

UNITED NATIONS DEVELOPMENT PROGRAMME
GOVERNMENT OF TRINIDAD AND TOBAGO
Project Budget

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Project Number:
Project Title:

TRI/98/003
The Establishment of a Community Based Micro Credit Programme in Trinidad and Tobago (Phase 1)

Start Year: 2000
End Year: 2000
Executing Agent: NEX - MINISTRY OF SOCIAL AND COMMUNITY DEVELOPMENT
Implementing Agents: NEX - MINISTRY OF SOCIAL AND COMMUNITY DEVELOPMENT
NEX - Change Management Unit
Revision Type: INI - INITIAL

Budget Financing (in US\$)	
INPUTS	REV "A"
UNDP	
01-UNDP IPF/TRAC	0
Cost Sharing	
GCCC	76,500
Country Office Admin. Costs:	3,060
TOTAL	79,560

Brief Description:

The project aims at improving the quality of life of needy persons through community empowerment and entrepreneurial development, by providing on-lending funds and support to facilitate direct community involvement in entrepreneurial development and promotion of sustainable livelihood generation among community residents as a strategy to eradicate poverty.

Approved by:	Signature:	Date:	Name/Title:
UNDP:		11/07/00	Hans Geiser, Resident Representative
Executing Agent:		11/07/00	Shastri Ali, Permanent Secretary
Government:		11/07/00	Manohar Ramsaran, Minister

A. CONTEXT

1. Background

Poverty eradication strategies must move and indeed have been moving beyond the short term remedial type programme to intervention which promotes the sustainable development of beneficiaries. Increasingly on the global scene, the promotion of micro entrepreneurship is seen as a key poverty eradication strategy so much so that in February 1997 a global mobilisation campaign was launched aimed at reaching 100 million of the world's poorest, especially women, with credit for micro businesses by the year 2005.

If micro credit is to play the maximum role as a means of eradicating poverty in the lives of our citizens it must then be accessible to the those least able to obtain capital to generate livelihoods for their families. In Trinidad and Tobago the existing micro credit providers are deficient in a number of areas, most importantly of which is accessibility. For reasons which include prohibitive criteria/requirements for consideration, prohibitive charges and poor post loan monitoring support such agencies are failing to reach the very poor, on a large scale.

The community micro credit system is seeking to improve the accessibility of credit facilities to persons most in need of same as well as the empowerment of communities to support sustainable livelihoods of residents through this means.

The Government of Trinidad and Tobago has also determined that its approach to the eradication of poverty must include the involvement and empowerment of communities in the planning and implementation of programmes to address their own developmental needs. The approach adopted by existing providers does not necessarily cater to community involvement and less so community empowerment.

Moreover, the community micro credit system as a social programme, would seek not only to ensure the sustainability of micro businesses, but that there is improvement in the quality of life of the persons targeted, hence the focus on the provision of sustainable livelihoods. Accordingly, monitoring and support would be provided throughout the life of the loan and thereafter. While existing credit programmes provide, to varying degrees, much needed business advisory services, there is a preoccupation with loan repayment as evidenced by their reporting formats and statistics.

2. Description of the Sub-sector

Recent unemployment statistics indicate a rate of about 14.5% in Trinidad and Tobago as at second quarter 1997. The poverty report prepared by the Ministry of Social and Community Development in September 1996 suggests a rate of poverty of almost 36%. In the 1998 budget presentation, the Minister of Finance noted that the Trinidad and Tobago economy was on a sound path having experienced improving rates of growth over the last 2 years and a declining rate of inflation.

The statistics suggests some degree of imbalance in the fortunes of the country and point to the need for significant emphasis to be placed on the redistribution of the resources so that more of the persons currently living below the poverty line (suggested to be \$723.00 per individual) could benefit from the improved economic position of the country.

The Ministry of Social and Community Development has since 1993 embarked on a micro enterprise project which provided grants to a maximum of \$2,500 to its needy clients for the purpose of establishing micro businesses. The Ministry adopted a policy of referring the more established micro entrepreneurs to existing micro credit agencies for access to loans rather than its own grant programme. The majority of these referees were unable to meet the guarantor requirement set by one such agency. The experience of this project has emphasized the fact that there are a large number of persons who through lack of access cannot establish sustainable livelihoods for themselves.

In recent years also significant emphasis has been placed on the provision training programmes and other initiatives, with a view to promoting self employment among the beneficiaries, such programmes include offerings from the following agencies:

- YTEPP
- Community Development Division
- MLIO
- Servol
- URTP
- SBDC

A common experience of these providers has been the problem of the access by trainees to business capital at the end of the training. Notwithstanding the fact of the varying reasons why persons accept training and the varied propensities towards self employment, the problem of access to credit is one real issue that plagues many a trainee.

