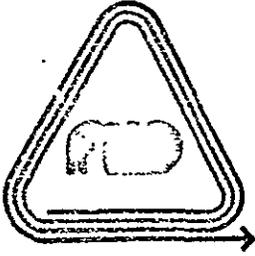


PD-AAZ-945

ISN 63096



FONDATION HAITIENNE DE DEVELOPPEMENT
HAITIAN DEVELOPMENT FOUNDATION
FUNDACION HAITIANA DE DESARROLLO
Reconnue d'Utilité Publique

106, Ave Christophe
Port-au-Prince, Haiti
Tél. 5-2206
5-2207

**Conseil
d'Administration**

Roland Acra
Président

Jean-Frédéric Salès
Vice-Président

Dr Danlelo St Vallière
Secrétaire-Trésorier

Pierre Armand
Directeur Exécutif

Conseillers

Mme Josette Deas
Robert Moyse
Margareth Roussel
John Burns

GRANT PROPOSAL

For the

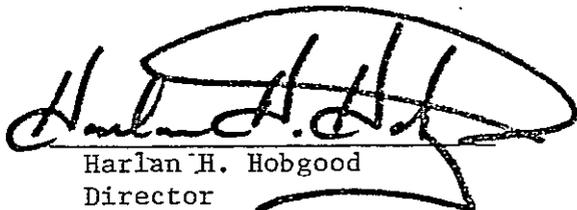
HAITIAN DEVELOPMENT FOUNDATION

FEBRUARY 11, 1983

Project Authorization

Name of Grantee : The Haitian Development Foundation (HDF)
Name of Project : Haitian Development Foundation
Project Number : 521-0169 (1)

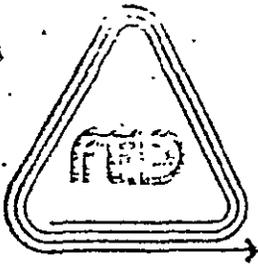
1. Pursuant to Section 531 of the Foreign Assistance Act of 1961 as amended, and chapter VI of the Supplemental Appropriations Act of 1982 (P.L. 97-257), I hereby authorize the Haitian Development Foundation Project for the HDF (Grantee) involving a planned obligation of not to exceed \$475,000 in grant funds, to help in financing the one year life-of-project foreign exchange and local currency costs of the project.
2. The Project will support the efforts of the Grantee to help meet the technical assistance and credit needs for the small business sector and cooperative groups in the Port-au-Prince area and other selected secondary cities in Haiti.
3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to such terms and conditions as A.I.D. may deem appropriate.


Harlan H. Hobgood
Director
USAID/Haiti

Date 3/29/83

Clearances

OPED: A. Williams AW
DRE: W.S. Rhodes W.S.R.
CONT: D. Shannon DS
CSO: F. Hayden F.H.
PVD: M.K. Baldwin M.K.B.
D/DIR: Phyllis Ditcher P.D.



FONDATION HAITIENNE DE DEVELOPPEMENT
HAITIAN DEVELOPMENT FOUNDATION
FUNDACION HAITIANA DE DESAROLLO

106. Ave. Christophe
Port-au-Prince, Haï
Tél. : 5-2206
5-2207

February 11, 1983

Conseil
d'Administration

Roland Acra
Président

Jean-Frédéric Saïès
Vice-Président

Dr Danilo St Vallière
Secrétaire-Trésorier

Pierre Armand
Directeur Exécutif

Conseillers

Mme Josette Des
Claude Duval
Sybille Vital
Colette Hall
John Burns
Reynold Bonnefil

Mr. Harlan Hobgood
Director
USAID
Port-au-Prince, Haiti

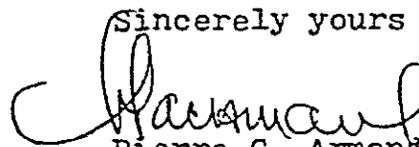
Dear Mr. Hopgood:

The Haitian Development Foundation has benefitted from the sponsorship of USAID in the past and requests continuation of such support as specified in the attached proposal.

The Foundation goal is to support and encourage the development of small business in Haiti. Since its institution in 1979, the Foundation has been successful in disbursing over \$750,000 in small loans to some 238 beneficiaries.

In the interest of continuing this effort the Foundation solicits a grant of \$495,000. This grant is considered as a "bridging" grant to fully establish the Foundation capability to effectively utilize major capital loan funds in 1984 and ensuing years.

Sincerely yours


Pierre C. Armand
Executive Director

/ea

GRANT PROPOSAL
For the
HAITIAN DEVELOPMENT FOUNDATION

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- Annex D - Organization of the Promotion
- Annex E - Employment of Women
- Annex F - Budget projection for one year
- Annex G - Projection of Capital loan Funds

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I- PROJECT SUMMARY

The goal of this project is to increase the economic productivity of the small business sector in Haiti. The overall purpose is to provide continued support to the Haitian Development Foundation, which has been providing technical assistance and credit to small businesses in Haiti for some three years under USAID sponsorship.

Funding

Funding will consist of a one-year grant to the Haitian Development Foundation, designed as a "bridging" grant to enable the Haitian Development Foundation to become sufficiently self-sustaining operationally to become eligible for a major capital loan. The grant funds will be divided among three interrelated functions in accordance with the following schedule:

- . Operational Cost: \$220,000. Applied to the general fund of the Foundation. Plus \$20,000 for contingencies.
- . Loan Funds: \$150,000 added to the existing revolving loan fund of the Foundation.
- . Technical Assistance: \$95,000. To provide for support directly to the Foundation of one long term consultant who will be based at the project site two third of the year and a series of short term consultancies to upgrade the training of the field extension agents, animators, and to provide local computer services and analyse the needs of the Foundation for soft ware to support a micro-computer.

Project Description

Small scale industry predominates in Haiti, the poorest country in the Americas. Large numbers of undercapitalised and poorly managed micro-businesses struggle for survival in many lines of business throughout the country. They face severe shortages of working capital, and lack of access

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to institutional funding of any kind. Furthermore the proprietors of these micro-businesses suffer from a lack of even rudimentary business skills, and, in many instance of motivation to improve their production technology.

The Haitian Development Foundation was created in 1979 specifically for the purpose of providing technical assistance and credit to these small enterprises. With support from USAID, InterAmerican Development Bank and other organizations the Foundation has succeeded in disbursing some \$740,000 in small credits to some 240 beneficiaries in the metropolitan areas of the capital of Haiti. The specific objectives of this project are to strengthen the financial management and credit operations of the Foundation to a level at which the Foundation can effectively utilize and administer a substantial capital loan. The Foundation has in place an organizational infrastructure and is becoming a major entity in the private sector in Haiti recognized for its effectiveness and respected for the job it is doing.

Technical Assistance and Credit Program

As an integral part of the provision of credit to small businesses, the Foundation has instituted a program of technical assistance to proposed eligible beneficiaries providing them with basic management skills and requiring competence in the execution of those skills before recommending an application for credit. The loans vary from a few hundred dollars to a limit of \$10,000 for individuals and \$25,000 for groups, with an average of about \$3,600. The terms vary from one year for small loans up to a limit of five years. The project will make a major effort to support women proprietors and groups. Currently 19 percent of loans made by the Foundation are to women, which is in keeping with the overall distribution of ownership among small businesses in Haiti.

End of Project Outputs

During the course of this project, the Foundation anticipated providing technical assistance and credit to approximately 180 new clients together

.../...

with continuing to provide support to these existing clients with active loans. Apart from the social benefits of providing motivation and encouragement to direct beneficiaries of the program, the project anticipates creating about two jobs per loan. The project also anticipates the implementation of a plan to operate an extension of the project in one provincial area. Preliminary surveys have been made, personnel have been trained and have undertaken field work in the area, and a detailed plan has been prepared

II. BACKGROUND AND RATIONALE

A. Perceived Problem

Haiti is the poorest country in the Americas. According to the World Bank's estimate for 1979, Haiti is the poorest country in the Americas with a per capita GNP of \$260 and some 75 percent of its people below the poverty line. It is also one of the most densely populated countries in the world, with a population growth of 2.6 percent per year, lacking in natural resources, and with low agricultural production. In urban areas the harsh economic climate results in a general unwillingness to invest in the creation of an effective manufacturing base, and widespread erosion of the land caused by devastation of the country's forests for additional farming land and fuel production, have reduced agriculture to 50 percent of what it was at the time of independence, some 200 years ago.

