

*HOME IMPROVEMENT LOAN PROGRAM*  
*FOR*  
*DEMOCRATIC UNION MEMBERS IN NICARAGUA*

*Prepared by:*  
*The Cooperative Housing Foundation*  
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## EXECUTIVE SUMMARY

The following report presents an innovative Home Improvement Loan Program for Democratic Union Members in Nicaragua. The proposed program, designed by the Cooperative Housing Foundation (CHF), is based on CHF's findings during a three-week investigation in Nicaragua, under a cooperative agreement between the United States Agency for International Development (USAID) and the American Institute for Free Labor Development (AIFLD).

As part of its current Strengthening Democratic Institutions (SDI) Program, USAID funded a project to provide support for democratic unions in Nicaragua. Economic and political constraints have seriously hampered the impact of program benefits to the intended democratic union beneficiaries. In an attempt to identify alternative program vehicles, a review team composed of AIFLD, the State Department and USAID determined that a home improvement loan program would be the most viable, alternative mechanism to assist the democratic union movement in Nicaragua. CHF, with more than three decades of expertise in developing home improvement loan programs throughout the world, was contracted by AIFLD to design the program.

### A. Project Overview

The goal of the proposed program is to strengthen the ability of democratic labor unions in Nicaragua to promote democracy in the workplace and to help their members improve their living conditions by enabling these unions to offer home improvement programs to their members. The project will be established under the sponsorship of a labor management association, which will promote further cooperation for activities supportive of the democratic union movement and will promote savings and responsible credit practices among members of democratic union members.

USAID and AIFLD will enter into a cooperative agreement, at which time AIFLD will establish a trust to receive the funds for the program. The program delivery vehicle will be via the establishment of a Labor Management Organization (LMO) which will function as a legal entity with the ability to plan, sponsor and implement activities that will benefit members of democratic union members. AIFLD will assist in the establishment of the LMO and will serve as an advisor to the organization during the disbursement of funds for the program.

The first activity of the LMO will be the proposed home improvement loan program for employed members of democratic unions. The LMO will establish an administration unit that will be responsible for the coordination, implementation and monitoring of the program and CHF will contract a project administrator, with the approval of AIFLD and the LMO, to hire additional staff and manage the administration unit.

Funds will not be channeled through the unions or their confederations. Unions will have an active role in the program in promoting the program, assisting in the application procedure, negotiating payroll deductions with employers and in providing credit and savings information for member applicants, and will serve an advisory role. Unions will channel applicants to the funding source. The LMO will certify the democratic unions to participate in the program. The administration unit will coordinate with those labor unions and their

confederations, and will provide the required technical assistance and training to the union representatives selected to provide the unions' program services to the union members.

The project administrator will negotiate and contract with intermediary institutions to receive the union members' applications, process the applications and disbursements according to program regulations, and maintain an effective collection program. The trust will negotiate and contract the loan with the intermediary. The funds from these loans will be used to make loans by the intermediary to the individual union borrowers. The union member's loans will carry a market rate of interest, a maintenance of value clause, and will have terms of up to three years.

**B. Project Innovations**

The proposed design incorporates the innovative and essential program concepts of payroll deduction and a three month saving program. The repayment method proposed will be through an automatic payroll deduction. The union member will give the employer an irrevocable authorization to deduct the loan payments from his or her paycheck. The employer will then remit the employee's payment to the intermediary institution. This method will effectively guard against the current consumptive mentality and, it is hoped, may eventually foster the habit of setting aside a portion of each paycheck for savings.

In order to incorporate a savings component into the program, the application process requires the individual borrower to establish a savings account with the intermediary institution and to deposit three initial savings "payments", each equal to 15 percent of his or her monthly salary, into the account. These three savings "payments" must be deposited before the application is approved. Besides introducing the borrower to a savings mechanism, this trial saving period will also allow the borrower to understand the effect of the loan repayment on his or her net pay before actually entering into the loan contract. In addition, these savings deposits can be used to cover the maintenance of value adjustments to the loan balances so that the monthly payment may remain fixed for the majority of the loan period.

**C. Training and Technical Assistance**

AIFLD will contract a technical service organization (TSO) with qualifications and experience similar to CHF to provide training and technical assistance during the first two years of the program. The TSO will assist AIFLD in the establishment of the LMO and the administration unit. A full-time TSO Resident Representative in Nicaragua will work closely with the LMO's project administrator and staff to plan, coordinate and monitor program activities and provide the necessary training for all program participants.

**D. Finance Requirements**

The program will require approximately \$4.3 million in local currency in capital over a five year period. The start up and operational costs for the first three years are estimated to be \$957,383.

## PART I : BACKGROUND

### I. Methodology

The project feasibility study and design were carried out by a three-person CHF design team in Nicaragua over a three week period in November 1993. The team was supported by AIFLD's Country Program Director for Nicaragua. The team conducted interviews, meetings, informal surveys and consultations with various organizations and individuals in order to gather information on the Nicaraguan housing sector, determine the feasibility of a home improvement loan program for democratic union members and design a viable, sustainable program. See Annex 1, "Contact List", for a listing of organizations and individuals that participated.

### II. Housing Sector Overview

Nicaragua has a population of 4,130,000 and is the largest country in Central America with an area about the size of the state of New York. Nicaragua has the lowest population density of the region (6.1 inhabitants per square kilometer) and one of the highest growth rates (3.2% annually) bringing the average family size to 5.52 persons. The majority of the inhabitants (56%) live in urban areas.

#### A. Housing Stock

The number of housing units in Nicaragua is approximately 677,049. The shortage of housing is the highest in Central America with an average of 6.1 inhabitants per unit, or 1.18 families per unit. Approximately 52 percent of the houses are connected to a potable water system, 23 percent are hooked up to a water bourn sewer, 36 percent are connected to hygiene services, and 76 percent have electricity.

The housing deficit in Nicaragua is estimated to be between 415,000<sup>1</sup> and 510,000<sup>2</sup> units. One estimate apportions the deficit as 460,000 new units and 50,000 renovated units that would require an investment equal to the cost of a new unit. Approximately 50,000 units are located in informal settlements and need to either be replaced or substantially improved. It

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<sup>1</sup> Banco de la Vivienda de Nicaragua, Papal del Banco de la Vivienda en la Politicia Habitacional de Nicaragua, Exposicion presentada ante la XXXI Conferencia Interamericana de Vivienda efectuada en San Jose, Costa Rica, Mayo, 1993.

<sup>2</sup> Diagnostico del Sector de la Vivienda y su Financiamiento en Centroamerica. Trabajo presentdo por Miguel A. Murillo por encargo de UNIAPRAVI, Agosto de 1993.

is estimated that approximately 10 percent of the deficit is among upper income families, 20 percent middle income families, and 70 percent low income families. Projections show that 25,000 new housing units need to be constructed annually between 1993 and 2000, but the Nicaraguan Housing Bank (BAVINIC) has set a more realistic goal of up to 10,000 units annually for the next five years.

The characteristics of the housing stock are estimated as follows:<sup>3</sup>

<u>Characteristic</u>	Urban %	Rural %
Overcrowding	34%	37%
Precarious Construction	35%	45%
Dirt floor	47%	81%
Precarious land title	28%	29%
Kitchen outside of house	41%	38%

#### **B. Housing Delivery System**

The housing delivery system that existed in Nicaragua in 1979 was dismantled by the Sandinistas and is in the process of being restructured. At present, the Ministry of Construction and Transportation (MCT), created in 1988, is responsible for the formulation and implementation of the government housing policy. In an effort to decentralize the activities of the GON, the July 1988 Municipal Law gave the municipalities the responsibility for urban development and land use within their jurisdictions. The municipalities are coordinating their participation with the Instituto Nicaraguense de Fomento Municipal (INIFOM).

In its role as implementer, the MCT designs housing projects and administers, supervises, and controls all government construction activities. It has the authority to directly engage in construction activities, or to ask for public bids and award contracts for the construction of projects.

The MCT is also charged with establishing construction norms, issuing construction licenses, and regulating and supervising the activities of private construction companies.

The MCT, since its inception in 1989, has provided only 305 housing units and 16,000 roof only units.<sup>4</sup> It is estimated that at least 80 percent of the construction of new houses is done

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<sup>3</sup> Ing. Jose Luis Osorio, Estudio Sobre la Prolemtica Habitacional Rural de Nicaragua. Volumen I, Banco Centroamericano de Integracion Economica, Banco de la Vivienda de Nicaragua. Agosto de 1993.

<sup>4</sup>Final Draft Report, Reactivation of the Housing Finance System in Nicaragua, An Overview of Issues and Prospects. Nathan Associates Inc, August 1992, Page 20.



by the informal sector.<sup>5</sup>

Collection payments for public housing are made to BAVINIC.

BAVINIC has reportedly obtained three loans for social interest housing. The loans are as follows.

<u>Source of Loan</u>	<u>Amount of Loan</u>	<u>Est. No. Solutions</u>
Venezuela	(*)US\$8.0m	2,000
CABEI-Mexico	28.0m	5,000
Japan via CABEI	4.0m	n/a

\* includes a counterpart of US\$4.0 million

The two loans from the Central American Bank for Economic Integration (CABEI) are from CABEI to the Central Bank of Nicaragua with BAVINIC acting as the implementing agency. The GON plans to charge 12 percent interest for projects financed with a loan from Venezuela and 11 or 12 percent for projects funded by a loan from Mexico. Both loans will be for a 15 year period with a maintenance of value clause included in the purchase contract. Reportedly, BAVINIC will include a maintenance of value clause in its sales-contracts for the housing units constructed with these loans.

A private sector housing finance system does not exist in Nicaragua. At present, seven private banks are chartered and another reportedly is being established. All of these banks have been formed since 1991. However, they are prohibited by law from making loans for housing.

### **C. Construction Industry**

The capacity of the private construction industry has diminished considerably over the past decade because of the lack of government and private urban development and housing projects. At present, it is basically at a standstill and is anxiously waiting for GON contracted loans to be implemented with the participation of the private sector construction companies.

Skilled and semi-skilled construction workers are available to participate in any type of construction activity. Unemployment and underemployment among construction workers is very high. For example, one construction union reported that of its 24,000 members, approximately 3,000 were employed. The high rate of unemployment and underemployment has created a situation in which construction workers are working for less than minimum wages.

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<sup>5</sup> Murillo, p. 55.

#### **D. Construction Materials**

Almost all of the construction materials needed for any home improvement or expansion activity are produced in Nicaragua. The few imported items, for example, hinges for doors and electrical outlet covers, are available locally. The suppliers of locally produced construction materials would not have any difficulty in supplying the materials needed for a home improvement and expansion program.

The cost of delivering the construction materials to the construction site varies, of course, depending upon the distance between the supplier and the site. As a general rule, transportation costs are approximately ten percent of the cost of the construction materials.

### **III. Demand for Housing Among Trade Union Members**

The expressed demand for housing was repeated throughout the meetings and interviews that were held with union representatives and members. Although specific housing needs vary from family to family, they can be categorized as improvements, expansions or core construction. The desire for housing has become all the more frustrating for those groups or individuals who have been able to attain lots from the government, or elsewhere, but are unable to finance the building of the physical structures due to lack of housing credit within the public banking sector.

#### **A. Potential Beneficiaries**

The above situation clearly emphasizes the need to verify effective demand for a home improvement loan program among democratic union members. In an effort to identify the effective demand, meetings were held with six confederations and dozens of the confederations' affiliated unions. Whenever possible, individual surveys were taken. (A copy of the survey form and survey results from confederations and union members can be found in Annex 2.)

The total number of potential program beneficiaries was determined by subtracting from the total membership the approximate percentage of those who are unemployed (30%)<sup>6</sup> (excluding the teachers who are guaranteed 100% employment), those who are renting (25%) and by assuming that half of the remaining employed, non-renting membership either earn below the average union income, and could not afford to take out a loan, or are not interested in participating in a home improvement loan program.<sup>7</sup> From the team's

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<sup>6</sup> It is believed union employment is significantly higher than the national average because the local union representatives tend to report the number of employed, active members.

<sup>7</sup> This is a conservative estimate because the surveys indicate that approximately half of the participants live in households with 2 or more earners and would have sufficient income to repay a home improvement loan. An exception to the above is the agricultural sector. In the two agricultural

investigations, the following estimates were calculated:

- ◆ total membership of the six confederations evaluated: 186,180;
- ◆ total employed membership: 134,826;
- ◆ total employed, non-renting members: 101,120;
- ◆ total potential program beneficiaries: 50,560.

#### **B. Income and Employment Profile**

The average monthly salary within these confederations is approximately C841. This figure was calculated based on numerous interviews with union representatives and 167 individual surveys of union members. Although this salary is slightly below the "canasta basica" (average household monthly costs) which was C1035 in September 1993, the surveys indicate that approximately half of the survey participants live in households with two incomes and the average household income is C1135 per month. The average household size is six. (See Annex 3 for a description of the Canasta Basica.)

These union members can be found working in almost every existing economic sector throughout the country. They are municipal workers, professionals, taxi drivers, teachers, gas station attendants, health providers, market women and factory workers. The population of union workers is most dense in the urban areas and where there is concentrated economic activity. What is worth noting is the employment stability among the investigated population - on average, these individuals have eight years each in their current positions.