3 Host Country Strategy

The Government of Trinidad and Tobago has launched the Ministerial Council on Social Development (MCSD) which is comprised of twelve Ministers representing social sector Ministries and the Tobago House of Assembly. The intention of this Council is to promote and institutionalise an intersectoral and holistic approach to dealing with the problems of inequity and poverty in the society. The Change Management Unit for Poverty Eradication and Equity Building (CMU/PEEB) has been established as the secretariat to this MCSD with the mandate of coming up with new and innovative ideas to address poverty in Trinidad and Tobago using the participatory approach.

Two of the guiding principles on which the intersectoral MCSD and its secretariat the CMU/PEEB have been established are:

- (i) "To build collaboration with and among Line Ministries, Non-Governmental Organisations and the Private Sector on the basis of a holistic vision of social development for Trinidad and Tobago in which each Ministry's and each sector's contribution can clearly be seen as essential."
- (ii) "To ensure that all stakeholders, including poor communities themselves, are brought into the process of dialogue and collaborative planning."

In keeping with its mandate the CMU/PEEB has undertaken Regional Participatory Planning Workshops to inform the national community of this approach to dealing with poverty. Recognising the need to have a community led and driven approach to deal with poverty and inequity, Government has decided to use two approaches. One is the establishment of a Civic Council on Social Equity comprised of national civic organisations to function as a counterpart agency to the MCSD. The CCSE is a vehicle for incorporating the views, strategies and resources of civic partners in the process of poverty eradication and the promotion of social equity.

The second is the adoption of the Municipal boundaries as catchment units for poverty programmes in the country. Bearing this in mind the CMU/PEEB convened a Regional Participatory Planning Meeting with representatives from the different Regional Networks in Trinidad during the period October 1-3, 1997 with the purpose of providing a reorientation in the participatory methodology and establishing Action Teams for spreading participatory methodology at the community level and come up with community led and driven anti poverty initiatives.

The community micro credit system is in the vein of empowering communities and allowing them to lead the process of community building in this instance through the creation of sustainable livelihoods.

4. Prior and On-going Assistance

Micro enterprise development as a strategy to reduce unemployment and poverty has received increasing support in Trinidad and Tobago. A number of agencies, governmental, para-governmental and non-government have either become involved in or have enhanced their service to this sector. While the services of these agencies provide an excellent opportunity for support to the Community Micro Credit System there is a need for the rationalisation of these efforts to ensure that overlapping does not occur.

5. Institutional Framework for the Sub-Sector

5.1 Government Ministries

In recent times various Government Ministries have become involved in administering or facilitating micro credit programmes as a poverty alleviation strategy catering to their various clientele. Some of these programmes include:

1. Ministry of Social and Community Development

a) Micro-Enterprise Project

In 1993 the Ministry began implementation of a micro enterprise grant project whereby the clients of the Ministry (recipients of Public Assistance, probationers, and other needy persons) could access a maximum grant of \$2,500 for business pursuits or for training purposes. A special grant fund of \$3,500 was also accessible to victims of domestic violence from 1995. An evaluation of the Micro Enterprise project in 1996 revealed a 53% success rate in spite of the fact that no support services were provided to recipients. This project is on going.

b) Women in Entrepreneurship Programme

Through its Women in Entrepreneurship Programme, the Community Development Division, has provided entrepreneurial development and skills training to women. The programme also involved the provision of start up capital to the graduates. The Community Development Division proposes to continue similar initiatives.

2. Ministry of Sport and Youth Affairs

This Ministry piloted the District Youth Micro Enterprise Project over the period September 1996 to September 1997. The project sought through an existing credit provider (FUNDAID) to provide low interest loans to youths interested in engaging in business pursuits. While the evaluation report on this project is still outstanding, the Ministry is committed to continuing this initiative on a larger scale.

3. Ministry of Education

A programme of re-training has been provided by this Ministry, to unemployed persons between the ages of 25 - 50 years. The training has been both community based and driven and has sought to provide skills for employment, starting a business and securing a job.

4. Ministry of Housing and Settlements

As a part of its efforts among squatting communities being regularised, this Ministry proposes to establish a micro credit scheme utilising the Grameen Bank model, to promote sustainable livelihoods among residents.

5. Ministry of Works and Transport

In collaboration with FUNDAID, credit was provided for vendors who had been victims of the fire at Tent City. A similar initiative is proposed for participants of the Unemployment Relief and Training Programme which has been relocated to the **Ministry of Local Government**.

