building a loan portfolio, and launching the business services unit hampered during the past three years by recurrent political unrest and uncertainty. Understandably, perhaps, management attention has focussed mainly on short term needs, problems and prospects; only quite recently have longer range considerations moved to the center of management's thinking. The considerations now being emphasized, moreover, relate almost solely to the merits and modalities of a capital increase and the institutional measures within SOFIHDES that are regarded as necessary concomitants - both requisite to and dependent on that increase. The consultant team believes that the linkage of capital increase with institutional reforms is unconvincing, and their views on the need and nature of the proposed increase are expressed elsewhere.

3.23 Management's brief policy paper on the subject merely mentions that SOFIHDES should establish a medium and long term strategy, which is to emerge from "the new definition of the development mission as well as recognition of the institution's commercial character," and to serve as the basis for five year financial projections to be established. A longer term strategy statement has been postponed until October 30, 1988 and its content remains unspecified.

3.24 Perhaps more serious from an operational standpoint, the team believes that insufficient initiatives have been taken for the identification and nurture of a pipeline of projects for the future, especially outside the environs of Port-au-Prince. The program of specific marketing by calls has no doubt been actively pursued and has yielded some results, but in our view its geographic radius and sectoral coverage have been limited. A broader outreach is a difficult, time consuming and manpower intensive task. It is easier and more economical, in the short run, to count on targets of opportunity emerging from time to time. But a constant infusion of new projects, in new sectors, is the life blood of a development institution; more intensive investigation and marketing efforts are very important, if not indispensable, to its healthy growth. We reiterate the recommendation that the marketing function be split off from the other Credit Department duties; the Agribusiness Advisor should also give more time and emphasis to project identification and development tasks, as distinct from the Credit Officer. Since he is not a continuing resource, the most should be made of his brief stay with SOFIHDES. He should be called on to develop a market strategy and to provide in-house training for those employees selected to replace him in the future. A useful by-product of his assignment could well be an agro-industries lending manual.

Perception of SOFIHDES by the Business Community and the Public

3.25 The early years of SOFIHDES were dominated by tactical planning designed to generate market share and profitability. SOFIHDES was successful in both these endeavors. However, this success was at the expense of support from some of its constituents:

USAID perceives SOFIHDES as not having fully fulfilled its development mission.

The commercial banks tend to view SOFIHDES as a direct competitor rather than as a generator of business which will some day become bankable and available for normal funding.

The public views SOFIHDES as just another bank.

The directors view SOFIHDES largely as a bank, albeit one having a special purpose, which should be governed by standard banking practice and criteria.

The customers appreciate the special activities and purpose of SOFIHDES, but they question its true developmental character because its rates are at or above those charged by other banks.

3.26 Tactical planning probably was the only way that SOFIHDES' considerable achievements could have been realized. However, it is essential to enter a phase of strategic planning

which articulates a business plan consistent with SOFIHDES' stated mission. A five year budget exists but no plan exists to achieve the budget. If SOFIHDES is to achieve its mission and marshal the support it needs, it must articulate a plan and make it known to its most important constituents.

3.27 Impressions of SOFIHDES in the business community and among clients were confused by a widespread misunderstanding of the commercial aspects of the SOFIHDES concept. For some a development bank in the private sector, seeking profits, is almost a contradiction in terms; exaggerating somewhat, they think of a development bank as an institution that lends at concessional rates to weak sisters and bad risks, does not worry unduly about recoveries and receives generous public subsidies to cover its losses. Some others, shareholders among them, are dubious as to the likelihood of appreciable profits or dividends from SOFIHDES, and regard the original subscription to its capital as a public interest contribution. Still others, no doubt, would like to see a more aggressive pursuit of profits, but this view did not emerge clearly. The development vs profitability ambivalence was, however, frequently cited. SOFIHDES financing, however, has undoubtedly made a real contribution to Haitian economic development. Projects in its portfolio have created jobs, expanded exports and saved foreign exchange. Some that are apparently on the verge of approval - e.g. for cooperative chicken production and for development of deep sea fisheries, mostly for export - open up promising new areas. These initiatives can, and doubtless will, be extended.

3.28 SOFIHDES has also made a substantial contribution to the community through its public service activities. By the active participation of its General Manager, it was a driving force in the founding and development of the Haitian Bankers' Association. Additionally, SOFIHDES has sponsored/supported several business

related-seminars designed to increase the level of client and potential client business sophistication. The participation of client representatives in its in-house personnel development programs may also be considered as a positive contribution to the business environment. The PESTEL initiative is a model of community development and is a logical extension of SOFIHDES' mission.

3.29 A few persons opined that SOFIHDES is too much a "one-man show". While the GM is widely universally respected, and given credit for an outstanding job of developing the institution and its staff, there was some feeling that the latter might play a more dynamic, innovative role if given greater leeway.

3.30 The administrative process for loan approvals was considered slow by a few commentators. This was not a significant complaint of SOFIHDES' clients.

3.31 Reports/rumors were mentioned that certain projects were rejected because they would compete with a Board member. Our recommendations, if accepted, will help minimize this problem in the future. Some of the team's recommendations should help mitigate such suspicions.

3.32 While SOFIDATA was generally praised, it was suggested by some that it was resented by the smaller accountants and that in its marketing, clients had been led to expect too much (eg. relief from any onerous provision of data) and hence were disappointed.

3.33 Very few of the interviewees felt that SOFIHDES needs to raise capital at this time.

3.34 In the above context it must be noted that some of SOFIHDES' loan policies limit the scope of its activities, as may be seen from the following extracts from its credit manual.

3.35 Target customers must be borrowers in the private sector with proven commercial capabilities and/or experience promoting commercially viable projects or expanding existing enterprises.

3.36 Sectoral targets will be:

- o Agroindustrial Operations
- o Assembly Industries
- o Industrial Firms (import substitution)

3.37 Excluded sectors are:

- o Agriculture
- o Mining and Quarrying
- o Construction
- o Wholesale and retail trade
- o Restaurants and hotels
- o Transport, storage and communications (except land transportation)
- o Community, social and personal services
- o Handicraft ("artisanal"), except for modern enterprises that are exporting a substantial percentage of their production, and make good use of modern management techniques.

3.38 General Eligibility Requirements:

- o Ownership must be 51% Haitian
- o Owners must have sound reputations
- o Owners must have proven management experience

- o Back-up Management is desirable
- o Technical assistance for new products may be required
- o Products must be competitive and not reliant on protection for viability
- o Company should not be reliant on one market sector
- o Must have demonstrable profitability
- o Favorable bank and foreign trade checkings are desirable
- o Project should have a favorable economic impact
- o Borrowers must be prepared to provide complete and preferably audited financial statements
- o Tangible net worth of borrowers should be at least \$25,000
- o Annual sales/revenues should be no less than \$100,000 or have the potential to reach that figure rapidly
- o Liquidity, as measured by current ratio, should be no less than 1:1
- o Earnings and cash flow should be sufficient to cover repayment of debt
- o Loans must be for legitimate business purposes
- o No short term facilities will be granted to finance long term needs
- o Lending limits are - minimum \$50,000 maximum \$150,000
- o Tenor and grace periods in accordance with cash flow - maximum balloon payment 25%
- o All transaction must have a viable first way out from cash flow and a second way out from tangible/intangible security
- o All credits must be fully documented

3.39 All these criteria and rules, except for the exclusion of sectoral and of foreign majority firms, seem reasonable as guidelines. But they should be applied flexibly, allowing exceptions where the project merits. Managerial competence, the reputation of the entrepreneur, etc. may compensate for deficiencies in some of the special requirements. Given the typical unreliability of accounts and financial projections and the difficulty of realizing on collateral of defaulting borrowers, the less tangible factors (especially the borrower's character) may well afford better guarantees than conventional security instruments. In fact, it appears that management discretion has been exercised, in some cases in the past, to waive certain of the normal conditions for clearly meritorious projects.

Interface With Funding Sources Other Than AID

3.40 While SOFIHDES is able to generate small amounts of funding in the interbank market, there is some question as to its ability to raise substantial sums without third party guarantees. Additionally, under Haitian law SOFIHDES is prohibited from being a taker of commercial deposits. Given environmental and economic conditions in Haiti, it is unlikely any substantial amounts of equity or debt could be raised at this time. Consequently, the only sources are donor institutions. To date USAID is the only donor agency which has directly supported SOFIHDES, although refinancing of loans is possible through the Fond de Developpement Industriel, assisted by the World Bank. Conversations held with both the IDB and UNDP indicate that both of these organizations are not only favorably disposed to use SOFIHDES in their activities, but believe it is the only institution they could support. However, the time frame for their activities is not at all clear, nor are the conditions under which they will operate. Any concrete business may be six months to a year away. In the meantime it is essential that SOFIHDES diversify its funding

sources; it should undertake a calling program, particularly in Europe and Canada, to this end.

Technical Assistance and Training

3.41 By far the greatest use of Technical Assistance has been for the payment of salaries and other personnel expenses of senior staff. The contracts for these individuals have either terminated or will terminate in the next 12 months. Given the constraints on staff, additional personnel will be required, preferably at the junior level as middle management moves up into senior positions. While current projections call for modest increases in staff in Sofidata and Soficonseil, plus a healthy 7% average annual increase in salaries, it is the team's opinion that additional staff will be required in the areas of credit analysis and business development. These should be entry level positions.