Small Scale industry predominates in Haiti. The economic base of Haiti's industry is largely in small scale businesses. In a country of 7.5 million population only 25,000 are estimated as employed in businesses with more than 100 employees. In a survey conducted in 1979, it was further estimated that there were about 8,500 small enterprises employing about 33,600 workers. This survey only included those areas of more than 1,000 population, and implied that there were considerably more small businesses in the multitude of smaller towns and villages throughout Haiti. There is, furthermore, a consensus that in the aggregate, the small business sector is growing, both the number of small companies and the output per company increasing.

The small business sector suffers from a number of constraints. A

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profile of small industry in Haiti shows that there are a number of characteristics which reflect the actual economic difficulties under which it operates. Among these are:

- . lack of capital and very limited access to finance and credit
- . limited tools and equipment
- . low purchasing power
- . close and often familial ties between owner and workers
- . preference for traditional and tried methods of production and consequent reluctance to adopt innovations
- . low productivity
- . lack of even rudimentary accounting techniques or even maintenance of a cash book

The great majority of these small businesses are integrated into the local communities, and only a few have connections with either larger businesses on a sub-contract basis or with the international export and marketing system. The great majority, therefore, are locked into a situation where antiquated production methods, limited local markets and lack of capital or financing effectively restrict an increase in productivity or expansion. Even though their contribution to industrial production, if taken individually, is limited, these small enterprises occupy a central position in the economy of Haiti. Only employing usually one to four employees, in the aggregate, they are the basis and the backbone of the Haitian economy.

B. Haitian Development Foundation Structure and Activities

1. General

In order to address this area of the economy directly and to develop a mechanism which could assist the small entrepreneur, the Haitian Development Foundation (HDF) was established as a private sector voluntary organization designed to help those small businessmen and micro-entreprises who do not have access to customary channels of credit, with small loans

.../...

and technical assistance. The HDF evolved from discussions initiated in 1978 between the Pan American Development Foundation and some businessmen in Haiti, which led to the submission to USAID/Haiti of a proposal for financing.

USAID approved a two year Operational Program Grant (OPG) in May 1979 for \$495,000 which ultimately was extended for an additional six months through December 1981. In February 1981, the Inter-American Development Bank (IDB) approved a loan of \$500,000 restricted to a revolving loan fund. A technical assistance grant of \$46,000 was made by the IDB at the same time. A second OPG was approved by USAID in January 1982 for an additional \$495,000 designed to be implemented over an 18 month period extending to June 1983.

2. Government Approval of the Haitian Development Foundation

Shortly after the approval of the first OPG by USAID in May 1979, the Government of Haiti recognized the HDF as a Public Service Corporation authorized to extend credit and technical assistance to small business throughout Haiti. This action was made official through publication of a decree on June 11, 1979 in the "Moniteur", the official gazette of the Haitian Government. Its creation and operation are also governed by the Foundation acts of July 23, 1934 and September 17, 1953.

3. Basic Objectives of the Haitian Development Foundation

The principal objective of the Foundation is to provide technical assistance and financial assistance to urban and rural small businesses and groups that have limited or no access to customary sources of credit. The Foundation enables micro-businesses and groups to expand current operations or start potentially productive new activities. In doing so, it aims to contribute to increasing the productivity and incomes of the beneficiaries, and increase employment opportunities. An integral and vital part of these objectives is the provision of technical assistance to beneficiaries in the area of simple management techniques and elementary bookkeeping, to assist

them not only in improving the efficiency of the business at hand, but also ultimately make them eligible for credit from customary financial resources.

4. Organization of the Haitian Development Foundation

The Foundation consists of three principal components, the General Membership, the Board of Directors, and the Executive. An organizational chart displaying the current structure, is presented in Annex A.

a) General Membership

There are presently some 177 members of the Foundation. This group meets in Assembly once a year to elect the Board of Directors.

b) Board of Directors

The policy making body of the Foundation is the Board of Directors. It consists of 9 members and meets monthly unless called more frequently by the Chairman. There are four standing committees of the Board:

- . Credit Policy Committee
- . Finance and Budget Committee
- . Development Resources Committee
- . Program Committee

The Credit Committee is of long standing and has reviewed the loan portfolio since the inception of the loan program. The other three sub-committees have only recently been formed, but have held initial meetings and established the range of their responsibilities and duties. Attached as Annex B, is a detailed statement of the objectives and tasks of each sub-committee.

c) Executive

The Executive Director implements the policies of the Board and is responsible for the overall administration and organization of the Foundation. He also has been particularly active in development work, traveling

frequently in search of international funding. He also has the authority to approve sub-loans of less than \$2,500 and is a member of the Executive Credit Committee which approves sub-loans up to \$10,000 and reports directly to the Credit Committee of the Board on the operation of the loan program. Under the authority of the Executive Director are four principal sections:

- Finance and Personnel - This section is responsible for the financial management of Foundation establishing and maintaining all accounts and drawing up disbursements for signature by appropriate approving officers. This office is also responsible for the day to day management of the Foundation and for personnel. During the absence of the Executive Director, the Director of this section becomes the acting Executive Director.
- Promotion Section - As the program office of the Foundation this section is responsible for identifying potential clients and providing them with technical assistance and support. This section is responsible for the animateurs, which are the extension agents of the Foundation in the field contacting and developing beneficiaries, providing them with technical assistance and supporting those who do receive small loans. They are the eyes and arms of the Foundation and their unique important role is described more fully in Section "e" below.
- Credit Section - The Credit Section analyses each loan application and is also responsible for monitoring loans and ensuring reimbursement. This office conducts a feasibility study of applications for loans to determine not only the eligibility of the proposed beneficiary but also the potential viability of the proposed project. The Credit Section submits its completed reports to the Credit Committee.

.../...

of the Board or to its delegated authority for action.

- . Resources Development Section- This section solicits funds from local sources, and assists the Executive Director in his efforts in the international sector. It develops the fundraising strategies for the Foundation, which, when approved by the Board, it proceeds to implement.

d) Loan Criteria

The loan portfolio currently consists of about 240 loans with a total value of over \$740,000. An interest rate of 14 percent is charged on all loans and a surcharge of 2 percent is added to cover part of the cost of the technical management assistance. Loan fund activity includes:

- a) short-term working capital loans of approximately one year with up to a three month grace period.
- b) Medium-term capital investment loan 2-5 years with up to six month grace period.

Eligible enterprises include firms employing up to 20 employees with fixed assets of \$15,000 or less. In the case of groups, loans of \$6,000 per member of a group can be granted totaling up to \$35,000. Attached as Annex C is a copy of the current loan regulations of the HDF.

Given the high degree of risk involved in lending to this sector of the Haitian Compnay economy, borrowers are required to limit their debt level to one half of the firm's assets, except in unusual and highly profitable situations. All proposals should register a profit projection increase of at least 20 percent return on the investment.

e) The Role and Responsibility of Animateurs

The animateur is the key element at the HDF. The job includes

.../...

everything from the identification of potential clients, to the provision of continuous technical assistance not only in preparation for receiving a small loan but also subsequently throughout the loan period. The animateur's principal task is to help clients participate in the program to improve the productivity of their business by upgrading the quality of their products or augmenting their scale of operations. The ultimate objective being to increase income and employment in the target communities.

Each animateur is assigned a specific zone with which he is required to become thoroughly familiar. He is required to conduct a business census and to be in his zone on a daily basis screening potential clients and providing technical assistance to those who enter the program.

The specific duties and responsibilities of the animateurs are to:

- . conduct a survey of the market potential of his or her area of work;
- . screen potential clients;
- . select beneficiaries of technical assistance;
- . provide technical assistance to the client;
- . abandon the client if not responsive to technical assistance
- . help prepare loan applications;
- . submit completed application to loan officer;
- . help client maintain account books during loan period;

An initial group of 8 animateurs was trained in 1980, and an additional 8 in 1981. In July 1982, a third training session was inaugurated for 13 candidates. Their training concluded in December. Lately they have been doing field work in the regions of Petit-Goave and Cap-Haitien. These animateurs are being trained in anticipation of extending the program of the HDF to other principal towns of Haiti and the surrounding predominantly

.../...

rural areas.

The training of the animateurs covers all aspects of basic small business administration, including accounting, record keeping, inventory control, procurement, credit management, marketing, and, for the present group of trainees, rural development assistance.

Annex D displays the current organization of the promotion section, with the proposed organization under an expanded program displayed with dotted lines.

C. Reports and Evaluations of the Haitian Development Foundation

An integral part of the two OPC's which were approved for the HDF have been annual evaluations. The first evaluation covered the period through June 1980 and was a collaborative effort of the USAID/Haiti evaluation office, the HDF, the Pan American Development Foundation and Partnership for Productivity. A second evaluation covering the period up to June 30, 1981, was conducted by the same parties. The third annual evaluation was conducted by an independent consultant and was submitted in July 1982.