#### **C. Need for Home Improvements/Expansion**

Despite the significant number of potential program beneficiaries and an earning capacity that would appear sufficient to participate in a home improvement loan program, the question remains as to whether or not home improvement loans are needed and desired by democratic union members. Although 98% of those interviewed or surveyed believe they need a home improvement or enlargement and would like to participate in an unsubsidized program as it is described herein, it has been estimated that only 38% (50,560) of the employed union members would have both the desire and capacity to participate in such a program.

According to the surveys received, 54% of union members own their own homes, 24% rent homes and 21% have other arrangements. In total, 89% have electricity, 92% have running

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unions visited, 7000 members with C250 average monthly incomes were reported. For economic reasons, this sector will most likely be unable to participate in the proposed program. Therefore, the agricultural union data were omitted from the calculations.

water, 53% have sewer connections, 76% have latrines, 61% have kitchens and the average number of bedrooms per house is 1.8.

The desired home improvements mentioned most often in the surveys were additional rooms, new roofs, floors, walls, and latrines. In a recent study, of a sample of 367,279 houses surveyed, 249,590 in urban areas and 117,689 in rural areas, a range of needed improvements included the following.<sup>8</sup>

<u>Type of Improvement</u>	Urban %	Rural %
Expand unit	55%	60%
Repair roof	48%	57%
Repair wall	40%	53%
Install electricity	38%	30%
Improve sanitation system	39%	32%

The prioritized housing needs, as expressed by those surveyed, were identified as the following.<sup>9</sup>

Type of Improvement	Urban %	Rural %
Expand unit	24%	51%
Replace roof	18%	16%
Latrine	3%	9%
Repair walls	10%	6%

**D. Affordability**

Although it is estimated elsewhere in Central America that an individual can contribute anywhere up to 25% of the monthly salary to a home improvement loan payment, it is recommended that the monthly payment for this loan program not exceed 15% of the beneficiaries' monthly salary. This will provide a "cushion" for those beneficiaries whose incomes may lag behind future price increases over the term of the loan. This cushion will also serve to soften the blow of the required maintenance of value adjustments. As an example, fifteen percent of a C900 per month salary would indicate that the average borrower could qualify for a loan of 3150 cordobas (\$500) at 20% interest over a 30 month term. This amount will be sufficient to purchase the required materials and labor to complete the majority of home improvements or expansions that have been requested by union members. (See Annex 4 for home improvement costs.)

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<sup>8</sup> Osorio, Estudio Sobre la Problematica Habitacional Rural de Nicaragua.

<sup>9</sup>Ibid.

## **E. Saving and Credit Mentality**

### **1. Saving**

Nicaragua's recent economic history has discouraged individual savings, leading to the near total demise of the thrift industry and a widespread consumption mentality which undermines economic growth and government solvency. Among the union members surveyed, the savings mentality appears almost non-existent due to the economic conditions affecting the country, the low incomes affecting the union members, the absence of financial institutions in which to save, the high rates of inflation that deteriorate the value of savings and the absence of a savings habit. The union members surveyed and interviewed felt it was important for families to have savings and expressed an interest in participating in a savings program.

### **2. Credit**

The current credit mentality of the potential program participants was of major concern to the design team. An extra effort was expended to understand the beneficiaries' concept of a borrower's responsibilities under the proposed loan parameters, i.e., unsubsidized interest and principal payments. The question was asked, "If you are currently spending your entire paycheck each month, how will you pay a loan also?" Those groups and individuals questioned believed that a system of automatic payroll deductions would be the most effective method to ensure payment. The mentality of those interviewed indicates they are accustomed to spending the full amount of the paycheck, but are able to adjust spending habits according to the net pay received. Payroll deduction is a fairly common practice in government and private institutions and is used to repay loans or advances received from the employer. Many union members interviewed had received advances or loans and had repaid them in full via this payroll deduction method. Whenever possible, the team met with representatives of the businesses or institutions who verified this information and indicated that they themselves, as employers, would support the program by administering the payroll deduction and paying the intermediary institution directly. When asked about additional types of guarantees, union members felt that co-signers could serve as an additional guarantee to the lending institutions.

## **IV. Legal Status**

The team's legal investigations concluded that it is possible under Nicaraguan law to establish a trust fund in a commercial bank to receive funds from AIFLD, disburse funds to intermediate institutions participating in the program, and receive repayments for loans from the intermediate institutions. A Nicaraguan lawyer observed that a trust fund can be established (See Annex 5).

As an example, the United Nations Development Programme has recently created a trust fund, with Canadian financing, that is being administered by a commercial bank for a micro-enterprise loan

program. The fund is called a Contrato de Custodia y Administracion de Fondos Destinados a Financiamiento Rural Local.

Additionally, the establishment of the legal personality of the Labor Management Organization was discussed with several lawyers who observed that such an organization may take several different forms including that of a corporation, a civil society, a cooperative or a non-profit association.

## PART II: PROJECT DESIGN

### I. Overview

#### A. Project Goal

The goal of the proposed project is to strengthen the ability of democratic labor unions in Nicaragua to promote democracy in the work place and help their members improve their living conditions by enabling these unions to offer home improvement loan programs to their members. The project will be established under the sponsorship of a labor management association, which will promote further cooperation for activities supportive of the democratic union movement and will promote savings and responsible credit practices among members of democratic unions.

#### B. Project Participants

Project implementation will entail the establishment of a Labor Management Organization (LMO) with an administration unit. The administration unit will work with democratic unions and confederations, intermediate institutions, union members and employers in the implementation and management of a home improvement loan program for democratic union members. The administration unit will be provided technical assistance and training by a Technical Service Organization with qualifications and experience similar to those of CHF.

##### 1. Establishment of a Labor\Management Organization

The project will enable democratic labor unions to offer programs to their members to improve their living conditions. The delivery mechanism will be via the establishment of a Labor\Management Organization (LMO) which will have a board composed of seven representatives. Representation on the LMO board will be as follows:

Democratic Labor Unions:	3 Representatives
Private Employers:	2 Representatives
Academia:	1 Representative
Banking Sector:	1 Representative

The LMO will be established by AIFLD and will help to strengthen the role of democratic labor unions in Nicaragua. AIFLD will seek legal counsel to establish the legal documents for the institution, which could take the form of a civil society or a corporation. (See Annex 6 for a description of the Labor Management Organization (LMO) The LMO will be able to plan, sponsor, and implement activities that will benefit members of democratic labor unions. The organization will have its legal personality and be able to, among its institutional objectives, receive donations from,

and disburse loans to, legal entities that are assisting members of democratic labor unions. AIFLD and the TSO will serve as advisors to the organization during the disbursement of funds for the program and will have a voice but no vote in the decisions made by the organization.

## **2. LMO Administration Unit**

The first activity the LMO will sponsor will be a savings-based home improvement and expansion loan program for employed members of democratic labor unions. The savings component of the project will be limited due to the aforementioned conditions affecting Nicaragua. However, the project will require an initial savings commitment on the part of the labor union members interested in participating in the project, an orientation on the value of savings and loan repayments, and the introduction of the participating union members to an institution in which to continue a saving program.

The organization will establish an administration unit for the program that will be responsible for the coordination, implementation, and monitoring of this activity. The TSO will contract a project administrator, with the approval of AIFLD and the LMO board of directors, to be in charge of the administration unit. The project administrator will hire a promotor, secretary, and office aide for the loan program. The TSO will train and provide assistance to the project administrator and the promoter in their respective program-related tasks.

## **3. Union and Confederation Participation**

The LMO board will certify the democratic labor unions that are to participate in the project. The project administrator will coordinate with those labor unions, and the confederations to which they are affiliated, and arrange for training of the individuals at the union level who will be responsible for promoting the home improvement loan program, orientating interested union members on saving and credit, helping members to fill out a loan application provided by the unions, and negotiating a payroll deduction with the employer, among other activities.

## **4. Intermediate Institutions**

The project administrator will negotiate with and select intermediate institutions such as commercial banks or nongovernmental organizations (NGOs) that are located or operate in the community in which the democratic labor unions certified to participate in the program are located. An agreement will be entered into by the LMO and the intermediate institutions that will describe the latter's responsibilities including, but not limited to, receiving applications from the target group of beneficiaries, that is the members of democratic labor unions, for home improvement and expansion loans; establish the terms, conditions and guarantees for the loans; maintain a collection program; and other aspects of the activity. (See Annex 7 for a List of Institutional Responsibilities.)



**5. Union Members**

Interested union members will receive an orientation on credit and savings and will be responsible for completing the application requirements and presenting their applications to the intermediate institutions. Borrowers will be responsible for completing the home improvement or expansion and repaying the loan in a timely manner.

**6. Employers**

Employers will be requested by the union members to provide letters stating the employees' salary and years of employment and will also administer payroll deductions as prescribed in the employees' irrevocable authorization letter. The employer will deduct the monthly loan payment from the union borrowers' paycheck and will pay the intermediate institution directly.

**7. Technical Service Organization**

A technical service organization (TSO) will be contracted by AIFLD to provide technical assistance and training to the LMO and the LMO administration unit for a period of two years.

**II. Loan Structure and Parameters**

The program design entails a two-tier loan structure involving loan contracts between the trust and intermediary institutions and loan contracts between intermediary institutions and individual borrowers. (See Annex 8 for Flow of Funds Schematic).

A loan contract will be entered into by the LMO and the intermediate institutions to finance an estimated number of home improvement and expansion loans for members of selected democratic labor unions. AIFLD will disburse the money contracted into a trust fund that it will establish for the project. The trustee will then sign loans with the intermediate institutions to finance the individual loans to democratic union members.

Upon receiving the loan funds from the trust, the intermediary institution will process and service individual loans to democratic union members. The loans from the intermediary institution to the union members will be at market interest rates (approximately 20%) with loan terms of one to three years. The monthly payment will not be greater than fifteen percent of the borrower's monthly salary. A maintenance of value clause will be included in the loan contracts. As part of the application process, each borrower will deposit three initial savings "payments" (each payment equal to 15% of their monthly salary) into a restricted savings account with the intermediary institution before receiving their loan disbursement. These funds may be used to meet the maintenance of value requirement, allowing the borrower's monthly payment to remain fixed for most, if not all, of the loan

term.

The terms and conditions of the loan contracts between the trust and the intermediary institutions will be negotiable. In order for the intermediary institutions to cover their loan administration costs, it is estimated that they would require between 4% to 10% over the term of the loan. To cover the costs of processing the applications, it is estimated that an intermediary institution may require an additional 0% to 2.5% initiation fee. For the purposes of this report, it is assumed the intermediary institutions will receive a 2.5% initiation fee and 5% over the term of the loan. This allows the intermediaries to cover the application processing costs and also motivates them to recover the principal. Under this scenario, the intermediary institution will repay the loan to the trust at 15% over a three year period with an initial three month grace period.

### **III. Loan Making and Administrative Process**

#### **A. Promotion and Application Process**

Program promotion will be the responsibility of the participating unions and confederations that will have representatives assigned to promote the program to fellow members of their union. The terms, conditions and requirements of the loan will be clearly posted in each participating union office. These representatives will be available to provide explanations of the terms, conditions and requirements of the loan to all interested union members and will also be able to assist the interested member in determining how much he/she can afford to borrow and what types of improvements or expansions can be considered for that loan amount. An orientation on the importance of saving and the responsibilities of borrowers will be included.

Those members who have received an orientation to the program and have decided to apply for a loan will receive an application and application assistance from their union representatives. He or she will go over the application form with the applicant, review the documents required and assist the applicant in filling out the application, securing the required documentation and determining the loan amount to be requested. The documentation required will include, but is not limited to:

- a statement signed by a member of the union's Executive Committee declaring that the potential borrower is a member in good standing with the union and has paid union dues for at least the past three months;
- a letter from the applicant's employer stating the applicant's salary, years of employment and history of previous loans;
- a letter signed by the applicant giving irrevocable authorization to the employer to deduct the specified monthly payment amount from the applicant's pay for the term of the loan plus three initial "savings" deductions;

- letters from the two co-signers stating they will make the payments in the event the borrower is more than fifteen days delinquent;
- letters from the employers' of the two co-signers stating their respective salaries and years of employment;
- a simple drawing and budget for the home improvement contemplated

The applicant will present his or her loan application to the indicated intermediary institution and will at that time authorize the establishment of a restricted savings account in that institution to receive the three initial savings payments. This will initiate a savings program, demonstrate the seriousness of the applicant in being considered for a loan, and show the member the effects of a deduction for a loan on the actual take-home pay. If the payroll deductions prove to have an adverse effect on the family's economic situation, the applicant will have the option to terminate the application process. Although the initial payroll deductions will be for debt reduction, it is hoped that by establishing the habit of setting aside from immediate consumption a portion of current earnings, true saving behavior may result after the loan has been repaid.

#### **B. Application Processing and Disbursement**

Upon delivery of the loan funds from the trust to the intermediary, it will then process union members' loan applications in accordance with the parameters established for the program. A visit to the home to be improved or expanded will be conducted by the intermediary institution's representative in order to verify the existence of the structure to be improved or expanded, to provide any technical assistance required, and to perform the social analysis. The social analysis will be conducted to determine the potential impact of the loan program on the family's economic situation. The following factors will determine the amount of the loan:

- the monthly payment will not exceed 15% of the applicant's monthly pay;
- the loan amount will be sufficient to complete the improvement or enlargement contemplated (including materials, labor and material transportation);
- the monthly payment will not impact negatively on the family's ability to meet basic monthly expenses.