3.42 In addition, technical assistance funds were used for usual and normal startup expenses, such as the acquisition of a reference library, computer equipment, and personnel searches. Given the special nature and recent establishment of SOFIHDES, these were certainly justified. However, the Bank's recent profit record is sufficiently strong to absorb future expenses of this nature.

3.43 Extension of the TA assignment of the Agribusiness Advisor, for at least another year, is desirable, given the long delay in his coming on board and the brevity of his service to date. In addition, the Senior Advisor in the Finance Ministry suggested that two or three young, energetic "Peace Corps types" might be assigned to outlying districts for a period of perhaps two years to seek out and help shape up projects; this proposal deserves sympathetic consideration.

3.44 Otherwise, TA in the future should be limited to technical and professional training for staff and to subsidizing seminars which may be sponsored by SOFIHDES to improve the local business community's knowledge of financial issues and the functioning of financial mechanisms.

Personnel

3.45 Personnel at all levels are of high quality, no doubt reflecting the fact that SOFIHDES pays over the market rate for its staff. Being a market leader is justifiable given the special nature of their activities and the specialized services they provide to their customers. Staff appear to be well trained and knowledgeable. Senior management is the principal source of on-the-job training. In addition, on-going training programs of a general nature are provided to all staff.

3.46 However, if SOFIHDES is to expand its lending base additional and specialized training in Development Banking, Project Analysis and Industry Analysis is essential. Marketing and Credit officers should receive on-going training in Statement Analysis and Cash Flow Analysis. Should SOFIHDES begin to play an active role in the interbank market, specialized training in money market trading will be essential.

4. Findings

SOFIHDES' Management and Performance

4.1 The management and staff deserve very high marks for ability, professional competence and integrity. Loan appraisals, supervision and maintenance of records are excellent. Financial performance has been outstanding. There is every reason to believe that these standards can be maintained in the future.

4.2 The good direction, professional training and discipline are due in large measure to the personal qualities and dedication of the General Manager. He has been almost synonymous with SOFIHDES since its inception. It is perhaps a little too much a "one man show". Apparently senior subordinates have sometimes felt discouraged from showing initiative or making outside contacts--e.g. with USAID personnel, with whom exchange of ideas should be mutually beneficial. The management style of his successor will doubtless be different in various ways, but not necessarily less conducive to SOFIHDES' continued good performance and growth.

Developmental Impact

4.3 USAID apparently considers that SOFIHDES has not completely fulfilled its development mission. Undoubtedly it has fallen short of expectations in this respect; but the expectations were probably overly optimistic in view of (a) the aim of financial soundness/profit that was also part of its mandate; (b) the conservatism of the Haitian business climate; (c) the scarcity of good, ready projects; (d) the political turmoil that has prevailed; and (e) the inherent difficulties of building a new institution's organization, staff, procedures, contacts and reputation in even the most favorable circumstances. Despite criticism of SOFIHDES' conservatism, most observers viewed it as appreciably more aggressive and dynamic than the traditional banking sector. Its sympathetic attention as well as technical and administrative assistance to clients is also widely commended and valued by the recipients. The project portfolio clearly has developmental value, and potential clients visited by the consultant team met the same criteria - although broader sectoral and geographic representation would certainly be desirable. SOFIHDES' contributions to more decentralization of economic power, and to

broadening of the capital market, however, seem so far to be minimal.

4.4 The Ministry of Finance expressed a desire to discuss with SOFIHDES the funding of projects. The Inter-American Development Bank and UNDP are also quite interested in it as the potential channel for their funds.

Market Perception

4.5 SOFIHDES is highly regarded as a professional, well managed bank that is ahead of the market in terms of client support, quality of staff and aggressiveness. However, it is not clearly differentiated from the commercial banks in terms of loan products offered and lending requirements. Many respondents were sympathetic to the problems that SOFIHDES faced during its first years of operation, but feel that now it must begin acting more like a development bank and be prepared to take greater risks, at lower rates in riskier industries, than would normal commercial banks.

4.6 In order for SOFIHDES to be able to expand its ownership base, increase capital or issue debt instruments, it will have to establish a track record of profitability and dividend payments. Original investors saw their contributions as a patriotic gesture but that appeal is unlikely to work again.

Viability

4.7 SOFIHDES' management estimates that a loan base of \$15 million is necessary to assure the Company's stability and continued profitability. It is estimated that this level will be reached in 1994. SOFIHDES should actively canvas additional funding sources, including European and Canadian, to supplement

its existing capital and reserves and USAID loans for this enlarged lending base.

4.8 Given the prevailing rate structure in the local and dollar market, a move to market rates for donor support would squeeze but not necessarily strangle SOFIHDES. However, it would expose it to rate risks which are inappropriate given the nature and objective of the bank. Furthermore, it is unlikely that SOFIHDES could satisfy its funding needs in the money markets without guarantees by donor agencies. It is the opinion of the consultants that SOFIHDES will require support for some time to come if it to expand and fully satisfy its mission.

4.9 At some point, when economic growth and investor confidence show clear signs of revival, SOFIHDES will have to increase its capital. It is under pressure to do so in the very near future, due to the fact that a loan condition precedent to the release of \$2.8 million of USAID loan funds earmarked for SOFIHDES is the sale of \$500,000 of new shares to the Haitian public. SOFIHDES has therefore prepared a sales campaign to this end to be initiated in November 1988. It is the consultants' view, shared by most of the people interviewed by them, that there is no objective reason (except the USAID condition) for such precipitate action. SOFIHDES already has substantial funds in excess of what it can lend or place advantageously. Assuming that the proposed issue of preferred convertible shares were successful, and soundings so far indicate that it could be, their excess liquidity would merely be increased - an embarrassment for a proper development bank, but no fault of SOFIHDES in its present condition. At the same time it would be burdened with \$35,000-\$40,000 annually of additional interest payments on the preferred stock as well as a dividend of perhaps 6% to the original shareholders, who have received no return in five years. The latter dividend should, in the consultants' opinion, be paid in

any event. The preferred stock issue should be postponed, if arrangements could be made to avoid the loss for SOFIHDES of USAID's \$2.8 million of earmarked funds.

4.10 Constraints have been imposed on SOFIHDES which inhibit its aggressive pursuit of its mission as a development bank with the objective of funding economic expansion and diversification. These constraints may be placed in three general categories:

- a) Those imposed by Management as a matter of policy or through administrative organization.
- b) Those imposed by the Board
- c) Those imposed by USAID through contractual or policy decisions.

4.11 Of the three, the most amenable to change are the constraints that are self-imposed by management. Of these, the most limiting are the definition of eligible sectors to lend to, and acceptable borrower characteristics. A careful reading of the policy statements leads to the conclusion that SOFIHDES will only lend to established, financially strong industrial firms in relatively stable and safe industrial sectors. For example, ownership of the investment must be at least 51% Haitian, thus excluding SOFIHDES from participation in projects with substantial foreign investment content; agriculture, construction, and restaurants and hotels are specifically excluded as potential lending areas, thus eliminating from considerations projects important for economic expansion in Haiti, particularly tourism. Notwithstanding these policy statements, it appears that management does in fact waive the rules for specific meritorious cases.

4.12 A second management-imposed constraint is the organization of the credit analysis and new business functions. Currently, credit officers are both credit analysts and new business officers. This dual role presents several inconveniences:

a) The roles of credit analyst and new business officer are incompatible. A credit officer's responsibility is to assure that credits presented for approval meet specified institutional standards, that sufficient information is on file to make a decision, that areas needing more investigation are identified and adequately studied, that extensions of credit are properly documented, and that security conforms to the terms of extension of credit. The role of the new business officer is to identify, solicit and land interested clients, then working with credit officers to structure transactions so as to make them bankable. Clearly they must also have a knowledge of credit issues so as not to waste time chasing impossible situations.

b) The functions of monitoring, following up and pursuing information are highly time consuming. As account loads increase, credit officers will have little time for new business activities, particularly when saddled with several problem loans.

4.13 The next easiest constraints to modify are those imposed by the Board. Currently there are two constraints which negatively affect SOFIHDES' development:

a) Extension of credit to Board members is prohibited.

b) A committee consisting mostly of members of the Board has specific responsibility for review of a loan proposal and approval of the extension of credit.

4.14 Both of these have a negative impact, which was confirmed by several respondents during the interview process.

4.15 The prohibition of lending to directors is a very unusual restriction, found in no other banking system that the consultants are aware of. Considering that the Board is made up of some of the most solid and respected businessmen in the community, this rule effectively closes the door on a significant sector for potential lending. It also may cause desirable Board members to refuse to serve. Clearly, lending to Board members must be well supervised and scrutinized, but it is normal and acceptable banking practice. It should be noted that this restriction does not effectively limit the possibility of conflict of interest, which may take many forms other than direct extension of credit.