In addition, the HDF has been the subject of the following special studies:

- . Fund Raising Analysis and Recommendation by Funderburke and Associates, Washington, D.C. February 1982. This report summarizes the activities undertaken during a week-long on site visit to the Foundation. During this visit direction and training were provided in the three critical areas of fund raising, strategies, communication, and volunteer leadership and recommendations made for on-going fund-raising efforts.
- . Analysis of the Haitian Development Foundation prepared for SOLIDARIOS by the Development Group for Alternative Policies

.../...

Inc., December 1981. This report was prepared at the request of SOLIDARIOS in anticipation of possible funding by SOLIDARIOS. This report concluded that the HDF had performed well, under restrictive circumstances, but recommended that a supplementary visit be made in the second half of 1982 to fully assess the stability of funding for HDF operations, the degree of its involvement in the selection of sources of technical assistance, the results of additional training of the animateurs, revised credit procedures and the cash flow from the revolving loan funds.

Report of Follow-up visit to the Haitian Development Foundation prepared for SOLIDARIOS by the Development Group for Alternative policies, August 1982. The purpose of this supplementary visit was to determine if sufficient progress had been made in a series of functional areas to warrant a recommendation that SOLIDARIOS provide loan funds for the HDF. The report concluded that the HDF had made considerable progress in the internal management and loan activities, but expressed a continuing concern that HDF demonstrate its ability to cover operational expenses.

Analysis of ^{the} Small Loan Program of the Haitian Development Foundation by the Inter-American Development Bank, May 1982. The purpose of this study was to analyse the loan processing system and the quality of the loan program of the Haitian Development Foundation. The conclusions were that the present system had been effective in developing a wide ranging loan program, but that increasing emphasis should be placed on ensuring the quality and viability of proposed loans, and on the collection efforts.

D. Role of the Pan American Development Foundation

The HDF has been the beneficiary of two OPC's in which the Pan American Development Foundation has been the intermediary agency and the provider of technical assistance.

The relationship had gone through three distinct phases by July 1982. The first stage was friendly and paternalistic as PADF helped the new Foundation develop procedures, policies, and an institutional framework. In the second stage, PADF's role became that of monitor and supervisor and placed major emphasis on foreign fund raising, financial management and loan processing. Local attempts at fund raising had created financial problems which still haunt HDF, and this crisis together with the resultant stringent financial controls which PADF imposed, led to the next stage. During the third stage the autonomy of the HDF became a matter of major importance and was brought out specifically in the emerging relationship with SOLIDARIOS of which HDF had become a member.

The fourth stage is now developing, and can be called the phase-out stage which will last until the end of the second OPG in June 1983. During this period PADF is continuing the general advisory services and providing intermediary functions, especially fund-raising support, that the formal relationship with HDF will have to be amended. In the final stage PADF, USAID, SOLIDARIOS and the HDF will make a concerted effort to recognize the misunderstandings of the past, and to recognize that any future relationship between HDF and financial supporters will have to take into full consideration that the HDF is an established organization with a desire to exercise autonomy.

E. Fund Raising Efforts

Fund raising has been a prime source of financial difficulty for the Foundation. The first OPG implied that the Foundation, with the assistance of the Pan American Development Foundation, would raise some \$220,700. In an effort to raise this sum the Foundation undertook some dramatic and costly failures in fund raising. By June 1981, local funds raising.

.../...

By June 1981, local funds raised amounted to \$39,832 against related expenses of \$106,353 - a net loss of \$66,250. Mostly responsible for this deficit was an attempt to raffle a house which was unsuccessful.

During 1982, however, the fund raising efforts were brought considerably more under control, and since then have been closely monitored.

Faced with the need to set the HDF's fund raising efforts on a more secure footing, the intermediary agency, PADF, contracted with Funderburke and Associates, a consulting firm, to provide direction and training in fund raising to the Board and staff of the Foundation. This firm visited the Foundation for one week in the spring of 1982 and presented a subsequent report and plan. Because the plan called for an expenditure of \$45,000 (which the Foundation patently did not have) little has been accomplished with respect to these recommendations.

In the year ending June 30, 1982, fund raising efforts are showing considerably more balance. For expenditures of \$68,094 the amount raised was \$61,960, a deficit of only \$6,133, a considerable improvement over the previous year.

It is now apparent that the anticipated extent of funds available in Haiti was considerably overestimated. Haiti lacks any tradition of voluntary donations and there are only limited tax incentives available in Haiti which encourage such activity in the United States. In these circumstances the Foundation has been making valiant efforts, and the increase in membership alone from a start of 6 to a present 177 represents a considerable accomplishment.

The fund raising plans of the Foundation focused on the local community, have been established on a relatively simple but direct approach.

.../...

The plan concentrates on maintaining small monthly collections from members, scheduling an annual "event", and conducting a fair. It is expected that these efforts might raise \$75,000, which, in the Haitian context, would be most successful, although a more conservative estimate would be probably less than half this amount

In the international sphere, the Foundation anticipates continuing the efforts of its Executive Director, who already has considerable contacts among international donor agencies, to develop support for its efforts among the small business community in Haiti.

F. Financial History of the Haitian Development Foundation

1. USAID Financial Support

The HDF has been the recipient of two Operational Program Grants (OPG) each in the amount of \$495,000 of which the HDF received a total of \$470,625 for institutional and operational purposes. The remainder was divided between the intermediary agency, DADF, with \$329,375 and the revolving loan fund, \$190,000. These OPG's have covered a four year period from May 1979, until June 1983.

a) The first OPG (May 1979 - December 1981)

The HDF was launched financially with a two year USAID/OPG for \$495,000, approved in May 1979. This OPG was subsequently extended for six months through December 1981. Displayed below is a chart showing the budgeted and actual use of funds of this OPG.

BUDGET AND ACTUAL USE OF FUNDS

	Original OPG		First Year		Second Year		1/2 year
	Projected Budget	Actual	Budget	Actual	Budget	Actual	Extension Actual
Tech. Ass.	\$228,500	233,375	114,250	104,054	114,250	99,945	31,376
HDF ops.	116,500	219,625	63,000	71,000	53,500	126,352	22,272
Loan Funds	150,000	40,000	15,000	15,000	135,000	25,000	-----
	495,000	495,000	192,250	190,054	302,750	251,297	53,648

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The technical assistance funds were all allocated to the Pan American Development Foundation, which was also the intermediary agency. These technical assistance funds were expended as follows:

Relocation expenses, salary and	\$82,000
Fringe Benefit for the Executive Director	
Partners for Productivity (Training)	64,250
PADF Technical Assistance	<u>89,025</u>
Total	<u>\$235,375</u>

Included in this total is the transfer of \$31,375 (which included sums for the salary of the HDF Executive Director) from that allocated to the loan fund in the OPG, to cover the half-year extension expenses.

The substantial increase in the actual funding for operations of the HDF was caused partly by shortfall in estimating costs of operations, which was further exacerbated by the six month extension, and also by unfortunate experiences in fund raising efforts.

While expenditures and revenue showed a positive balance for the first year of the Foundation through June 1980, it is in the second fiscal year, July 1980 through June 1981, that HDF encountered serious problems. An initial budget for FY 1981, which called for only \$53,000 from USAID/OPG funds for operations, had to be drastically revised in April, 1981. The principal cause was some major failures in fund raising locally, and the inability of PADF to locate additional international funding for the HDF. The budget revisions envisaged \$184,158 for operations and \$33,100 for fund raising. In fact, operating expenses still exceeded the revised budget figures by \$18,458 and fund raising by \$73,242. The net result was a deficit for the second fiscal year of \$107,615, compared with a surplus the previous year of \$6,729.

The increased coverage of operational funding and the

.../...

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six month extension of the OPC was made up largely through the transfer of funds from the USAID/OPC loan fund to operations. Some \$110,000 was transferred in this manner, of which \$31,376 was transferred directly to PADP to cover additional technical assistance costs. One factor which mitigated the depletion of the USAID/OPC segment of the loan funds without seriously affecting the loan program, was the approval in February 1981 of \$500,000 loan by the Inter-American Development Bank (IDB), specifically restricted to providing sub-loans for beneficiaries.

b) The second OPC (January 1982 - June 1983)

In January 1982, a second 18-month OPC was approved for \$495,000 with budgeting allocated as follows:

BUDGETED FUNDS

	January 1982- June 1982	July 1982- June 1983	Total Total
Technical Assistance	\$36,000	\$58,000	\$94,000
IDF Operations	91,000	160,000	251,000
Loan Fund	50,000	100,000	150,000
Total	<u>\$117,000</u>	<u>\$318,000</u>	<u>\$495,000</u>

2. Expenditures in FY 1982 (July 1981 - June 1982)

Operating income in FY 1982 for the EDF, from all sources, including fund raising, and support from USAID, Public Welfare Foundation, IDB technical assistance, as well as interest and T/A funds amounted to \$260,000. Expenses of \$288,000, resulted in a deficit of \$28,500 for the 12 months ending June 30, 1982. The shortfall was covered by a \$2,500 contribution from the Overseas Education Fund, and a \$26,000 advance of USAID funds from the operations budget for FY 1983. The consequence of this action is that the final two monthly payments of \$13,000 to the EDF for FY 1983 in May and June of 1983,

.../...

will not be available for those months and USAID funding will be exhausted with the April allocation of \$13,000.