The micro-credit facilities currently operating are provided below:

Small Business Development Company Limited (SBDC)

A key agency in the development of this sector has been the **Small Business Development Company Limited (SBDC)**. The company provides loan guarantees to a maximum of 85% of the loan required. Loans can be accessed up to \$250,000. In 1996 SBDC issued 510 loan guarantees to loans purchased through the commercial banks, the Agricultural Development Bank and the Trinidad and Tobago Development Foundation Limited (FUNDAID). One hundred and sixty six (166) of these were micro enterprise loans at an average of \$2,900.00. With funding from the European Union, the SBDC has provided onlending funds to two credit unions and FUNDAID exclusively for small and micro loans. The funds are to be managed as a revolving fund and in the case of the credit unions are not limited to share holders. Total loans disbursed under this programme (1996/1997) was 335 at a value of \$2.7m.

The SBDC functions as a facilitator of small and micro business development and as such has developed a range of additional services in support and to promote the development of the small enterprise sector. These programmes include the Community Ventures Programme, Camp Young Entrepreneur, Small Business Week and Business Support Services. These services provide a supportive environment for the Community Credit Programme especially in the area of community sensitisation towards self employment and should therefore be fully supported and maintained by the **Government of Trinidad and Tobago**.

Trinidad and Tobago Development Foundation Limited (FUNDAID)

FUNDAID is a non-governmental organisation with a long history of involvement in micro credit having been in existence since 1973. Its mission is to foster the economic development of low income groups by providing access to credit, training, technical assistance and accounting services to same. FUNDAID has also developed linkages larger business organisations to facilitate marketing and other forms of assistance to its micro entrepreneur clients. During the period 1991-1996 FUNDAID disbursed 1,014 loans of an average loan size of \$7,850.83 with a delinquency rate of 6.6%. In recent

times a number of public sector agencies have sought to utilise FUNDAID's experience in mounting credit programmes targeting specific clientele attesting to its value to this sector.

The Cooperative Movement

Credit Unions in Trinidad and Tobago have traditionally focused on the provision of direct consumption loans to its members. Increasingly however, credit unions have been involving in the disbursement of loans for business purposes. In 1993, the movement granted US\$1.7million and in 1994 US\$5million in small business loans. While the credit union movement provides another avenue for access to business credit, the legislation governing the movement requires that loans are disbursed to share holders. This criteria effectively restricts access to the poor. The Cooperative Credit Union League has also been developing its training capacity and has been involved in the provision of training in small business management.

Youth Training and Employment Partnership Programme

YTEPP was established in 1988 to address barriers to employment faced by out of school youth between the ages of 15-25 years. YTEPP has therefore provided a number of programmes to this target group which could be accessed at centres throughout the country. Its programmes include; vocational skills training, career enhancement and entrepreneurial development and support services. In more recent times YTEPP has provided start up capital to graduates who wish to engage in small business enterprises.

B. PROJECT JUSTIFICATION

1. Problems to be addressed – The Present Situation

Despite encouraging macro-economic indicators and its first place ranking in the Human Poverty Index in 1997, the number of persons living under the poverty line set at TT\$ 723 per month is approximately 36%. Further, 11% of the population can be described as extremely poor or unable to afford the cost of the minimum food basket. Major sub-groups among the poor include unemployed youths, urban dwellers and female-headed households. Approximately 31% of the female-headed households as compared to 18.4% of male-headed households are estimated to be poor.

The programme is a poverty eradication programme of the Government of Trinidad and Tobago which would provide credit, business advisory services, long term technical support and monitoring to needy persons in their communities through community organisations. The programme is demand-driven at the level of the communities.

2. Expected End of (Phase 1):

- Community groups empowered to provide tangible supports to needy residents
- Access to low cost credit facilities at community level

- Community based support to micro entrepreneurs
- Effective business support apparatus established
- Effective marketing networks established
- Enhanced life circumstances of community residents
- Increased income generation in communities
- Decreased dependence on welfare programmes
- Socio-economic development of communities

3. Target Beneficiaries

The programme targets poor men and women in communities who possess a skill in or aptitude for a marketable product or service. Special attention would be placed on the needs of marginalised groups in the society including youth, small farmers and persons with disabilities¹. In addition the programme would also be gender sensitive. The target would more specifically include:

Needy persons 18 years and over including:

- Persons in receipt of Public Assistance and other forms of government welfare;
- Persons earning at the minimum wage of \$7.00;
- Persons who fall below the existing poverty line;
- Unemployed persons who exist under conditions as above.