4.16 The fact that a committee of the Board has specific responsibility for approval of special extensions of credit not only generates poor market perception, but places the Board members at risk, and in a worst case scenario diminishes the effectiveness of the internal credit approval process. Market perception has it that the Board will not approve transactions which will compete with their business interests. The market also believes that board members may avail themselves of detailed information contained in loan proposals for their own advantage. Whether these perceptions are true or not is largely irrelevant; their mere existence may

work against SOFIHDES' new business efforts. The fact that Board members exercise specific approval authority makes them personally responsible to the shareholders for the quality of the portfolio and undermines the Board's role of oversight on management. The Board becomes management to a substantial degree. Should something go wrong Management is not responsible and the only recourse for complaints is to proceed against the Board. Finally, if the Board has final responsibility for extensions of credit and since they are also "market wise", management may come to rely unduly on the Board's opinion when structuring credits and seeking new business.

4.17 Finally, the restrictions imposed by USAID, while less amenable to change, are equally important constraints on SOFIHDES' development. These are:

- a) a leverage limit of 5 times capital;
- b) upper lending limit of 15% of capital;
- c) prohibition of equity financing;
- d) restriction on dividend payment; and
- e) the financing of goods procurement limited to new items of US origin.

4.18 Of these the leverage limit is probably the most onerous and the least sensible. Most development banks are leveraged in the 8 to 15 times range. Under this requirement SOFIHDES must always be seeking new capital in order to grow, either by capitalizing retained earnings and not paying dividends, thus making it an unattractive investment, or by raising equity and thus diluting the holdings of present shareholders. It is difficult to see how such a scenario can lead to aggressive growth. The consultants' recommendation is an immediate increase to 8:1.

4.19 The upper lending limit for individual projects, 15% of capital, is modestly restrictive, and an increase to 20% would be reasonable. If a major portion of retained earnings are capitalized, and exceptions to this rule are reasonably forthcoming, then SOFIHDES should have ample leeway in the short term. The consultants recommend specifically that \$300,000 of retained earnings be capitalized and that the 20% ceiling be approved.

4.20 Most development banks around the world are permitted to make equity investments; it is often their most effective promotional tool and an important source of earnings. SOFIHDES' ability to do so would be of great value, though not absolutely indispensable, for its potential merchant banking role, discussed below. The consultants' recommend that equity investments in aggregate amount not exceeding 25% of SOFIHDES' capital, be permitted.

4.21 The dividend restriction, if maintained, would seriously inhibit SOFIHDES' raising additional capital when the need arises. A marginal adjustment of the current formula would permit a 6% payout for FY 1988; the consultants recommend that it be approved.

4.22 The requirement that the financing of procurement be limited to new goods of U.S. origin is understandable, given the support that is given SOFIHDES by the U.S. Government. The only recommended change is to permit the purchase of used equipment. Many developing countries are purchasing used and even obsolete equipment for their industrial base that, because of labor costs and other factors, allows them to compete effectively in local and world markets. The U.S. economy would also benefit from the disposal of used equipment at greater than scrap value.

4.23 There are also several external constraints which either limit SOFIHDES' potential for growth or make it pursue lines of

business not entirely consistent with its development mission. These constraints are:

a) The scarcity of good, bankable projects. Current economic and political conditions militate against new investment in the private sector. Absent a better investment climate, SOFIHDES must seek opportunities with established on-going businesses in order to achieve minimum profitability and maintain the support of the Board of Directors and shareholders.

b) The banking system is flush with liquidity; consequently there is intense competition for good loan projects.

c) There is some concern that should SOFIHDES be seen to be acting aggressively, in competition with the commercial banks, in its portfolio management the Central Bank might, under commercial bank pressure, restrict its activities.

d) There are rumors that one or more commercial banks may explicitly establish a term lending department. Such an event would threaten SOFIHDES' dominant position in the term lending market.

Strategy and Planning

4.24 Planning by SOFIHDES management so far has been tactical in nature, designed to gain market share and profitability,

and has succeeded in both aims. It has, however, given little systematic thought to longer range strategy, except on the narrow topic of the proposed capital increase and some institutional improvements that are linked therewith. Nor has sufficient attention been given to building up a pipeline of projects. Preparation of a strategy is an urgent priority and is slated for October 1988, and vigorous efforts should be initiated without delay to identify and develop projects that might be ripe for consideration over the medium-term future -- especially projects outside the Port-au-Prince environs and in sectors that have hitherto been neglected.

Potential Merchant Banking Role

4.25 One possible strategic move for SOFIHDES, and a way to stretch its resources and gain increased leverage and profits, would be to act as a merchant bank, a deal maker enlisting the cooperation of commercial banks and other financial institutions to provide most of the funds required. This would entail SOFIHDES actively seeking out, shaping up and vetting new or expansion projects, preparing prospectuses and other supporting documentation and marketing the projects for loans by the other institutions. It would receive commissions for its services, and normally take a piece of the project equity. SOFIHDES is admirably suited for this role by reason of its excellent reputation and expert staff - although the promotional/marketing capabilities of the latter would need strengthening. It could thus greatly enhance its development impact, utilize its financial resources to better advantage, introduce in Haiti an innovation critically important to modern capital markets, and become a valued collaborator rather than a competitor of the commercial banks. The prospect of SOFIHDES' moving into this field was strongly endorsed in discussions with the Central Bank.

4.26 In undertaking to establish a merchant banking activity SOFIHDES would not only benefit itself and the market by structuring "bankable deals," but it would also contribute substantially to the creation of capital markets in Haiti. This nurturing of capital markets would come from two sources: first through its function of deal maker and investor mobilization and, second, from the fact that to generate new investable funds it would have to sell "mature" investments to third party investors.

4.27 SOFIHDES' opportunity to pioneer in developing this important function may not last for long. One or more of the commercial banks may well wish to attempt it, and have superior financial resources, although probably not greater expertise for doing so.

Technical Assistance and Training

4.28 By far the greatest use of Technical Assistance (TA) has been for the payment of salaries and other personnel expenses of expatriate staff. The contracts for these individuals have either terminated or will terminate in the next 12 months, but the consultants recommend extension of the term of the Agribusiness Advisor for at least another year. Given the constraints on staff, additional personnel will be required, hopefully at the junior level as middle management moves up into senior positions. While current projects call for modest increases in staff in SOFIDATA and SOFICONSEIL, plus a healthy 7% average annual increase in salaries, it is the opinion of the consultant team that additional staff will be required in the area of credit analysis and business development. These should be entry level positions.

4.29 The suggestion made by the Finance Ministry, that two or three young, energetic "Peace Corps types" be assigned to outlying districts under TA for perhaps two years, to seek out and

help shape projects in those areas, should be given sympathetic consideration.

4.30 Otherwise, TA should be limited to technical and professional training for staff and to subsidizing seminars which may be sponsored by SOFIHDES to improve local knowledge of financial issues and the functioning of financial mechanisms.

5. Recommendations

SOFIHDES

5.1 Maintain the high standards that have been established for project appraisal and supervision, and the meticulous credit files. Continue attention to personnel training, particularly for junior staff as new recruitment takes place.

5.2 Continue to emphasize sympathetic attention to clients' needs and problems, and to provide appropriate technical assistance using the facilities/services of SOFIDATA and SOFICONSEIL.

5.3 Undertake more aggressive searches for suitable projects, including regions and sectors that have hitherto been neglected; specifically include commercial agriculture, mining, construction, transport/storage and tourist facilities among sectors eligible for financing.

5.4 Be willing to accept some relaxation of requirements of loan collateral in the form of property or personal guarantees in those cases where cash flow prospects, quality of management and other less tangible factors are especially favorable.

5.5 Be willing to forego the requirement of majority Haitian ownership for projects that promise significant contributions to

Haitian economic development.

5.6 Propose to USAID the lowering of the floor for individual loans to \$30,000.

5.7 Place the functions of credit analysis/administration and of new business/marketing, respectively, under different units or officers.

5.8 Implement the planned restructuring of the Board and management organization and responsibilities.

5.9 Reconstitute the Credit Committee with membership consisting entirely of SOFIHDES management/senior staff, without Directors.

5.10 Permit extensions of credit to members of the Board of Directors, subject to the same economic and commercial criteria as other lending and to special scrutiny to guard against abuse.

5.11 Postpone the issuance of new capital shares until the funds so obtained can be put to productive use--provided that the availability of the presently earmarked USAID loan funds would not thereby be prejudiced (see recommendation to USAID below). The planned campaign in support of the share issue should be postponed, to be available for quick implementation when the time is ripe.

5.12 Capitalize \$300,000 of the retained earnings.

5.13 Declare a dividend for the founders' shares (notionally 6%-\$60,000) at the forthcoming Annual Meeting and announce the Board's intention to continue such dividend payments on a regular basis.

5.14 Consider and explore possibilities of undertaking a merchant banking function: project potential, promotion/marketing problems, scale of commissions, market acceptance, staffing requirements, etc.

5.15 Continue to sponsor or take leadership in activities for civic and professional improvement - e.g. the Cercle Economique, legal seminars, the Pestel initiatives, etc.

5.16 Continue low-key public relations efforts directed at the general public, and also seek to devise marketing campaigns more narrowly targeted at specific groups.

USAID

5.17 Release the \$2.8 million of loan funds earmarked for SOFIHDES without requiring as a condition the immediate increase of its share capital.

