

HAITI RECONSTRUCTION FUND

STATUS UPDATE AS OF JUNE 30, 2016

Project Title:	Partial Credit Guarantee Fund (PCGF) (Restructured) Reformulation (Phase 1)¹: Program to Support Productive Development		
Partner Entity:	IADB	IHRC Concept Note Number:	
Project Development Objective:	<p><u>Partial Credit Guarantee Fund (PCGF)</u> The objective of this operation was to contribute to the rehabilitation of the Haitian Productive sector, which had been negatively affected by the earthquake, in particular those enterprises that remained viable. This was to be achieved by establishing a Partial Credit Guarantee Fund (PCGF) to allow such enterprises to restructure bank-debt obligations they were unable to meet, preventing viable enterprises from going into liquidation and, furthermore, facilitating their continued access to finance to rebuild and operate their businesses.</p> <p>Owing to limited demand for further guarantees by commercial banks as the emergency situation had stabilized, the Government of Haiti requested a reformulation of the undisbursed resources to address the financial and nonfinancial needs of small enterprises and smallholder agriculture. This is to take place through two partial reformulations.</p> <p><u>1st partial reformulation: Program to Support Productive Development</u> The objective of the reformulation of the program (Refor.1) is to support the development of productive small-scale firms as a source of sustainable economic growth and employment generation. The specific objectives are to: (i) develop sustainable, small-scale firms, primarily in agribusiness, tourism, and industrial value chains through strategic investments in technical assistance, productive infrastructure, and financing; and (ii) improve access to capital equipment for small-scale firms and farms. The reoriented funds will be used for two purposes: (i) complement the HA-L1068 (2827/GR-HA) IDB Program by scaling-up the pilot program to a national level, achieving greater economies in their provision, and greater impact in terms of the number of firms benefited and employment created (see Results Matrix)²; and (ii) implement pilot to expand lease financing for capital equipment.</p> <p><u>2nd partial reformulation (approved in June 2015): Support to Anchor Investments Pilot Program</u> The objective of this program is to foster the productive, financial and social inclusion of the population associated with value chains led by anchor firms by facilitating investment in these companies via public-private partnership modalities.</p>		
PARDH³ Sector:		IHRC Sector:	Private Sector Development
Responsible Agency(s)⁴:	<p>PCGF Fonds de Développement Industriel Program to Support Productive Development For partial reformation I the Responsible Agency will be the Ministry of Commerce and Industry, which is in the process of developing a new fiduciary function that will manage fiduciary matters.</p> <p>For partial reformulation II the Responsible Agency will be the Ministry of Agriculture (MARNDR) and Ministry of Economy and Finance (MEF), through the units UPISA-MARNDR and UCG/PPP-MEF. Technical responsibility for implementation of Subprogram I will be assigned to the Ministry</p>		

¹ It is expected a second reformulation for the remaining of the funds not used for the PCGF.

² As described in HA-L1068 the original program was designed to receive additional funding from HA-L1050 and from other donors.

³ Plan d'Action pour le Relèvement et le Développement d'Haïti.

⁴ Agency or Agencies that is/are the direct recipient of funds from the Partner Entity and is/are responsible for overseeing project implementation.