3. Current Fiscal Year Income and Expenses

The IDF has incurred expenses of \$188,230 for the first six months of FY 1983 (July-December) against receipts of \$155,637 resulting in a deficit of \$32,593. The chart below displays this information in more detail:

ACTUAL EXPENDITURES FOR FIRST SIX MONTH OF FY (July-Dec. 1982)

Income

Interest on Loans	\$28,838
Technical Assistance Fees	3,457
Local Fund Raising	22,009
External Funding - AID	81,350
External Funding - Restricted	<u>19,983</u>
Total	<u>\$155,637</u>

Expenses

Staff	104,560
Operations	78,031
Debt Service	<u>4,639</u>
Total	<u>\$188,230</u>

Surplus/Deficit

Deficit	(\$32,593)
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A budget was presented for a total projected revenue of \$487,800 but experience to date indicates severe revision is required.

.../...

Current baseline revenue is the \$13,000 monthly allocation from USAID and approximately \$7,300 from other sources. For a total of \$20,300 per month. Expenses have been running at a rate close to \$30,000. The HDF is aware of this situation and has revised its expenditure patterns to more closely relate to realisable budgetary expectations. First steps have already been taken with the reduction in staff of some \$3,000 in monthly accounts and further steps are being taken to bring expenditures more closely in line with an anticipated and foreseeable revenue.

G. Progress to date

The Haitian Development Foundation has become an established private sector organization in Haiti during the three years of its existence. The overall concept of providing small credits to small businessmen without access to customary channels of credit, has been proved valid, and progress is being made toward the achievement of the long range goal of economic development among the beneficiaries of HDF assistance. Membership in the Foundation has increased from 16 to 177, the Board of Directors has been reorganized and revitalized, the administrative structure has become established, and, following a rather shaky start, fund raising and developmental activities are becoming more fruitful. The Inter-American Foundation, the Public Welfare Foundation, and the Overseas Education Fund have all made grants, Foster Parents Plan International is subsidising one of their staff at the current animateur training program, and HDF has become a member of SOLIDARIOS.

1. Achievement of objectives

The tasks and objectives set forth in the previous USAID funded OPC's have successfully been met to a considerable extent.

- a. The managerial, financial and training capabilities of the HDF have been reinforced through consultation with PADF interchange

.../...

with other National Development Foundations, and through participation in regional training programs. There is in place an established organization capable of managing an extensive small loan program.

- b. Technical assistance and lending activities have been extended to the marginal private sector, with loans growing from 8 during the first year to a current 240 active beneficiaries, with an overall portfolio value of about \$740,000. Steps have been taken to expand into provincial areas, animateurs have been trained, surveys have been made, and field work in the areas selected has been undertaken. Restricted funds have been procured by the HDF to initiate this effort.
- c. Expansion of the ^{economic} sectors eligible for HDF assistance to the agribusiness area, has been undertaken on an experimental basis in connection with the training of additional animateurs. Regular operations have not yet begun although detailed plans and budgets have been prepared for funding.
- d. HDF skills in fund raising have been broadened through participation in a seminar in Washington attended by a number of NDF's in the Caribbean area, and through a visit^{and} report by a consulting group with expertise in fund raising.
- e. The HDF continues to grow in expertise and capacity to absorb a major development loan. It has shown a singular ability to find eligible and willing clients in the marginal sector, ready to accept training in basic business management skills and to present detailed applications for small credits.

The HDF is, however, in the risk business not in the banking business and there will always be development costs associated with a program of

.../...

providing credit to small businesses unable to get credit through the normal channels and having only small collateral if any besides the tools of their respective trades. In the HDF these development costs are concentrated in the animateurs, loan extension agents who are constantly in the field, supporting, monitoring, and assisting beneficiaries and prospective beneficiaries.

2. Expansion of Operations

Additional indications of progress are shown by the extent to which the HDF has expanded its operations.

a. Clients

It has been the policy of the Board to support a wide range of type of business. Attached is a list of those supported through June 1981. The concentration among tailors has been noted by the Board, and guidelines issued to the Credit Section to restrict loans in this area. (The concentration was largely caused by the HDF successful efforts to upgrade industry in an industrial sector in Port-au-Prince, which was rapidly becoming a depressed area).

b. Loan Disbursement

The loan portfolio currently stands at \$740,000. Since the first loan was approved in April 1980, the HDF has approved and disbursed 240 loans at an average of \$3,600 per beneficiary. These loans have varied from \$255 to \$8,329. Although the smaller loans continue to be approved (those of \$1,500 and under) there is an increasing tendency to issue large loans (\$5,000 and up). The initial source for loan funds were monies allocated in the original USAID OPC approved in April 1979 - \$150,000, which was subsequently reduced to \$40,000. PADF also extended a loan of \$37,500 to the HDF for these purposes. In February 1981, the Inter-American Development Bank approved a loan of \$500,000 to extend credit to micro-enterprises and other small productive projects in the Port-au-Prince metropolitan area. A second OPC, approved in January 1982, included an allocation of \$150,000 for the revolving loan fund. There remains of these funds, \$32,000 in the IDB account which is automatically retained by the IDB awaiting an audit of the HDF by IDB auditors, while the total available of USAID funds have been disbursed.

c. Range of small business supported

The following clients have benefitted from both technical and credit assistance: (as of Dec. 1982)

<u>Number</u>		<u>Total</u>
5	Charcoal dealer	\$ 2,032.23
7	Concrete	38,416.55
23	Tailors	35,958.11
4	Barbers	5,260.86
8	Garment shops	40,113.64
2	Candy Making	1,836.00
27	Shoe making	45,187.25
10	Iron workers	20,351.20
14	Trade boutiques	35,897.00
1	Ceramic manufacturing	8,047.29
1	Funeral parlor	3,060.00
6	Beauty salon	23,052.74
2	Battery sales shop & repair	4,972.50
2	Fishermen	8,568.00
2	Tourist shops	13,016.95
1	Goldsmiths	7,650.00
3	Dental clinics	20,265.01
1	Agricultural supplies	7,140.00
3	Poultry raising	17,597.06
1	Brake repair shop	7,145.00
1	Chalk making	1,326.00
1	Handicraft	7,650.00
27	Wood working	97,075.96
1	Women in development	6,936.00
4	Animateur transportation	12,865.71
1	Dry cleaning	2,097.67
1	Landromat	7,650.00
12	Artisanat	37,262.64

BEST
AVAILABLE

1	Advertising bill board	7,711.74
1	Air conditioning repair	5,669.75
4	Distillery	33,988.80
4	Restaurants	21,211.05
2	Drug stores	14,280.00
1	Medical clinic	4,080.00
1	Matress manufacturing	5,100.00
1	Book store	5,100.00
1	Plants raising	2,958.00
1	Honey production	7,650.00
1	Educational film	7,650.00
3	Bakeries	10,936.53
1	Tire repair	8,329.39
1	Picture frame making	4,323.54
2	T.V. repair	7,517.35
1	Printing shop	7,140.00
1	Sewing machine repair	3,570.00
1	Butcher shop	7,650.00
1	Photography	2,500.00
3	Jewelry makers	13,889.02
1	Medical laboratory	7,650.00
1	Ceramist	3,000.00
1	Mosaic manufacturing	8,047.25
2	Mecanics shop	15,300.00
1	School manual production	5,508.00
209		\$739,442.00

Note: There are approximately 1,400 SSE's in Port-au-Prince which employ less than 50 employees. Approximately 900 or 65% employ less than 5 employees and this sub-group is the HDF's target group.

d) Loan Reimbursement

The Foundation has recovered almost \$100,000 in principal to date and over \$70,000 in interest. While the rate of collection to date is running at about 93 per cent, one disturbing factor is that just under half of these clients are in arrears, and many have been in arrears for more than four months. While HDF realizes that it is not a bank, and that its clients, by their very nature, operate on the thin edge of the economy, a major effort is being made to improve collections.

e) Loan Demand

With the exhaustion of the available loan funds from USAID and the IDB, the HDF is only accepting further loan requests which can be absorbed by the recycling of principal funds. Nevertheless, there are awaiting disbursement, approved loans for some \$102,000. An interesting factor in assessing loan demand is the increasing number of potential beneficiaries who are coming directly to the Foundation offices. For the present total of 238 clients (including those receiving technical assistance) 77 or slightly over 30 percent first came directly to the office and were then assigned to an animateur.

f) Development Impact

The Development impact of this program has been extensive, reaching beyond the customary economic indicators. The program has created between 2 to 4 jobs per loan, and an equivalent income increase

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per job is about \$600. The program has succeeded in reversing the trend in a declining sector of the city, but most important are the intangible benefits of raising the level of social management consciousness socio-economic development among the clients supported.