Upon completion of the institution's requirements and the credit and social analysis, the loan request will be rejected or accepted. In the case of rejection, the applicant will be informed and will receive authorization to terminate the payroll deductions. Any savings payments deposited into the applicant's savings account at the intermediary institution will be released to the applicant upon request and he/she will have the right to close out the savings account.

The approved applicants who have deposited the three savings "payments" will be informed that their application has been accepted and the funds are available to be disbursed. The borrower and co-signers will sign the promissory note and the intermediate institution will

issue the disbursement to the union member for the improvement or expansion of his or her house. If there will be more than one disbursement, the union member will sign a provisional promissory note for each partial disbursement and a consolidated promissory note for the complete amount of the loan. The intermediate institution will supervise the construction process and authorize, if necessary, the second and any additional disbursements.

#### **C. The Home Improvement/Expansion Process**

The union member is responsible for the improvement or expansion of his or her house. He or she may contract skilled labor to undertake the work, build it by self-help, or use a combination of these two methods. The intermediary institution will supervise the construction process to ensure that funds are used as prescribed in the loan contract. This supervision may entail site inspections, collection of receipts for construction materials purchased, and/or a system of direct payment where the disbursements are made via checks in the name of the material supplier or contractor.

#### **D. Payment and Collection**

The democratic labor union and the confederation to which it belongs will, in most instances, negotiate a payroll deduction for the participating members with the employer. The employer will have received the irrevocable authorization for payroll deductions, a copy of which was included in the application package, and will initiate the payroll deductions according to this document. In those cases, the employer will send the monthly payment for the loan directly to the intermediary institution. The union members who do not have a payroll deduction, such as some construction workers and chauffeurs, will repay the intermediary institution directly each month.

The intermediary institution will receive the payments each period, keep 5% of the interest paid for servicing the loan and use the balance to repay the intermediary's debt to the trust. The intermediary will prepare a report each month to the LMO's project administrator which will include payments received, payments overdue and loan balances adjusted for maintenance of value. Overdue loans will be classified and the intermediary institution will manage an aggressive collection program that will include the LMO's project administrator and, when necessary, the involved union's representative.

#### **IV. Use of Reflows and Interest**

The principal repaid into the fund will be used to make additional home improvement and expansion loans for a period of three years. The interest from the loans will be used to finance the operations of the LMO and the administration unit needed to manage this activity and to fund labor-management activities such as workshops and educational activities for union members and their families.

## **V. Institutional Analysis**

### **A. Program Model Justification**

Several potential program models were explored and evaluated. One potential model was the creation of a workers' bank. This model was rejected due to the time and expense required to create and develop a fully-functioning financial institution in Nicaragua. In order to receive the superintendent of banks' authorization to operate, the bank must have \$2,000,000 in capital. To achieve the goals of this particular project, it would appear more prudent to employ the institutional capacity of existing organizations in order to provide the benefits to the democratic union members in the most cost-effective, efficient manner.

Another potential model involved the establishment of a trust to be administered by AIFLD and the bank managing a trust with the loan program being managed by a non-governmental organization (NGO). This model was not considered feasible for lack of NGOs with shelter lending experience. However, the proposed design is a variation of this model.

The proposed model was chosen because it is the model most likely to achieve the stated program goals of strengthening the democratic union movement by enabling unions to offer the benefits of home improvement loan programs to their members. The proposed design provides a mechanism, through the LMO, to promote labor management cooperation for activities supportive of the democratic union movement while also promoting a saving and credit mentality among union members. Employing the institutional capacity of existing organizations, e.g., commercial banks and, possibly, one or more NGOs, will allow the unions to offer the benefits of a home improvement loan program without incurring the time and expense required for creating that institutional capacity. In order to have a sustainable program, and to have the opportunity to implement additional programs, the LMO and its administration unit must become viable, effective organizations. The proposed design and implementation plan will provide for this required institutional development.

### **B. Intermediary Institutions**

Intermediary institutions considered include commercial banks, credit unions, cooperatives and other non-governmental organizations.

#### **1. Private Banks**

There are six commercial banks in Nicaragua all of which operate under a banking law and are regulated by the Superintendency of Banks. Commercial banks are forbidden by law to make housing loans. The occasional housing loans that are made by commercial banks are classified as personal loans. All of the commercial banks have been established since 1991, are full-service banks and are computerized.

Despite the above legal restriction, the Superintendent of Banks said that a home improvement and expansion loan program could be channeled through the private

banks if the funds for the program were from an external source (in this case funds from USAID to AIFLD) and the participating banks did not carry the loan risk.

Several commercial banks expressed interest in participating in a home improvement loan program for democratic union members. (See Annex 9 "Potential Intermediary Institutions" for description of commercial banks.)

## **2. Nongovernmental Organizations**

Before any NGO would be considered to participate in the program as an intermediary institution, it would have to meet certain criteria such as having a qualified staff, having experience in making and recuperating loans, having a good credit rating with any lenders, and being able to work with members of democratic labor unions.

Reportedly, more than 120 NGOs are operating in Nicaragua administering a wide variety of programs ranging from family planning to credit for microenterprise. No NGOs are reportedly sponsoring housing credit programs. Most of these organizations are either recently established or are in the process of reorganization. These organizations may be considered as future potential intermediaries depending upon the pace of development of their institutional capacities.

One type of NGO that might be considered as an intermediate institution are credit unions. Although the credit union movement in Nicaragua was reduced dramatically during the past decade, some are still operating on a limited basis and with a reduced membership. For example, the Federation of Credit Unions of Nicaragua (FECACNIC) reports that in 1980 it had 120 affiliated members with approximately 50,000 members. In 1993, it has 35 affiliated credit unions with about 5,000 members. The Nicaraguan Development Foundation (FUNDE) is helping to reactivate 35 credit unions and lists 14 as in good condition. (See Annex 10 "Savings and Loan Cooperatives" for a list of credit unions in good condition per FUNDE.) No credit unions are computerized.

## **VI. Technical Analysis**

### **A. Physical Resources**

The loan delivery and collection system requires no new commitment of physical resources. Except for the creation of an office for the administration unit, the program will work through the offices of the participating private banks and the halls of participating unions. The private banks who have expressed an interest in the program have adequate data processing capacity, and can quickly adapt existing software to administer this program.

As far as the resulting construction activity is concerned, skilled, semi-skilled and unskilled

labor are all abundant and locally available in the areas where the program will be conducted. Material demands will not have a discernible effect on supply because of the relatively small size of the program, the gradual pace at which it will be rolled out, and the wide variety of home improvements for which money will be lent.

#### **B. Technical Issues**

As the flow chart in Annex 8 shows, a key program element is reliance on payroll deduction as the preferred method of borrower repayment. It was beyond the scope of this study to do an exhaustive polling of employers to see how many were willing and able to assist their employees in this way. It has been determined that most of the larger employers will perform payroll deductions for the program. Should this program be approved, it is recommended that the unions themselves approach employers and request that this service be provided as a benefit to their employees.

A key management issue is span of control. It is believed that it is well within the capability of the project administrator to supervise nine intermediaries distributed throughout the geographic concentrations of democratic union membership.

The capability and experience of the project administrator is crucial. S/he must deal with diverse constituencies. On the job training will be required.

Credit education for the union borrowers is also a vital component to the program design.

### **VII. Financial Analysis**

The objective of the project is to create a financing facility which becomes completely self-sustaining after the first several years of operation. Both cash flow and net income will be important measures of the project's success.

#### **A. Cash Flow and Net Income**

Lending operations must show a positive cash flow and a positive net income once the program has reached capacity. Capacity will be determined by how many participating intermediary institutions the administration unit can manage comfortably with adequate oversight, and how many loans each intermediary can make each month. Effective loan demand, average loan size and term, interest rates, and the rate and timing of loan losses will all have a direct bearing on cash flow and income.

It is estimated that each intermediary in the program will begin originating 5 loans per month, and over a four month period will reach up to thirty per month. This is a conservative projection since CHF's similar home improvement lending operation in El Salvador is currently originating thirty-five loans per participating intermediary per month.

Initially, three intermediaries will be trained and activated. Over the course of Years 2 and 3, six more intermediaries will participate, for a total of nine. It is anticipated that several different intermediary institutions will participate in the Managua region, with the balance serving the smaller cities.

According to the growth projections calculated in Annex 11, it will be 3 1/2 years from the project's initiation before cash flow from operations becomes positive and the administration unit becomes financially self-sustaining.

**B. Loan Loss Rate**

The single greatest danger to the project's viability is that the rate of loan loss will be higher than anticipated. Heavy reliance on payroll deduction as the preferred form of repayment will help to hold the loss rate down. However, a very high loss rate (10%) was assumed for the first year of lending, with the rate slowly declining in subsequent years. (By contrast, CHF's lending programs in other Central American countries have loss rates in the 1% to 5% range.)

As a form of sensitivity analysis, a check was made to determine the financial consequences if the loss rate did not decline from the initial 10% assumed rate. If the loss rate stays at 10%, the project does not reach break-even until Year 5. However, even with a 10% loss rate, the program will show a small but consistent profit from Year 5 and forward.

**C. Loan Size**

In the first year of lending an average loan size of C3150, or \$500.00 was assumed. In subsequent years the average loans are expected to grow gradually to \$1,000.00 as borrowers undertake slightly more ambitious projects. To test the sensitivity of our projections to loan size, the financial effect of loan size failing to grow over the first five years of operation was analyzed. If loan size holds steady at \$500, the project will reach break-even in Year 5 and be modestly profitable thereafter.

**D. Interest Rate**

The project's guidelines require the development of a program design for home improvement loans with unsubsidized interest. In checking with local banks, it was found that no home improvement lending was taking place, and that quoted rates for collateralized commercial borrowing ranged from 18% to 25%. The bankers who were interviewed felt that a rate in the 18% to 24% range was appropriate for this type of loan. We are recommending an interest rate of 20% with a maintenance of value provision.

**E. Maintenance of Value**

Virtually all financial transactions today in Nicaragua are subject to "maintenance of value". A maintenance of value requirement, or clause, ensures that the value of the investment is



maintained against the U.S. dollar via periodic revaluations of its face value in local currency, in this case, Cordovas. In order to maintain the long term viability of the capital fund, it is essential that all loan agreements contain a maintenance of value provision.

Although one would think a concept such as maintenance of value would be difficult to explain to the average borrower, the practice has become so prevalent in Nicaragua that the concept is almost common knowledge. Regardless, the program should include education on the maintenance of value provision and the practice must be palatable, and not overly burdensome to the borrower.

CHF is recommending the mechanism of advance payment payroll deductions, in the form of the three required savings "payments". These payments will earn interest in a savings account and, for a loan with a thirty month term, will be sufficient to cover the maintenance of value adjustments at the current rate of devaluation. This will enable to monthly payment to remain stable for most, if not all of the loan term.

**F. Internal Financial Rate of Return (IFRR)**

The projections show the IFRR over a ten year period to be 7.46%, and over a twenty year period to be 16.41%.

**G. Currency Requirements: Local Currency vs. Dollars**

The program will require approximately \$ 4.3 million in capital over five years, while start-up and operational costs will be \$ 957,383 over the first three years.

The capital fund can be fully capitalized with local currency. Start-up and operational expenses, as well as the full amount of the TSO technical assistance contract, should be paid in dollars.

Currency requirements, therefore, are as follows:

Local currency	\$ 4,300,000
Dollars	\$ 957,383

The year-by-year requirements are detailed in Annex 12 under Currency Requirements.

**VIII. Economic Analysis**

**A. Effects on Housing Finance**

The projections show approximately 7,650 loans totalling \$ 5.85 million being made over the first five years of the program. The macroeconomic effect of this level of activity will not be large even by Nicaraguan standards.

More significant, it is hoped, will be the program's psychological effect on the private banking community. Today the banks are not making any home improvement loans to speak of, and they have no plans to enter this market segment. If this program demonstrates to bankers that home improvement loans can be cost-effective, and that the repayment rate is high, then they may be willing to risk a portion of their own capital on these loans in the future. Indeed, if the first several years of the program are successful, and Nicaraguan banking laws have been changed as planned, the LMO board should require that the banks begin contributing some portion of the lending capital from internal funds.

This program's success should also serve to spur the resuscitation of the thrift segment of the banking industry in Nicaragua. Savings and loans and credit unions are still struggling to recover from the inflation of the 1980s. Demonstration that home improvement loans are once again viable will give these institutions an indirect boost and encourage their growth.

**B. Effects on the Private Banking Industry**

In the short run, this program will provide a no risk source of income for the private banks. While it will by no means be a major source of profits, the program will introduce a new client base to the private banking industry all of which will open savings accounts in the bank and some of which may eventually desire other banking services.

It is hoped, in the longer term, participation in this program will influence private banks to think of democratic union members as creditworthy customers for their various services.