Persons qualifying for loans would also have to satisfy the following criteria:

- Provision of a clear and feasible business idea;
- Possession of a tangible contribution to the project;
- Possession of some prior experience or training in the business area;
- Willingness to accept training and all other loan conditionalities;
- Project should be consistent with overall socio-economic development of the community.

4. Project Strategy and Implementation Arrangements

This phase of the programme would be coordinated by the UNDP and would involve the prudent management of an initial capital injection, the selection of suitable Community Based Organisations (CBOs) and the provision of training and consultancies to same for the management of the project at community level. Additionally the programme would involve the identification and training of potential loan recipients as well as the provision of on going business advisory and follow up support to borrowers.

¹ ACreating a Nation of Entrepreneurs 1997-2001 - An Action Plan for the future direction of Micro, Small and Medium Enterprise Development in Trinidad and Tobago.≅ Ministry of Trade and Industry Sept. 1997

Specific arrangements would also be made to ensure loan repayment and the sustainability of the overall programme. As far as is practicable, beneficiaries of this programme would form part of a community based network to further promote entrepreneurship as livelihood generation in the communities.

The Community Micro-Credit Programme (Phase 1) would be implemented across Trinidad and Tobago in two of the following five areas: North West, North East, Central, South Trinidad, and Tobago. The CBO would be identified in each region and would serve the **specific community** in which it is located. Each CBO would be required to field twenty projects for loan disbursement at the start of the programme. An honorarium would be provided to the CBOs to assist with transportation cost to CBO Management Team members to cover the cost of meeting/site visits as well as stationery charges. Each CBO would also be provided with at least one expert who would support, advise and guide the CBO in its role as per Section 6.1.4 and 7.1.5 below. The assignment of the expert would be for a maximum period of fifteen months to ensure skills transfer. The programme activities for the implementation of this phase are represented in a chart in Appendix II.

5. Rationale for Assistance from UNDP

Under its Partners in Development and GEF Small Grants Projects, the UNDP has been the pioneer in empowering community organisations to become involved in micro enterprise initiatives as a means of establishing sustainable livelihoods. In 1996, two community organisations, the Toco Foundation and Community Rescue Mission of Princes Town, have benefited from grant funding facilitated by the UNDP to on lend to needy persons in their communities for the said purpose. In addition to the funding, the UNDP has facilitated training and expert assistance to the community organisations and to the loan beneficiaries to ensure empowerment, skills transfer and the success of the enterprises established.

These projects have provided an excellent example of the way in which community groups could be empowered to and participate in the socio economic development of their communities. They have also been the test pieces for the development of the proposed Community Micro Credit System and have provided invaluable information both in terms of the structure and pitfalls to be avoided.

It is based on this experience that the UNDP has been invited to coordinate key aspects of this first phase of the Community Micro Credit Programme. Moreover it was felt that the UNDP would bring significant additionality to the programme in view of its international experience in like programmes and in terms of the neutrality and high profile such a partner would lend particularly at this crucial start up phase. The Partners in Development Programme (PDP), will support this pilot project with financial resources totaling US\$ 24,214. However, a prerequisite of PDP's involvement will be that CBOs are willing to sign a Memoranda of Understanding with the Partners in Development Programme.

6. Special Considerations

As part of the implementation strategy, extensive use will be made of national expertise given the availability of expertise in the country in this area. In implementing the project, particular attention will be paid to including female entrepreneurs. The project will also build capacities in those regions where the level of poverty is the highest.

7. Coordination Arrangements

7.1 Programme Management

7.1.1 Role of Government

The programme would be funded by Government through the Ministry of Social and Community Development. The Ministry of Social and Community Development, through the Change Management Unit for Poverty Eradication and Equity Building would chair the Programme Steering Committee and ensure that the expertise of member Ministries on the Ministerial Council on Social Development is brought to bear on the implementation of this programme.

7.1.2 Role and Composition of the Programme Steering Committee

The Programme Steering Committee would be responsible for the overall guidance and management of the programme. Its functions would include:

- The provision of general direction to the Coordinating Agency;
- The review of reports from the Coordinating Agency on the performance of the programme (monitoring function);
- The provision of recommendations to the Executing Agency re. strengthening and sustainability of the programme.

The Change Management Unit for Poverty Eradication and Equity Building would be the Secretariat to the Programme Steering Committee which would comprise representatives of the following agencies:

- Ministry of Social and Community Development (*Chairperson*);
- UNDP
- SBDC
- Ministry of Culture and Gender Affairs
- The Association of Bankers
- The Ministry of Sport and Youth Affairs
- The Ministry of Housing and Settlements
- CBO Representative
- The Chamber of Industry and Commerce
- Credit Union League

- The Trinidad and Tobago Manufacturers Association

The support and expertise of additional agencies such as CNIRD, the Exporters Association, the Environmental Management Agency would be solicited as required.