3. Current Problem area

There are five current problem areas which the Executive Director is fully aware of, and is trying to take steps to ameliorate:

- a) . Loan Approval System: Throughout the year. modifications have been made in the loan approval system in order to speed it up, but there are always improvements that can be made and the HDF is very receptive to any further areas of improvement which do not seriously affect the capacity of the HDF to judge the worthwhileness of the small loans, when justification is based more on the character of the beneficiary than on the balance sheet which is small and the collateral which is usually less.
- b) . Management and Control of Loan Portfolio: The collection efforts need to be stepped up. The HDF is making a major effort in this direction, and one officer in the credit department has been assigned principally to managing this function.
Two animateurs - without direct responsibility for the beneficiaries in arrears - have been going into the field to encourage collection.
- c) . Fund Raising: Fund raising strategies have been developed both for the HDF and by the HDF itself. The lack of tradition which Haiti has in this type

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of activity, and the absence of any real tax incentives make local fund raising a particularly difficult task. The HDF is trying and has a section of the HDF directed solely to this task, but there are no easy answers. In the international donor area, the Executive Director has made a great many approaches and has been rewarded with some \$63,000. ^{in the last six months.} But again, these efforts consume a great deal of time and money.

- d) . Institutional Management: The HDF has never been on a sound financial footing. Despite the two OPG's amounting to \$990,000, the HDF only received some \$470,625 for administration and operational purposes - less than half. The remainder was attributed to technical assistance (\$329,375) and to the revolving loan fund (\$190,000). In order to balance the budgets presented under these OPG's the Foundation was constrained to procure considerable outside funding, both local and from international donors. Despite valiant efforts, the results within Haiti have been modest and have been exacerbated by an early disastrous effort. In the international sphere, the HDF is beginning to have some limited successes. Funds from international foundations and lending agencies, however, are generally restricted to specific projects or areas of interest to the donor and have not been attributable to the operational and administrative support necessary to undertake the specific projects funded in this manner.
- e) . Present Financial Status: The Foundation's success in disbursing credit has had the effect of emptying

the loan window before a sufficient number of loans had returned sufficient principal for recycling. This circumstance has been exacerbated by a shortfall in reimbursement of principal. The consequence is that until additional capital loan funds are forthcoming the Foundation is essentially monitoring and supporting current loans and implementing a concerted effort to increase the reimbursement rate.

III. PROJECT DESCRIPTION

A. Goal

The Goal of this project is to increase the economic productivity of the small business sector in Haiti.

B. Purpose

The overall purpose of this project is to provide continued support to the Haitian Development Foundation (HDF). Under the proposed 12 month grant, the specific purposes are:

- . to provide technical assistance to the small business sector in Haiti in basic bookkeeping and management skills.
- . to provide small credits to those businesses which meet the eligibility guidelines
- . to strengthen the financial management and credit operations of the HDF to a level at which it can effectively utilize and administer a capital loan.
- . to expand technical assistance and credit to other geographical regions of Haiti, as well as continuing to support viable projects in the greater Port-au-Prince area.
- . to develop an effective fund raising program within the HDF capable of developing a resource support base.

It is anticipated that the achievement of these objectives will have a substantial impact on the small business and micro-enterprises sector of the Haitian economy in direct ratio to the number and volume of loans disbursed, and will develop the HDF to the point at which it has achieved a measure of financial autonomy, and self sustaining capacity.

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C. Funding

Funding for this project will be divided into three interrelated functions, and the amounts and flow of funds have been closely adjusted to remain in balance. Total funds requested for USAID funding are \$495,000.

These functions are:

1. Operational Costs: \$220,000 - The administrative costs required to maintain the Foundation operations, over and above those projected from other sources, local funding, and the interest from sub-loans. Plus \$20,000 contingencies funds to cover any fund raising shortages during the life of the project or any previous deficits.
2. Loan Funds: \$160,000 - Adequate loan funds flowing at an even rate, designed to maintain the Foundation in a fully operational mode in providing credit to small businesses.
3. Technical Assistance: \$95,000 provided for the provision of technical assistance in designated functional areas, by individuals or organizations recommended by the Foundation with the concurrence of USAID.

A detailed budget analysis is presented in Chapter IV, Section E

D. Description of the Project

At the end of the year of this project funding, the HDF will have provided technical assistance and credit to some 420 small enterprises. This figure includes some 240 beneficiaries currently receiving credit, who will continue to be supported by the HDF. The figure of 420 is also subject to increase if additional loan funds can be procured from other sources.

The project will operate through the Haitian Development Foundation, which has some three years experience in providing technical assistance and credit to small businesses in Haiti to eligible qualified clients through already established technical assistance and loan procedure systems. A number of trained loan extension agents, "animateurs", operating in the field will conduct initial screening of potential beneficiaries, provide

training in technical assistance to upgrade management skills to an acceptable level, and then assist the potential beneficiary in the preparation of a loan application. Loan applications are reviewed and analyzed in a credit section of the HDF and submitted to the Board of Directors or delegated authority for approval or rejection. Clear and precise eligibility criteria relating not only the limited financial circumstances of potential beneficiaries but also their involvement and participation in the entire process have been formulated and are being implemented. With the funding available under the project, the EDF anticipates expanding operations, both in terms of geographic areas covered and client outreach. The Foundation anticipates expanding its operations into the more rural areas of Haiti, and has begun plans to install an extension of the Foundation in the area of Petit-Goave, a rural area of some 90,000 inhabitants relating to an urban center of about 20,000 inhabitants which is located about one hour by car from the capital. The Foundation is also considering the possibility of opening a branch in Cap-Haitien, the second principal city in the country which is located on the northern coast. A survey of the transformation industries in these areas was conducted last spring under the sponsorship of the Foundation. The HDF expects to diversify its portfolio to promote new lines of businesses and develop the stagnant informal sector, including intervention in the agri-business sector.

E. Terms and Conditions of the Grant

The recipient of the grant will be the Haitian Development Foundation. The term of the grant will be for 12 months beginning from the date of signature of agreement.

The grant will be made on condition that the funds will be

.../...

administered in accordance with the terms and conditions set forth in this proposal as expressed particularly in the budget presented.

Since a principal purpose of this grant is to develop the financial and managerial capacity of the HDF to effectively operate within a budgetary plan, and to establish a base for negotiations regarding a capital loan, particular attention will be paid to the manner in which negotiations for funds from other outside sources (apart from local fund raising), and of the outcome of those negotiations in the interests of adjusting the flow of USAID funding to the best interests of the Foundation.

F. Project Activities

1. Program Component

The program of the project consists of the distribution of small loans to eligible entrepreneurs and groups among the micro-businesses of Haiti. An integral part of this program is the provision of technical assistance and management support to these individuals and groups, most of whom have only rudimentary management skills.

The HDF has been in existence for four years and has had an active credit program for slightly more than three years. During this period a considerable body of experience has been gathered, and a number of changes and modifications made in the methodology and philosophy of providing credit to small businesses which have had none or minimal previous experience with credit or even with the concept that one could expand a business and increase one's income and generate additional employment. There is no established model for the type of program that the HDF is applying, although there are a number of National Development Foundations in other Caribbean and South American Countries. The program being evolved is being developed in terms which are appropriate to Haiti, but there is still an element of "state of the art" in this program.

The HDF will continue to modify internal policies and procedures in keeping with the basic objectives of the Foundation and within the existing program.

a. Sub-lending terms and criteria

Sub-loans will not exceed \$10,000 for individuals and \$25,000 for groups. The main emphasis of loans, however, will be on

amounts considerably less in order to achieve an average of about \$3,600 per loan. Although no specific distribution ratio is mandatory, it is expected that in order to meet the \$3,600 median guideline, the Foundation will continue to issue sufficient loans, probably short-term, to offset loans in the higher ranges. For the purposes of meeting this guideline, loans to groups will be determined not by the undivided amount, but by the amount of participation by each member (e.g. a loan of \$20,000 among a group of 8 tailors would be considered for these purposes as individual loans of \$2,500. Loans are issued to beneficiaries with varying terms depending on the nature of the loan. In general, however, short-term loans will be issued for one year with a two to three month grace period and medium term loans of two years and possibly up to five with a six month grace period. No long term loans will be issued.