**C. Effects on the Construction Industry**

Beyond the direct impact of the program on the participating borrowers and lenders, there will be some small but locally perceptible impact on the domestic construction industry. However, the demand effect of increased construction activity will not be large enough to result in any inflationary pressure on the price of materials, and certainly not on labor.

**D. Internal Economic Rate of Return (IERR)**

When taking into account the overall effect of the program on Nicaragua, then the IERR differs from the IFRR in one important respect: the benefit to families receiving loans. It is assumed the monetary value of this benefit to be equal to their loan payments with no salvage value.

A market interest rate is being used and virtually all of the construction materials to be used are domestically produced. Assuming a 50% shadow price for labor and a 15% tax on materials, the IERR over a ten year period will be 11.13% and over a twenty year period 21.36%.

## **IX. Training and Technical Assistance**

The training and technical assistance components of the program will be provided by a TSO, with qualifications and experience similar to CHF, under a contract with AIFLD. (A description of CHF and its institutional capabilities is provided in Annex 13 "CHF Capability Statement".)

The TSO should be capable of providing the following training and technical assistance during the planning, implementation, and administration of the program.

### **A. Training**

The TSO will help the staff of the administration unit of the LMO to:

- ◆ train the program administrator and the promotor of the administration unit in their respective jobs;
- ◆ arrange and coordinate an international study tour to El Salvador and Honduras to visit ongoing CHF-assisted home improvement and expansion loan programs for the members of the LMO, the program administrator and the promotor of the administration unit;
- ◆ design and implement a training program for the leadership and designated personnel of the confederations of democratic labor unions to cover the purpose of the program; the terms, conditions, and guarantees; promotion of the program to their affiliated unions; and an overview of the institutions involved and their respective responsibilities;
- ◆ design and implement a training program for the leadership of the certified, democratic unions to cover the purpose of the program; the terms, conditions, and guarantees; promotion of the program to their affiliated members; and an overview of the institutions involved and their respective responsibilities;
- ◆ design and train the designated personnel of the democratic labor unions in how to orient their members to the concept and practice of savings and credit; describe the home improvement and expansion loan program and the institutions involved and their responsibilities; and offer assistance in completing the loan application form, and obtaining a simple plan and budget for the desired improvement or expansion;
- ◆ design and implement a training program for the staff of the intermediary institutions to include the purpose of the program; the terms, conditions, and guarantees; an overview of the institutions involved and their respective responsibilities; the criteria for the simple plan and budget for the home improvement or expansion; and any additional information;
- ◆ monitor the program promotion and application assistance provided to the union members by the confederations and suggest improvements and assist in the implementation of modifications.

**B. Technical Assistance**

The TSO will provide technical assistance to the LMO, AIFLD and the administration unit in the:

- ◆ preparation of job descriptions for the program administrator and the promotor and a procedure to assess and qualify the candidates for the positions;
- ◆ preparation of a detailed implementation plan for the entire program to be reviewed and modified annually;
- ◆ preparation of a procedures manual for the administration unit;
- ◆ preparation of job descriptions for the staff of the administration unit;
- ◆ design, implementation, and administration of the program;
- ◆ preparation of the regulations for the two levels of the program, (a) from the LMO to the intermediary institutions and (b) from the intermediary institutions to the beneficiaries;
- ◆ assessment of the various institutions during the process of negotiation and selection of intermediary institutions to participate in the program;
- ◆ preparation of promotional material describing the program to disseminate to the confederations, their affiliated unions, and the union members;
- ◆ assist in the design of the various forms and documents for program;
- ◆ problem identification and corrective actions required during the implementation of the program;
- ◆ monitoring and evaluation of the program;

The TSO will also assist AIFLD in the organization of the LMO and the trust fund for the program.

**X. Monitoring and Evaluation Strategy**

Monitoring will be an ongoing activity of the program. The TSO will plan and implement a monitoring strategy that will include the preparation of periodic reports describing the progress of the program, issues, and corrective action to be taken to address the issues. The TSO will submit its reports to AIFLD for distribution to USAID.

Periodic reports will be prepared by the program administrator of the administration unit of the

LMO. The reports will include information on the number of training sessions offered during the reporting period and planned for the next period, the number of loan agreements signed with intermediate institutions, the disbursements made during the period, and other such information. These reports will be given to the LMO, AIFLD, and the TSO. AIFLD will share the reports with USAID.

The intermediate institutions will submit to the program administrator copies of the monthly status and financial reports of the loans that they are managing. The program administrator will make this information available to the LMO, AIFLD, and the TSO. AIFLD will share the reports with USAID.

An evaluation will be made six months after the initial loans are disbursed in the second quarter of year two. The evaluation will review the role of the confederations and unions in the promotion of the loans program, orienting interested union members, and obtaining payroll deductions agreements with employers. It will also review the organization and institutionalization of the administration unit for the program including, for example, the written materials that have been prepared for the program, and the training programs designed and used by the administration unit; the loan delivery system including the number of loan applications received and approved, the amount of loans funds disbursed, the repayment history of the loans and savings account activity. Based on the review, revisions in the institutional responsibilities may be indicated, the reserve fund might be adjusted, and other project components revised to improve program effectiveness.

A final evaluation will be undertaken approximately three months before the end of the program. The final evaluation will review the proposed and the actual purpose, end-of-project status, and outputs of the program.

## **XI. Audit Plan**

Periodic audits will be carried out in accordance with OMB circular A-110, with particular reference to the Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions, Section L (USAID).

The first audit will be performed after eighteen months. By this time, the program will have been making loans for six months. Procedures will have been in place long enough to allow for a useful review both of accounting practices and of program effectiveness.

Thereafter, audits should be performed annually.

The private banks, which will be acting as intermediary institutions for the program are already subject to financial audit by the Superintendent of Banks. It should not be necessary to duplicate this function, so long as it is verified that the Superintendent's audits includes a sampling of the program's transactions.

If NGOs participate in the program, it is recommended that they be required to undergo an annual

financial and programmatic audit.

## **XII. Implementation Plan**

The program implementation plan is provided in Annex 14. The following is a summary of implementation activities by year:

◆ **Year 1:** The first year of the project will focus on start-up activities that will be initiated by the signing of the cooperative agreement between USAID and AIFLD. A trust will be established by AIFLD who will also contract a TSO to provide training and technical assistance during the implementation and administration of the project. The Labor Management Organization (LMO) will be established and the project administrator and staff of the administration unit of the LMO will be hired and trained. The intermediary institutions and initial participating unions will be selected and trained and the first loans will be disbursed in the fourth quarter after the initial applicants have completed the three month savings program.

◆ **Year 2:** The initial program evaluation will occur in the second quarter of year 2 and program modifications will be implemented as required. The program will also be expanded to include additional unions at each intermediary institution and additional intermediary institutions at selected new sites. The appropriate training and technical assistance will be provided to the new program participants.

## **XIII. Budget**

The detail budgets for the LMO's administration unit and a two-year technical assistance contract are located in Annex 15. The start-up and operational costs for the administration unit are given by year and include the costs for the project administrator, support staff, office space and equipment, training and technical support, and professional services.

The total estimated cost of a two year technical assistance contract is \$383,428. This amount includes a full-time TSO Country Representative in Nicaragua as well as additional time for selected TSO headquarter staff who will provide support and guidance in their particular areas of expertise. This budget covers the costs of overhead, consultants, transportation, allowances and other direct costs.

ANNEX 1

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Julio Pichardo, General Secretary, Agriculturalists  
Eduardo Rojos, Secretary General, GRACSA  
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James Schenck, Director

\*\*\*\*\*

Guillermo Areas, Lawyer (Finance)

Luis Sanchez Sancho, Assemblyperson, Ex-Vice President of the National Assembly

Dr. Pastor Torres, Labor Legal Counsel

ANNEX 2

Favor de contestar las preguntas siguientes:

¿Es Ud. miembro(a) de algún sindicato? ¿como se llama? Si No \_\_\_\_\_

**SU FAMILIA**

o Numero de personas que viven en su casa \_\_\_\_\_

o Numero de personas en su casa (excluyendo Ud.) que trabajan y tienen ingresos \_\_\_\_\_

o Ingreso familiar (incluyendo el suyo) por mes \_\_\_\_\_

**SU TRABAJO**

o ¿Tiene trabajo? Si No

- ¿Cuantos años tiene en este lugar? \_\_\_\_\_

- Ingreso mensual \_\_\_\_\_

**SUS FINANZAS**

o ¿Tiene acceso a un banco o una institución financiera? Si No

- ¿Como se llama? \_\_\_\_\_

o ¿Pertenece a un club de ahorros? Si No

- ¿Si no, le interesa pertenecer a un club de ahorros? Si No

**SU CASA**

o La casa que Ud. ocupa: ¿es propia, alquilada, prestada u otra? \_\_\_\_\_

o ¿La casa tiene: Luz? (Si No), agua? (Si No), desague conectado al alcantarillado? (Si No), tanque septico? (Si No), letrina? (Si No), cocina? (Si No), número de recamaras? (1 2 3 mas).

o ¿Le interesa recibir un prestamo para mejorar o ampliar su vivienda? Si No

- ¿Tiene la capacidad de pagar un prestamo? Si No

o Si puede recibir un prestamo para mejorar su casa, describa el mejormiento mas urgente para el bienestar de su familia:

\_\_\_\_\_  
\_\_\_\_\_

Home Improvement Loan Program for Democratic Union Members  
 Democratic Confederations' Membership, Employment and Average Monthly Salary  
 November 1993

Confederation	Union/Federation	# Members	Employed Members	Average Salary
CUS		45,000	31,500	1,065
(Chinandega)	Clothing Industry	75		1,000
	GRACSA	104		700
	Alcaldia	400		450
	Market Women	600		1,200
(Leon)	INAA	300		550
(Managua)	Camas Lunas	90		700
	BN de Desarrollo	350		850
	Seguro Social	514		1,200
	La Tona	200		1,000
	La Pepsi	350		1,800
	Aduana	600		1,200
CAUS		20,000	14,000	1,158
(Managua)	Municipal Workers	4,000		1,250
CNMN*		15,000	15,000	700
(Leon)	Teachers	1,500		500
(Esteli)	Teachers	3,000		618
CTN(a)		20,700	14,490	783
CGT(i)		45,480	31,836	749
(Managua)	Health Workers			906
	Union Representatives			801
	Various Unions			541
CTN		40,000	28,000	592
Total		186,180	134,826	841

\*NOTE: The Teachers of Nicaragua are guaranteed employment by law.

Sources: Interviews with Confederation and Union Officials, union members, individual surveys and CPT Background Information

Home Improvement Loan Program for Democratic Union Members

Composite of Informal Survey Results - November 1993

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Number of Survey Participants: 167

Average Household Size: 6.6

Average Number of Household Earners: 2.4

Average Household Income: C1135/month

Average Number of Years in Current Employment: 8

Union Member's Average Salary: C841/month

Percentage That Have no Access to a Financial Institution: 98%

Percentage That Have No Savings Mechanism: 98%

Percentage That Would Like to Participate in a Saving Program: 86%

Housing Tenure:

own: 54%

rent: 24%

other: 21%

Percentage That Would Like to Receive a Loan to Improve Their Homes: 98%

Percentage That Believe They Have Sufficient Income to Repay a Loan: 98%

Percentage That Live in Houses with:

electricity: 89%

water: 92%

sewer connection: 53%

latrine: 76%

kitchen: 61%

Average Number of Bedrooms per Household: 1.8

Survey Results: Home Improvement Loan Program for Democratic Union Members  
November 1993

1. CNMN: Teachers Union of Esteli

Of 13 members surveyed:

Household Size	6.31
No. of Earning Householders	1.92
Monthly Family Income	725
Years in Current Employment	10
Monthly Salary	618
No Access to Bank	100.00%
No Savings Mechanism	100.00%
Would Like to Save	100.00%
Housing Tenure	
- rent	0%
- own	43%
- borrow/live with family	57%
Desire Home Improvement Loan	100%
Could make monthly payment	100%
House has:	
- electricity	86%
- water	86%
- sewage connection	43%
- latrine	50%
- kitchen	57%
- no. of bedrooms	2.00

2. CGT(i): Union Representatives

Of 16 members surveyed:

Household Size	7.00
No. of Earning Householders	2.06
Monthly Family Income	1,285
Years in Current Employment	10
Monthly Salary	906
No Access to Bank	93%
No Savings Mechanism	100%
Would like to save (y/n)	100%
Housing Tenure	
- rent	15%
- own	62%
- borrow/live with family	23%
Desire Home Imp Loan	100%
Could make monthly payment	100%
House has:	
- electricity	92%
- water	93%
- sewage connection	50%
- latrine	92%
- kitchen	64%
- no. of bedrooms	1.78

3. CGT(i) MMV Hosptial Union

Of 14 members surveyed:

Household Size	5.86
No. of Earning Householders	2.11
Monthly Family Income	651
Years in Current Employment	10
Monthly Salary	801
No Access to Bank	100%
No Savings Mechanism	100%
Would Like to Save	82%
Housing Tenure	
- rent	33%
- own	58%
- borrow/live with family	8%
Desire Home Improvement Loan	100%
Could make monthly payment	100%
House has:	
- electricity	92%
- water	100%
- sewage connection	70%
- latrine	73%
- kitchen	60%
- no. of bedrooms	1.5

