

A.I.D.
Planning Center
Room 1050 HS

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PD-DAB-094-D1
PROJECT APPRAISAL REPORT

6p

COUNTRY: NICARAGUA As of: 30 JUNE 1970

Project Title: Education Planning and Development
(EDUCREDITO - Student Loan Fund only)

Project Number: 524-11-690-023

U.S. Obligation Span: FY 1967 through FY 1972

Funding Table

	Total	Commodities	Participant Training	O. C.
Cumulative thru F. Y. 1970	\$160,200	2,500	2,400	155,300
Proposed Operating year F. Y. 1971	30,000	---	---	30,000
Proposed Budget year F. Y. 1972	30,000	---	---	30,000
Estimated Total Cost	220,200	2,500	2,400	215,300

Host Country Contribution: None

Implementing Agent Planned Contributions FY 70: \$ 33,340

Implementing Agent: Nicaraguan Development Institute

Project Manager: Andra J. Herriott, Human Resources Division

Mission Director's Approval *William R. Higgins* Date *10/13/70*

A. SUMMARY STATEMENT OF PROJECT PURPOSE:

To increase the educational opportunities available to needy capable students, who otherwise would be unable to attend higher educational institutions, by the establishment and continuation of a student loan fund developed in cooperation with the Nicaraguan Development Institute (INDE), a Nicaraguan private sector organization.

B. SELECTED OUTPUT INDICATORS TOWARD END-OF-PROJECT STATUS:

<u>Output Targets</u>	(non-cumulative) (Calendar Year roughly corresponds to school year)							<u>TOTAL</u>
	<u>1964</u>	<u>1965</u>	<u>1966*</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	
1. Number of student loans granted:	17	34	50	160	292	233	178	964
2. Amount of funds donated by private sector to INDE:	\$1,530	\$3,892	\$5,500	\$16,374	\$22,069	\$24,484	\$7,286**	\$81,135
3. Amount of money returned to revolving fund from loan interest and loan repayments	---	---	---	---	\$ 1,691	\$ 4,744	\$4,891**	\$11,326

* USAID/N support began in April 1967.

** Thru June 30, 1970

C. STATEMENT OF PROGRESS STATUS OF EACH INDICATOR:

1. Although the total number of loans granted to students has decreased since 1968, this is in line with EDUCREDITO's re-evaluated policy of providing fewer loans, but increasing the amount per loan so that the students with the greatest needs can finance their education more completely. A total of 574 students have benefited from the 964 loans, as some of the loans made each year are renewals.
2. INDE/EDUCREDITO is entirely supported by the Nicaraguan private sector. To date, it has not solicited funds nor sought financial support from the GON. The program was established to provide loan fund capital to supplement the scholarship programs already provided by Nicaraguan institutions of higher learning. USAID/Nicaragua provided \$10,500 in 1966 for EDUCREDITO and \$50,000 in 1967. Project Agreement No. 68-14 outlines the anticipated USAID/Nicaragua role in the project, and in 1968, USAID obligated up to another \$50,000 to be matched by private sector donations to INDE on a 4 to 1 basis. Seed capital from AID is to be continued through FY 1972, on a scale of increasing the matching basis with INDE; 3 to 1 in 1969, 2 to 1 in 1970, 1 to 1 in 1971, and 1972.

Of late, difficulty has arisen in raising funds from the private sector by INDE. Last year, 1969, it was decided to concentrate fund raising for a 30-50 day period rather than ask for funds year around. The campaign, "For Only 100 Cordobas More" was organized. In 1970, this campaign began early in August, which partially explains the small amount listed in the totals for 1970. It is obvious that fund raising will grow in importance in future years, especially when USAID and INDE funds reach a 1 to 1 matching basis.

In addition to the students who receive assistance at institutions within Nicaragua, some 17 others are studying abroad, at Landivar University in Guatemala in Marketing Research, in the United States under the LASPAU program, and in Mexico, Spain, and West Germany. In 1969, an amendment to the Pro/Ag permitted needy students to study outside of Nicaragua under special programs.

3. Under the original Project Agreement, 68-14, students who receive loans must repay them at approximately \$300 (\$43) per month. The repayment begins one year after completion of studies. The repayment rates may be adjusted by EDUCREDITO according to the students' ability to repay. In addition, 3% interest is charged annually beginning six-months after the loan is in force. Interest must be paid semi-annually. After completion of studies, or abandonment, the interest on outstanding loans is increased to 6% annually.

The repayment of the loans and the collection of the interest by INDE have not been as satisfactory as originally planned. To date, 13 students have fully

repaid their loans plus interest. Another 35 are paying on loans. Twelve students, since 1967, have defaulted on their loans, and at present EDUCREDITO personnel has lost contact with 47 loan recipients.

D. GENERAL SUMMARY OF THE PROJECT'S EFFECTIVENESS

Within the 1970 school year total of 178 loans, 42 are new, 123 are renewals, and 13 with funds directly from the Central American University, have been authorized. Within the total, 78 students are studying at the Central American University, 75 at the National Autonomous University of Nicaragua, 2 at the National School of Agriculture, 6 at the Institute of Public Accounting, and 17 students are studying abroad. With the exception of two students at UNAN, (U.S. and Mexico) all are undergraduates. The total value of loans authorized in 1970, is \$46,230, and to students overseas, \$13,828, making a 1970 portfolio of \$60,058. The total loan portfolio of EDUCREDITO is now \$218,442.