5.18 Be prepared to consider continuing support in the form of loans in future years, contingent on SOFIHDES demonstrating satisfactory performance, need and active canvassing of other funding sources.

5.19 Continue TA support for the Agribusiness Advisor, and for training programs to be determined, especially for newly recruited junior staff.

5.20 Explore the possibility of assigning, with TA financing, a small team of field-oriented project investigators to identify and help prepare projects for SOFIHDES' consideration.

5.21 Agree to an increase in SOFIHDES' debt/equity ratio to 8:1.

5.22 Be willing to increase the ceiling for individual loans to 20% of SOFIHDES' capital.

5.23 Agree to lower the floor for individual loans to \$30,000.

5.24 Consider sympathetically requests to finance used equipment, subject to appropriate valuation and inspection.

5.25 Agree to a payment of a 6% cash dividend to the founding shareholders for FY 1988 and to similar dividend payments in future years.

5.26 Permit SOFIHDES to make equity investments, in aggregate amount not to exceed 25% of its capital.

BIBLIOGRAPHY

Bibliography

Price Waterhouse - Société Financière Haïtienne de Développement SA - Rapport #2 - Campagne de levée de capital programme d'action - Janvier 1986.

Price Waterhouse - Société Financière Haïtienne de Développement SA - Rapport #1 - Analyse du marché des investisseurs - Février 1986.

Price Waterhouse - Analyse du marché des investisseurs actuels et potentiel - offre de service - Septembre 1985.

Price Water house - Campagne de levée de capital - Programme d'action - Janvier 1986.

SOFIHDES - Memo 2/12/87 - Financial outlook for SOFIHDES and request for approval of a "Category 6" program.

SOFIHDES - Organization Chart.

SOFIHDES - Condensed Financial Performance 6/88.

SOFIHDES - Memo 7/25/88 - Loan Report 2nd Quarter.

SOFIHDES - Annual report 1985.

SOFIHDES - Annual report 1986.

SOFIHDES - Annual report 1987.

SOFIHDES - Personnel Policy Manuel.

SOFIHDES - Constraints in the Investment Climate of Haiti.

SOFIHDES - Memo Summary Financial results 84-88.

SOFIHDES - Credit Policy Manual.

SOFIHDES - Miscellaneous internal memos, credit files and policy statements.

Audit of USAID/HAITI Development Finance Corporation Project # 521-0154 Audit Report # 1-521-87-06 - November 17, 1986.

First Washington Associates - Evaluation of Société Financière Haïtienne de Développement, SA (SOFIHDES) - August 1985.

USAID - Haiti Project Paper - Development Finance Corporation - Amendment #1 5/31/88.

USAID - Haiti Project Paper - Development Finance Corporation - 12/31/85.

Bibliography (cont'd)

USAID - Miscellaneous memos, and information and operational files. Development Finance Consultants SA - Haiti, The Financial System: Description, Analysis and Suggestions for Improvement - March 1987.

The World Bank - Haiti - Policy Proposal for Growth.

The World Bank - Haiti- Public Expenditure Review Vol #1 - March 19, 1986.

The World Bank - Haiti - Public Expenditure Review Vol #2 - March 19, 1986.

Christopher Mock & Timothy Mooney - Haiti: Agribusiness and Small Rural Enterprise Assessment Constraints to Development and Recommended Solutions - March 1987.

Fonds de Développement Industriel - Annual report 1987.

Journal of International Studies - Vol 28 No 4 Winter 86-87 - Haiti: Problems of a Transition to Democracy in an Authoritarian Soft State - Anthony P. Maingot.

Bulletin de la Banque de la Haiti - Direction des Etudes Economiques.

UNPD - Fonds D'équipement des Nations Unies.

INTERVIEWS

Interviews

NAME	ORGANIZATION
ANDERSE, Jurgen	Allied Assemblers
BAUSH, Fritz	Quisqueya
BLANCHARD, Yves	Fonds de Développement Industriel
BONNEFIL, Reynold	Haitian Tractor
BOULOS, Victor	Ace Basket
BRANT, Marvin	Prominex
BRAUN, Carl	Capital Consult
BRUN, Philippe	Batimat
BUSSENIUS, Harald	Reddy Flavors
BOUZERDA, Khalid B.	United Nations Development Program
CALIXTE, Philippe	PEC
CLERMONT,	Sogibel
CUMMINGS, Allen S.	Caribbean Assemblies, Inc.
COUPET, Gladys	Citibank
COURTOIS, Robert	Price Waterhouse
DUGAN, Gordon	U.S. Embassy
DUMOULIN, Christian	Banque de l'Union Haitienne
DUMOUCHEL, Pierre	Peat Marwick-Mitchell
EDISS, Jean	Banque de l'Union Haitienne
EWENZYK, Pierre	IMF
FLAMBERT, Reginald	Regis Enterprises
GARCIA, Marcel	Banque National de Paris
GREENWOOD, Allan	Inter-American Development Bank
LEGER, Marcel	Association Professionnel des Banques
LOUIS, Fritz Pierre	Fagrasa
KHAI,	Haitian Development Fund
KISSINGER, Skip	USAID
HAO, Nguyen Van	Fonds de Developement Industriel
MANUSO, George	Mostro International
MEROVEE-PIERRE, Mireille	Peat Marwick-Mitchell
MILLET, Onil	Banque de la République d'Haiti
OLCESE,	United Nations Development Program
PLAISIMOND, Charles	Rosebag SA
SCHONENNDER, C.	American Artisana
SCHUTT, Otto	Broden-Schutt
SIMON, Tony	Pêcherie de Bellanse
SMALL, Alan	Center of Management & Productivity
THOMAS, Jean Max	Jeatho
VERMILLION, James E.	USAID
VIALA, Fritz	Ministry of Finance
ZEPHIR, Nonce	Etablissement Novella

Annex C

PROJECTIONS SUR CINQ ANS 1988-1993

ACTIVITES DE PRETS

PORTE-FEUILLE EXISTANT (ACCRUAL)	88-89	89-90	90-91	91-92	92-93
montant debut periode	5851	4303	2443	1269	767
debours periode	355				
remboursements periode	1903	1860	1174	502	450
montant fin periode	4303	2443	1269	767	317
moyenne des prets	5231	3314	1786	1021	609
PRETS NOUVEAUX	88-89	89-90	90-91	91-92	92-93
a. renouvellement	1000	1000	1000	1000	1000
b. call program 100.0%	1250	1750	1750	2500	2500
c. service bureau	0	0	0	0	0
d. agribusiness	750	1000	1000	1000	1000
e. promotion	0	0	0	0	0
f. conseils en gestion	0	0	0	0	0
prets de la periode 100.0%	3000	3750	3750	4500	4500
remboursements accumules	3000	6750	10500	15000	19500
montant debut periode 100.0%	0	3000	6000	8063	9938
remboursements periode	0	750	1688	2625	3750
montant fin periode	3000	6000	8063	9938	10688
montant moyen	1500	4500	7031	9000	10313

I-3 REVENUS DES ACTIVITES DE PRETS	88-89	89-90	90-91	91-92	92-93
montant portefeuille debut prde	5851	7303	8443	9332	10705
montant portefeuille fin prde	7303	8443	9332	10705	11005
montant moyen	6731	7814	8817	10021	10921
<hr/>					
revenus @ 13.5%	909	1055	1190	1353	1474
comm./prets nouveaux 3.0%	104	113	113	135	135
commission de change 0.0%	0	0	0	0	0
commissions/activite promotion	0	0	0	0	0
pertes/prets agricoles 3.0%	23	30	30	30	30
pertes/nouveaux prets 2.0%	45	55	55	70	70
<hr/>					
total revenus activite pret	945	1082	1218	1388	1509
II AUTRES REVENUS DES CLIENTS	88-89	89-90	90-91	91-92	92-93
montant participation/capital	0	0	0	0	0
taux de dividend 20.0%	0	0	0	0	0
revenus service bureau	30	45	60	60	60
conseils en gestion	20	30	40	50	50
<hr/>					
total autres revenus/clients	50	75	100	110	110
III TOTAL DES REVENUS DES CLIENTS	88-89	89-90	90-91	91-92	92-93
	995	1157	1318	1498	1619

IV	PROVENANCE DES FONDS DE PRETS	88-89	89-90	90-91	91-92	92-93
	Du a l'AID	5020	6419	7469	8203	8300
	Maximum disponible de l'AID	5500	5500	5500	5500	5500
	Limite Volontaire AID	6500	7500	8300	8300	8300
<hr/>						
	Balance disponible de l'AID	1480	1081	831	97	-2800
	Reduction de l'encaisse	0	0	0		
	Montant a financer (ACTIF)	1,527	1,189	935	1,408	325
	Source fin. interne (PASSIF)	128	140	201	250	286
<hr/>						
	Net a financer	1,399	1,049	734	1,158	39
	Tirage sur AID	1,399	1,049	734	97	(2,800)
	Tirage sur Marche interbanque	0	0	0	1,061	2,839
	interet sur marche interbanque	28	28	28	60	177