4. CAUS Confederation

Of 100 members surveyed:

Household Size	5.94
No. of Earning Householders	1.52
Monthly Family Income	1,279
Years in Current Employment	7
Monthly Salary	1,158
No Access to Bank	98%
No Savings Mechanism	91%
Would Like to Save	90%
Housing Tenure	
- rent	20%
- own	63%
- borrow/live with family	17%
Desire Home Improvement Loan	100%
Could make monthly payment	100%
House has:	
- electricity	91%
- water	86%
- sewage connection	33%
- latrine	85%
- kitchen	42%
- no. of bedrooms	1.48

**5. CTN Union: FETENIC**

Of 9 members surveyed:

Household Size	7.89
No. of Earning Householders	3.78
Monthly Family Income	2,041
Years in Current Employment	6.29
Monthly Salary	592
No Access to Bank	100%
No Savings Mechanism	100%
Would Like to Save	80%
Housing Tenure	
- rent	78%
- own	11%
- borrow/live with family	11%
Desire Home Improvement Loan	89%
Could make monthly payment	89%
House has:	
- electricity	100%
- water	100%
- sewage connection	88%
- latrine	75%
- kitchen	100%
- no. of bedrooms	2.78

**6. CGT(i) Various Unions**

Of 15 members surveyed:

Household Size	6.93
No. of Earning Householders	3.00
Monthly Family Income	828
Years in Current Employment	4.36
Monthly Salary	541
No Access to Bank	100%
No Savings Mechanism	100%
Would Like to Save	64%
Housing Tenure	
- rent	0%
- own	87%
- borrow/live with family	13%
Desire Home Improvement Loan	100%
Could make monthly payment	100%
House has:	
- electricity	73%
- water	85%
- sewage connection	33%
- latrine	80%
- kitchen	45%
- no. of bedrooms	1.08



**CANASTA BASICA DE 53 PRODUCTOS:**  
**Costo en Córdoba del 01-28 de Septiembre 1993**

Grupo/Producto	U.M/Cant.	LEON	ESTELI	JUIGALPA	MATAGALPA	MANAGUA
<b>A. Alimentos</b>		<b>626.43</b>	<b>623.31</b>	<b>638.91</b>	<b>647.80</b>	<b>607.55</b>
<b>Basicos</b>						
1. Arroz	Lbs.18	36.00	31.27	36.00	29.81	33.84
2. Frijoles	Lbs.18	82.58	73.49	71.69	74.39	74.34
3. Azucar	Lbs.24	48.00	43.01	47.30	41.59	42.96
4. Aceite	Lts.3	19.96	20.02	20.45	19.67	22.65
5. Sal	Lbs.2	0.71	1.00	1.00	1.00	0.92
Sub Total		187.25	168.78	176.45	166.46	174.71
<b>Carnes</b>						
6. Posta Pierna Res	Lbs.4	31.73	32.00	32.00	29.21	34.60
7. Carne de Pollo	Lbs.3	18.55	18.95	18.90	20.25	19.74
8. Posta de Cerdo	Lbs.2	17.57	15.38	15.31	15.14	18.86
9. Chuleta Pescado	Lbs.3	13.50	29.47	18.00	28.42	21.12
Sub Total		80.35	95.80	84.21	93.02	94.32
<b>Lacteos y Huevos</b>						
10. Leche Liquida	Lts.20	60.00	63.96	60.20	66.36	39.25
11. Leche integra	Pot.4	46.28	50.08	47.76	46.00	48.00
12. Huevos	Doc.3	18.00	21.10	19.15	21.60	19.44
13. Queso Seco	Lbs.4	23.23	22.56	19.55	20.24	27.44
Sub Total		147.51	157.70	146.66	152.20	134.13
<b>Perecederos</b>						
14. Tomate	Doc.5	25.32	21.06	37.50	29.58	23.40
15. Cebolla	Doc.2	14.95	8.35	12.00	4.92	7.92
16. Repollo	Und.2	6.55	5.78	10.64	4.39	8.36
17. Papas	Lbs.5	5.37	5.00	9.00	5.00	6.30
18. Banano Maduro	Doc.4	18.98	12.00	24.00	12.00	11.80
19. Platanos Verde	Und.8	7.01	8.23	8.00	7.98	7.68
Sub Total		78.17	60.42	101.14	63.87	65.46
<b>Cereales</b>						
20. Tortilla	Und.100	25.00	23.80	25.80	25.00	41.00
21. Pan	Und.21	66.13	73.50	67.96	105.00	63.63
22. Pinolillo	Lbs.5	18.59	21.11	14.75	21.59	14.50
23. Cafe Molido	Lbs.3	23.42	22.20	21.95	18.66	19.80
Sub Total		133.14	140.61	130.46	170.25	138.93
<b>B. BIENES USOS DEL HOGAR</b>		<b>321.52</b>	<b>328.24</b>	<b>333.91</b>	<b>337.35</b>	<b>296.25</b>
24. Jabón de Lavar	Und.6	12.25	9.00	12.00	12.00	11.10
25. Detergente	Bls.2	1.98	1.99	2.00	2.00	1.78
26. Pasta Dental	Und.1	7.90	7.61	6.18	8.14	6.67
27. Fósforo	Caj.6	3.00	3.00	3.00	3.00	2.94
28. Escoba	Und.1	5.27	4.96	5.33	5.43	8.16
29. Papel Higienico	Rollo.3	6.23	6.98	7.50	6.68	5.88
30. Jabón baño	Und.3	11.32	10.73	10.44	11.31	11.52
31. Toalla Sanitaria	Bolsa.1	5.07	4.45	3.98	4.26	4.00
32. Gas Butano	25.Lbs	37.50	32.00	34.00	32.63	30.50
33. Luz Eléctrica	Kb.100	41.00	41.00	41.00	41.00	41.00
34. Agua	Mts.13.3	12.50	12.50	12.50	12.50	12.50
35. Alquiler	Crđ.1	0.00	0.00	0.00	0.00	0.00
36. Transporte	Viaj.180	157.50	180.00	180.00	180.00	145.80
37. Desodorante Nac.	Und.1	19.26	13.15	15.06	17.57	13.60
38. Cepillo Dental	Und.0.33	0.74	0.89	0.92	0.85	0.80

**CANASTA BASICA DE 53 PRODUCTOS**  
**Costo en: Córdoba del 01-28 de Agosto 1993**

Grupo/Producto	U.M/Cant.	LEON	ESTELI	JUIGALPA	MATAGALPA	MANAGUA
<b>VESTUARIO</b>		<b>89.19</b>	<b>86.58</b>	<b>74.34</b>	<b>68.07</b>	<b>97.28</b>
<b>Hombre Adulto</b>						
39.Pantalón Nac	Und.0.16	7.66	5.14	4.73	4.00	7.92
40.Camisa Nacional	Und.0.16	4.69	5.52	4.46	3.98	4.96
41.Calzoncillo	Und.0.33	1.93	1.82	1.98	1.65	2.22
42.Calcetines	Par.0.16	0.92	1.12	0.80	0.81	1.05
43.Zapatos	Par.0.16	12.73	13.90	14.48	11.51	17.28
Sub Total		27.94	27.50	26.45	21.95	33.43
<b>Mujer Adulta</b>						
44.Blusa Nacional	Und.0.16	4.66	5.26	4.00	3.98	4.54
45.Pantalón Nac	Und.0.16	12.93	11.50	12.76	11.77	12.22
46.Vestido	Und.0.16	11.66	11.31	6.35	4.72	10.94
47.Blummers	Und.0.33	2.08	3.08	1.88	1.65	2.43
48.Brassier	Und.0.16	1.90	1.49	1.67	1.47	1.92
49.Zapatos	Par.0.16	9.26	7.89	7.35	6.90	10.35
Sub Total		42.46	40.54	34.01	30.49	42.41
<b>Niños Mayores de 7 Años</b>						
50.Traje Completo	Und.0.16	7.66	7.67	6.31	5.59	7.89
51.Calzon	Und.0.33	1.85	2.15	1.74	1.98	2.34
52.Calcetines	Par.0.16	0.90	1.07	0.80	1.11	1.09
53.Zapatos	Par.0.16	8.37	7.66	5.03	6.95	10.13
Sub Total		18.77	18.55	13.88	15.63	21.45
<b>Valor Total de la Canasta</b>		<b>1,037.14</b>	<b>1,038.14</b>	<b>1,047.16</b>	<b>1,053.22</b>	<b>1,001.08</b>

Fuente: FIDEG.

## II. POLITICA FISCAL

A la fecha no se dispone de las cifras correspondientes al mes de septiembre. Sin embargo, funcionarios han señalado que en este mes, los ingresos se redujeron sensiblemente.

El descenso de los ingresos tuvo varias causas. La persistencia de la recesión económica se constituye en la razón de mayor peso. Esta situación limita la capacidad de pago de las empresas en los plazos previstos por MIFIN. De allí que el plazo de vencimiento de la liquidación del IR del año fiscal 1992-1993 se postergara por un mes más, hasta fines de octubre de 1993.

Otros factores que explican la caída de las recuperaciones son: la paralización de actividades debido a los días feriados, los problemas climáticos y la huelga de transportistas.

La falta de recursos externos, originado por la suspensión temporal de la ayuda norteamericana, introdujo nuevas tensiones al panorama fiscal-financiero. El Gobierno pretendía compensar dichos ingresos con la introducción de nuevos impuestos con cargas muy elevadas, como el de tenencia vehicular. Ello originó reclamos por parte de los afectados y a mediados de septiembre el Gobierno reconoció que dichas tarifas eran excesivas y procedió a una reducción drástica de las mismas. Los transportistas no aceptaron esa situación, lo que condujo a un largo proceso de negociación, donde el Gobierno tuvo que aceptar la derogación del ITV y reducción del cobro de placas y otras medidas colaterales que apuntan a hacer las tarifas de transporte más cercanas a las del resto de los países C.A.

Dada esta situación, el Ministerio de Finanzas anunció nuevas medidas de contracción de gastos y posibles aumentos en el ISC de algunos de los productos fiscales. Para ello el Gobierno se reunió en septiembre con las principales empresas

## ANNEX 4

### Home Improvement Loan Program for Democratic Union Members

#### HOME IMPROVEMENT COSTS

The following are examples of costs of the home improvements and expansions that were most often requested by union members interviewed or surveyed during the design study. The material prices were gathered from visiting various materials suppliers in Managua and the labor costs were provided by representatives of the Chamber of Construction in Managua. Material transportation is estimated to be approximately 10 percent of material costs. The costs provided here are inclusive of materials, labor and transportation.

**Bathroom Addition:** \$418

(room, sink, toilet, etc.)

**Electricity Installation:** \$129

(basic system)

**Floor (22.5 sqr mtrs)** \$274

(cement tile)

**Walls (4)** \$356

(infill)

**Roof (25 sqr mtrs)** \$171

(zinc and lath)

**Addition (9 sqr mtrs)** \$782



**DR. GUILLERMO AREAS CABRERA**

Abogado y Notario Público. (MAE)

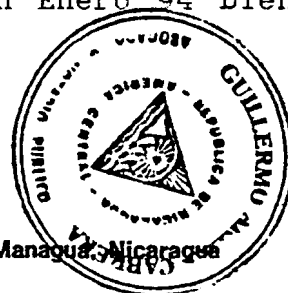
Managua, Noviembre, 10, 1993

Sr. Richard T. Owens  
Cooperative Development/Training Advisor  
Managua.-

Apreciado Señor Owens :

Por este medio tengo a bien informar a Usted referente a las consultas efectuadas durante su visita del 9 de los corrientes.-

- a).- La Ley General de Bancos y otras Instituciones vigente en la República de Nicaragua en su artículo 60, establece las operaciones de confianza que puede ejercer un banco en Nicaragua y los incisos 7 y 8 de ese artículo permiten la creación de un fondo que bien puede ser administrado por un banco y sujeto a las indicaciones que reciba de la persona natural o jurídica creadora del fondo. No existe ninguna limitación a que el dueño del fondo sea un extranjero y que los mismos sean traídos del exterior.
- b) Para proteger el valor de los fondos en moneda extranjera se podría de acuerdo al artículo 30. de la Ley de Inversiones Extranjeras ó de acuerdo a negociación especial con el gobierno el firmar un contrato que permita la repatriación del capital invertido en este proyecto.
- c) La creación de una Asociación con fines no lucrativos, toma su tiempo pues tiene que ser autorizado por la Asamblea Nacional y luego por el Departamento de Asociaciones del Ministerio de Gobernación. Lo anterior dado el momento, la cercanía de navidad y la instauración de la Asamblea en Enero 94 bien podría tomar unos 6 meses.





## DR. GUILLERMO AREAS CABRERA

Abogado y Notario Público. (MAE)

Mi recomendación sería formar una Corporación (Sociedad Anónima) con el objetivo de cooperar en el mejoramiento del modo de vida del obrero nicaragüense en especial de aquellos pertenecientes a Sindicatos.- Supuestamente una Sociedad Anónima paga impuestos, siempre que obtenga utilidades, pero esta únicamente obtendría lo necesario para subsistir por lo que: 2 de ingresos - (menos) 2 de gastos = 0 utilidad = 0 impuesto.- Una Sociedad de este tipo pagaría el (IGV) Impuesto General de Ventas ( Sales TAX), el cual pagan todas las sociedades, incluyendo el Gobierno y Asociaciones.