In general, this project has been very successful in that it has assisted many to obtain advanced education, who otherwise would have been denied the opportunity because a lack of resources. As in many parts of the world, education in Nicaragua has often been thought of as a luxury to be enjoyed only by the wealthy. However, through this project, education in Nicaragua has undergone a "democratization".

Because of this project, the trained manpower pool of the country has been expanded, especially in many areas of critical occupational needs. The training of Nicaragua's youth is part of USAID/N's program goal of assisting in the diversification of the national economy, since that goal is dependent on the mobilization of trained and capable human resources within Nicaragua. However, both the successes achieved and the future effectiveness leave room for improvement. It is generally up to the implementing agent, INDE, to better utilize the resources available.

E. NARRATION ON THE PERFORMANCE OF THE IMPLEMENTING AGENT:

A USAID Regional Audit was conducted on this project, and the results were released by ROCAP in November, 1969. It was basically directed at the implementing agent, INDE, who has corrected identified deficiencies. Included were suggestions for the tightening up of the candidates selection process as well as the system for the collection of loan repayments. The audit also recommended that the number of loans to first-year students be reduced. EDUCREDITO has complied by reducing the number of first-year loans from 57% of the total in 1968, to just over 9% of the loans authorized for the 1970 academic year. INDE is now fully recognized as an established institution capable of administering a variety of Nicaraguan development projects. It has developed

ties with the International Development Bank and the Pan-American Credit Association, partly as a result of its logical, realistic, and practical approach to community and human resource development in Nicaragua. This international recognition of INDE and its administrative capabilities will have far reaching effects for international assistance in the future social and economic development of Nicaragua.

In the EDUCREDITO program, INDE has created an outstanding working relationship with the Nicaraguan institutions of higher learning. In addition, EDUCREDITO has developed a good reputation with the general Nicaraguan public, and especially with the students themselves. The number of loan applications have been roughly one-half more than can be assisted. These applications are screened and reviewed by the applications selection committee of EDUCREDITO. The respect and faith shown by the universities is exhibited in the fact that students attending the National Autonomous University collected over \$4,000 from the student body and turned the money over to INDE-EDUCREDITO to capitalize the loan fund. Similarly, the Central American University presently gives over 80% of its private scholarship funds, roughly \$2,500 per year, to EDUCREDITO to be administered through the EDUCREDITO project in the form of loans. These programs are in addition to the original loan-fund scholarship program of EDUCREDITO, which was originally established to complement the scholarship programs already existing at Nicaraguan institutions of higher learning.

In spite of the successes of EDUCREDITO, the institution itself has been somewhat slow in following through on all conditions prescribed in the project agreement with USAID. To date, the program has been geared primarily to an examination of the needs of applicants, rather than the overall needs of the country. As there is no national educational plan, this cannot be avoided. Another difficulty in the general operations of the project has been the inability of EDUCREDITO to fully raise the amount of money from the private sector as projected in the original planning. However, EDUCREDITO has begun to concentrate its efforts on obtaining assistance in the form of loans from various international development institutions, as a means of filling the void caused by insufficient local contributions.

F. SPECIFIC KEY PERFORMANCE FACTORS AFFECTING THE PROJECT'S PERFORMANCE:

INDE now has full-time personnel devoted to servicing student loan applications, interviews, and periodic reviews of each applicants' progress. An active and effective loan approval committee has been established and is fully operative. There are also full-time personnel working on the fund raising program, but INDE indicates that it believes that the Nicaraguan private sector contributions to this education loan fund have reached nearly all sources, and the annual contributions have levelled off at about \$25,000

per year. This will make it difficult to expand the program much beyond its present capacity, especially if previously made loans are not repaid on time. At present, the "revolving fund" is considerably short of its anticipated funding level. INDE also has recognized the difficulties in its present student selection procedures. This is to be corrected by attempting to include as one of its selection criteria the developmental needs of Nicaragua for skilled and professional personnel. This effort will remain limited however, as long as the GON does not have either an overall development plan or a national manpower requirement plan.

G. PROGRAM IMPLICATIONS:

EDUCREDITO will undertake a total re-evaluation of the present policies of the institute, and plans to decrease the net total of actual loans, which will allow an increase in the size of each loan per student. Presently, the average loan amounts to about \$280 per student per year. The loans to students studying abroad is considerably higher, about \$810 per student per year. This basic change of policy allows a more suitable system geared toward national needs, in addition to assisting the more needy students. This in turn provides a higher rate of loan repayments, since full scholarship loans may lower the overall drop-out rate of loan recipients.

FY-1972 is currently seen as the final year of US funding obligation. Under existing circumstances, the termination of US support will seriously curtail EDUCREDITO loans, especially since the decrease of US funding was made in anticipation of a growing financial input by the Nicaraguan private sector. As a realistic alternative, INDE is exploring the possibility of obtaining support when US assistance terminates, from IDB, local banks and/or GON. The concept and basic structure of the project are sound and of great advantage to Nicaragua. The need for an even stronger program increases with the years.

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