VI	UTILISATIONS FONDS AID	87-88	88-89	89-90	90-91	91-92	92-93
	solde debut periode	5020	5020	6419	7469	8203	8300
	tirages de la periode	0	1399	1049	734	97	-2800
	solde fin de la periode	5020	6419	7469	8203	8300	5500
	solde moyen	5020	5720	6944	7836	8251	6900
	interets @ 5.0%		286	347	392	413	345

VII NOTES DIVERS SUR LA PREPARATION DES ETATS FINANCIERS

1	pertes/prets	87-88	88-89	89-90	90-91	91-92	92-93
	periode		68	85	85	100	100
	cumul		68	153	238	338	438
	couts des fds 5.0%		2	6	10	14	19

CONTRAIINTES SUR PAIEMENT DES DIVIDENDES

1. CONTRAINTE AID

benefice accumule	334	443	563	738	956	1208
benefice de l'annee	185	188	200	261	310	346
2 yrs profit						
minimum \$100 M retained earnings						
25% de \$150 M max ret. earn.	38	38	38	38	38	38
35% profits annuels > \$150 M	12	13	17	39	56	69
Total autorise	50	51	55	76	93	106
requis pour div. privil.	0	0	0	0	0	0
BALANCE DISP. DIV. ORDIN.	50	51	55	76	93	106

Clause statutaire 40% profit

\$100 M min retained earnings	74	75	80	104	124	138
BALANCE DISP. DIV. ORDIN.	74	75	80	104	124	138

Total a payer (politique)	50	51	55	76	93	106
face value:						
DONT X POUR DIV. ORDIN.	60	60	60	60	60	60

Total a payer (politique)	83	90	99	111	126	143
book value:						
DONT X POUR DIV. ORDIN.	83	90	99	111	126	143

SOFIHDES, PREVISION A MOYEN TERME

BILAN	87-88	88-89	89-90	90-91	91-92	92-93
encaisse	173	173	173	173	173	173
placements	761	761	761	761	761	761
portefeuille brut ACCRUAL	5851	7303	8443	9332	10705	11005
provision perte 2.0%	184	184	184	187	214	220
portefeuille net ACCRUAL	5667	7119	8259	9145	10490	10784
prets non accrual	219	275	319	353	405	417
autres actifs a ct	365	365	365	365	365	365
immobilisations	131	150	155	170	180	200
TOTAL ACTIF	7316	8843	10032	10967	12375	12700
Autre Passif C.T.	450	450	450	450	450	450
Emprunt Banques Locales	468	468	468	468	1529	4368
passif a court terme	918	918	918	918	1979	4818
AID	5020	6419	7469	8203	8300	5500
TOTAL PASSIF	5938	7337	8387	9121	10279	10318
capital ordinaire	1000	1000	1000	1000	1000	1000
capital privilegie		0	0	0	0	0
capital	1000	1000	1000	1000	1000	1000
reserve legale	44	63	83	109	140	174
benefices cumulees	334	443	563	738	956	1208
AVOIR DES ACTIONNAIRES	1378	1506	1646	1847	2096	2382
PASSIF & FONDS PROPRES	7316	8843	10032	10967	12375	12700

SOFIHDES, PREVISION A MOYEN TERME

COMPTE D'EXPLOITATION	87-88	88-89	89-90	90-91	91-92	92-93
REVENUS OPERATIONNELS						
A. REVENUS CLIENTS						
REVENUS ACTIVITE CLIENTS						
int. sur prets @ 13.5%	886	909	1055	1190	1353	1474
interets sur emprunts (5%)	298	325	377	458	520	567
interets /portion reservee (5%)	0	2	6	10	14	19
net interets sur prets	588	582	673	723	818	888
commissions/prets nouveaux(3%)	40	104	113	113	135	135
commissions/activite promotion	0	0	0	0	0	0
pertes sur prets	0	68	85	85	100	100
provision pour pertes	25	0	0	3	27	6
REVENUS DES PRETS	603	619	700	748	826	917
AUTRES REVENUS						
dividendes des participations	0	0	0	0	0	0
revenus service bureau	19	30	45	60	60	60
conseil en gestion	0	30	30	40	50	50
REVENU NET DES CLIENTS	622	679	775	848	936	1027
B. REVENUS DE TRESORERIE						
interets sur placements 6.0%	47	46	46	46	46	46
Interet Dept Credit	298	326	382	468	535	586
interets AID	-296	-286	-347	-392	-413	-345
interet interbanque	-12	-28	-28	-28	-60	-177
autres frais	0					
REVENU NET TRESORERIE	37	58	53	93	108	110
C. AUTRES REVENUS						
	0	0	0	0	0	0
TOTAL REVENUS OPERATIONNELS	659	737	828	941	1044	1137
DEPENSES OPERATIONNELLES						
cout du personnel	333	382	458	490	544	601
cout de l'immeuble	40	42	45	50	50	50
autres depenses d'operation	101	125	125	140	140	140
TOTAL DEPENSES OPERATIONNELLES	474	549	628	680	734	791
BENEFICE NET						
dividendes Ordinaires 6.0%	185	188	200	261	310	346
dividendes Privilegie 7.0%	60	60	60	60	60	60
reserve legale 10.0%		0	0	0	0	0
benefice non distribue	19	19	20	26	31	35
	107	109	120	175	219	251

INDICATEURS CLEFS DE SENSIBILITE
HYPOTHESES:

	88-89	89-90	90-91	91-92	92-93
Portefeuille Acrual net	5667	7119	8259	9145	10490
Croissance du portefeuille					
Moyenne des prets		6731	7814	8817	10021
Montant du a l'AID	5020	6419	7469	8203	8300
Montant interbanque	468	468	468	468	1529
Provisions pour pertes	25	0	0	3	27
Revenus de prets					
BENEFICES	185	188	200	261	310
Capital av.		1442	1576	1746	1971
Capital ordinaire (book value)	1378	1506	1646	1847	2096
ROE		13.0%	12.7%	14.9%	15.7%
Dividendes privileges		0	0	0	0
Dividendes ordinaires	60	60	60	60	60

	87-88	88-89	89-90	90-91	91-92	92-93
croissance de benefices		1.5%	6.4%	30.6%	18.6%	11.8%
ROE		13.0%	12.7%	14.9%	15.7%	15.5%
ROTA		2.3%	2.1%	2.5%	2.7%	2.8%
levier	4.3	4.9	5.1	4.9	4.9	4.3
levier AID	3.6	4.3	4.5	4.4	4.0	2.3
rend actions privilegiees		0%	0%	0%	0%	0%
rendement actions ordinaires		1%	2%	4%	6%	7%
taux de dividendes (divdndes/benef)		32%	30%	23%	19%	17%
spread (fonds utilises)		7.7%	7.8%	7.8%	7.9%	7.7%
taux des actifs		12.7%	12.8%	12.9%	13.0%	13.0%
taux des passifs		5.1%	5.1%	5.1%	5.1%	5.3%

Annex D

PLAN PRELIMINAIRE POUR LA LEVEE DE CAPITAL

PLAN PRELIMINAIRE POUR LA LEVEE DE CAPITAL

ACTIVITES

I SONDAGE DU MARCHE

27 JUIL - 10 AOUT 1988

- . Contacter institutions.
- . Présenter la Sofihdes, les résultats, la philosophie de gestion.
- . déterminer intention d'investir et critères d'investissement.

Le sondage n'est pas encore terminé. Deux fonds de pension et trois Compagnies d'Assurance ont été visitées jusqu'à présent. Quatre autres visites sont prévues.

A. Projections Financières.

. Faire projections financières sur les prochaines 5 ans. Les trois prochaines années seront d'une extrême importance. Des projections préliminaires, préparées par la Sofihdes doivent être prêtes le vendredi 12 aout pour être discutées avec Capital Consult.

- Etablir les éléments de stratégie i.e. marché, produits, masse critique etc.

- Batir des hypothèses sur l'environnement interne et externe. Analyse de sensibilité.

B. Dividendes et capacité de les payer

. Déterminer la capacité de la Sofihdes à générer des revenus lui permettant de soutenir la politique de dividendes.

- A cause de la contrainte de 40% de la USAID, il faudra des revenus minimum de \$250 M par an afin de verser \$100 M de dividendes.

. Réviser les contraintes actuelles sur le paiement des dividendes (USAID, statuts etc.). Envisager plus de latitude à cet effet. Exemple 1: payer les dividendes jusqu'à concurrence de 40% des bénéfices de l'exercice plus 10-20% des profits sur retained earnings. Exemple 2: avoir l'option une fois chaque cinq ans de payer les frais généraux à partir des retained earnings. Profiter de l'évaluation en cours pour en discuter avec les évaluateurs.

C. L'instrument

. Déterminer caractéristiques de l'instrument: rendement, droit de vote, convertibilité et taux de convertibilité, droit de participation, option de rachat par la société etc.

. Consultations légales sur l'instrument adopté

. Modifications appropriées des statuts.

A Actionnaires:

1 - Politique de dividendes: engagement de verser 5-6% minimum pendant les 3 prochaines années aux actionnaires ordinaires.

2 - Limite de la participation (5% vs. 10%). Adopter la limite statutaire de 10%. Est-il nécessaire d'aller au delà de 10% ?

3 - Politique de communications avec les actionnaires sur une base trimestrielle.