7.1.3. Role of the United Nations Development Programme

The UNDP would act as coordinating agent, coordinating key aspects of the programme on behalf of Government and accordingly be required to perform the functions including:

- The management of the overall on-lending fund;
- The selection and monitoring of participating CBOs;
- The contracting/selection of trainers and consultants;
- The quarterly review of the performance of trainers and consultants;
- The quarterly review of CBO performance;
- The review of the status of micro projects to ensure consistency with programme objectives;
- The development of strategies to improve programme implementation;
- The provision of quarterly reports to the Steering Committee.

7.1.4 Role of the multi-disciplinary region based teams

The multi-disciplinary region based teams would comprise social sector field officers and CBOs and would be designed to promote coordinated and community driven approaches to poverty eradication. These Teams would be responsible for **mobilising community support and involvement in the programme, identifying priority areas and the provision of ongoing support to the selected CBO.**

7.1.5 Role of the CBO

The selected CBO is required to operate as a form of “Community Lending Agency” with a focus on building sustainable livelihoods within the community it serves. To this end the CBO would undergo a relevant and in-depth institutional strengthening programme, and be provided with the requisite funding and technical support in the form of a full-time micro credit expert, to undertake its responsibilities.

The responsibilities of the CBO are as follows:

- To mobilise participation and support for the programme within the community served;
- To promote micro entrepreneurship within the community;
- To ensure fullest participation of the community in the project;
- To assist in the facilitation of the training for its members and loan recipients;
- To manage a fund for loan disbursements to community residents and to report on loan disbursements;
- To assess the feasibility of projects/applications for loans;

- To monitor borrowers/projects to ensure continuity and loan repayment;
- To promote the establishment of borrower group/networks for project and other support;
- To provide technical advice and marketing support to borrowers;
- To mobilise community support for ongoing livelihood generating projects;
- To identify and seek to address factors within the community which mitigate against the success of the programme.

7.1.6 Role of the Experts

The participating CBOs would be provided with one consultant for a maximum period of fifteen months. Such persons would perform a vital role in the following areas:

- Providing assistance to potential borrowers in the preparation of project proposals consistent with agreed criteria;
- Ensuring that borrowers represent the widest cross section of the community;
- Screening loan applications vis a vis the feasibility of projects ;
- Providing technical support and advice to the local Management Committee as well as to the loan recipients on an ongoing basis;
- Establishing of marketing support networks;
- Promoting the establishment of borrower group/networks for project and other support;
- Ensuring adequate transfer of skills to the Management Committee;
- Monitoring of the CBO Management Committee .

The Consultant would be answerable to the Ministry of Social and Community Development, as the executing agent under this project. However, the consultant would be monitored by UNDP, as the Coordinating Agency. The CBO would be allowed to participate in the selection of the expert to promote CBO ownership of the project. In terms of the relationship between the Consultant and the Coordinating Agency, the former would be required to:

1. provide monthly site visit reports re. micro projects/CBO performance;
2. meet monthly with Coordinating Agency;
3. provide an evaluation of the project after the first 6 months and prior to the end of the consultancy.

The project shall be implemented in accordance with UNDP's National Execution Guidelines.

7.2 *Other Support Agencies/Services*

7.2.1 *The Banking Agency*

The funds allocated to the CBO under this programme would be lodged in a commercial chequing account from which disbursements would be made. The bank would also be required to promote savings among the borrowers. As a key partner in this project, the role of the bank would be to:

- Provide a special interest bearing account to accommodate the funds managed by each participating CBO;
- Facilitate repayment of loans at its outlets where this is beneficial to the CBO;
- Provide monthly statements on the performance of the account/loans;
- Facilitate the savings component of the programme;
- Provide technical support to the CBO and to borrowers where necessary.

7.2.2 *Marketing/Production Networks*

In view of the special challenges which have traditionally faced product marketing, emphasis would be placed on forging marketing networks in support of the micro projects. The experts assigned to the CBOs would have significant responsibility in this regard. Such networks would include:

- Liaison with existing agencies re. access to services provided e.g.
 - SBDC's Sector Improvement and Product Development Programmes
 - SBDC's Export Centre
 - FUND AID's Marketing Networks
 - NHA's Commercial Sites
- Establishment of inter-borrower marketing support networks where persons providing complementary services/products could trade same.
- The forging of relationships between established manufacturers and micro entrepreneurs towards the involvement of the latter in the provision of inputs to the manufacturing processes of the former.