Impuestos de introducción por equipo ó mercadería traídas al país, con el objeto de ayudar a los sindicatos se pueden tramitar exenciones especiales directamente a través de los mismos sindicatos.

Una Sociedad Anónima podemos tenerla lista en unos 15 días.

Esperando de esta manera, haber satisfecho su inquietud, me suscribo de Uds.

Muy atentamente,

  
DR. GUILLERMO AREAS CABRERA  
ABOGADO Y NOTARIO



## ANNEX 6

### Labor/Management Association

The Pro-Labor/Management Association (PLMA), or the "association", will be a legally constituted organization that brings together representatives of democratic labor unions, private enterprises, and other institutions interest in strengthen the role of democratic labor unions in Nicaragua. The association will serve as a sponsor and coordinator of social and economic activities to benefit the members of democratic labor unions.

The following are suggestions to be considered in the process of establishing the organization.

#### A. Board of Directors

The board of directors of the association will be composed of representatives of the democratic labor movement, private employers, academia, and the banking sector. The democratic labor unions will be represented by three (3) members, one of whom will be designated by the Nicaraguan associate of ORIT-CIOSL and the other two chosen by delegates of all of the democratic labor unions; the employer's association, COSEP, will be represented by two (2) members; academia, represented by the Universidad Catolica, will be represented by one (1) member; and the banking sector will be represented by one (1) member designated by the Association of Private Bankers. In addition to designating a representative, each institution will also name an alternate representative who will replace the designated representative in the event that person cannot attend a meeting of the association.

The democratic labor union affiliated to the ORIT-CIOSL will inform the association by letter of the name of their representative. The CPT will inform the association of the names of the other two labor movement representatives representing the democratic labor unions. Each of the other institutions, COSEP, the Universidad Catolica, and the Private Bankers Association, will designate their respective representatives in a letter directed to the association.

#### B. Designation and Term of the Board Members

The first members of the board of directors will be selected by the AIFLD representative in consultation with the institutions designated to have representatives on the board of directors of the association.

Members or alternates may serve terms of up to three years. No member or alternate can serve more that two consecutive terms on the board of directors.

The board members and alternates will be designated by the institutions that they represent for periods of up to three (3) years. An institution may, if it desires, designate a member for three (3) years and its alternate for one (1) year. At the end of the specified period, the institution will designate another member and/or alternate. An institution may replace a sitting member and/or alternate with another designated person by a letter from the legal representative to the association.

#### C. Structure of the Board of Directors

The board members will select a chairperson of the board who will represent the board, schedule meetings of the board, and preside over the meetings of the board of directors. The board of directors will contract the services of someone to act as secretary on a as-need basis.

#### D. Operational Expenses of the Association

AIFLD will initially provide the financial support to cover the operational expenses of the association. AIFLD's financial support will phase out as the reflows from the associations' loan programs enable the association to use the unrestricted reflows, the interest earned, to cover a portion or all of its operational expenses.

#### E. Compensation of the Board Members

The association will pay for any official travel and related overnight expenses outside of Managua or the legal residence of the board member. The per diem rate for locations outside of Managua be up to US\$15 for lodging and US\$15 for meals and incidental expenses. Receipts will be required for lodging expenses.

#### F. Loss of Membership on the Board of Directors

In the event a designated representative of an institution represented on the board of directors does not attend and participate in three (3) consecutive scheduled meetings of the board, that institution will be advised in writing and asked to designate another representative.

If a designated representative and alternate of an institution do not attend five (5) consecutive meetings of the board, that institution will be advised in writing by the association and informed that their institution is in danger of losing its membership on the board. If after two (2) more meetings that are not attended by one of the two designated representatives of the institution, the association will move to replace the sitting institution with another, similar type of institution that will cooperate with the association.

#### G. Authority of the Board

The board of directors of the PLMA will have the following responsibilities.

- o establish the criteria for defining a democratic labor union
- o establish the criteria for the democratic labor unions that can participate in programs of the association,
- o prepare, modify, and pursue the mission statement of the association to help democratic labor unions,
- o approve the programs that the association will sponsor to support democratic labor unions with the cooperation of public and private employers,
- o seek and enter into agreements and/or contracts for internal and external financing for the programs that the association sponsors for members of democratic labor unions,
- o establish the policy, parameters, and regulations for all of the programs sponsored by the association,

- o enter into agreements with financial organizations, such as commercial banks, nongovernmental organizations, finance company, and others, that are planning and/or implementing programs that are sponsored by the association,

- o supervise and manage a trust fund, or funds, created by the reflows from the repayment of loans made to the financial organizations administrating loan programs sponsored by the association,

- o approve an annual operating budget for the association and for each of the activities sponsored by the association.

- o program the use of all reflows, both restricted and nonrestricted, in accordance with the terms and conditions of each of the grants and/or loans received by the association,

- o sell, when the appropriate institutional structure and credibility has been established, packages of loans generated under the associations programs to secondary story banks and use the resources obtained to sponsor additional loan programs for members of democratic labor unions,

- o contract a qualified firm, not associated in any way with any of the member associations, to conduct annual audits of the association and each of its programs,

- o designate a person, a "program coordinator, to be responsible for each program that the association sponsors,

The board of directors will name a "committee" that will be charged with the investigation of possible new activities that the association could sponsor or an "implementing unit" that will be charged with the planning, implementing, and administrating an activity sponsored by the association.

The responsibilities of a committee would normally include.

- o assess social and economic programs being planned and/or implemented by public and private institutions as to the possible participation of members of democratic labor unions and enter into agreements with the sponsors of such programs to include union members,

- o investigate, plan, and implement different programs to strength the relationship of labor and management in Nicaragua and benefit the labor union member and his or her family,

The responsibilities of the implementing unit would include the following.

- o prepare an implementation plan and schedule for the activity,

- o supervise the activities of the public and private organizations that are implementing and administrating loan programs sponsored by the association,

- o conduct audits and prepare reports, required by the donor or lending institution, on the activities sponsored by the association,



o require that the financial organizations implementing and/or managing loan programs of the association present annual audits of their association sponsored programs,

#### H. Legal Status of the Association

The by laws of the association will be prepared by legal counsel to AIFLD in accordance with Nicaragua legislation. The draft by laws will be shared with the institutions that will designate the representative to the board of directors for their review and approval. The final by laws will be approved in a meeting of all of the designated board members and the representative of AIFLD. The by laws will then be inscribed in the appropriate public register so that the association is legally incorporated in Nicaragua.

The by laws will contain such information as the type of legal organization the association takes, , the name of the organization, its legal address and duration, its objective, the composition of its board of directors, the designation of representative from the participating institutions to the board of directors, the responsibilities of the association and officers, the organization structure of the association, the form of voting, the fiscal year of the association, he compensation of the board of directors, the form of voting of the members of the board of directors, the use of the unrestricted reflows from loans made by the association, the meetings of the board of directors, and the liquidation of the association.

Any modification in the by laws will require the approval of six (6) of the seven (7) members. The modifications will be registered and incorporated in the public register.

#### I. Meetings of the Board of Directors

The board of directors will meet at least once a month to review the activities of the association and its programs. Meetings may be scheduled by the chairperson of the association with eight (8) days anticipation. The notice of all meetings, with the agenda for the meeting, the date, time, and location, will be distributed by and under the signature of the chairperson of the board of directors,

#### I. Voting

Each member will have the right to voice and one vote on the board. A representative of the American Institute for Free Labor Development (AIFLD) will serve as an advisor to the board of directors during the period that institution is disbursing funds to fiance activities sponsored by the board. The AIFLD advisor will have voice but no vote on the decisions of the board of directors.

All decisions of the associations will approved by five (5) votes. All decisions will be recorded in the minutes, with the names of the members voting for and against, of the meeting.

#### Legal Status

It is possible under Nicaraguan law to establish a trust fund in a commercial bank to receive funds from AIFLD, disburse funds to intermediate institutions participating in the program, and receive

## ANNEX 7

### Responsibilities

#### a. Pro-Labor-Management Association

The Pro-Labor Management Association (PLMA) will have different responsibilities including the following.

- o designate a project administrator who is responsible for implementation of the home improvement and expansion loan program to members of democratic labor unions,
- o establish the general policy for the home improvement and expansion loan program,
- o establish the regulations, terms, conditions, and guarantees for the loans from the trust fund to the intermediary financial institutions such as the commercial banks and non-governmental organizations (NGOs) for the housing loans,
- o establish the regulations terms, conditions, and guarantees for the loans from the intermediary institutions to the project beneficiaries, the members of democratic labor unions,
- o establish the policy for the use of the reflows in the trust for the home improvement and expansion loan program,
- o approve loans from the trust fund to the intermediary institutions,
- o identify eligible, democratic unions to participate in the program

#### b. Implementing Unit

The implementing unit will be responsible for the implementation of the home improvement and expansion loan program for members of democratic labor unions. The implementing unit will have various responsibilities including the following.

- o planning, implementing and administrating the home improvement and expansion loan program,
- o coordinating the home improvement and expansion program with the democratic labor unions, the employers, and intermediary institutions participating in the program,
- o preparing and disseminating written information on the purpose, parameters, terms, conditions, and guarantees of the program to democratic labor unions, employers, and intermediary institutions,
- o seeking legal council to prepare the agreements and loan contracts between the PLMA and the intermediary institutions participating in the project and a model promissory note for the intermediary institutions to use with the program beneficiaries,
- o coordinating, with the participating intermediary institutions, the preparation of a standard loan application form for the home improvement and expansion loan program,
- o assessing the capability of potential intermediary institutions to participate in the program,

- o recommending that the PLMA sign contracts with intermediary institutions to participate in the program,
- o providing of orientation and training to the democratic labor unions and the intermediary institutions in the promotion of the program, the filling out and verification of the information in the loan application form including the simple plan and budget for the improvement or expansion, the disbursement of the loan funds to the beneficiary, and the supervision of the construction,
- o approving the disbursement of funds, against existing loan agreements with intermediary institutions, for loan applications prepared and presented by the intermediary institutions,
- o signing provisional notes with the intermediary institution for each disbursement against a loan and, after the full amount of the loan has been disbursed, a consolidated promissory note,
- o monitoring the work of the democratic labor unions and the intermediate institutions participating in the program,
- o preparing reports on the status of the program identifying any problems and proposed action to correct the problems,

c. Confederation of Democratic Labor Unions

A confederation of democratic labor unions will have some important responsibilities in the project including the following.

- o be members of the organization to represent their confederation,
- o serve as members of the board of directors of the organization,
- o promote the project with their affiliated unions,
- o sponsor and verify that a union is eligible to participate including that it is current with at least the last three months of its dues to the confederation,
- o help negotiate a payroll deduction agreement between the union and the employer,
- o monitor the work of the democratic labor union in the activity,

d. Democratic Labor Unions

The democratic labor unions will have various responsibilities with their members in the home improvement and expansion loan program. These responsibilities will include the following.

- o designate personnel to participate in a training session to be able to offer to interest members an orientation on the loan program

- o negotiate an agreement with the employer for a payroll deduction arrangement for the housing loans,
- o promote the home improvement and expansion loan with members of the union,
- o offer an orientation to the interested members in the concept and practice of savings and credit and the purpose, terms, and conditions of loan,
- o distribute the loan applications to members who have completed the orientation,
- o provide a letter certifying that loan applicant is member in good standing with the labor union and current with at least the last three months of their dues to the union,
- o help in filling out the loan application,
- o present the member's request to the employer for certification for employment,
- o supervise the construction.

e. Employer

The employer will have different responsibilities in the program including the following.

- o negotiation with the democratic labor union for a payroll deduction arrangement for the workers participating in the program,
- o provision of a letter certifying that the loan applicant, a member of a democratic labor union, is an employee, length of employment with the firm, and salary earned,
- o deposit the monthly payment for the members of the democratic labor unions in the designated financial institution.
- o provide information on the repayment history of any previous advance made to the union member,
- o not provide, in accordance with an request from the union member, any "advance" as a loan to the union member during the period of the repayment of the housing loan,
- o with hold from the severance pay of a borrower under the program the amount equal to the remaining debt of the loan, if the worker leaves his or her job voluntarily,

f. Democratic Labor Union Member

The union member who applies for and receives a home improvement or expansion loan has certain responsibilities that include the following.