4 - Facilitation du transfert des actions: Envisager de libérer entièrement les mécanismes de transfert d'actions, avec des restrictions quant au prix de vente et la limite statutaire quant au pourcentage détenu. Les mécanismes de transfert peuvent être aussi différenciés par rapport au type d'action. Dans les communications trimestrielles, rappeler que la Sofihdes peut servir de clearing house, sans frais, pour la vente d'actions.

5 - Lobbying loi cadre: Préparer le lobbying afin d'obtenir l'amendement de la loi sur les SFD's. Revoir tous les bénéfices dont pourrait jouir la Sofihdes: dividendes et intérêts sur obligations exempts d'impôts, frais hypothécaires, procédure accélérée de voie parée etc.

B Conseil d'Administration:

- Structure, Nombre de membres, Jetons de présence, Comités, Critères d'éligibilité, Attributions. C.F. Politique du conseil d'Administration et dynamisation du sous-comité prévu à cet effet.

C Image:

Amélioration de l'image vis à vis des actionnaires et du public (Re. Etude Price Waterhouse). Dégager les thèmes du message et les moyens de communication à adopter.

IV REVISIONS DES STATUTS

15 AOUT - 15 SEPT 1988

Toilette générale, nettoyage complet des statuts. Faire les révisions et les soumettre à un ou deux avocats.

V REDACTION DU PROSPECTUS

15 AOUT - 15 SEPT 1988

A - Lettre de couverture faisant partie intégrante du dossier. Il faut vendre l'offre en soulignant son attrait financier, son originalité etc. Trois types de lettre: souscripteur individuel, société anonyme, société étrangère.

B - Lettre d'intention à signer et renvoyer à la Sofihdes avant la date du...

C - Le prospectus proprement dit, comprenant:

- La Sofihdes: description, performance financière, gestion, actionnaires et administrateurs, stratégie à moyen terme, projections financières (bilan d'ouverture plus les trois dernières années).

- L'offre: avantages pour l'investisseur, description, détails, emploi du produit de l'émission.

- Opinions: opinions légales et rapport des vérificateurs. (Quelques paragraphes)

D - Projet de statuts révisés

A - Comité de motivation

. Former un comité ad hoc composé d' employés, membres du Conseil et certains actionnaires vers la mi-septembre. Ce comité, composé de leaders d'opinion, tiendra régulièrement des sessions de travail et d'information afin de préparer la réunion du conseil du 5 octobre et l'Assemblée générale du 15 novembre.

B - Approbation du conseil d'Administration

. Soumettre le projet de statuts révisés aux membres du conseil une semaine avant la réunion du 5 octobre.

C - Communication aux Actionnaires

. Envoyer le prospectus avec lettre de couverture à tous les actionnaires.

D - Motivation des Actionnaires

. S'assurer des votes en communiquant avec chaque actionnaire sur une base individuelle (Comité ad-hoc)

VII STRATEGIE A MOYEN TERME

8 AOUT - 30 OCT 1988

A - Elaboration de la stratégie (Voir section II-A plus haut)

Articuler la stratégie à moyen terme. Développer les points suivants:

- Mission / objectifs
- Positionnement vis à vis banques commerciales.
- Produits
- Marché
- Prise de risques

B - Articulation des détails

VIII CONSTITUTION DU NOYAU DUR

3 OCT - 15 NOV 1988

Identifier investisseurs potentiels, démarchage, présentations, vente préalable avec lettre d'intention. Marché visé:

- . Grosses sociétés privées.
- . Compagnies d'Assurance.
- . Fonds de Pension.
- . Multinationales.

. Envisager d'offrir des facilités de paiement pour les petits investisseurs. Ceci stimulera leur intérêt d'assister aux Assemblées Générales des 3 prochaines années.

IX ASSEMBLEE GENERALE

15 NOVEMBRE 1988

X VENTES DES NOUVELLES ACTIONS
AUX ANCIENS ACTIONNAIRES.

16 NOV - 30 NOV 1988

- . Préparer les bulletins de souscription pour le 15 novembre.

XI CAMPAGNE DE RELATIONS PUBLIQUES
POUR GRAND PUBLIC ET AUTRES GROUPES.

16 NOV - 15 DEC 1988

XII VENTES AU GRAND PUBLIC ET AUTRES
GROUPES.

1 DEC - 30 DEC 1988

SOFIHDES: PROGRAMME DE LEVEE DE CAPITAL

(SOFIHDES)

PROGRAMME DE LEVEE DE CAPITAL1.0 Background

La Sofihdes s'est engagée dans un programme de levée de capital issu principalement de ses engagements contractuels avec la USAID. L'augmentation de \$500M, devant porter le capital social de l'institution à \$1.5 MM est une condition préalable à la libération de U.S. \$2.8 MM de fonds bonifiés de la USAID. Mis en activation en 1986, ce programme n'a jamais été mené à terme, compte tenu du contexte socio politique plutôt défavorable. Cette levée de capital s'avère maintenant d'autant plus nécessaire que la Sofihdes risque de perdre les U.S. \$2.8 MM de fonds bonifiés de la USAID. De plus, la Direction de l'institution croit que celle-ci est plus à même d'absorber ce capital additionnel. Repris activement il y a deux mois, en vue d'une finalisation éventuelle avant la fin de l'exercice fiscal 1987-1988, le programme a fait face à plusieurs difficultés.

La première difficulté est d'ordre légal. En effet, en décembre 1986, une assemblée générale extraordinaire approuvait l'émission de \$500 M d'actions privilégiées, cumulatives, non votantes, non participantes et non rachetables. Or, une opinion légale obtenue au début de juillet indique que priver une action de son droit de vote contredit l'esprit de la loi haïtienne qui est conçue de façon à donner à l'actionnaire l'option de participer à la gestion de l'entreprise. Une autre opinion, plus libérale, partant du fait que tout ce qui n'est pas explicitement interdit par la loi est permis, préconise qu'une telle option est possible tout en reconnaissant cependant un certain risque à émettre ces titres peu connus dans l'environnement local.

D'autre part, dans le cadre des changements de statuts incorporés lors de l'Assemblée Extraordinaire de décembre 1986, plusieurs contradictions se sont insérées. L'existence simultanée de plusieurs types d'actions ayant des droits différents n'est pas clairement établie. D'où la nécessité d'une révision en profondeur des statuts de l'institution sans laquelle l'émission des nouveaux titres est très difficile à réaliser.

Finalement, la conviction intime de la Direction de la Sofihdes est que l'action privilégiée non votante, non rachetable, cumulative, non participante, à rendement fixe de X%, telle qu'approuvée par l'Assemblée Générale Extraordinaire du 18 décembre 1986, ne correspond pas nécessairement aux critères de placement des investisseurs potentiels. Les faiblesses inhérentes à l'instrument sont qu'il n'offre à l'investisseur

aucune opportunité de contibuer un jour à la gestion de l'institution et lui ôte également l'option de participer aux appréciations de capital futures que connaîtra l'institution. Le fait que l'intérêt initial manifesté récemment par des potentiels investisseurs institutionnels se soit quelque peu estompé est à ce compte très significatif. Cette conviction de la Direction, partagée par les membres de son comité exécutif, rejoint également l'opinion de plusieurs consultants financiers de la place.

Compte tenu des difficultés pré-citées, des problèmes d'image et de perception révélées par une étude réalisée en 1986 par la Price Waterhouse et de la nécessité de présenter la Sofihdes sous un jour qui puisse favoriser la vente de nouvelles actions, il a été déterminé que cette levée de capital devrait être accompagnée d'un processus de renforcement institutionnel de l'institution. Ce processus visera surtout à l'amélioration de l'image et de certains aspects de la gestion de la Sofihdes. Le nouveau programme, tel que conçu par la Direction de l'institution, comporte deux volets:

- La levée de capital proprement dite qui consiste en l'émission de \$500 M d'actions, qui augmenteront le capital de l'institution à \$1.5 MM.
- Le renforcement institutionnel de la Sofihdes vis à vis de ses actionnaires existants, des nouveaux actionnaires potentiels, de son conseil d'administration, de son équipe de gestion, des clients et du public.

Le présent document servira à couvrir les différentes étapes de cette démarche, ainsi qu'à définir les différents volet d'intervention d'un consultant externe. Le consultant sera choisi sur la base de sa connaissance de la problématique de la Sofihdes, de sa connaissance de l'environnement financier haitien et plus spécifiquement de sa pratique d'émissions de capital similaires dans le milieu haitien. Ses services supporteront essentiellement les recherches et autres démarches réalisées par Soficonseils dans le cadre de ce programme. Les différents rapports résultant des recherches de la Price Waterhouse seront mis à la disposition du consultant ainsi que tout autre document pouvant l'aider dans son mandat.

LEVEE DE CAPITAL

La levée de \$500 M de capital additionnel se fera dans l'optique d'une démarche financièrement attractive tant pour les actionnaires existants que les nouveaux actionnaires. Les étapes principales de ce volet ont été identifiées comme suit:

2.1 Sondage du segment institutionnel du marché.

L'instrument actuel étant perçu comme inapproprié, un test préliminaire du marché sera effectué afin de corroborer cette hypothèse. Ce sondage sera réalisé par Soficonseils, qui soumettra à cet effet un questionnaire d'intention à une dizaine d'institutions faisant partie du marché cible de l'émission.