Funds will be available for the financing of micro-enterprises in the transformation industry, retail services, and in those related to agricultural production, although not to agricultural production itself. Among the types of project to be supported would be: iron workers, artisans, cabinet makers, auto mechanic shops, pharmacists, and such others as locksmiths, bakers, or pots and pans makers. In the agricultural production area, the concentration would be on such as: storage facilities, transport, fishing equipment, and agricultural tools.

Emphasis on Groups and Women

There will be an emphasis on the promotion and support of groups and women. Groups and other cooperative organizations have not been too active in Haiti, but the potential advantages in terms of operational costs per loan and the multiplier effect outweigh the additional effort initially required in order to encourage formation of the group.

There are currently some 41 beneficiaries who are women, constituting almost 20 percent of the total outstanding loans. This statistic is in keeping with the results of the survey of small business undertaken in 1979 (see Annex E). The HDF has made great efforts to locate train and employ women animateurs, and has in addition, restricted funds which will support the employment of one woman animateur to undertake technical assistance and credit activities largely in a rural area.

With a lack of a history of groups or group formation in Haiti, the HDF has had in many instances to create groups and these have often been a partnership of two people. Although there are currently only 20 group sub-projects, the HDF recognizes the potential which groups offer and is continuing a major effort in this area.

Technical Assistance to Beneficiaries

An integral part of the project is the technical assistance provided to beneficiaries by the Foundation through the animateurs. These individuals are the unique and vital element in the program.

These individuals have been trained in all aspects of small business administration: accounting, record keeping, inventory control, procurement, marketing, etc. At the end of their training they are fully capable of passing on their knowledge to potential beneficiaries and it is a requirement of eligibility that a potential beneficiary show competence in the area of basic management skills before presenting a loan application. The checklist which is included in the dossier for a loan, requires competence in a wide variety of business skills. The principal requirement however, is the ability to maintain elementary account books without detailed supervision by an animateur. To date, such

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technical assistance has been provided strictly on a one-to-one basis. It is expected, however, that the Foundation will develop a program which will allow some of the training to take place at central locations convenient to the beneficiaries where groups may be trained at the same time; thereby effecting some cost saving.

Loan Procedures

All loans applications are prepared on forms supplied by the Foundation and require detailed information of the project background, number of beneficiaries, both direct and indirect, investment schedule, production projection, and administrative controls and procedures. The application is then subjected to a feasibility analysis in the Foundation, which analyzes the viability of the proposed project in terms of cash flow, return on investment, characteristics of the beneficiary, and also establishes the reimbursement schedule appropriate to the project.

Loan Review and Approval System

The Board of Directors has appointed a Credit Committee with responsibility for approving or taking other action with respect to all loans presented. This authority has been devolved as follows in the interests of efficiency:

- . loans of over \$10,000 are reviewed directly by the credit committee of the Board
- . loans of \$2,500 to \$10,000 are reviewed by an internal credit committee consisting of the Executive Director, the Director of Promotion and the Credit Officer.
- . Loans of under \$2,500 are reviewed and acted upon directly by the Executive Director . . .

.../...

Interest Rate on Loans

The rate at which loans are currently issued is 14 percent which is a concessionary rate compared to the current Haitian commercial bank rate for similar loans of 18 percent. This rate may be changed during the life of the project if changes in commercial interest rates warrant it. A 2 percent fee is also charged all beneficiaries for loan documentation and closing. This is paid for, in advance, to the Foundation as part of the principal of the loan.

Loan Disbursement, Recording and Reimbursement

Upon approval of a loan, the Foundation will make the initial disbursement to the beneficiary, or directly to the supplier of goods and services if such are called for. The loan is recorded at the Foundation, and the terms and conditions are reviewed with the beneficiary prior to disbursement at the time that he or she signs the necessary documentation. Customarily, the title to any equipment purchase with loan funds is retained by the Foundation as collateral until the loan is fully paid off. All documentation supporting the loan is maintained at the Foundation.

The rate of reimbursement is established at the time of initiation of the loan. The policy of the Foundation is to have the beneficiary bring the monthly payment directly to the Foundation. It is usually in cash. A receipt is prepared and given to the beneficiary. Control is maintained by having a copy of the prenumbered receipts distributed to the Financial Office, to be reconciled with bank deposits. The funds are deposited daily.

The rate of reimbursement to date has been at about \$6,000 or more per month. Arrearages have only recently become a problem with the Foundation and a program is being implemented to enhance collection.

2. End of Project Status/Outputs

By the end of this 12-month grant, the HDF will have gained an additional year of experience with particular emphasis on the monitoring and implementation of the technical assistance and credit program. During the first two phases, the HDF has been most successful in developing an active and effective loan program and in disbursing some \$740,000 in loan funds into the small business community in Port-au-Prince.

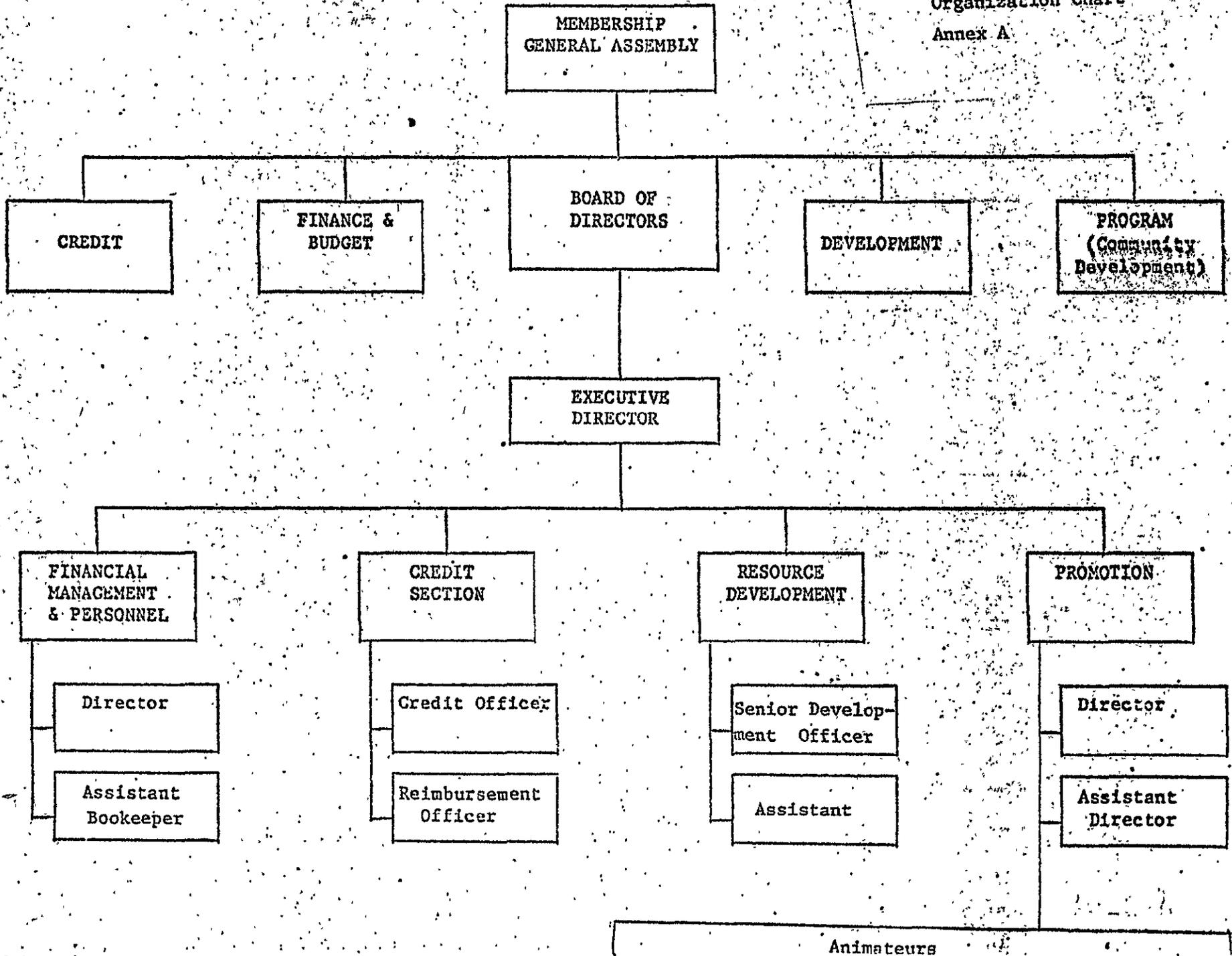
Approximately 180 new clients will be assisted during this grant, although this figure could be increased if additional loan funds come available.