- o attend the orientation offered by his or her union on the purpose, terms and conditions of the loan,
- o obtain and fill out a loan application,

o request the democratic labor union to issue letter certifying that he or she is a member in good standing and obtain from the employer a letter certifying that he or she is an employee, number of years of employment, and current salary. These letters will be included with the loan application,

o arrange for two co-signers to fill our "co-signer" forms showing their name, address, place of employment, monthly household income, and statement to the effect that each will, in the event the applicant does not repay the loan in accordance with the promissory note, assume the contracted responsibilities. Each co-signer will obtain a letter from their employer confirming their employment, years of employment, and monthly salary to be included with the loan application,

o provide a copy of a signed and witnessed agreement with the employer that the applicant will not request of the employer any "advance" as a loan during the repayment period of the requested housing loan,

o obtain a simple plan and budget estimate for the desired improvement or expansion to be included with the loan application,

o sign a provisional promissory note with the finance institution for each disbursement of the loan,

o assume full responsibility for the purchase of construction materials and the construction of the improvement or expansion by contracted labor, self-help, or a combination of both,

o sign a consolidated promissory with the financing institution for the loan with two co-signers,

o repay the financial institution in accordance with the loan's repayment schedule, in the absence of an employer's payroll deduction arrangement,

#### g. Intermediary Institution

The intermediary institutions that participate in the home improvement and expansion program, the commercial banks and NGOs, will have the following responsibilities.

o sign a loan agreement with the PLMA for the use of program funds,

o receive at least three estimated monthly pre-payments for the program from each of the applicants to the loan program in the form of a "savings account",

o receive completed loan applications from members of democratic labor unions,

o review and verify the information contained in the loan application in accordance with the parameters established for the program, visit the home of the applicant to verify family composition and house in need of improvement/expansion, verify the budget for the improvement or expansion,

o approve or reject the loan application,

- o submit a package of approved loan applications to the project administrator with a request for a disbursement of the funds for the packaged loans,
- o disburse funds, for which provisional promissory notes are obtained, to the beneficiary,
- o visit the construction site to supervise the application of the loan at least once prior to each request for each subsequent disbursement (depending on the amount of loan, two or possibly three disbursements will be made),
- o inform the labor union and the employer of the date the first payment is due, and inform the latter of the amount to be deducted from the beneficiary's pay each month. In the event that a payroll deduction is not possible, the beneficiary will be advised of the amount,
- o provide the beneficiary and employer with an amortization table for the repayment for the loan,
- o receive, when applicable, a check from the employer for the payroll deduction of the loans,
- o monitor the repayments for the loan,
- o apply the monies in the applicant's saving account to cover the maintenance of value adjustment for the loan,
- o calculate and inform the borrower, the member of the democratic labor union, of any and all readjustment of the payment because of a maintenance of value adjustment,
- o investigate, with the democratic labor union, any delinquency of more than ten (10) days in the repayment of the loan,
- o initiate legal procedures in the case of default of a loan,
- o provide the PLMA project administrator with monthly reports on the status of the loans,
- o supply copies of program audits to the PLMA,
- o permit USAID auditors, if requested, to audit the funds of the program.

h. American Institute for Free Labor Development (AIFLD)

AIFLD will be the recipient of a grant from the U.S. Agency for International Development (USAID) to finance the home improvement and expansion loan program for members of democratic labor unions. AIFLD's responsibilities will include the following.

- o establish the Pro-Labor-Management Association (PLMA) as a legal entity under Nicaraguan law,
- o serve as an advisor, with voice but no vote, to the board of directors of the PLMA,

- o establish a trust account in a commercial bank in which the USAID funds for the program will be deposited,
- o serve as the executor of the trust until all of the USAID funds have been disbursed, at which time the executorship of the trust will pass to the PLMA,
- o disburse funds from the trust for program operational costs and loans to intermediary institutions,

i. Cooperative Housing Foundation (CHF)

CHF will provide technical assistance, under a contract with the AIFLD, to the program. CHF's responsibilities will include the following.

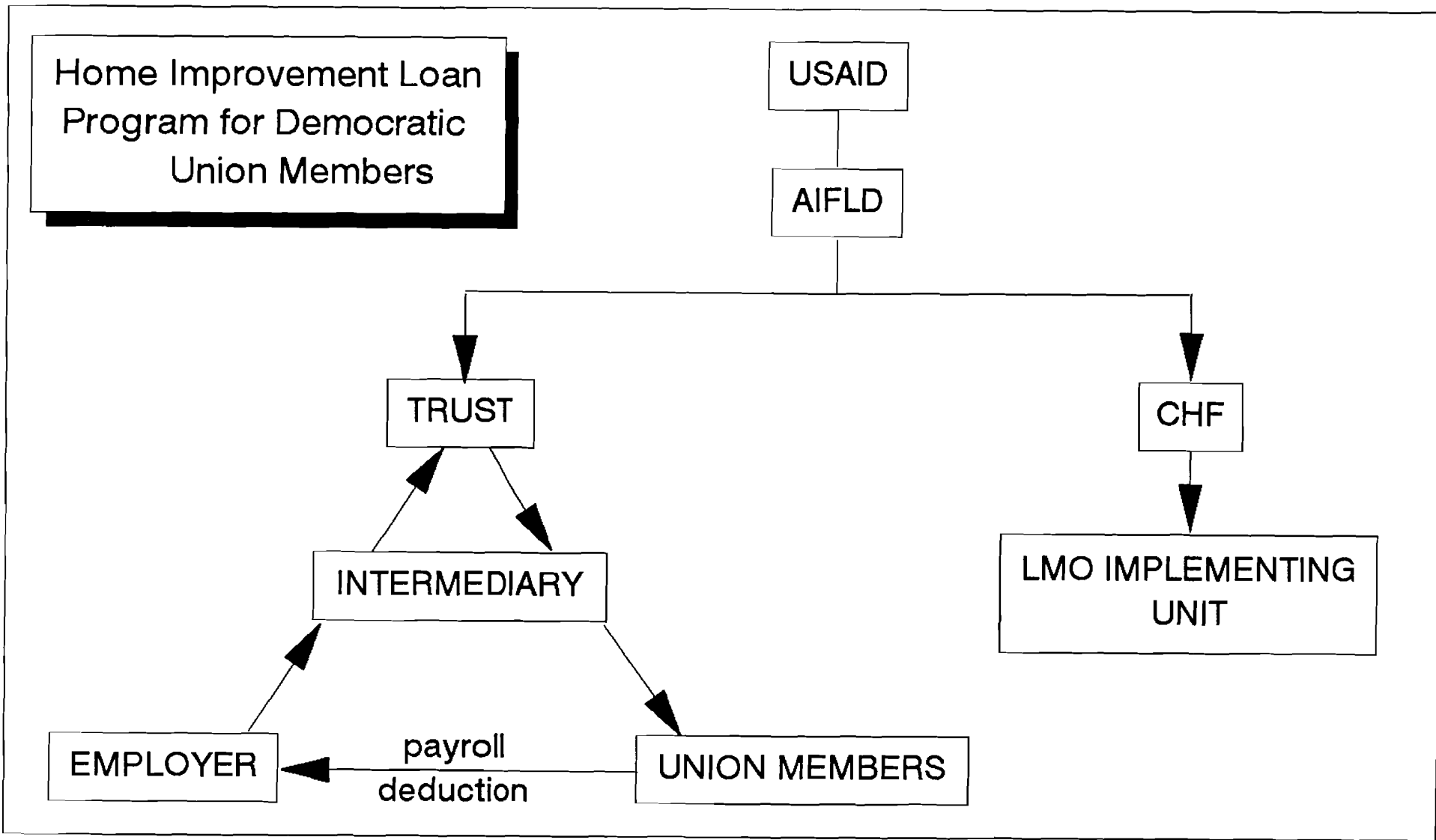
- o help the project administrator plan, implement, and administer the program,
- o help in the preparation of the regulations for the program from the PLMA to the intermediary institutions and from the intermediary institutions to the beneficiaries,
- o assist in the preparation of a procedures manual for the project administrator the home improvement and expansion program,
- o help in the design and implementation of the training of the democratic labor unions in their responsibilities in the program including the orientations for their members interested in receiving a loan, filling out the loan application form, and verifying the budget for the improvement or expansion,
- o assist the project administrator in the assessment of additional intermediary institutions to participate in the program,
- o help in the design and implementation of the training of the intermediary institutions in the review of the socio-economic and budget information in the loan application,
- o training and coordinating the Peace Corps volunteers participating in the program,
- o identify problems with the implementation of the program and propose action to correct them,
- o assist in the design of the various forms for program such as site visits by the intermediary institution,

Legal Status

It is possible under Nicaraguan law to establish a trust fund in a commercial bank to receive funds from AIFLD, disburse funds to intermediate institutions participating in the program, and receive repayments for loans from the intermediate institutions. A Nicaraguan lawyer observed that a trust

Annex 8

FLOW OF FUNDS SCHEMATIC



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## ANNEX 9

Home Improvement Loan Program for Democratic Union Members				
November 1993	Potential Intermediary Institutions			
Potential Intermediaries	Banco Mercantil	Banco de la Produccion	Banco de America Central	Banco de Exportacion
Year Established	1991	1991	1991	1992
Total Capital (US\$)	2,212,841	2,851,746	5,040,603	1,731,524
Number of Offices/Branches	6	9	2	1
Institutional Experience: Yes/No				
- savings	Yes	Yes	Yes	Yes
- loan administration	Yes	Yes	Yes	Yes
- housing	No	No	No	No
Personnel:				
- management experience	Yes	Yes	Yes	Yes
- trained staff	Yes	Yes	Yes	Yes
Operations Established: Yes/No				
- loan administration procedures	Yes	Yes	Yes	Yes
- computerized accounting system	Yes	Yes	Yes	Yes
Management Expressed Interest in Participating	Yes	Yes	Yes	Yes
- agreed to USAID audit	Yes	Yes	Yes	Yes
Full-Service Banking Services Offered	Yes	Yes	Yes	Yes
Technical Assistance/Training Required Requirements				
- budget review and supervision	Yes	Yes	Yes	Yes
- project regulations	Yes	Yes	Yes	Yes

ANNEX 10

COOPERATIVAS DE AHORRO Y CREDITOS  
PROMOVIDAS Y ASISITIDAS POR FUNDE

COOPERATIVA	UBICACION	DIRECCION
EL VIEJO	EL VIEJO-CHINANDEGA	PARQUE CENTRAL
LA CONFIANZA	CHINANDEGA	HOTEL GLOMAR 1/2C.ABAJO
CANDELARIA	CHICHIGALPA	FTE. MERCADO MUNICIPAL
LA UNION	MATAGALPA	FTE. SUPERMERCADO LA FE
LA MODERNA	MATIGUAS	HOSPITAL 1 C. AL NORTE
CIUDAD DARIO	CIUDAD DARIO	MATAGALPA
LA HERMANDAD	SEBACO	SOBRE CARRET.PANAMERIC.
SAN CARLOS	BOACO	CONTIGUO AL CEMENTERIO
MA. AUXILIADORA	BOACO	CONTIGUO AL CEMENTERIO
AVANCES	CHONTALES	CONTIG.GASOLINERA SHELL
LA ARMONIA	DIRIOMO	PARQUE 2C. AL OESTE
EL SOCORRO	DIRIAMBIA	RELOJ 1/2 C. ABAJO
LAS AMERICAS	MANAGUA	VILLA VENEZUELA
RENE CISNEROS	MANAGUA	PLAZA JULIO MARTINEZ
		2 C.1/2 AL LAGO

ANNEX 11

HOME IMPROVEMENT LOAN PROGRAM FOR DEMOCRATIC UNION MEMBERS

LOAN PORTFOLIO GROWTH PROJECTIONS

Assumptions:

interest rate to borrowers	20.0%				
interest to lenders	5.0%				
interest to Fund	15.0%				
lender's origination fee	2.5%				
average loan size	500	575	650	800	950
loan loss rate	10%	8%	6%	5%	4%

Year:	1	2	3	4	5
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loans made this year	50	1,140	2,140	2,160	2,160
\$ amount lent this year	25,000	655,500	1,391,000	1,728,000	2,052,000
total loans made	50	1,190	3,330	5,490	7,650
total \$ amount loaned	25,000	680,500	2,071,500	3,799,500	5,851,500
# loans in portfolio EOY	50	1,190	3,330	5,050	5,400
portfolio \$ value	25,000	705,500	2,096,500	3,600,250	4,532,000

OPERATING INCOME/LOSS STATEMENTS

INCOME:

Gross loan interest	618	57,008	227,378	388,155	495,932
(less lenders' share)	(155)	(14,252)	(56,844)	(97,039)	(123,983)
Net loan interest	464	42,756	170,533	291,116	371,949
Deposit interest income*	3,000	4,579	12,190	52,795	111,286
Total	3,464	47,335	182,723	343,910	483,234

OPERATING EXPENSES:

Lender origination fees	625	16,388	34,775	43,200	51,300
Fixed operating expenses**	94,769	107,625	118,006	123,907	130,102
Depreciation	11,200	11,200	11,200	11,200	11,200
Total	106,594	135,213	163,981	178,307	192,602

RESERVE FOR LOAN LOSSES	2,500	52,440	83,460	86,400	82,080
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TOTAL EXPENSES	109,094	187,653	247,441	264,707	274,682
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PROFIT/(LOSS)	(105,630)	(140,317)	(64,718)	79,204	208,553
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CUMULATIVE PROFIT/(LOSS)	(105,630)	(245,947)	(310,666)	(231,462)	(22,909)
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\* deposit interest rate = 6%