	of Commerce and Industry (MCI).				
Total Project Cost (US\$ million):	Up to US\$ 95 Millions	Total Approved HRF Grant (US\$ million):	US\$12.5 Millions	Total HRF Funds transferred to Partner Entity (US\$ million):	US\$12.5 Millions
Other Donors (indicate amount per donor):	IADB: US\$20 Million; WB: US\$2.5 Million; Other (tbd): Up to US\$ 60 Millions				
Project Funds disbursed (US\$ million):	PCGF	1.9	Disbursement as a percentage of total project cost:	PCGF 5.69% (of up to total project) 5.58% (of signed and committed funding)	
	SPD Program	0.0		SPD Program 0.00% (of up to total project) 0.00% (of signed and committed funding)	
	Anchor Program 0.4			Anchor Program 2.35%	
HRF Funds disbursed (US\$ million):	PCGF US\$0.0		Disbursement of HRF funds as a percentage of approved HRF grant:	PCGF 0.00%	
	SPD Program US\$0.0			SPD Program 0.00%	
	Anchor Program US\$0.0			Anchor Program 0.00%	
HRF SC Final Approval Date:	PCGF 27 AUG 2010 (SC Meeting 2)		Project Effectiveness Date⁵:	PCGF 15 MAR 2011	
	SPD Program 22 NOV 2012 (SC Meeting) The first part of the restructuring has been approved in December 2012. The corresponding amendments to the contracts involved have been signed on February 18th, 2013. Unfortunately late publication of the amendments by GoH necessitates another publication as soon as possible.			SPD Program Anticipated in Q4 2016	
Expected Project Duration:	77 months (in line with IDB signed contract and the extended new last disbursement date approved)		Expected Project Closing Date:	31 JULY 2019 (in line with IDB signed contract and amendment approved)	

⁵ Date of fulfillment of all project effectiveness conditions and start of implementation of project activities.

Implementing Agency:	Type of Organization (Local/Int'l NGO, Government Agency, etc.):	Total project funding channeled through Implementing Agency (Planned or Actual):
PCGF Fonds de Développement Industriel (FDI)	Specialized institution of the Central Bank of Haiti (BRH), endowed with operational and financial autonomy. The FDI's General Manager is appointed by the Board of Directors, which is actually the Board of BRH.	US\$5.2 Million
CDEE MCI - Centre de Développement de l'Entreprenariat et l'Entreprise at the MCI (technical execution) ; and UGF - Unit de Gestion Fiduciare (fiduciary support to technical team)	The CDEE will handle the technical and strategic decisions of the program. It is a specialized unit in the Ministry of Commerce and Industry pursuing the development of the SMEs. A specialized unit, L'UGF, has been created at MCI to take charge of fiduciary matters for the SPD program.	US\$10.25Million ⁶
MARNDR : Ministère de l'Agriculture, des Ressources Naturelles et du Développement Rural	Government Agency	US\$17Million

Quantitative Results Indicators (include target):	Progress:	Cumulative Progress planned for: 2015
Original Program (PGCF)		
Guaranteed loan reimbursed by enterprises participating in the Program	N/A	N/A
Reformulation (1) SPD Program		
Businesses assisted by the Accelerator Program	0	15
Microparks built and functioning	0	0
Leasing companies created with program resources.	0	1
Technical consultancies carried out to support creation of leasing companies.	0	3
Persons employed by beneficiaries of: (i) the Business Accelerator; and (ii) Microparks	0	0
Businesses current on repayment of capital contributed by the business incubator.	0.00%	0.00%
Ratio of annual average savings rate generated by Micropark beneficiaries to the inputted capital services received from the program.	0.00%	0.00%
Beneficiaries of Businesses Accelerator evaluated as creditworthy by financial	0.00%	0.00%

⁶ There is a second reformulation of the original operation that will handle the rest of the US\$17.05 Million.

intermediaries		
Lease contracts outstanding	0.00%	0.00%
Reformulation (2) SPD Program		

Qualitative achievements against expected results⁷:

Original Program (PGCF)

Despite the efforts made by the FDI to identify new operations, by December 31, 2011 no further guarantees had been issued. Given the temporary nature of the fund, an informal assessment was conducted in February 2012 to explore the possibility of extending the operative function of the guarantee. The FDI and the Bank concluded that the guarantee was no longer needed, meaning the Fund would not raise more guarantees against loans. Notwithstanding this conclusion, the operation will remain in effect until its contractual expiration so that the reports related on the guarantees already issued can be properly managed. At this date US\$29,400,000 of Program resources are available. The outputs of the Fund are:

The detailed composition of the guarantees issued (USD 3.333.289) has included 8 enterprises and 245 micro-enterprises, concentrated in 3 Banks and guarantying USD 10.6 million in loans, as follows:

Intermédiaire Financier	Garantie entreprises		Garantie Micro entreprises		Total	
	Nombre d'entreprises	Montant	Nombre d'entreprises	Montant	Nombre d'entreprises	Montant
Unibank	4	1,202,485			4	1,202,485
Capital Bank	-	-	54	94,611	54	94,611
Sogebank	6	1,510,522	191	525,672	197	2,036,193
Total	10	2,713,006	245	620,283	2555	3,333,289

Reformulation (1) SPD Program

The reformulation has been approved and accomplished conditions prior to first disbursement at the end of May 2015.

Challenges and other comments⁸:

The IDB worked with the Government to prepare a reformulation of the Program to Establish a Partial Credit Guarantee Fund for Enterprise Development (PCGF). That operation was comprised of HA-L1050 (2416/GR-HA) for US\$20 million of IDB Grant Facility resources, and HA G1022 (GRT/HR-12410-HA) for US\$12.5 million from HRF resources.

The original operation provided guarantees for loans to SMEs that suffered personal and property damages from the earthquake. Owing to a lack of demand for additional guarantees as the emergency situation stabilized, the Government of Haiti requested a reformulation of the undisbursed resources to address the financial and nonfinancial needs of small enterprises and smallholder agriculture. The Steering Committee was informed of the intention to reformulate the program at the SC meeting of April 2012.

The HRF Steering Committee approved the reformulation on November 22, 2012. The first part of the restructuring was approved in December 2012. The corresponding amendments to the contracts involved were signed on February 18th, 2013.

⁷ Include (i) qualitative achievements, (ii) key milestones (current or future) and (iii) any significant changes in project components or budget reallocations.

⁸ As applicable include (i) reasons for project delays, (ii) implementation challenges, (iii) funding status (funding gaps, new funding sources, or changes to initial contributions), and (iv) other relevant information.

The conditions prior to first disbursement were expected to be fulfilled in July 2013; notwithstanding, the execution scheme of the program did not lead to planned results. A lack of coordination between the two agencies involved (the CDEE in the MCI and the UCP-MEF in the MEF) has delayed the launching of the program and the execution of the rest of the programs under their responsibility. To deal with this situation, in late October 2013, the MEF sent a letter consolidating all the responsibilities for the execution of the program under the CDEE. Corresponding amendments to the contracts were expected to be ready to be signed and enforced in January 2014, which was finally achieved in March 2014. Delays linked to the creation of a new fiduciary unit within MCI have resulted in delays greater than anticipated in the execution of the reformulated. Further to this – as explained above – the MCI decided to cease development of its initial fiduciary unit so that it could develop two separate units that should be implemented by May 2015. MCI then changed its approach in May 2015, reverting to the original vision of developing a single fiduciary unit.

As of 28 July 2016, the unit is partially staffed, with an on-going search for a coordinator underway.

The late publication of the first amendment to the contract has necessitated another publication in order to achieve full eligibility. The MCI has requested some additional changes to this contract, and it is expected that it will be signed and published in Q3 2016, thereby granting full eligibility. The Bank is currently pursuing an alternative solution that will render full eligibility more quickly.

The on-going political crisis has continued to delay progress on the operation and it is hoped that this situation will improve over the next quarter.

The first project to be approved on the operation – a juice factory at Marmelade (approximately \$750k) – was approved in July 2015 with the final contract signature taking place on October 23rd. There are a number of other prospective projects in the operation's disbursement pipeline.

The second reformulation has been approved by HRF and the IDB's Board in June, 2015. This includes \$7.5 million from HRF, which will be used in a program that will boost the agricultural sectors by letting the inflow of investments through an "anchor" approach, promoting, at the same time, the development of the value chain associated to these investments. The MARNDR (through its Unité de Promotion des Investissements dans le Secteur Agricole – UPISA) will be the program's executing agency, in close coordination with the MEF's Private Public Partnership Unit –UCG-PPP. The project is now eligible for disbursement.