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

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

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Haitian Development Foundation
Organization Chart
Annex A



DESCRIPTION DES ATTRIBUTIONS DU COMITE DE CREDITA- But du ComitéBEST
AVAILABLE

La fonction principale de ce comité est:

- 1- de formuler la politique de prêt et veiller à son application. Le comité statuera sur toute proposition de modification de politique de prêt émanant des membres du comité et de la direction exécutive de la Fondation.
- 2- de décider de l'approbation des prêts dont le montant excède la limite approuvée par le comité interne de crédit (soit \$10,000).
- 3- de statuer sur une démarche n'excédant pas la limite sus-mentionnée sur la requête d'un ou plusieurs membres du comité interne.
- 4- d'évaluer et de statuer sur les projets devant être soumis au Fond de Développement Industriel.
- 5- de revoir les dossiers approuvés et les prêts déboursés par le comité interne de crédit. Ce comité est formé par les membres du staff. (Officiers de crédit, Directeur de Promotion et Directeur Exécutif).
- 6- de visiter et d'évaluer sporadiquement une entreprise de leur choix.
- 7- de donner son avis sur l'emploi de tout officier de crédit.
- 8- d'analyser la position des prêts, de veiller à ce que le retard dans les remboursements des prêts n'atteigne pas soixante jours (60).
- 9- de suivre l'exécution dans la collecte des clients douteux.
- 10- d'analyser les prêts approuvés par le département de crédit et de faire leur recommandation.
- 11- d'analyser le rapport de la section des finances et de contrôler le taux de clients douteux.
- 12- de contrôler les fonds disponibles en relation au total mensuel des prêts effectués.

N.B.

Le Directeur exécutif a voix de délibération au sein de ce comité. Les Officiers de crédit ont voix de consultation.

DESCRIPTION DES ATTRIBUTIONS DU COMITE DE DEVELOPPEMENT COMMUNAUTAIRE

A- But du Comité

Ce Comité est une instance chargée de suivre spécialement les activités de la Fondation en matière:

- 1- de politique de développement rural
- 2- de l'intégration de groupements urbains ou ruraux à caractère coopératif, associatif ou communautaire aux objectifs poursuivis par la Fondation.
- 3- d'évaluation des impacts sociaux, économiques et écologiques de projets pris en charge par la Fondation sur la collectivité régionale et nationale.
- 4- de promotion de technologies appropriées à la réalité haïtienne
- 5- de visite sporadique dans les centres de travail financés par la FHD
- 6- d'analyse mensuelle du rapport du Directeur Exécutif pour la réunion du Conseil
- 7- d'informer le Conseil de toute situation relative à leur fonction
- 8- de chercher à connaître les forces économiques de chaque région concernant la Fondation et d'étudier la méthode de mise en place des projets devant donner vie à la communauté

B- Fréquence de réunion

Ce Comité se réunira périodiquement trois fois chaque trimestre avec le Directeur Exécutif et le Directeur de Promotion en vue de prendre connaissance et discuter des questions précitées et émettre des décisions sur les stratégies à adopter.

C- Relations avec le Conseil d'Administration

Les décisions de ce Comité sont soumises au Conseil d'Administration pour discussions et approbation.

D- Qualifications

Préparation ou expérience en développement communautaire, sociologie ou économie rurale. Capacité d'évaluer les besoins du milieu rural. Volonté du Développement.

DESCRIPTION DES ATTRIBUTIONS DU COMITE
DE RELATIONS PUBLIQUES ET DE DEVELOPPEMENT DES RESSOURCES

A- But du Comite

Ce Comite a pour tâche:

- 1- de développer le programme des relations publiques de la Fondation et d'être l'interprète de l'institution tant par engagement personnel qu'au niveau de son intervention auprès de la presse parlée ou écrite.
- 2- de préparer une campagne annuelle de collecte de fonds. Il prépare le projet de campagne, le soumet à l'approbation du Conseil d'Administration qui après examen ratifie, ou modifie son exécution.
- 3- d'utiliser l'influence personnelle des membres pour recruter de nouveaux membres pour la Fondation et de supporter les démarches entreprises par le staff de développement des ressources en vue d'obtenir les contributions devant constituer la contre-partie locale.
- 4- d'atteindre et de dépasser le niveau de la contre-partie haïtienne nécessaire au fonctionnement de la Fondation et permettant la stabilité de l'institution et l'accomplissement de ses objectifs.
- 5- d'informer le Conseil de toute situation relative à leurs responsabilités.
- 6- de fixer les objectifs de position et de finance et de veiller à ce qu'ils soient atteints.

B- Fréquence de réunion

Ce Comite se réunit une fois par mois au minimum pour analyser les rapports mensuels du Directeur Exécutif pour la réunion du Conseil.

C- Relations avec le Conseil d'Administration et le staff.

Ce Comite rapporte au Conseil d'Administration et travaille avec le Directeur Exécutif et le Directeur de Développement des ressources après avoir informé le Directeur Exécutif. Le Comite ne doit pas interférer au niveau du Directeur de fonction. La position du comite est de vérifier, contrôler, rechercher et informer.

Qualifications

Comprendre en tout premier lieu l'importance de l'objectif de la FHD. Familiarité avec le secteur privé. Capacité de projeter le bien fondé et la valeur socio-économique de la Fondation.

DESCRIPTION DES ATTRIBUTIONS
DU COMITE DE BUDGET ET DES FINANCES

A- But du Comité

Ce comité a pour tâche:

- 1- d'analyser les dépenses mensuelles par rapport au budget.
- 2- d'analyser les états financiers soumis par le Directeur financier.
- 3- de reviser les rapports soumis au Conseil d'Administration.
- 4- de reviser le budget annuel préparé par le Directeur Exécutif avec la collaboration du Directeur financier.
- 5- d'informer le Conseil d'Administration de toutes matières budgétaires ou financières.
- 6- de contrôler l'utilisation des éléments du budget.
- 7- de faire leurs recommandations au Conseil en la matière.
- 8- de contrôler le coût unitaire des prêts et d'étudier les méthodes pour son amélioration.

B- Fréquence de réunion

Ce comité analysera mensuellement les rapports préparés par le Directeur Exécutif pour la réunion du Conseil et fera ses recommandations.

C- Relations avec le Conseil d'Administration et le staff.

Ce Comité travaille avec le Directeur Exécutif (qui invite quand c'est nécessaire le Directeur Financier) et soumet ses rapports et ses recommandations au Conseil d'Administration pour approbation. Ce Comité travaillera avec les autres directeurs de fonction. Position de vérification de recherche et de contrôle uniquement concernant le staff.

D- Qualifications

Connaissances financières et budgétaires. Familiarité avec l'échelle de paie des institutions internationales de crédit et les modalités de financement des Agences Benevoles. Familiarité avec l'échelle de paie nationale en fonction des qualifications. Savoir contrôler la performance individuelle et analyser l'opération au groupe. En cas de besoin d'un technicien dans un autre domaine complémentaire, présenter au Conseil.

B- Frequance de Raunion

Les réunions se tiennent au moins une fois chaque mois dependant du flux de dossiers dont les montant depasseraient la limite de \$10,000.

C- Relation avec le Conseil d'Administration et le staff.

Les décisions de ce comité sont exécutées immédiatement par la Direction exécutive et le staff et n'attendent pas l'approbation du Conseil d'Administration excepté dans le cas des décisions concernant la politique de prêt.

D- Qualifications

- 1) de l'expérience dans le domaine des finances ou de crédit ou un bagage en comptabilité ou évaluation de projets.
- 2) habilité d'évaluer les besoins socio-économiques des petites entreprises ou des projets agricoles ou agro-industriels.
- 3) connaissance assez forte du milieu de travail haïtien et des valeurs qui y sont fortes.

HAITIAN DEVELOPMENT FOUNDATION
LOAN REGULATIONS

Section I

PURPOSE OF THE LOANS

Article 1.- The resources from the H.D.F. Credit program may be used in the financing of projects and productive programs in the following sectors: Transformation industry, retail, services, fishing and agriculture and to related services (transportation, storage, insurance etc.)