2.2 Définition du nouvel instrument.

Compte tenu des réserves exprimées dans la section 1.0, un nouvel instrument sera défini qui satisfera les critères généraux suivants:

- a.- offrir une option d'investissement attractive aux investisseurs visés, tenant compte des préférences du marché cible ainsi que des alternatives d'investissement actuellement offertes sur le marché.
- b.- Satisfaire les exigences de la USAID concernant le déblocage des fonds bonifiés réservés pour l'institution.
- c.- Minimiser le potentiel de dilution de gains aux actionnaires existants tout en leur offrant l'opportunité de diversifier leur investissement à la Sofihdes.
- d.- Minimiser l'impact de la nouvelle émission sur le levier financier de la Sofihdes.
- e.- Etre en conformité avec la législation sur les sociétés en vigueur en Haiti.

2.3 Rédaction du prospectus.

L'outil de promotion principal de l'instrument adopté sera un prospectus de vente dont l'objectif sera de:

- a.- Présenter l'instrument au public visé
- b.- dégager les forces de la performance financière de la Sofihdes durant ses cinq premières années d'existence.
- c.- Présenter la nouvelle image commerciale de l'institution.

d.- Exposer la stratégie à moyen et long terme de l'institution en dégagant les mesures adoptées permettant à l'institution de mieux remplir sa mission de développement tout en garantissant le rendement au capital investi par l'actionnaire.

2.4 Constitution d'un noyau dur.

Un moyen efficace de s'assurer d'une souscription maximale du nouveau capital sera d'identifier au préalable un groupe d'institutions et d'individus qui garantiront la vente de 60% à 70% de l'émission. Ce groupe fera l'objet de présentations individuelles faites par les membres du management de la Sofihdes. Il reste entendu que les intéressés ne pourront acquérir que la balance des titres non souscrits par les actionnaires existants. Après la fermeture de l'option d'achat accordée à ces derniers, les membres de ce noyau dur pourront concrétiser leur intention d'achat au pro rata de leur offre initiale.

2.5 Diversification de l'actionnariat.

Un objectif de cette émission sera d'intégrer à l'actionnariat de la Sofihdes des secteurs professionnels actuellement sous-représentés. A cette fin, il faudra bâtir une campagne de relations publiques capable de stimuler la vente des actions dans les secteurs visés. Cette campagne sera exécutée au moyen de présentations, de correspondance et d'un programme publicitaire dans les médias appropriés. Elle reprendra sous une forme plus succincte les thèmes développés dans le prospectus de vente et certaines des propositions retenues dans le cadre du renforcement institutionnel de la Sofihdes.

2.6 Révision des statuts et échéancier.

L'instrument adopté devra être approuvé par une assemblée générale extraordinaire qui ne pourra avoir lieu avant le 15 novembre 1988, date la plus proche à laquelle puisse avoir lieu une AGO. Dans la mesure où cette assemblée ne fera que sanctionner d'une façon officielle le choix de l'instrument, il est tout à fait concevable et même recommandé d'exécuter les étapes 2.2 à 2.5 bien avant cette date du 15 novembre. Un échéancier préliminaire est proposé à la fin du document.

3.0 Volets d'intervention du consultant.

Le consultant interviendra dans les étapes décrites dans les sections 2.2 à 2.5 plus haut. D'une façon plus spécifique, le rôle de ce consultant sera de:

a.- Conseiller la Sofihdes sur la définition de l'instrument

en respectant les critères énumérés à la section 2.2

b.- Participer à la conceptualisation du prospectus de vente et révision du draft préparé par Soficonseils.

c.- Participer à l'identification du noyau dur et, si besoin est, à certaines des présentations faites aux institutions et individus visés.

d.- Faire des recommandations quant à la campagne de relations publiques.

RENFORCEMENT INSTITUTIONNEL DE LA SOFIHDES

Sous cette dénomination plutôt générale, sont prévues une série de démarches destinées à stimuler l'intérêt de tous les groupes concernés par le développement de l'institution. Ce deuxième volet du programme a été divisé comme suit:

4.1 Commercialisation de certains aspects de la gestion

La Sofihdes n'est pas perçue par ses actionnaires comme présentant un moyen d'investissement attractif. Le fait que l'institution n'ait jamais versé de dividendes durant ses cinq ans d'existence en est pour beaucoup. Il faudra d'une part assurer une meilleure diffusion de la performance financière de l'institution afin de dégager la rentabilité du capital investi. Il faudra d'autre part prendre des actions concrètes garantissant à l'actionnaire le paiement de dividendes pour l'exercice en cours et les années à venir. Dans la mesure du possible, on mettra également en place des mécanismes facilitant l'activation d'un marché secondaire pour les actions.

Il s'avère important de dissiper les ambiguïtés concernant la mission de la Sofihdes. Une définition de cette mission, reflétant le réalisme de cinq années de maturité doit être adoptée et diffusés parmi les groupes intéressés, c'est à dire actionnaires, directeurs, employés, clients, public etc. Cette notion n'étant pas incompatible avec la notion de profitabilité, les concepts de "risque contrôlé" et "saine gestion" doivent être également développés pour les groupes cités.

4.2 Renforcement de la capacité de prise de décision.

La présentation de l'aspect commercial de la Sofihdes marche de pair avec une stimulation d'intérêt des représentants des actionnaires, en l'occurrence le conseil d'administration. Il faudra envisager un moyen de rémunérer les membres du conseil d'administration, vu que la motivation à caractère patriotique ou de prestige n'est certainement pas appropriée. Des recommandations seront également faites en vue de donner à ce conseil une structure plus souple et plus dynamique, compatible avec une meilleure représentation des intérêts des actionnaires dans la société. La nouvelle structure permettra à l'institution de mieux réaliser sa mission surtout en ce qui a trait à la gestion des risques inhérents au financement de projets de développements.

4.3 Renforcement de la culture institutionnelle.

Ce programme, entamé déjà par la Direction de l'institution, est destiné à renforcer chez les employés leur sentiment d'appartenance. Il consiste en une série de sessions hebdomadaires où sont revues les politiques et procédures de

l'institution. Les domaines de la discipline et de l'éthique sont particulièrement soulignés. Ce programme est opportun au stade actuel de développement, où la culture de l'institution s'est affirmée et où certaines notions doivent être bien assimilées et comprises de tous ceux qui participent à la gestion de la Sofihdes.

4.4 Définition et adoption d'une stratégie globale.

La Sofihdes devra établir une stratégie à moyen et long terme. Cette stratégie sera issue de la nouvelle définition de la mission de développement ainsi que de la reconnaissance du caractère commercial de l'institution. Elle prévoiera les actions à prendre afin de servir le marché cible de l'institution par des produits appropriés à leurs besoins. Sur la base de cette stratégie, les projections financières pour les cinq prochaines années seront établies.

4.5 Amélioration de l'image à l'intérieur et à l'extérieur

Les points de controverse décelés dans la perception du public vis à vis de la Sofihdes doivent être adressés dans une campagne de relations publiques qui visera surtout les actionnaires existants et potentiels. Parmi les thèmes développés dans cette campagne seront:

a.- Définition de la mission de Sofihdes.

b.- Compatibilité entre le développement et la profitabilité.

c.- Justification des contraintes contractuelles, en particulier celles relevant de la USAID, par des arguments de saine gestion financière.

c.- Exposé des contraintes de l'environnement commercial local qui influencent la gestion du portefeuille.

d.- Etablissement des facteurs qui différencient la Sofihdes des banques commerciales.

4.6 Volets d'intervention du consultant.

Le consultant interviendra dans les domaines relevant des sections 4.1, 4.2, 4.4 et 4.5 ci-dessus. Le rôle de ce consultant sera de:

a.- Faire des recommandations quant aux moyens à mettre en oeuvre afin de dégager le caractère commercial de la Sofihdes.

b.- Conseiller la Direction de l'institution sur les

méthodes effectives de renforcement de la prise de décision au niveau du conseil d'administration. Présenter les recommandations au conseil.

d.-Faire des recommandations pour la campagne de relations publiques visant à l'amélioration de l'image.