\*\* see Annual Operating Budgets

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ANNEX 12

HOME IMPROVEMENT LOAN PROGRAM FOR DEMOCRATIC UNION MEMBERS

SOURCES & USES OF FUNDS (CASH FLOW) STATEMENT

	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
<b>SOURCES:</b>						
AID start-up & TA grant	447,172	361,523	148,688	0	0	957,383
AID loan fund capitalization	100,000	700,000	1,500,000	1,500,000	500,000	4,300,000
operating income (1)	3,464	47,335	182,723	343,910	483,234	1,060,667
loan repayments	980	103,833	503,262	1,112,450	1,616,162	3,336,687
	=====	=====	=====	=====	=====	=====
Total sources	551,616	1,212,692	2,334,672	2,956,360	2,599,397	9,654,737
<b>USES:</b>						
AIFLD contract	92,274	74,600	30,682	0	0	197,555
TA subcontract	204,130	179,298	0	0	0	383,428
capital expenditures (3)	56,000	0	0	0	50,000	106,000
fixed operating expenses (3)	94,769	107,625	118,006	123,907	130,102	574,408
	-----	-----	-----	-----	-----	-----
Subtotal (2)	447,172	361,523	148,688	123,907	180,102	1,261,392
new loans	25,000	655,500	1,391,000	1,728,000	2,052,000	5,851,500
lender origination fees (1)	625	16,388	34,775	43,200	51,300	146,288
loan loss reserve (1)	2,500	52,440	83,460	86,400	82,080	306,880
	=====	=====	=====	=====	=====	=====
Total uses	475,297	1,085,850	1,657,923	1,981,507	2,365,482	7,566,059
<b>NET CASH FLOW</b>	<b>76,319</b>	<b>126,841</b>	<b>676,749</b>	<b>974,854</b>	<b>233,915</b>	<b>2,088,678</b>
<b>CUMULATIVE CASH FLOW (4)</b>	<b>76,319</b>	<b>203,160</b>	<b>879,910</b>	<b>1,854,763</b>	<b>2,088,678</b>	

(1) these items come from the Operating Income/Loss Statements on previous page

(2) AID funded items (first three years only)

(3) see Implementing Unit Budgets

(4) cumulative cash flow represents the end-of-year balance in the Loan Fund

CURRENCY REQUIREMENTS

	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
<b>SOURCES:</b>						
Local currency (in \$)	100,000	700,000	1,500,000	1,500,000	500,000	4,300,000
Dollars	447,172	361,523	148,688	0	0	957,383

## ANNEX 13

### THE COOPERATIVE HOUSING FOUNDATION (CHF)

The Cooperative Housing Foundation (CHF), a private, non-profit organization, has over 40 years of experience in assisting families in the U.S. and around the world obtain adequate shelter and build viable, democratically-controlled institutions. CHF considers shelter and community development to be part of the overall human living environment and, as such, takes an integrated approach that considers organizational, technical, financial and cultural aspects.

CHF has programs operating world-wide and has maintained a particularly strong presence for many years in South and Central America. CHF's Cooperative Neighborhood Improvement and Jobs Program has enabled indigenous, private sector organizations throughout Central America to develop the capacity to deliver credit and provide a wide range of shelter solutions to low-income families.

CHF's ability to design and manage practical and sustainable programs addressing shelter and community issues has been recognized by numerous national and international organizations through their funding of CHF projects. The United Nations awarded CHF its Habitat Scroll of Honour in 1991 in recognition of its Central American program. One of the key elements of this award was CHF's successful record in working with non-governmental organizations to help them to develop the capacity to serve as housing intermediaries. These efforts have included both new construction and home improvements and have experienced a remarkably high rate of repayment (97-99%) by the beneficiaries to the intermediary and, in turn, by the intermediary to CHF.

CHF's multi-lingual and diversely skilled staff provide a wide range of support and assistance related to the development and improvement of housing and basic infrastructure, including: project identification, design, implementation, management and evaluation. CHF emphasizes institution building in all of its work, such as in the technical and financial aspects of housing delivery.

CHF brings all the experience and skills necessary to provide the technical assistance to implement and manage a home improvement loan program for Nicaragua's democratic trade union members.

IMPLEMENTATION SCHEDULE: HOME IMPROVEMENT LOAN PROGRAM FOR DEMOCRATIC UNION MEMERS

ACTIVITY	RESPONSIBILITY	YEAR 1				YEAR 2				YEAR 3				YEAR 4				YEAR 5			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	
<b>START UP ACTIVITIES:</b>																					
COOPERATIVE AGREEMENT SIGNED BETWEEN USAID AND AIFLD	USAID/AIFLD	XX																			
TECHNICAL ASSISTANCE AND TRAINING CONTRACT SIGNED BTWN AIFLD AND TRUST FUND ESTABLISHED	AIFLD/CHF	XX																			
LABOR MANAGEMENT ORGANIZATION (LMO) BOARD OF DIRECTORS NAMED	AIFLD	XX																			
LMO STATUTES APPROVED	LMO BOARD		XX																		
LMO RECEIVES LEGAL PERSONALITY	LMO BOARD		XX																		
CHF PROGRAM DIRECTOR ARRIVES	CHF	XX																			
ADMIN UNIT PROJECT ADMINISTRATOR TERMS OF REFERENCE PREPARED	LMO/AIFLD/CHF	XX																			
OFFICE FACILITIES CONTRACTED AND FURNISHED	CHF	XX																			
ADMIN UNIT PROJECT ADMINISTRATOR CONTRACTED	LMO/CHF	XX																			
PROJECT STAFF CONTRACTED	AIFLD/CHF	XX																			
PREPARATION OF TRAINING MATERIALS	CHF		XX	XX	XX																
ADMIN UNIT PROJECT ADMINISTRATOR AND STAFF TRAINED	LMO/CHF		XX	XX	XX	XX	XX	XX	XX												
IMPLEMENTATION PLAN DETAILED	LMO/CHF	XX																			
<b>PILOT PROGRAM ACTIVITIES:</b>																					
NEGOTIATION WITH INTERMEDIARY INSTITUTIONS	ADMIN/CHF	XX																			
SELECTION OF FIRST THREE SITES FOR PROJECT	LMO/CHF	XX																			
INTERMEDIARY CONTRACTS SIGNED	AIFLD/INTER/LM	XX																			
INITIAL UNIONS TO PARTICIPATE SELECTED	LMO	XX																			
COORDINATION/COMMUNICATION BETWEEN ALL PROGRAM PARTICIPANTS	ADMIN/CHF	XX																			
TRAINING OF UNION REPRESENTATIVES	ADMIN/CHF	XX																			
TRAINING OF INTERMEDIARIES	CHF/ADMIN	XX																			
START PROGRAM PROMOTION AND APPLICATION PROCESS	UNIONS				XX																
INITIAL APPLICATIONS RECEIVED BY INTERMEDIARIES	BORROWERS				XX																

continued



IMPLEMENTATION SCHEDULE: HOME IMPROVEMENT LOAN PROGRAM FOR DEMOCRATIC UNION MEMERS

ACTIVITY	RESPONSIBILITY	YEAR 1				YEAR 2				YEAR 3				YEAR 4				YEAR 5			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	
SAVINGS PAYMENTS DEPOSITED	BORROWERS			XX																	
LOANS FROM TRUST TO INTERMEDIARIES DISBURSED	AIFLD/LMO			XX																	
LOANS FROM INTERMEDIARIES TO BORROWERS DISBURSED	LMO/AIFLD			XX																	
IMPROVEMENTS MADE	BORROWER			XX																	
LOAN PAYMENTS RECEIVED BY INTERMEDIARIES	EMPLOYERS				XX																
INTERMEDIARIES REPAY TRUST (3 MO GRACE PERIOD)	INTERMED					XX															
ADDITIONAL UNIONS APPROVED TO PARTICIPATE	LMO					XX															
TECHNICAL ASSISTANCE AND TRAINING OF NEW UNIONS	CHF/LMO					XX															
NEW UNIONS START PROMOTION AND ACCEPT APPLICATIONS	UNIONS					XX															
PILOT PROGRAM EVALUATION (6 MO AFTER FIRST LOAN)	CHF/ADMIN								XX												
PROGRAM MODIFICATIONS	ALL								XX												
PROGRAM EXPANSION									XX												
ADDITIONAL SITES SELECTED	LMO/ADMIN								XX												
NEGOTIATION WITH INTERMEDIARIES	ADMIN/CHF								XX												
INTERMEDIARY CONTRACTS SIGNED	AIFLD/INTER/LM								XX												
UNIONS SELECTED TO PARTICIPATE AT NEW SITES	LMO								XX												
TECHNICAL ASSISTANCE AND TRAINING OF NEW UNIONS	LMO/CHF									XX											
COORDINATION/COMMUNICATION BETWEEN ALL PROGRAM PARTICIPANTS	LMO/CHF									XX											
TECHNICAL ASSISTANCE AND TRAINING OF UNION REPRESENTATIVES	LMO/CHF									XX											
TECHNICAL ASSISTANCE AND TRAINING OF INTERMEDIARIES	LMO/CHF									XX											
START PROGRAM PROMOTION AND APPLICATION PROCESS	UNIONS										XX										
PROGRAM EVALUATIONS	CHF/ADMIN											XX						XX			XX
PROGRAM AUDITS	USAID									XX								XX			XX

NOTE: MONITORING AND EVALUATION WILL BE ONGOING

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ANNEX 15

HOME IMPROVEMENT LOAN PROGRAM FOR DEMOCRATIC UNION MEMBERS

ADMINISTRATION UNIT OPERATING BUDGETS

(US \$)

	Per Mo.	Year 1*	Year 2	Year 3	Year 4	Year 5
<b>STAFF</b>						
Program Administrator	2,000	18,000	24,000	25,200	26,460	27,783
Promoter A	700	6,300	8,400	8,820	9,261	9,724
Promoter B	650		7,800	8,190	8,600	9,029
Promoter C	650		7,800	8,190	8,600	9,029
Secretary (1)	700	6,300	8,400	8,820	9,261	9,724
Office Aide	175	1,575	2,100	2,205	2,315	2,431
Employee benefits (2)		10,969	14,625	15,356	16,124	16,930
<b>Sub-total, staff expense</b>		<b>43,144</b>	<b>73,125</b>	<b>76,781</b>	<b>80,620</b>	<b>84,651</b>
<b>OTHER:</b>						
Rent	1,300	11,700	15,600	16,380	17,199	18,059
Utilities & security	575	5,175	6,900	7,245	7,607	7,988
Office supplies	175	1,575	2,100	2,205	2,315	2,431
Communications	175	1,575	2,100	2,205	2,315	2,431
Copies & reproduction	150	1,350	1,800	1,890	1,985	2,084
Transportation (3)	250	2,250	3,000	3,150	3,308	3,473
Training & technical support		3,000	1,000	1,050	1,103	1,158
Legal/Professional		10,000	1,000	1,050	1,103	1,158
Accounting/Audit (4)		12,500	0	5,000	5,250	5,513
Publications/Misc.		2,500	1,000	1,050	1,103	1,158
<b>TOTAL</b>		<b>94,769</b>	<b>107,625</b>	<b>118,006</b>	<b>123,907</b>	<b>130,102</b>

CAPITAL BUDGET

Equipment	10,000	(3 computers, 4 air conditioners, copier, printer)
Furniture	10,000	(5 desks & chairs, file cabinets, tables, lights, misc.)
Vehicles	36,000	(2, incl. shipping)
<b>TOTAL</b>	<b>56,000</b>	

COMBINED BUDGETS, YEAR 1

150,769

\* 9 months' operations, with 3 months' lending activity

(1) bi-lingual, Quicken-level bookkeeping skills

(2) employee benefits 25% of salaries

(3) includes fuel, insurance & maintenance for 2 vehicles

(4) Year 1 cost represents 18 month audit & accounting system start-up



HOME IMPROVEMENT LOAN PROGRAM FOR DEMOCRATIC UNION MEMBERS

CHF TECHNICAL ASSISTANCE BUDGET

	Qty	Unit	Rate	Year 1		Year 2	
				Unit	US \$	Unit	US \$
<b>1. Salaries</b>							
Field Staff	2	years	45,000	1	45,000	1	45,000
Country Representative							
<b>Headquarters Staff</b>							
Project Manager	36	days	270	18	4,860	18	4,860
Advisor A	60	days	196	40	7,840	20	3,920
Secretary	30	days	100	15	1,500	15	1,500
<b>2. Overhead and Fringe</b>							
Field Staff			147%		65,970		65,970
Headquarters Staff			185%		26,290		19,032
<b>3. Consultant</b>							
Consultant	24	days	250	16	4,000	8	2,000
<b>4. Travel &amp; Transportation</b>							
R/T WDC-Managua	8	R/T	570	5	2,850	3	1,710
Per Diem	75	days	177	45	7,965	30	5,310
Local Travel					500		500
<b>5. Allowances</b>							
Housing, Utilities, Security	22	months	1,750	10	17,500	12	21,000
Furniture					5,000		
Temporary Lodging	60	days	106	60	6,360	0	0
HHE, Pack/Ship		R/T	6,000		3,000		3,000
Storage	24	months	75	12	900	12	900
<b>6. Other Direct Costs</b>							
Telecommunications	24	months	110	12	1,320	12	1,320
Copying, printing	24	months	50	12	600	12	600
SOS Insurance	1	year	135	2	270	2	270
DBA Insurance			2.79%		1,256		1,256
Physical exam	2		150	1	150	1	150
Misc.					1,000		1,000
<b>Annual sub-totals</b>					<b>204,130</b>		<b>179,298</b>

TWO YEAR TOTAL

383,428