Section II

LOAN RECIPIENTS

Article 2.- Loans may be granted in order to finance projects such as those described in article I of this regulation to those individuals or groups receiving technical assistance from H.D.F. which comply with the following requirements (in the case of groups, no less than 80% of the members should adhere to the following requirements):

- (i) Personally administer their own project or entreprise.
- (ii) The project or entreprise should provide a major part of the income and/or contribute to a significant increase in the income of each participant.
- (iii) That the projects or entreprises assets do not exceed the following limits:
 - a) In the case of agricultural projects the net assets including the value of land and building should not exceed the equivalent (per member) of 10 times the annual legal minimum wage.
 - b) In the case of cattle raising, the net assets including land and buildings should not exceed the equivalent (per member) of 20 times the annual legal minimum wage.
 - c) In the case of transformation industry, retail and services, net assets including the value of lands and building evaluated a net depreciated prices, should not exceed the equivalent (per member) of \$25,000.00.

- (iu) That in the case of group loans, no less than 60% of the project's or enterprises production (or sales in the cases of services and retail) originate from members who adhere to the requirements established in the previous insert (iii)
- (u) Notwithstanding that established in insert (iii), in no case can a loan granted to projects or enterprises whose net assets including, valued at net depreciated prices exceed \$50,000.00. In the case of loans granted under the guaranty of FDI or similar international institution, the above limits will only apply to the loan portion directly financed by HDF.

Article 3.- To be eligible for financing with funds from H.D.F.'s credit program, the applicants should:

- a) Have had previous experience in the activity they plan to under take and/or
- b) Be willing to receive training and technical assistance
- c) Present information concerning their socio-economic conditions acceptable to the foundation.
- d) Have received technical assistance and at least 4 visits by HDF animators. However this requirement can be waived for applicants who have demonstrated experience in management competency.

Article 3 (bis) HDF's employees are not eligible for business loans, not are their ascents and descents.

Section III

MAXIMUM AMOUNTS AND PERIODS

Article 4.- HDF is able to make a loan for the development of a project only when the total amount of the loan is not more than \$10,000.00 in the case of individual loans, or the equivalent \$6,000.00 per member in the case of group loans with the total net exceeding \$35,000.00, with no more than 25% of HDF's loans exceed \$10,000.00.

In all cases where a loan is granted, the borrower must sign a loan agreement and must be subject to the following conditions:

Article 5.- HDF is able to make loans to persons for up to 18 months with up to 3 months grace period for short-term loans, and up to 60 months with up to a 6 month grace period for medium term loans, depending upon the conditions and needs of each project.

The Credit Committee of the Board of Directors has authority to extend the grace period and the terms of repayments on a case by case basis.

Section IV

INTEREST RATES AND OTHER CHARGES

Article 6.- The interest rates charged by the HDF are determined by its Board of Directors, rates should remain compatible with the legislation and official policy in effect in the country, and should be maintained at levels less to those rates used in the banking system for similar projects.

Article 7.- The interest rates begin taking effect on the date of disbursement and are calculated on the actual balance on principal.

Article 8.- The costs incurred by HDF in the concession of loans such as legal cost, liens, life insurance as well as part of the technical assistance costs and a small financial commission, as determined from time to time by Credit Committee with Board approval, are charged to the loan recipient and may form part of the loan.

Article 9.- In those cases where there is a delay in payment equivalent to 30 days or more, the interest rate is automatically changed until payments are brought up to date in accordance with the payment plan established in the loan agreement.

Section V

LOAN AGREEMENTS AND THEIR CONDITIONS

Article 10.- In all cases where a loan request has been approved, prior to disbursement the loan recipient (5) must sign a loan agreement and promise to adhere to the following conditions:

- a) Comply with terms and purpose of the loan as approved by the H.D.F. and not introduce modifications in the use of the loan without previous written authorization from the H.D.F.
- b) Allow H.D.F. employees, or those authorized by H.D.F., to undertake evaluation, and verifications of the use of H.D.F. funds, as well as revisions of the project's books or other inspection of the equipment, inventory, workplace or other goods included in the respective project.
- c) Maintain an adequate accounting or bookkeeping system from which financial statements can be prepared.
- d) Develop and maintain, in a separate account, a cash reserve to cover depreciation of equip., financial risks, and emergencies.

Section VI

GUARANTEES

Article 11.- The principal guarantee for the execution of the projects financed by H.D.F. is the promotion process and technical assistance provided by the monitors as well as the feasibility of the project itself.

Article 12.- In accordance with H.D.F.'s judgement, each loan should be backed by any or all of the following guarantees:

- a) Co-signers (in the case of group loans)
- b) Collateral made up of the equip. and goods purchased with the loan funds, and/or of the equipment and goods contributed by the loan recipient. (s)

Section VII

THE LOAN REQUEST AND ITS PROCESSING

Article 13.- The loan requests should be presented in writing and should contain the additional information and documentation as that described in article 18 of this regulation.

Article 14.- The loan request is presented to the promotion supervisor who assigns it a number and makes a general revision of the contents and determines whether or not the loan request is to be processed.

Article 15.- All loan requests are processed in their order of presentation once the required informations and documents are provided.

Article 16.- In the case of a loan request being incomplete or needing additional information and/or documentation the promotion department informs the applicants (s) of the additional information and/or documentation needed so that it may be completed and presented.

Article 17.- The loan request with all the additional informations and documents is carefully analysed by the Credit Officer who prepares the corresponding feasibility study.

Article 18.- The loan requests should be accompanied with the following information and documentation:

- a) A detail description of the project to be executed containing information about:
 - (i) Project background
 - (ii) Objectives of the project
 - (iii) Number of loan recipients
 - (iv) Number of indirect beneficiaries
 - (u) Investment schedule
 - (ui) Production projections
 - (uii) Marketing information
 - (uiii) Organizational structure (in group loans, board of directors and by-laws should be included)

- (ix) Proposed repayment plan
- (x) Technical assistance required
- (xi) Administrative controls and procedures
- (xii) General observations

Article 19.-

The analysis and feasibility study of each project will include, among others, the following aspects:

- a) The project or activity to be financed
- b) The investment schedule and proposed application of the loan funds.
- c) Disbursement plan indicating dates and amounts
- d) Economic analysis (cost-benefits, net value, R.O.I.)
- e) Payment plan
- f) Cash flow (projections of income and expenditures)
- g) Technical assistance and project supervision
- h) Projected increase in family incomes for loan recipient(s)

Article 20.-

For each loan request processed, the credit officer prepares a written report indicating the results of the respective analysis and feasibility study, and making the corresponding recommendations about financing the project. This report, together with the feasibility study and additional documentation, is then presented to the Executive Director who, after reviewing its contents, sends it to the Creditor Committee.

Article 21.-

The Credit Committee reviews the project and the feasibility study for approval or rejection and informs the board of directors of their respective decision as soon as possible.

Article 22.-

The Executive Director and the Credit Director signing jointly can approve loan up to \$2,500.00 without previous approval by Credit Committee of Board of Directors.

For loans from \$2,500.00 to \$10,000.00, the additional signature of a senior loan officer authorized by the Credit Committee will be required.

Credit Committee approval is required for loans over \$10,000.00.

Section VIII

DISBURSEMENT

Article 23.-

Once a loan is approved, disbursement should be made according the investment plan and/or timetable of the respective project's activities. Disbursement will be made by means of checks issued directly to the suppliers of good and services whenever possible and only when necessary, will the checks be issued directly to a loan recipient.

Section IX

LOAN AMORTIZATIONS

Article 25.-

In the wanting of credit, HDF will undertake a supervision process that will allow HDF to be fully aware of the exact use of loan funds in order to assume that funds are used properly and facilitate loan recovery.

Article 26.-

If HDF determines that the loan funds have been used for purposes other than those specified in the project and corresponding loan agreement, HDF reserves to right to demand immediate payment of the total amount loaned.

Article 27.-

The control of the loans payments is the responsibility of HDF's loan Collector under direct supervision of the Credit Director. In order to assure the timely recovery of money loaned in accordance with the respective payment plans established in the loan agreements, in order to undertake the necessary measures in the case of latness or default, the credit Director will comply with the following norms.

- i) Once a loan is disbursed to the individual or group financed the Credit Director receives a copy of the signed loan agreement (contract) and other legal documents and safe keep them.
- ii) The loan Collector opens a loan file for the disbursed loan containing the essential informations relevant to the project and the payment plan established in the loan agreement.
- iii) Any loans more than 30 days overdue will automatically be charged additional interest which shall be determined from time to time by Credit Committee. The loan Collector will contact the delinquent client and will submit a monthly report to the C.C. with copy to the finance department.
- iu) In those cases where the delay in payment is to 60 days a formal letter will be sent to the client by the Credit Department.
- u) In those cases where the delay in payment is more than 90 days, the Credit Department will notify the Executive Director in order to determine legal disposition to be taken.
- ui) On a monthly basis the Credit Director will prepare a report of the portfolio. Copies will be sent to the president of the Credit Committee, the Executive Director, the Financial Manager, and all other interested parties.