7.3 *Training*

An integrated approach led by the SBDC, would be adopted in the development of a comprehensive yet relevant programme of training (including training manuals) for the CBO Management Committee and potential borrowers. The programme for CBOs would seek to cater to the institutional strengthening of the CBO, the minimising of intra group conflict, the management of the project at community level.

Training for the borrower will include a self development and motivational component as well as a simple yet comprehensive business management and marketing component. At a later stage of the programme, selected borrowers would themselves be trained to undertake training and monitoring of new borrowers from within their communities.

The Community Development Fund Secretariat has a mandate to engage in the institutional strengthening of CBOs for their greater role in socio-economic development at community level. This agency would therefore be a key partner in this programme.

C. DEVELOPMENT OBJECTIVE

To improve the quality of life of needy persons through community empowerment and entrepreneurial development, as a strategy to eradicate poverty in Trinidad and Tobago.

IMMEDIATE OBJECTIVES, OUTPUTS AND ACTIVITIES

Immediate Objective 1

To equip two Community Based Organisations to provide with low cost credit facilities and ongoing technical support for the development and sustainability of livelihoods and to facilitate entrepreneurship development in poor communities.

Output 1.1

Programme Steering Committee established

Activities

- 1.1.1 Prepare terms of reference for the committee
- 1.1.2 Invite representatives from various stakeholder agencies as identified under '*Role and Composition of the Programme Steering Committee*' to participate on the Committee

Output 1.2

Two regions identified in which the project would be implemented and two CBOs selected and trained in each of the Regions.

Activities

- 1.2.1 Identify two regions in which the first phase of the project would be implemented
- 1.2.2 Mobilize/Sensitize multi-disciplinary region-based teams
- 1.2.3 Select 2 CBOs, one from each of the identified region, based on agreed criteria
- 1.2.4 Train participating CBOs
- 1.2.5 Assign Expert to the CBOs

Output 1.3

Loan facilities established in two communities

Activities:

- 1.3.1 Assist CBOs in the selection of projects for loans (role of assigned Expert)
- 1.3.2 Train community participants (borrowers)
- 1.3.3 Disburse funds to the CBOs
- 1.3.4 Provide technical assistance and follow-up support to borrowers, CBOs and experts

Output 1.4

Operational manual for CBOs developed

Activities:

- 1.4.1 Recruit consultant to prepare operations manual
- 1.4.2 Prepare operations manual

Operating Manual

Following the receipt of Cabinet approval and the commissioning of the Coordinating Agency, a key activity would be the contracting of an appropriate agency to produce an operating manual. The manual would provide detailed guidance to the CBO for its role in the programme and therefore address areas including:

- Role and function of the CBO/Coordinating Agency/Experts/Bank/Borrower
- CBO operating policies
- Fund account management
- Project submission format
- Project proposal assessment
- Borrower assessment
- Loan disbursement arrangements
- Loan contractual arrangements
- Relations with suppliers
- Technical support and monitoring arrangements
- Project evaluation arrangements/criteria
- Repayment recovery
- Mechanisms for treating with project failure
- Standardised reporting format

Fund/Loan Management

Systems would be put in place to ensure transparency in the management of the fund, the sustainability of the fund, commitment to the programme and repayment of funds on the part of borrowers. Such systems would be detailed in the operating manual and include:

- The management of the on lending fund as a revolving fund;
- The location of the funds in a bank account from which cheques would be made available to suppliers;
- The disbursement of loans at an interest rate of not less than 6.5%;
- The accessing of an average loan of \$7,000;
- Repayment of loans within 3 years;
- The disbursement of loans in tranches to assist the recipient in managing the project;
- The granting of a maximum moratorium of 6 months during which period no interest would accrue to the loan;
- The requirement that borrowers enter into a loan agreement with the CBO which would give the CBO ownership of loan purchases until repayment and access to the business records of the borrower;
- The promotion of savings among borrowers through the allocation of a percentage of the repayment figure to a savings account.

Programme Promotion

The Executing Agency in collaboration with the Coordinating Agency would facilitate the programme promotion activities. Such activities would be done on two levels: pre-implementation promotions and promotions during the implementation of the programme.

Pre-implementation activities would involve the following:

- Intense programme sensitisation for the multi-disciplinary region-based teams which would play a leading role in promoting the programme within communities and among CBOs and in the initial short listing of CBOs for participation;
- Direct sensitisation activities in communities served by CBOs selected to participate in the programme. Such activities would be pitched both at the CBO and the community at large and would involve the use of mobile PA systems, the hosting of seminars where existing success stories would be highlighted and the printing of brochures;
- Advertisements in the press soliciting interested CBOs for eventual short listing by the Regional Action Teams.