ECHEANCIER PRELIMINAIRE

- . Sondage du marché 27-29 juil 88
- . Définition du nouvel instrument
(consultations légales) 1-5 aout 88
- . Rédaction du prospectus 1-12 aout 88
- . Elaboration des éléments visant à la
commercialisation et au renforcement
de la prise de décision. 1-26 aout 88
- . Elaboration de la stratégie à moyen et
long terme. 29 aout-9 sept 88
- . Présentation des recommandations aux
membres du conseil. 14 sept 88
- . Révisions des statuts (consultations
légales) 19-23 sept 88
- . Lettre aux actionnaires les avisant des
changements en cours et de l'assemblée
générale du 15 nov 88. 26 sept 88
- . Constitution du noyau dur. 3-28 oct 88
- . Assemblée Générale. 15 nov 88
- . Vente des nouvelles actions aux
actionnaires existants. 16 nov-15 dec 88
- . Campagne de relations publiques pour groupes
socio-professionnels et grand public. 16 nov-15 dec 88
- . Réalisation des ventes au noyau dur et
au public. 15-30 dec 88

Annex F

USAID EXPENSE REPORT - MAY 1988

DESCRIPTION	LAST MONTH TO DATE	CURRENT MONTH	THIS MONTH TO DATE	P. I. L.		COMMIT- MENT	PLAN	DIFF. PLAN vs P. I. L.	COMMENTS
				Ref.	AMOUNT				
L.T.T.A									
T. Bungener	164,766		164,766		164,766	164,766	164,766	0	
	208,003		208,003	#20	209,374	209,374	208,003	(1,371)	
N.C. Khai	284,561		284,561	#9	300,610	300,610	300,610	0	
S.T.T.A.:								0	
Closed Items	245,726		245,726		245,726	245,726	245,726	0	
Unidentified					4,644			(4,644)	
TRAINING:								0	
Reg Comm/Sem.	9,800		9,800	#12	9,800	9,800	9,800	0	
Local Comm/Sem	8,780		8,780	#12	8,780	8,780	8,780	0	
Client Orient	22,500		22,500	#12	22,500	22,500	22,500	0	
Banking Sem.	12,773		12,773	#12	33,800	33,800	33,800	0	
	53,853		53,853		74,880	74,880	74,880	0	
TOTAL:	956,909		956,909		1000000	995,356	993,985	(6,015)	

DESCRIPTION	LAST MONTH TO DATE	CURRENT MONTH	THIS MONTH TO DATE	P.I.L.		COMMIT- MENT	PLAN	DIFF. PLAN vs P.I.L.	COMMENTS
				Ref.	AMOUNT				
L.T.T.A.									
T. Bungener	80,629	7,012	87,641	20/2	86,000	86,000	86,000	0	
				20/3	82,300	82,300	82,300	0	
Total:	80,629	7,012	87,641		168,300	168,300	168,300	0	
K. Smarzik									
- salary	55,807	5,315	61,122	28	129,473	129,473	129,473	0	
- Allow.	17,649	1,168	18,817	28/2	34,725	34,725	34,725	0	
- Transp.	10,225		10,225	28/2	22,601	22,601	22,601	0	
Total:	83,681	6,483	90,164		186,799	186,799	186,799	0	
Agri search									
- BCG	20,223		20,223	28/2	22,000	21,362	21,362	(638)	
- Others	16,923		16,923	28/2	8,646	7,262	7,262	(1,384)	
- FWA	7,500		7,500	28/1	14,000	7,500	7,500	(6,500)	
	44,646		44,646		44,646	36,124	36,124	(8,522)	
TOTAL:	208,956	13,495	222,451		399,745	391,223	391,223	(8,522)	

DESCRIPTION	LAST MONTH TO DATE	CURRENT MONTH	THIS MONTH TO DATE	P.I.L.		COMMIT-MENT	PLAN	DIFF. PLAN vs P.I.L.	COMMENTS
				Ref.	AMOUNT				
S.T.T.A.									
Legal									
- Malary	2,010		2,010	#25	7,000	7,000	9,200	2,200	
- Lamarre	4,105		4,105	#25		4,100	4,100	4,100	
Total:	6,115	0	6,115		7,000	11,100	13,300	6,300	
								0	
Eco-Fin(Prosper)	7,200		7,200	#25	9,100	6,600	6,600	(2,500)	
								0	
Recruit								0	
- B.P.	26,931		26,931	#25	30,464	30,464	30,464	0	
- FWA	6,736	1,275	8,011	#25	7,132	7,132	7,132	0	
- M.P.A.	6,825		6,825	#25	6,576	6,576	6,576	0	
- Misc	3,445		3,445	#25	412	412	412	0	
Total:	43,937	1,275	45,212		44,584	44,584	44,584	0	
								0	
Service Bureau								0	
- J.Y.N.	10,150		10,150	#25	10,150	10,150	10,150	0	
- M.P.A.	25,783		25,783	#25	28,092	28,092	28,092	0	
Total:	35,933	0	35,933		38,242	38,242	38,242	0	
								0	
Market studies	20,000		20,000	#25	20,000	20,000	20,000	0	
								0	
Final Evaluation			0	#25	21,404	21,404	21,404	0	
Library	1,500		1,500			1,500	1,500	1,500	
								0	
TOTAL:	114,685	1,275	115,960		140,330	143,430	145,630	5,300	

DESCRIPTION	LAST MONTH TO DATE	CURRENT MONTH	THIS MONTH TO DATE	P.I.L.		COMMITMENT	PLAN	DIFF. PLAN vs P.I.L.	COMMENTS
				Ref.	AMOUNT				
STAFF SUPPORT									
Exec. Secretary	54,496		54,496	#26	54,497	56,612	56,612	2,115	
Computer								0	
- Microlease	11,700		11,700	#26	11,700	11,700	11,700	0	
- PMM	3,600		3,600	#26	3,600	3,600	3,600	0	
Total:	15,300	0	15,300		15,300	15,300	15,300	0	
Radio Equipment	3,063		3,063	#26	3,000	3,063	3,063	63	
Total:	72,859	0	72,859		72,797	74,975	74,975	2,178	
TRAINING									
Reg Comm. Sem.	7,723		7,723	#27	7,100	7,100	7,100	0	
Local Comm. Sem.								0	
- Misc.	4,563		4,563	#27	4,000	4,000	4,000	0	
- B.P.	31,146	3,100	34,246	#27	68,300	68,300	68,300	0	
Client Orient.	4,474		4,474	#27	7,728	7,728	7,728	0	
Total:	47,906	3,100	51,006		87,128	87,128	87,128	0	
SUB TOTAL:	444,407	17,870	462,276		700,000	696,756	698,956	(1,044)	
GRAND TOTAL:	1401316	17870	1419185		1700000	1692112	1692941	(7,059)	

Annex G

AGRIBUSINESS LOAN ACTIVITY TO AUGUST 1, 1988

AGRIBUSINESS LOAN ACTIVITY TO AUGUST 1, 1988

DEFINITIONS OF CATEGORIES

- CATEGORY 1: Initial contact has been made and further progress towards a loan application is expected.
- CATEGORY 2: A proposal is in the preparation stages by the client.
- CATEGORY 3: A proposal has been submitted and is being reviewed by the Agribusiness loan officer.
- CATEGORY 4: SOFIHDES has returned to the client for more information.
- CATEGORY 5: SOFIHDES is proceeding with a credit application.
- CATEGORY 6: A loan has approved, but not yet disbursed.
- CATEGORY 7: Loan has been disbursed.
- CATEGORY 8: Loan has been rejected by SOFIHDES, either by the credit committee or the internal committee.
- CATEGORY 9: Proceedings have been stopped due to either client withdrawal from project or project not viable.

ACTIVITY BY CATEGORY

<u>CATEGORY</u>	<u>NUMBER</u>	<u>AMOUNT</u>	<u>% OF VOLUME</u>
1	2	\$ 325M	8.7
2	1	225	6.1
3	1	53	1.4
4	3	455	12.3
5	1	34	1.0
6	2	315	8.5
7	0	0	0.0
8	4	478	12.9
9	<u>16</u>	<u>1825</u>	<u>49.2</u>
TOTAL	30	\$3710M	100.1

ANNEX 1. SPECIFIC LISTING OF LOAN ACTIVITY BETWEEN JUNE 15, 1987
AND AUGUST 1, 1988.

CATEGORY 1:

Agrotechnique	fertilizer mixing	\$225M+
Intevesa	vetiver production	100

CATEGORY 2:

Gesner Valles	CO ₂ production	225 +
---------------	----------------------------	-------

CATEGORY 3:

Pierre Eric Jasmin	aquaculture	52
--------------------	-------------	----

CATEGORY 4:

UNAPEL	abattoir	80
PRODECA	coffee coop	150
Louis Dejoie	vetiver production	225

CATEGORY 5:

Serge Coles	mixed milk and grain food	34
-------------	---------------------------	----

CATEGORY 6:

Ferme Armory	integrated broiler operation	225 +
Simon et Co.	commercial fishing	90

CATEGORY 7:

CATEGORY 8:

Haitian Tropical Management	mango orchard and export	225 +
Serge Picard	banana production	53
CONASA	mango processing	120
Haitian Food Industries	chadeque cell production	80

CATEGORY 9:

Jacques Medina	tobacco farming	30
Jean Claude Kenol	vetiver production	150
Raoul Perrault	commercial fishing	40
Alix Nerette	seed distribution	40
Leconte Jean	boulangerie	70
Poulet Mayard	broiler production	100
Michael Darby	abattoir	225 +
Jean Paul Lafitte-Barrou	dried fruit production	150
Max Aime	langoust and shrimp export	50

Kathy Dicquemare	broiler production	200
Coop Acquin	mixed agric. operations	120
Ralph Chevry	mixed farming	100
Comme Il Faut	tobacco production	150
Leslie Gouthier	implement production	75
Bonmanger	feed mill	225
Dieter Schmid	perfume alchool production	100

+ indicates that the total financing required for the project exceeded SOFIHDES maximum lending limits.

K.A. Smarzik
Agribusiness Consultant

kas/agact.01
88/08/16