Promotions during implementation would involve:

- Programme documentation on videos for example, for use both in the evaluation of the programme and in its promotion in other areas of the country and indeed other countries.

Selection of Participating CBOs

Interested CBOs would submit their proposals to the Ministry of Social and Community Development for final selection of a CBO, by the Coordinating Agency, to represent each of the two areas. The selection process would involve a keen assessment of the strengths and limitations of the CBO through a review of minutes of past meetings and feedback from community leaders and agencies regarding the CBO's track record and through interviews with the CBOs. The criteria for selection would include:

- Registration with the Registrar of Companies or some other Government agency as a Non-profit Organisation;
- Must have clearly stated articles of association/objectives;
- Executive must possess some degree of training or experience or demonstrated capacity to manage the project;
- Financial records must reflect soundness and transparency;
- Organisation must be accessible to the entire community;
- CBO management team must be prepared to undergo intensive training

E. INPUTS

Government inputs:

- funding for the Micro-Credit Programme.
- CMU selection of CBOs

UNDP inputs:

- co-ordination of the Micro-Credit Programme
- technical assistance in the recruitment of consultants and trainers

F. RISKS

1. CBO Performance

A fundamental assumption of this programme is that CBOs exist which would be willing to become involved in managing the programme at community level and be both capable

and committed to doing so over a sustained period. The programme also relies significantly on the CBOs ability to represent the entire community it services and its impartiality in the disbursement of loans. It therefore assumes that the selection process would be effective in identifying such capable CBOs.

2. Borrower/Project Performance

The success of the project is determined by the establishment of sustainable livelihoods by needy residents of the particular community. This factor in turn relies on the identification of feasible projects with effective marketing strategies. The development of projects in unsaturated areas and the development of creative marketing networks is a critical need of this programme. Success in these areas would impact on the repayment of loans by the borrowers and in turn, the sustainability of the credit facility.

3. Skills Transfer

Empowerment of the CBO to execute the programme beyond the consultancy period is dependent on the impact of the training provided and the transfer of skills from the expert to the CBO Management Team. The institutional strengthening of the CBO must therefore be designed, inter alia, to greatly minimise internal conflicts, while the transfer of skills to the CBO must ensure the CBO's ability to pass on the said skills in the event of changes in the Team membership.

G. PRIOR OBLIGATIONS AND PREREQUISITES

There are no prior obligations. A prerequisite to accessing additional project funds from the Partners in Development Programme (PDP), will be that suitable CBOs are identified and are willing to manage the community programme and sign Memoranda of Understanding with the Partners in Development Programme before the close of PDP's 1999 financial year.

II. PROJECT REVIEW, REPORTING AND EVALUATION

The monitoring indicators of the success of the programme would be specified and detailed in the operating manual. The indicators should cover the performance of the CBO, the experts and the borrowers and should include items listed below. In addition to the on going monitoring of the programme, annual evaluations would be conducted by the Coordinating Agency, UNDP. **At the end of phase 1, an independent evaluation would be completed.**

Performance indicators should include:

Re. Project Performance/Borrowers

- * A project success rate per region of not less than 80%;
- * Growth in the net assets of borrowers;

- A comparison of the level of net income before and after the loan;
- A comparison of the level of employment generated by the business before and after the loan;
- A comparison of the quality of life of the borrower before and after the loan, using such indices as: improved savings, improved access to education;
- A comparison of the number of direct and indirect beneficiaries before and after the loan.

Re. CBO Performance

- A loan repayment rate of not less than 80%;
- A project success rate of not less than 80%;
- Submission of timely monthly reports (within seven (7) days of following month);
- The ability to assess projects and provide technical support independent of experts;
- Full participation of Management Team members in the monitoring of projects;
- Prudent management of the fund account .

Re. Expert

- A loan repayment rate of not less than 80%;
- A project success rate of not less than 80%;
- Time invested in the project on a monthly basis;
- Submission of timely monthly reports (within seven (7) days of following month) to Coordinating Agency;
- The ability of the CBO to assess projects and provide technical support independently.

I. LEGAL CONTEXT

This Project Document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the participating Government and the United Nations Development Programme, signed on 20 May 1976.

The following type of revisions may be made to this project document with the signature of the UNDP Resident Representative only, provided he or she is assured that the other signatories of the Project Document have no objections to the proposed changes:

- a) Revisions in, or addition of any of the Annexes of the Project Document.
- b) Revisions which do not involve significant changes in the immediate objectives, outputs or activities of the project, but are caused by the re-arrangement of inputs already agreed to or by cost increases due to inflation.
- c) Mandatory annual revisions which rephrase the delivery of agreed project inputs or increased expert or other costs due to inflation or take into account agency expenditure flexibility.

J. BUDGET

Items	Government Budget (TT\$)
Loan Fund @ \$125,000 Per region for 2 regions	250,000
Two (2) experts @ \$5,750 per person for 12 months	92,000
Development of Operation Manuel	20,000
Training	64,000
Honorarium to CBOs @ \$2,000 per month for 12 mths	36,000
Programme Promotion and Documentation	3,000
Contingencies	9,308
Administrative fee (UNDP) 4% of Project Cost	18,972
Total	493280

ANNEX TO PROJECT TRI/98/003 ON UNDP COUNTRY OFFICE SUPPORT

Dear Mr. Geiser,

1. Reference is made to consultations between the Change Management Unit – the Executing Agent designated by the Government of the Trinidad and Tobago and officials of UNDP with respect to the provision of support services by the UNDP country office for the nationally executed project TRI/98/003 – The Establishment of a Community Based Micro-Credit Programme in Trinidad and Tobago, hereinafter referred to as “the Project”.
2. This Annex is covered by the attached Standard Basic Assistance Agreement (SBAA) signed by the Government of Trinidad and Tobago on 17 May 1976.
3. The UNDP country office shall provide the following support services to the project:


Support services	Schedule for the provision of the Support services
1. Utilizing capacity assessment techniques, assist the Change Management Unit (CMU) in the selection of two Community Based Organizations to participate in the Micro Credit Programme	In accordance with the project workplan
2. Train CBOs in project management, project proposal writing and costing and to function as trainers to the borrowers	On selection of the CBOs and recruitment of experts
3. Provide technical advice to Community Selection Committees of the CBOs which will advise on the selections of projects for funding	On selection of the CBOs
4. Disburse funds to CBOs and institute proper systems for monitoring the loan portfolio	Ongoing activity
5. Contract trainers and consultants for the Community Based Organizations	On selection of CBOs and in collaboration with the CBOs
6. Review performance of consultants and trainers	Quarterly
7. Review performance of Community Based Organizations	Quarterly
8. Review status of micro-credit project to ensure consistency with project objectives	Biannually and in collaboration with CBOs and CMU/PEEB
9. Develop and institute strategies to improve programme implementation	As necessary
10. Provide reports to the Steering Committee on the performance of the programme, CBOs, consultants, trainers and management of the Fund	Quarterly/annually

4. UNDP will be reimbursed on an annual basis for the support services provided at a rate of 4% of the project's cost-sharing budget (line 109 total).
5. Description of functions and responsibilities of the parties involved:

In accordance with the guidelines for nationally executed projects:

- Upon receipt of a written request from CMU/PEEB for assistance in the selection of the two Community Based Organizations, UNDP in collaboration with the CMU/PEEB will use capacity assessments techniques to determine the communities to be included in the Micro-Credit programme.
- Monitoring visits will be made at predetermined intervals to the selected communities and CBOs and technical advice will be provided in the area of project proposal writing and costing and in project appraisal.
- Upon receipt of a written request from Government for the recruitment of selected project personnel, along with all relevant supporting documentation (including terms of reference, health certificate, CV), UNDP will prepare the appropriate contract provided that project funds are available and the appropriate rules regarding recruitment are followed. The contract will then be forwarded to the candidate for signature and upon return, it will be signed by UNDP and the fully signed original contract will then be returned to the candidate.
- UNDP will review the performance of the trainers and consultants on a quarterly basis using terms of reference developed for their assignments and the expected outputs as the basis for the evaluation.
- Upon fulfillment of his/her terms of reference and submission of a mission report (where applicable), and with suitable certification of payment of consultants/experts, UNDP will process payments.
- The performance of the Community Based Organizations will be evaluated on a quarterly basis to ensure that funds are efficiently utilised and that the programme remains in line with the objectives.
- When necessary, UNDP will develop strategies to improve programme implementation by drawing on experiences with other micro-credit programmes.
- UNDP will prepare and/or submit to the Change Management Unit, Ministry of Social Development for their records, quarterly statements of expenditure, project delivery reports and combined delivery reports. If in agreement, the latter must be signed by the Government and returned to UNDP/POS for submission to UNDP/NY by the date specified. UNDP will also prepare budget revisions as necessary, in consultation with the Change Management Unit of the project. These revisions must be signed on behalf of UNDP and/or the Government and executing agent and returned to UNDP by the date specified.

Yours sincerely,



For the Government
Shastri Ali
Permanent Secretary, Ministry of Social
and Community Development

Date: 11/01/00



Signed on behalf of UNDP
Hans Geiser
Resident Representative

Date: 11/01/00